Coalition for Derivatives End-Users

Contacts:
U.S. Chamber, Bryan Goettel 202-463-5682
BRT, Kirk Monroe 202-496 3269
NAREIT, Ron Kuykendall 202-739-9400
FEI, Liliana DeVita 973-765-1021
RER, Xenia Jowyx 202-639-8400

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Coalition for Derivatives End-Users Statement on Release of Proposed Rules on Margin

WASHINGTON, D.C.— The Coalition for Derivatives End-Users released the following statement responding to proposed rules on margin issued by the Commodity Futures Trading Commission (CFTC) and the Federal Deposit Insurance Corporation (FDIC) on behalf of the prudential regulators:

"We appreciate the important steps the CFTC has taken to honor the intent of the Dodd-Frank Act by not imposing margin on certain end-user transactions. We also appreciate the efforts of Senators Johnson, Stabenow and Johanns, Representatives Bachus, Lucas, Frank and Grimm, and many others, for their advocacy on behalf of the end-user community.

"Our efforts, however, are not complete. Under the rules proposed by the prudential banking regulators, margin requirements will apply to *all* end-user transactions that exceed a credit threshold. And under both the CFTC and the prudential regulators' rules, regulators will impose margin on several categories of end-user trades, including transactions designed to manage risks associated with pension plans, insurance products and certain types of business financing.

"Despite the clear legislative history to the contrary, the regulators continue to misinterpret the Dodd-Frank Act as giving them authority to impose margin requirements on end-users. This misinterpretation exposes end-users to margin requirements that Congress did not intend regulators to impose, and the economy to the harm associated with these new requirements.

"As a result, the Coalition will continue to work with the regulators and both parties in Congress to ensure that margin requirements do not divert working capital from productive uses at the costs of economic growth and jobs, or send a vibrant, secure swaps market overseas."