

# Coalition for Derivatives End-Users

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June 11, 2013

U.S. House of Representatives  
Washington, DC 20515

***Re: End-User Support for H.R. 634 to Protect Derivatives End-Users from Unnecessary Margin Requirements and for H.R. 677 to Preserve Central Hedging and Prevent Unnecessary Regulation of Inter-Affiliate Swaps***

Dear Representative:

The undersigned companies and organizations that employ derivatives to manage risk—write in strong support of H.R. 634, the *Business Risk Mitigation and Price Stabilization Act of 2013*, and H.R. 677, the *Inter-Affiliate Swap Clarification Act*. These two vital bills would help prevent unnecessary and harmful regulation of derivatives end-users and preserve jobs.

H.R. 634 would ensure that regulators would not impose unnecessary margin requirements on many end-users. In approving the Dodd-Frank Act, Congress made clear that end-users were not to be subject to margin requirements. Nonetheless, regulations proposed by the Prudential Banking Regulators could require end-users to post margin. While the regulations proposed by the Commodity Futures Trading Commission (the “Commission”) are preferable to the regulations proposed by the Prudential Banking Regulators, the Commission’s regulations do not provide end-users with the predictability and assurance that H.R. 634 provides. According to a Coalition survey, a 3% initial margin requirement could reduce capital spending by as much as \$5.1 to \$6.7 billion among S&P 500 companies alone and cost 100,000 to 120,000 jobs. We need Congress to step in and clarify that end-users will continue to have the ability to manage risk without the threat of having unnecessary initial and variation margin requirements imposed on them. In short, we need this bill. In the 112th Congress, an identical bill (H.R. 2682) received overwhelming bipartisan support when it passed the House on March 26, 2012. This year’s version of the bill was ordered reported by the House Agriculture Committee by unanimous voice vote and by the House Committee on Financial Services by a vote of 59-0.

H.R. 677 would prevent certain internal, inter-affiliate trades from being subject to regulatory burdens that were designed to be applied only to certain street-facing swaps. It also would prevent regulators from denying non-financial companies use of the end-user clearing exemption because they have chosen to hedge their risk in an efficient, highly-effective and risk-reducing way – through the use of centralized treasury units. Regulators have proposed a clearing exemption for inter-affiliate trades, but it would impose unreasonable conditions on financial end-users and would not address the centralized hedging unit problem. The Coalition believes that regulation of inter-affiliate trades should square with a simple economic reality: internal trades do not increase systemic risk. Thus, imposing requirements that are designed to address systemic risk on inter-affiliate trades would create costs without a corresponding benefit, placing substantial burdens on end-users and consumers and increasing costs to the economy. H.R. 677 also includes language that ensures bank swap dealers and major swap participants would not be able to take advantage of the clearing exemption in the bill that is intended for end-users only. The House Committee on Agriculture ordered the bill reported by

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unanimous voice vote and the House Committee on Financial Services approved the measure by a vote of 50-10. Last year's version of the bill received overwhelming bipartisan support when it passed the House on March 26, 2012.

Throughout the legislative and regulatory processes surrounding the Dodd-Frank Act, the Coalition has advocated for strong regulation that brings transparency to the derivatives market and imposes thoughtful new regulatory standards that enhance financial stability while avoiding needless costs. The Coalition encourages you to support these bipartisan bills when they are voted on in the U.S. House of Representatives and ensure that new regulations do not impede innovation, U.S. competitiveness or job growth.

Sincerely,

Air Products & Chemicals, Inc.	Allentown, PA
Ameren Corporation	St. Louis, MO
American Honda Finance Corporation	Torrance, CA
Apache Corporation	Houston, TX
Bayer Corporation	Pittsburgh, PA
Blyth, Inc.	Greenwich, CT
BP America Inc.	Houston, TX
Business Roundtable	Washington, DC
Cargill	Minneapolis, MN
Caterpillar Inc.	Peoria, IL
Daimler North America Corporation	Montvale, NJ
Deere & Company	Moline, IL
DuPont Co.	Wilmington, DE
DuPont Fabros Technology	Washington, DC
Eaton	Cleveland, OH
Edison Electric Institute	Washington, DC
Eli Lilly and Company	Indianapolis, IN
EnerVest, Ltd.	Houston, TX
EV Energy Partners	Houston, TX
Exelon Corporation	Chicago, IL
Financial Executives International	Morristown, NJ
FMC Corporation	Philadelphia, PA
Ford Motor Company	Dearborn, MI
GE	Fairfield, CT
General Motors Company	Detroit, MI
Hallmark Cards, Inc.	Kansas City, MO
Hardinge Inc.	Elmira, NY
HCA	Nashville, TN
Health Care REIT	Toledo, OH
Helen of Troy, L.P.	El Paso, TX
Hercules Offshore Inc.	Houston, TX

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Hersha Hospitality Trust	Harrisburg, PA
Honeywell International	Morristown, NJ
IBM Corporation	Armonk, NY
Independent Petroleum Association of America	Washington, DC
Johnson Controls, Inc.	Milwaukee, WI
Lockheed Martin Corporation	Bethesda, MD
MAHLE Industries, Incorporated	Farmington Hills, MI
Mars, Incorporated	McLean, VA
McDonald's	Oak Brook, IL
Medtronic, Inc.	Minneapolis, MN
Merck	Whitehouse Station, NJ
MillerCoors	Chicago, IL
Motor & Equipment Manufacturers Association	Washington, DC
National Association of Corporate Treasurers	Reston, VA
National Association of Manufacturers	Washington, DC
National Gypsum Company	Charlotte, NC
Nielsen	Wilton, CT
Peabody Energy	St. Louis, MO
Sealed Air Corporation	Elmwood Park, NJ
Siemens Capital Company LLC	Iselin, NJ
Simon Property Group	Indianapolis, IN
The Boeing Company	Chicago, IL
The Coca-Cola Company	Atlanta, GA
The Dow Chemical Company	Midland, MI
The JBG Companies	Chevy Chase, MD
The Procter & Gamble Company	Cincinnati, OH
Time Warner Inc.	New York, NY
U.S. Chamber of Commerce	Washington, DC
United Launch Alliance	Centennial, CO
United Technologies Corporation	Hartford, CT
Volvo Group North America	Greensboro, NC
Whirlpool Corporation	Benton Harbor, MI
Zimmer, Inc.	Warsaw, IN