

Coalition for Derivatives End-Users

February 14, 2013

The Honorable Steve Stivers
U.S. House of Representatives
1022 Longworth House Office Building
Washington, DC 20515

The Honorable Marcia Fudge
U.S. House of Representatives
2344 Rayburn House Office Building
Washington, DC 20515

The Honorable Chris Gibson
U.S. House of Representatives
1708 Longworth House Office Building
Washington, DC 20515

The Honorable Gwen Moore
U.S. House of Representatives
2245 Rayburn House Office Building
Washington, DC 20515

Re: End-User Support for the Stivers-Fudge-Gibson-Moore bill to Protect Derivatives End-Users from Unnecessary Inter-Affiliate Swap Requirements and Preserve Central Hedging

Dear Representatives Stivers, Fudge, Gibson and Moore:

The undersigned organizations—representing hundreds of end-user companies—write in support of your bill to help prevent unnecessary and harmful regulation of derivatives end-users and preserve jobs. Your bill would ensure that regulators do not impose unnecessary requirements on certain inter-affiliate swaps and ensure that end-users are not penalized for using central hedging centers to manage their commercial risk.

Your bill 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. Regulators have proposed an exemption but would condition it with requirements that could exclude many internal end-user trades. In contrast, 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. We are also appreciative of the language in the bill that would ensure end-users will not face additional regulatory burdens for using central treasury hedging centers to manage their risk. With new regulations becoming effective within months, companies are facing the unfortunate choice of limiting their risk-mitigation through derivatives or dismantling their hedging centers and proceeding with a less effective and efficient option for executing trades.

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 appreciates very much your bipartisan, legislative efforts to focus regulation where it is needed most by removing the burden where it will cause only harm.

Sincerely,

Agricultural Retailers Association
Business Roundtable
Commodity Markets Council
Financial Executives International

National Association of Corporate Treasurers
National Association of Manufacturers
U.S. Chamber of Commerce