

# Coalition for Derivatives End-Users

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May 2, 2011

House Financial Services Capital Markets Subcommittee  
2129 Rayburn House Office Building  
Washington, DC 20515

## **Re: Support for H.R. 1610, Business Risk Mitigation and Price Stabilization Act of 2011**

To the Members of the House Financial Services Capital Markets Subcommittee:

The Coalition for Derivatives End-Users represents thousands of companies across the United States that employ derivatives to manage risks that they face in connection with their businesses. The Coalition has been actively engaged in the legislative process that culminated with passage of the Dodd-Frank Act and with the bill's implementation. While the Act does much to increase transparency in the derivatives markets, it also could be interpreted as imposing unnecessary burdens on end-user companies. Margin requirements are perhaps the most harmful. **Today, we write to offer our support for H.R. 1610, the Business Risk Mitigation and Price Stabilization Act of 2011, which would codify an end-user exemption from margin requirements and eliminate a significant source of uncertainty now facing the business community.**

We appreciate all of the work that you and your colleagues have undertaken to craft legislation designed to create a safer, more transparent financial system and to oversee the regulators' implementation of the Dodd-Frank Act. Throughout the legislative and regulatory implementation processes, the Coalition has advocated for strong derivatives regulation that brings transparency to over-the-counter derivatives market; imposes thoughtful, new regulatory standards that enhance the stability of the financial system; and provides a strong, unambiguous exemption from mandatory clearing and margining requirements for all end-users, including both financial and non-financial end-users.

We have a number of concerns, however, with the derivatives provisions of the Dodd-Frank Act and regulators' proposed implementation of the title. Among them is the concern that the CFTC and other regulators' recently proposed rules regarding margin requirements could hinder end-users' ability to manage risks, create jobs, and maintain profitability.

For the businesses that employ residents in each of your states, this is not an academic exercise; it is a jobs issue. A survey and analysis conducted by the Coalition found that a requirement to impose initial margin on OTC derivatives could lead to a loss of 100,000 to 120,000 jobs within S&P 500 companies alone. The additional impact of variation margin could significantly increase this negative impact on jobs.

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**We urge you to support H.R. 1610, the Business Risk Mitigation and Price Stabilization Act of 2011, offered by Representative Grimm, which would provide all end-users with a clear, explicit exemption from the margining requirements.**

We hope that you will keep our views in mind as you mark up H.R. 1610.

Sincerely,

American Petroleum Institute  
Business Roundtable  
Financial Executives International  
National Association of Manufacturers  
National Association of Corporate Treasurers  
National Association of Real Estate Investment Trusts  
The Real Estate Roundtable  
U.S. Chamber of Commerce