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January 31, 2012

BY ELECTRONIC MAIL

Ms. Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551
regs.comments@federalreserve.gov

Mr. Robert E. Feldman
Executive Secretary
Attention: Comments
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429
comments@fdic.gov

Office of the Comptroller of the Currency
250 E Street, SW, Mail Stop 2-3
Washington, DC 20219
regs.comments@occ.treas.gov

Ms. Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090
rule-comments@sec.gov

Dear Ladies and Gentlemen:

Re: Restrictions on Proprietary Trading – Exemption for Proprietary Trading in the Obligations of Foreign Governments

The Province of Ontario, a Canadian provincial government borrower, appreciates the opportunity to comment on the proposed Volcker Rule issued jointly by the U.S. Federal Reserve Board, Office of the Controller of the Currency, FDIC and SEC (the "Agencies").

Ontario is supportive of financial sector reforms which aim to reduce risks and enhance the safety and soundness of the U.S. financial system. Ontario applauds the tremendous amount of work being done by the Agencies to avoid a repeat of the 2008-2009 financial crisis. However, Ontario is very concerned about the potential impact of the Volcker Rule on its domestic and U.S. borrowing needs and the constraining effect the proposed Rule may have on the businesses of banks in providing liquidity and capital for governments and corporations in Canada.

Background

As Canada's largest and most active provincial government borrower, Ontario has a long-term public borrowing requirement of $35 billion for fiscal 2011-12 and $37.2 billion for fiscal 2012-13. In the past two weeks, Ontario borrowed $2.6 billion dollars in the domestic bond market. The Volcker Rule, in its current form, will make it more difficult and expensive for the Government of Canada and for Canadian provinces to borrow money at a time when greater access to capital is needed to fund deficits and refinance existing debt.

Ontario is a frequent issuer in the U.S. market. Specifically, Ontario maintains a U.S. Commercial Paper Program for short-term funding needs, a U.S. Medium-Term Note Program and issues Global Bonds to U.S. and international investors for long-term funding needs. Year-to-date, approximately U.S. $2.6 billion of Ontario's Global Bonds sold in 2011-12 were purchased by U.S. investors.

Ontario's Concerns

Under the proposed Volcker Rule, Canadian banks with branches or affiliates in the U.S. may be prevented from purchasing Canadian federal and provincial government bonds for their own account, thereby reducing Ontario's access to capital. Also, the restrictions on proprietary trading will negatively affect the liquidity for Canadian federal and provincial government bonds in the secondary market, and increase costs for Ontario, banking entities and for investors who buy Ontario's bonds.

Unimpeded access to capital markets is critical to Ontario as a government borrower because of its reliance on both domestic and U.S capital markets' participants as a source of funding and liquidity. Ontario is also concerned about the possible extra-territorial reach of the proposed Rule.

The present draft of the Volcker Rule contains an exemption for U.S. Treasury and municipal bonds which has not been extended to other foreign government obligations. This has implications for Canadian banks operating in the U.S. or with U.S. affiliates who will be limited in terms of their ability to buy and trade Ontario's bonds.

A significant percentage of the banks with which Ontario conducts business in the U.S. are affiliates of Canadian banks or banks whose parent is located outside of the U.S. These banks rely on continued access to foreign government bonds to optimize their portfolios, effectively manage their balance sheets and play a crucial role in Canadian government bond market-making domestically and abroad. It is important to Ontario that these banks not be adversely affected by the Volcker Rule so as not to limit Ontario's ability to sell bonds or increase Ontario's borrowing costs.

Conclusion: Exemption for Foreign Government Bonds

In order to avoid causing any disruptions to Ontario's borrowing activities, Ontario strongly believes that the Agencies should adopt an exemption for Canadian government obligations and their political subdivisions under the Volcker Rule.

This exemption should apply to short-term and long-term government debt and cover both U.S. and non-U.S. banking entities on a consistent basis.

The Canadian federal and provincial government fixed income market is not traditionally considered to be a high-risk market and provides a mechanism for long-term funding of public expenditures and debt financing.

Given the prudent approach of Canadian federal and provincial governments in managing their finances and Canada's global reputation as a country with a strong banking sector, Ontario does not consider that an exemption for Government of Canada and Canadian provincial debt would jeopardize the soundness of U.S. banking entities or the financial stability of the U.S. Such an exemption would ensure Ontario's ability to successfully complete its annual borrowing requirements and the continued efficiency of capital markets.

Yours truly,

Gadi Mayman
Chief Executive Officer
Ontario Financing Authority