

Coalition for Derivatives End-Users

November 13, 2015

Re: End-User Support for Passage of the Moore-Stivers-Fudge-Gibson End-User bill, H.R. 1317

TO THE MEMBERS OF THE U.S. HOUSE OF REPRESENTATIVES:

The Coalition for Derivatives End-Users represents the views of main street companies that use derivatives to hedge and manage risks associated with their businesses. Hundreds of companies and business associations have been active in the Coalition, seeking strong, effective and fair regulation of derivatives markets that brings transparency and mitigates the risk of another systemic collapse while not unduly burdening American businesses and harming job growth. The Coalition strongly supports the passage of H.R. 1317, which clarifies that certain swap transactions with centralized treasury units (“CTUs”) of non-financial end-users are exempt from clearing requirements.

This narrowly-tailored, bipartisan bill will provide much-needed relief and fix a language glitch in the Dodd-Frank Act that denies some end-users the clearing exception that Congress passed specifically for them. The bill was approved in July by the House Financial Services Committee, 57-0, and in September by the House Agriculture Committee by unanimous voice vote.

While we appreciate that the Commodity Futures Trading Commission has issued no-action relief allowing some end-users to utilize the clearing exemption, the relief does not fix the problematic language in the Dodd-Frank Act. The current Dodd-Frank language, which also is referenced in regulatory proposals on margin, places corporate boards in the difficult position of approving decisions not to clear trades despite the exemption technically not applying.

It also is important to note that international regulators often look to U.S. laws and regulations – not no-action letters – when developing their regulations. Unless we fix the underlying problem in the Dodd-Frank Act language, our denial of clearing relief to end-users with CTUs may be propagated overseas.

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 that does not impose needless costs. The language in the bill would provide certainty and help end-users focus their efforts on innovation, growth and job creation. We urge your support for H.R. 1317.

Sincerely,

Coalition for Derivatives End-Users