# Coalition for Derivatives End-Users

February 4, 2011

***Please Support Bipartisan Letter to Prevent Job Loss***

***Due to Onerous Derivatives Regulation***

**Deadline to Sign: C.O.B. Monday, February 7, 2011**

TO THE MEMBERS OF THE UNITED STATES SENATE:

On behalf of the Coalition for Derivatives End-Users ("Coalition"), we ask that you please consider co-signing a letter drafted by Senator Mike Johanns asking regulators to implement the derivatives title of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act") in a careful, thoughtful way.

We are very appreciative that Senators Cochran, Crapo, Hutchison, Johnson (WI), Kohl, Tester, and Wicker have agreed to join Senator Johanns in sending the letter to financial regulators.

The Coalition represents the views of companies that employ derivatives primarily to manage risks associated with their businesses. More than 270 companies and business associations have joined the Coalition in 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 letter calls upon regulators to follow the text of and intent behind the Dodd-Frank Act by, among other things:

- Not imposing margin requirements on end-user companies that engage in swaps transactions to manage risk;

- Preserving the legitimate expectations of companies by not imposing margin requirements on the derivatives contracts entered into before the Dodd-Frank Act's effective date; and

- Avoiding the creation of rigid and expensive trading requirements that could cause companies to needlessly retain more risk or to seek more efficient risk management markets overseas.

A Business Roundtable survey from last year demonstrated that the imposition of a 3% initial margin requirement on S&P 500 companies alone would drain $269 million in liquidity per company and could reduce capital spending by $5 to $6 billion per year, causing a loss of

**<u>100,0000 to 120,000 jobs</u>**.[1] Expanding this data to include non-S&P 500 companies and to account for variation margin requirements would substantially increase job losses.

Financial regulators are working diligently to implement their mandates under the Dodd-Frank Act. However, in their haste to meet aggressive timelines, the regulators risk harming thousands of Main Street businesses and jeopardizing their ability to prudently manage risks.

While we recognize the need to move quickly to address the problems revealed by the financial crisis, it is critical that this reform effort does not harm the parts of this market that work well. It is also critical that the companies and others most affected by these regulations be given the opportunity, and time, to meaningfully participate in what is a fundamental reshaping of our derivatives markets.

Senator Johanns' letter sends the right message to regulators; that they should proceed carefully, respect congressional intent, allow sufficient time for implementation, and not hamper economic growth by needlessly draining companies of working capital that should instead be utilized for investment and job creation.

Your support for this letter is appreciated. If you are interested in signing, please have your staff contact Kristen Fallon with Senator Johanns at 224-4224, by close of business on Monday, February 7, 2011.

Sincerely,

Agricultural Retailers Association
American Petroleum Institute
Business Roundtable
Financial Executives International
National Association of Corporate Treasurers
National Association of Manufacturers
National Association of Real Estate Investment Trusts
The Real Estate Roundtable
U.S. Chamber of Commerce

[1] *See* Business Roundtable survey, *available at* http://www.businessroundtable.org/publication/analysis_business_roundtable%E2%80%99s_survey_overthecounter_derivatives, at 2.