

Coalition for Derivatives End-Users

June 19, 2014

The Honorable Frank D. Lucas
Chairman
Committee on Agriculture
U.S. House of Representatives
Washington, DC 20515

The Honorable Collin C. Peterson
Ranking Member
Committee on Agriculture
U.S. House of Representatives
Washington, DC 20515

Re: End-User Support for Adding Derivatives End-User Bills to the Commodity Futures Trading Commission Reauthorization Bill

Dear Chairman Lucas and Ranking Member Peterson:

The Coalition for Derivatives End-Users thanks you and the other members of the Committee on Agriculture for incorporating language into H.R. 4413 that would protect derivatives end-users from harmful and unnecessary margin and clearing requirements. H.R. 4413, the “Customer Protection and End-User Relief Act,” would reauthorize the Commodity Futures Trading Commission (“CFTC”) and was approved in your Committee by voice vote on April 9, 2014. The Coalition strongly supports your bill and hopes that it will pass the House on a bipartisan basis.

Your bill incorporates H.R. 634, the “Business Risk Mitigation and Price Stabilization Act of 2013,” which would ensure that non-financial derivatives end-users are not subject to unnecessary margin requirements. This bill passed the House of Representatives last year 411-12. Your bill also incorporates key provisions of H.R. 677, the “Inter-Affiliate Swap Clarification Act,” which was reported favorably out of both the House Financial Services and House Agriculture Committees last year. These provisions would exempt certain swaps with centralized treasury units (“CTUs”) of non-financial end-users from clearing requirements.

A recent Coalition survey of chief financial officers and corporate treasurers, released on March 26, 2014, underscores the urgent need for the end-user provisions contained in your reauthorization bill. The survey found that 86 percent of respondents indicated that fully collateralizing over-the-counter derivatives would adversely impact business investment, acquisitions, research & development, and job creation.

Nearly half of our survey respondents use CTUs to execute OTC derivatives. The CFTC has issued no-action relief so that some end-users that employ CTUs may avail themselves of the clearing exception. However, our survey found that of those respondents that utilize a CTU structure, 69 percent do not qualify for the CFTC’s no-action relief or are unsure about whether they could rely on the relief.

We thank you for your efforts to address the concerns of derivatives end-users. Throughout the legislative process, the Coalition has supported efforts to increase transparency in the derivatives markets and enhance financial stability for the U.S. economy through thoughtful new regulation while avoiding needless costs. Your bill would help end-users to focus their efforts and capital less on needless regulation and more on innovation, growth, and job creation.

Sincerely,

Agricultural Retailers Association
Business Roundtable
Financial Executives International
National Association of Corporate Treasurers
National Association of Manufacturers
U.S. Chamber of Commerce

cc: Members of the U.S. House of Representatives