Coalition for Derivatives End-Users

Support for S. 888

the Johanns-Tester-Blunt-Crapo-Donnelly-Hagan-Heitkamp-Klobuchar-Moran-Shelby-Toomey-Warner bill to provide end-user exemptions from certain margin provisions of the Dodd-Frank Act

- Ensures that regulators do not impose margin requirements on non-financial end-users.
  - → Entities that meet the existing criteria set forth in Dodd-Frank to be exempted from clearing requirements would also be exempt from margin requirements.
- Identical to H.R. 634, the Grimm-Peters-Scott-McIntyre Business Risk Mitigation and Stabilization Act of 2013 which:
  - → Was reported to the House in the 113th Congress 59-0 by the House Financial Services Committee and by unanimous voice vote in the House Ariculture Committees.
  - → Passed the House in the 113th Congress 411-12 and no member spoke against the bill during floor debate.
  - → During the House Financial Services Committee mark-up of the bill in the 112th Congress, Cong. Waters stated that "*[s]ince we have bipartisan support for this bill and since Representative Frank and Representative Peterson had a colloquy on the floor consistent with this bill clarifying the end user exemption when the Dodd-Frank conference report was adopted by the House, I think there is no question that this bill should be passed and I certainly support it*."
- Congressional intent was clear on this point when it passed Dodd-Frank—end-users would not be subject to margin requirements. Nonetheless, regulations proposed by the Prudential Regulators and, to a lesser extent, the CFTC could require end-users to post margin (or leave open the possibility that end-users will be required to post margin in the future).
- According to a Coalition survey, a 3% initial margin requirement could funnel cash away from productive commercial use—as much as $5.1 to $6.7 billion among S&P 500 companies alone—costing 100,000 jobs or more.
- The bill clarifies 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.
- Should be expanded to exempt trades with financial end-users, which employ derivatives similarly, to manage risk.