October 28, 2013

Dear colleagues -

The “Swaps Regulatory Improvement Act” (H.R.992) is set to come to the floor this week. The New England Fuel Institute and its allies in the Commodity Markets Oversight Coalition (CMOC) hope you will oppose this harmful legislation.

The CMOC is a non-partisan alliance of industry groups and other organizations that represent commodity-dependent American businesses, end-users and consumers. Our members include trucking companies, petroleum marketers, airlines, farmers and large industrial energy consumers that rely on functional, transparent and competitive commodity derivatives (i.e., futures, options and swaps) markets as a hedging and price discovery tool. We support policies that promote market stability and confidence, prevent fraud and manipulation, and preserve the interests of *bona fide* hedgers and American consumers.

Under Section 716 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, institutions that engage in risky derivatives are prohibited from receiving federal assistance (i.e., access to the Fed discount window and FDIC deposit insurance and guarantees) unless they “push out” these activities into non-bank affiliates. H.R.992 would repeal most of these prohibitions.

Enactment of H.R.992 could result in a surge in risk-taking in derivatives, including in commodities such as oil and corn, and would further blur the line between commercial/depository banking and purely speculative trading. Banks would be able to engage in such activates with the added benefit of taxpayer safety nets. This would undermine efforts by Congress which - after vigorous debate in conference committee in June of 2010 - had reached a bipartisan consensus to include the “push-out” provision in the final version of Dodd-Frank.

More than 90 percent of swaps transactions are between financial institutions. These transactions should not be afforded taxpayer subsidies or bailouts. Congress would be better served enacting targeted and meaningful protections for small commercial hedgers as we have recommended in our May 1, 2013 coalition letter to the Senate Agriculture Committee (attached, see pages 4-5).

We hope your boss will vote “no” on H.R.992 when it comes to the floor this week. Please let us know if you have any questions and thank you in advance for your consideration.

Best,

Jim Collura
Vice President
Government Affairs
New England Fuel Institute