Government Finance Officers Association
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February 22, 2011

David A. Stawick, Secretary
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, D.C. 20581

Elizabeth M. Murphy, Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-1090

RE: Proposed Rules for End-User Exception to Mandatory Clearing of Swaps
CFTC File: RIN 3038-AD10 and SEC File No. S7-43-10

Dear Mr. Stawick and Ms. Murphy:

The Government Finance Officers Association (GFOA) is the professional association of state, provincial and local finance officers in the United States and Canada. The GFOA has served the public finance profession since 1906 and continues to provide leadership to the government finance profession through research, education and the development of best practices. Our more than 17,000 members are dedicated to the sound management of government financial resources.

We are writing with serious concern about the proposed rule on the commercial end user exception from mandatory clearing requirements and the impact this could have on the municipal securities market, and state and local governments.

The GFOA has long supported the regulation of the derivatives market, swap advisors, and swap brokers. We are pleased that these provisions are included in the Dodd-Frank Act (the "ACT"). However, as drafted, these proposed rules could hamper those governments that have outstanding derivative contracts, as well as those governments that properly use these financial instruments and are well equipped to understand them.

We believe that it is imperative to ensure that the end user exception from the mandatory clearing requirement applies to swaps involving state or local governments or government agencies or authorities as end users. The rules need to be further clarified to ensure that the margin requirements related to uncleared swaps under the Act do not apply to swaps involving state and local governments and agencies and authorities. Governments would be unable or are prohibited from posting collateral or margin on these contracts, which could significantly disrupt those contracts that are currently outstanding and may need to be restructured in the future. Furthermore, state and local governments are not financial entities, but rather most commonly enter into derivative contracts to achieve interest rate savings related to bond

issuances. In essence they hedge or mitigate commercial risk, which qualifies these transactions as part of the end user exception. Additionally, the proposed rules should specify that swaps that meet the criteria of the Governmental Accounting Standards Board ("GASB") Statement No. 53, Accounting and Financial Reporting for Derivative instruments (or successor GASB guidance), meet the qualification for a hedging transaction and so are included in the end-user exception.

Unlike certain transactions in the private sector, there is not a boilerplate arrangement for the swap transactions of state and local governments – each are unique contracts tailored to unique sets of circumstances. These contracts are usually executed within the realm of relevant state and local laws governing these transactions. A federal pre-emption of these laws, where posting margin or collateral would be required, would be very disruptive to this market.

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

Sincerely,

Susan Gaffney
Director, Federal Liaison Center