

# Coalition for Derivatives End-Users

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June 8, 2015

***Re: End-User Support for Passage of Derivatives End-User Clarifications in H.R. 2289, the Commodity End-User Relief Act***

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

The Coalition for Derivatives End-Users represents the views of companies that employ derivatives primarily to 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 supports H.R. 2289, the *Commodity End-User Relief Act*, which incorporates vital legislation aimed at protecting derivatives end-users.

In particular, the Coalition strongly supports the bill's inclusion of the language of H.R. 1317, the *Derivatives End-User Clarification Act*, sponsored by Representatives Moore, Stivers, Fudge and Gibson. H.R. 1317 is a narrowly targeted bill providing much-needed clarification that certain swap transactions with centralized treasury units ("CTUs") of non-financial end-users are exempt from clearing requirements and fixes a language glitch in the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") that denies some end-users that employ CTUs the clearing exception that Congress passed specifically for them.

A Coalition survey of chief financial officers and corporate treasurers found that nearly half of the respondents use CTUs to execute over-the-counter derivatives. The Coalition is encouraged that the House of Representatives last year passed this CTU language (H.R. 5471/S. 2976) by voice vote, reflecting the fact that CTUs are a best practice among corporate treasurers and their use should be encouraged, not penalized.

While the Commodity Futures Trading Commission has issued no-action relief allowing some end-users to use the clearing exception, the relief does not fix the problematic language in the Dodd-Frank Act. This language, which also is referenced in regulatory proposals on margin, places corporate boards in the difficult position of approving decisions not to clear trades based on a staff letter indicating that the law will not be enforced against the company.

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

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Throughout the legislative and regulatory process surrounding the Dodd-Frank Act, 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 while avoiding needless costs. We urge you to support the efforts to move this essential clarification in H.R. 2289.

Sincerely,

Coalition for Derivatives End-Users