

# Coalition for Derivatives End-Users

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January 11, 2017

***Re: End-User Support for Passage of Congressman Lucas' Inter-affiliate Swap Transaction Relief in H.R. 238, the Commodity End-User Relief Act***

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

The Coalition for Derivatives End-Users (the “Coalition”)<sup>1</sup> appreciates the House Agriculture Committee’s work on H.R. 238, the Commodity End-User Relief Act, and the House of Representatives’ consideration of the bill this week. The Coalition, in particular, supports Congressman Lucas’ amendment aimed at providing much needed relief to commercial end-users in connection with their use of inter-affiliate swaps, which are an efficient mechanism to transfer risk within a corporate group for centralized risk management. The amendment would appropriately distinguish between inter-affiliate swaps—which are proven and efficient methods of managing a corporate end-user’s internal risks—and those swaps that are executed between two unaffiliated third parties.

Currently, the Commodity Exchange Act (“CEA”) as amended by Title VII of the Dodd-Frank Act Wall Street Reform and Consumer Protection Act (“Dodd-Frank”) and the Commodity Futures Trading Commission (“CFTC”) regulations promulgated under Dodd-Frank indiscriminately apply the full panoply of requirements to commercial end-users’ inter-affiliate swaps in the same manner as external swaps, which are executed by unaffiliated counterparties. While the CFTC has issued final regulations and CFTC staff has issued no-action letters to provide relief to end-users, complying with those regulations and no-action letters is overly complex, burdensome and inefficient. Such additional and unnecessary regulatory burdens result in significant corresponding costs to commercial end-users, consumers of their goods and services and the overall U.S. economy, without any corresponding benefit. Moreover, no action relief, while welcome, does not afford corporate treasurers the certainty that fixing the problem at its statutory root would provide and is troublesome for end-users’ boards of directors who are required to certify annually full compliance with the law.

Throughout the legislative and regulatory process surrounding Dodd-Frank, 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 ask that you support Congressman Lucas’ inter-affiliate swaps amendment to the Commodity End-User Relief Act in order to further these important regulatory principles.

Thank you for your consideration of our request.

Sincerely,

Coalition for Derivatives End-Users

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<sup>1</sup> The Coalition represents the views of hundreds of companies employing derivatives primarily to manage various risks associated with operating their businesses. These companies and several business associations have been active in the Coalition’s efforts to seek strong, effective and fair regulation of derivatives markets, which appropriately balance the goals of promoting transparency and mitigating the risk of another systemic collapse while not unduly burdening American businesses and irreparably harming job growth.