

Coalition for Derivatives End-Users

Talking Points on the Need for a Strong End-User Exemption

- We support derivatives regulatory reform, and believe that a bipartisan bill is the best way to ensure legislation is passed this year.
- Over-the-counter derivatives serve an important risk-management function for thousands of American businesses. Their use creates stability for businesses by allowing them to eliminate or mitigate risks arising from fluctuations in commodity prices, currency exchange rates and interest rates.
- It is important to preserve this risk-management function for businesses by including a strong end-user exemption in the derivatives title of financial regulatory reform legislation.
- End users comprise 10-15% of the OTC derivatives market and engage in derivative transactions primarily to manage – not take on -- risk.
- End users should not be required to exchange trade, centrally clear or margin their hedges. Such requirements would drain hundreds of billions of dollars from working capital and from more productive investments. This would have a profound impact on the ability of American companies to grow their businesses and create and retain jobs.
- We support bringing transparency to the OTC market by requiring that all trades be reported to a central trade repository. This will give regulators the ability to identify and mitigate risks to the system.
- At a time when the jobless rate remains close to 10%, we need American businesses to invest as much of their capital as possible in job-creating activities. Diverting precious capital into margin accounts is contrary to the goal of promoting economic growth and job creation.