

CHAMBER OF COMMERCE
OF THE
UNITED STATES OF AMERICA

R. BRUCE JOSTEN
EXECUTIVE VICE PRESIDENT
GOVERNMENT AFFAIRS

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WASHINGTON, D.C. 20062-2000
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April 11, 2013

The Honorable Stephen Lee Fincher
U.S. House of Representatives
Washington, DC 20515

Dear Representative Fincher:

The U.S. Chamber of Commerce, the world's largest business federation representing the interests of more than three million businesses and organizations of every size, sector, and region, and dedicated to promoting, protecting, and defending America's free enterprise system, supports H.R. 1341, the "Financial Competitive Act of 2013," which would help ensure that "end-users"—main street businesses that use derivatives to hedge their day-to-day business risk—continue to have efficient affordable options in the market for risk mitigation.

End-users have argued for years that new regulations requiring swaps to be cleared, margined, and reported in real time—while important for many segments of the market—should not apply to their transactions, which are risk reducing rather than risk taking, and because end-user transactions represent a small fraction of the overall market. Congress has consistently recognized the importance of protecting end-users and included a critical exemption from clearing requirements in Dodd-Frank.

An exemption from margin requirements, however, has been elusive despite the clear intent of Congress during the Dodd-Frank debate. The Chamber has strongly supported legislation—H.R. 634—to create this exemption to prevent end-users from having to post substantial new cash collateral with their swaps. These cash calls would drain liquidity from our main street businesses, hampering job creation and economic growth.

Even if end-users are ultimately exempted from regulatory margin requirements, capital rules proposed by banking regulators would undermine the value of the exemption. These rules would require end-users' counterparties to hold extra capital against end-user hedging transactions, which will increase the cost of hedging substantially. The Europeans have created an end-user exception from this aspect of their capital rules. While this exception would promote prudent risk management in Europe by lowering end-user hedging costs, it creates inconsistent transatlantic standards that could disadvantage U.S. end-users by driving up the cost of hedging with their U.S. counterparties. A consistent standard is needed to ensure end-users' ability to hedge is not needlessly impacted and to put American businesses on a level-playing field with European competitors, therefore, the Chamber strongly supports a parallel exemption for end-users here in the United States.

H.R. 1341 would require the Financial Stability Oversight Council (FSOC) to study the inconsistent application of the Basel III Credit Valuation Adjustment (CVA) capital charge and its effects on end-users, swaps dealers, and the international derivatives market. FSOC would issue its report to Congress in 90 days. The Chamber has consistently supported efforts both to protect end-users, and to ensure that policymakers conduct serious economic analysis as part of their work. H.R. 1341 serves both goals.

The Chamber supports the “Financial Competitive Act of 2013” and looks forward to working with the Congress to ensure the U.S. maintains its position as the world leader in fair, efficient, and innovative capital markets.

Sincerely,

A handwritten signature in black ink, appearing to read "R. Bruce Josten". The signature is fluid and cursive, with the first name "R." and last name "Josten" being the most prominent parts.

R. Bruce Josten