

April 14, 2014

Mr. Robert deV. Frierson, Secretary  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, N.W.  
Washington, D.C. 20551

Re: Public Comment Submission to Docket No. R-1479 and RIN 7100 AE-10:  
"Complementary Activities, Merchant Banking Activities, and Other Activities of  
Financial Holding Companies related to Physical Commodities"

To the Board of Governors of the Federal Reserve System:

Cheniere Energy, Inc. ("Cheniere") is a Houston, Texas-based company involved in the development and operations of liquefied natural gas terminals. Cheniere currently is constructing the US\$18 billion Sabine Pass Liquefaction Terminal located in Cameron Parish, Louisiana and is awaiting final governmental approvals of the proposed US\$13 billion Corpus Christi Liquefaction Terminal on the north side of Corpus Christi Bay, Texas. Related to the development of its liquefied natural gas terminals, Cheniere also participates in the physical and financial commodity markets and depends on companies involved in both markets to conduct its business and manage its risks.

Cheniere respectfully submits this public comment to the Board of Governors of the Federal Reserve System's (the "Board") with respect to the Advance Noticed of Proposed Rulemaking (the "ANPR") in Docket No. R-1479 and RIN 7100 AE-10 regarding the physical commodities activities conducted by Financial Holding Companies ("FHCs").

As the ANPR states, FHCs have begun to exit the physical commodities business. FHCs such as JP Morgan, Deutsche Bank, and Bank of America Merrill Lynch have exited or sold their commodity business, or significantly scaled down their presence in the physical commodities space. It is our opinion that further regulation of FHCs could hasten the process of additional FHCs exiting the business. The additional exit of FHCs from the commodities business raises, among others, the following concerns:

- 1) The absence of sophisticated financial entities customizing physical products;
- 2) The reduction of A-rated investment counterparties in the physical trading arena;
- 3) The reduction of counterparties able to provide a bid or an offer on multiple commodities and products; and
- 4) The reduction of counterparties with the financial capability to enter into long-term transactions.

We appreciate the Board soliciting opinions from market participants and taking the time to analyze whether FHCs' physical commodities and commodity-related derivatives pose "substantial risks to the safety and soundness of depository institutions or the financial system generally." We do not perceive such a risk. However, we do foresee the risk of the proposed regulation forcing additional FHCs out of the physical commodity space, which is a detriment to the commodities market generally.

Thank you for your consideration.

Sincerely,



J. Corey Grindal  
Vice President, Supply  
Cheniere Energy, Inc.