June 16, 2014

The Honorable John Boehner  The Honorable Nancy Pelosi
Speaker  Minority Leader
U.S. House of Representatives  U.S. House of Representatives
Washington, DC 20515  Washington, DC 20515

The Honorable Frank Lucas  The Honorable Collin Peterson
Chairman  Ranking Member
Committee on Agriculture  Committee on Agriculture
U.S. House of Representatives  U.S. House of Representatives
Washington, DC 20515  Washington, DC 20515

Dear Speaker Boehner, Minority Leader Pelosi, Chairman Lucas, and Ranking Member Peterson:

On behalf of the more than 200 member CEOs who lead major American companies operating in every sector of the U.S. economy, I wish to convey Business Roundtable’s strong endorsement of H.R. 4413, the Customer Protection and End-User Relief Act, as reported by the House Committee on Agriculture, which would reauthorize the U.S. Commodity Futures Trading Commission (CFTC).

In particular, Business Roundtable strongly supports important provisions included in H.R. 4413 that will reform derivatives regulation to focus more effectively on addressing potential systemic economic risk.

H.R. 4413 incorporates H.R. 634, the Business Risk Mitigation and Price Stabilization Act of 2013, which would ensure that non-financial derivatives end-users, who pose no systemic risk to the U.S. economy, are not subject to unnecessary margin requirements. This bill passed the House of Representatives last year by a strong bipartisan vote of 411-12 and is needed more than ever due to the uncertainty associated with differing margin proposals from the financial regulators.

H.R. 4413 also incorporates key provisions of H.R. 677, the Inter-Affiliate Swap Clarification Act, which was reported favorably out of both the House Financial Services and House Agriculture Committees last year. The language in H.R. 4413 would ensure that end-users are not subject to clearing
requirements applicable to banks simply because they trade through efficient, cost-effective centralized treasury units (CTUs).

A recent survey conducted by the Coalition for Derivatives End-Users of chief financial officers and corporate treasurers underscores the urgent need for the end-user provisions in H.R. 4413. Eighty-six percent of respondents indicated that fully collateralizing over-the-counter (OTC) derivatives would adversely impact business investment, acquisitions, research and development, and job creation, and more than nine in ten end-users indicated that a margin requirement would cause them to alter their hedging strategy.

Nearly half of the survey respondents use CTUs to execute OTC derivatives. The CFTC has issued no-action relief so that some end-users that employ CTUs may avail themselves of the clearing exception. However, the survey found that of those respondents that utilize a CTU structure, 69 percent do not qualify for the CFTC’s no-action relief or are unsure about whether they could rely on the relief. Thus, a legislative solution is essential.

Business Roundtable supports 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 appreciate you moving this legislation forward and urge the House of Representatives to pass this vital, bipartisan legislation to ensure that derivatives regulation addresses real economic risks without adversely affecting non-financial end-users who utilize derivatives to reduce risk.

Sincerely,

Alexander M. Cutler
Chairman and Chief Executive Officer
Eaton
Chair, Corporate Governance Committee
Business Roundtable

AC/mr

C:  Members, U.S. House of Representatives