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Director

February 13, 2012

Office of the Comptroller of the Currency
250 E Street, SW., Mail Stop 2-3
Washington, DC 20219
Docket ID OCC-2011-14; RIN 1557-AD44

Board of Governors of the
Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551
Attn: Jennifer J. Johnson, Secretary
Docket No. R-1432; RIN 7100-AD82

Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429
Attn: Comments
Robert E. Feldman, Executive Secretary
RIN No. 3064-AD85

Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090
Attn: Elizabeth M. Murphy, Secretary
Release No. 34-65545; File No. S7-41-11; RIN 3235-AL07

Re: Restrictions on Proprietary Trading and Certain Interests in, and Relationships with, Hedge Funds and Private Equity Funds

Ladies and Gentlemen:

The City of New York (the "City") submits this letter in response to the requests for comments from the addressees of this letter (the "Agencies") on the above-referenced proposal (the "Volker Proposal"). In particular, we are addressing the Agencies' question number 120 in the Volker Proposal. We appreciate the opportunity to comment on the Volker Proposal and hope that our comments will be helpful to the Agencies.

The City, through its general obligation bonds and bonds of City-related issuers, issues over $6 billion of municipal bonds each year to finance its capital program, making it one of the largest (if not the largest) issuers of municipal bonds in the United States. The City and its two primary financing entities expect to issue about $32 billion of bonds during the City's 2012 through 2016 fiscal years to support its current capital program. Approximately 40% of our total borrowing is done through the issuance of general obligation bonds by the City, a municipal corporation and political subdivision of the State of New York (the "State"). The remainder of the City's capital program is financed through the issuance of bonds by the New York City Transitional Finance Authority (the "TFA"), a corporate governmental agency constituting a public benefit corporation and an instrumentality of the State, and the New York City Municipal Water Finance Authority ("NYW"), a body corporate and politic constituting a public benefit corporation. The TFA and NYW were created by the State legislature at the request of the City to provide financing vehicles in addition to City debt for the City's capital program, have governing boards comprised solely (in the case of the TFA) or largely (in the case of NYW) of City ex officio members, and are staffed by the same City employees who direct the City's general obligation financing program. All three of the City's primary credits have credit ratings in the double-A category or higher, and senior lien bonds issued by NYW and TFA, which have no operating responsibilities or significant liabilities other than their outstanding bonds, are more highly rated than the City's general obligation bonds.

Given the size of the City's capital program and the concomitant financing needs, the City has a compelling interest in the proper functioning of the municipal securities market. The City's total debt service, which includes debt service on City, TFA and NYW bonds, as well as certain conduit issuers, is projected at approximately $7 billion in fiscal year 2012, growing to about $9.5 billion by fiscal year 2016. Over the past several years, the City has cut City agency discretionary spending eleven times, resulting in spending reductions which will amount to over $6 billion annually by fiscal year 2013, and is facing multi-billion dollar budget gaps in the upcoming fiscal years. Therefore, keeping these non-discretionary debt service costs as low as possible is crucial to the City's ongoing fiscal health and its ability to continue delivering the wide range of services that it provides for its residents.

The City believes that the market making activities of municipal securities dealers, the largest of which would be subject to the Volker Proposal, provide an important source of liquidity for investors in its bonds and the bonds of its related financing entities. Moreover, since the municipal securities market is an over-the-counter market, those activities contribute to price transparency and efficiency in the market, benefitting investors and issuers alike. Restrictions on dealers' ability to trade and make markets in municipal bonds would reduce the liquidity and efficiency of the municipal bond market, result in increased price volatility and drive up debt service costs of the City and other municipalities, as investors demand higher yields to protect themselves against illiquidity and volatility.

In apparent recognition of the relative safety of certain types of securities, section 13(d)(1)(A) of the Bank Holding Company Act permits banking entities to engage in the proprietary trading of certain types of government securities, including securities of States and political subdivisions thereof. The Agencies are proposing to interpret the statutory exemption to exclude the securities of State and local agencies. This narrow interpretation of the statutory term "political subdivision" would prohibit banking entities from trading in NYW and TFA bonds, while exempting bonds of the City, a political subdivision of the State, from its restrictions. As noted above, NYW and TFA are authorities created under State law to assist the City in financing its capital program and have credits at least as strong as the City's general obligation credit. It simply makes no sense to permit proprietary trading in City debt while prohibiting it in TFA and NYW debt.

A large portion of the municipal securities market is comprised of debt of "agencies" of States and political subdivisions. To bifurcate this market between States and political subdivisions, on the one hand, and their "agencies", on the other, would not further the goal of protecting the soundness and financial stability of banking entities but would pose a substantial risk of impairing the efficiency of the market, reducing liquidity for holders of municipal bonds and increasing the financing costs of States and localities at a time when many are struggling with the lingering effects of the Great Recession.

Municipal securities are among the safest securities in the United States' capital markets, with very low default rates. We urge the Agencies to interpret "political subdivisions" in a way consistent with the definition of "municipal securities" under the Securities and Exchange Act of 1934, which we believe would be consistent with the statutory language, would further the statutory intent and would avoid an unintended disruption of the municipal securities market leading to increased debt service burdens on States and local governments.

Thank you for the opportunity to comment on this important issue.

Yours truly,

Mark Page