
Coalition for Derivatives End-Users

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Coalition for Derivatives End-Users Statement on Chairman Dodd's Financial Regulatory Reform Proposal

The Coalition for Derivatives End-Users is disappointed by the derivatives reform provisions in Chairman Dodd's revised financial regulatory reform legislation. Throughout this process, the Coalition has advocated for a strong, clear exemption from a central clearing mandate and other requirements on business end-users. Such an exemption would appropriately acknowledge that businesses hedging risk do not threaten the stability of the financial system and should not be forced to post cash collateral that would otherwise be used to grow the business, make productive investments and create jobs. While we appreciate Chairman Dodd's efforts to make revisions, the derivatives title would have harmful consequences for companies across the country. We are hopeful a bipartisan agreement can be reached between Senators Reed and Gregg that will enhance transparency and stability in the derivatives markets without hampering our economic growth. We will evaluate any legislative proposals according to its ability to meet the Coalition's four main objectives:

- Clear exemptions from central clearing, bilateral margining and exchange-trading requirements for business end-users;
 - A definition of Major Swap Participant (MSP) that does not encompass businesses that use OTC derivatives to hedge business risk and, thereby, do not pose a threat to financial stability;
 - Clarification that increases to capital charges should be based on actual risk of loss and aimed at promoting the safety and soundness of the financial system, and should not be assessed to penalize the use of OTC derivatives or otherwise create an incentive to centrally clear transactions;
 - Prospective application of regulation that recognizes that market participants negotiated current trades with an understanding as to their potential obligations based on the laws and market practices in place at that time
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