

Coalition for Derivatives End-Users

End-Users Employ Centralized Treasury Units as a “Best Practice”

- “Many companies employ centralized treasury units so that they have a single or small number of entities transacting with swap dealer counterparties. These ‘CTUs’ allow companies to centralize their expertise, net down the types and number of external facing trades, and achieve better pricing. The problem is, this treasury ‘best practice’ can deny a company the end-user clearing exception because a CTU could be considered a financial entity, even if it is an affiliate of a purely non-financial end-user.” – *Jim Colby, Assistant Treasurer, Honeywell International Inc., Testimony before the U.S. Senate Committee on Agriculture, Nutrition & Forestry, “Reauthorization of the Commodity Futures Trading Commission” (July 17, 2013)* [[PDF](#)]
- “Treasurers of non-financial end-users who operate centralized treasury units that serve the risk-mitigating function of aggregating exposures on the books of a special-purpose subsidiary within their corporate group, netting the inter-affiliate exposures, and then entering into smaller derivatives with a bank or other swap dealer for the net amounts, could have to wind down those efficient units or meet burdensome new regulatory requirements that will be hard to justify. The remaining alternative would be to retain more risk because hedging would no longer be cost effective.” – *Thomas C. Deas, Jr., Vice President & Treasurer, FMC Corporation, Hearing before the Subcommittee on Capital Markets and Government Sponsored Enterprises – House Committee on Financial Services, “Legislative Proposals Regarding Derivatives and SEC Economic Analysis” (April 11, 2013).* [[PDF](#)]
- “[M]any end-users—approximately one-quarter of those we surveyed—execute swaps through an affiliate. This of course makes sense, as many companies find it more efficient to manage their risk centrally, to have one affiliate trading in the open market, instead of dozens or hundreds of affiliates making trades in an uncoordinated fashion. Using this type of hedging unit centralizes expertise, allows companies to reduce the number of trades with the street and improves pricing. These advantages led me to centralize the treasury function at Westinghouse while I was there.” – *Testimony of Marie N. Hollein, President & CEO, Financial Executives International, Before the House Committee on Agriculture, “Examining Legislative Improvements to Title VII of the Dodd-Frank Act” (Mar. 14, 2013)* [[PDF](#)]
- “The legislation regarding inter-affiliate trades is necessary to assure end-users that they can continue to employ best practices like utilization of a centralized treasury unit to manage internal and external trading to mitigate risk within a corporate entity” – *Letter from National Association of Manufacturers to the U.S. Senate Committee on Agriculture, Nutrition & Forestry (April 26, 2013)* [[PDF](#)]
- “Many energy companies structure their businesses so that a single legal entity within the corporate family acts as a central hedging, trading and marketing entity – allowing companies to centralize functions such as credit and risk management.” – *Richard McMahon, Edison Electric Institute, Before the Subcommittee on General Farm Commodities and Risk Management, House Committee on Agriculture (July 24, 2013)* [[PDF](#)]