Coalition for Derivatives End-Users

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CONTACTS:
For U.S. Chamber: Lisa Belot, 202-463-5416
For BRT: Amanda DeBard, 202-496-3269
For NACT: Tom Deas, 215-299-6921
For NAM: Jamie Hennigan, 202-637-3090
For FEI: Liliana DeVita, 973-765-1021
For CMC: Greg Doud, 202-842-0400
For ARA: Richard Gupton, 202-457-0825

Business Coalition Applauds Congressional Passage of Statutory End-User Margin Exemption

Washington, D.C., January 8, 2015 – Following overwhelming, bipartisan House and Senate passage of a bill (H.R. 26) that includes language exempting commercial companies from having to post margin on their hedging transactions, members of the steering committee of the Coalition for Derivatives End-Users issued the following statements:

"Since the financial crisis much attention has been placed on reducing risk and enhancing economic growth. Ironically**,** certain provisions of the Dodd-Frank Act unnecessarily impose margin and clearing requirements on 'derivatives end-users' that increase risk and stifle economic growth. We applaud the House and Senate's action to reverse one of these provisions," said Michael Ryan, Vice President, Business Roundtable.

"FEI and its Committee on Corporate Treasury are grateful to the House and Senate for providing clarity that Dodd Frank does not and financial regulators cannot impose unnecessary regulatory requirements and costs on the use of derivatives by non-financial end-users. Passage of this bill recognizes that these companies are seeking only to mitigate their business risks and do not contribute to systemic risk," said Robert Kramer, Vice President of Government Affairs, Financial Executives International.

"This legislative relief is welcomed by treasurers across the country. Many of the members of the National Association of Corporate Treasurers serve companies engaged in exports and other international trade. This action brings the U.S. much more in harmony with European and other foreign regulators, reducing the potential for U.S.-based multinational companies to be at a disadvantage compared to their foreign competition. The imposition of mandatory daily cash margin payments would have been a regulatory tax on our companies paid from a direct subtraction of funds that would otherwise have been invested to expand plant and equipment, support higher inventories for increased sales, further research and development of new products, and ultimately create economic expansion generating higher employment," said Thomas Deas, Vice President and Treasurer of FMC Corporation and Immediate-Past Chairman of the National Association of Corporate Treasurers.

"Manufacturers employ derivatives to hedge against fluctuations in commodity prices, currency and interest rates and not to speculate," said Dorothy Coleman, Vice President of Tax and Domestic Economic Policy for the National Association of Manufacturers. "Dodd-Frank did not intend to subject end-users to costly margin requirements on derivatives, and today Congress provided manufacturers with much-needed certainty that they will not face unnecessary margin requirements that could impede job creation and investment."

"After more than 4 years, end users finally have closure. With the passage of this bill, main street companies can breathe a sigh of relief knowing that regulators won't be able to dictate the price and terms of the derivatives they use to manage their business risk," said Jess Sharp, Managing Director, Center for Capital Markets Competitiveness, U.S. Chamber of Commerce.

The Coalition for Derivatives End-Users represents the views of companies that employ derivatives primarily to manage risks associated with their businesses. About 300 companies and business associations have joined the Coalition in seeking strong, effective and fair regulation of derivatives markets that brings transparency and mitigates risks to the financial system while not unduly burdening American businesses and harming job growth. To learn more about the Coalition, please click here.

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