



April 16, 2014

Mr. Robert deV. Frierson  
Secretary  
Board of Governors of the Federal Reserve System  
20th Street and Constitution Avenue, NW  
Washington, DC 20551

Via Agency Website

Re: Docket No. 1479 and RIN 7100 AE-10: Complementary Activities, Merchant Banking Activities, and Other Activities of Financial Holding Companies related to Physical Commodities, Advance Notice of Proposed Rulemaking

The National Association of Corporate Treasurers represents companies, like the undersigned, that are end-users of physical commodities and commodity-related derivatives. These companies rely on commodities and related derivatives markets to manage their business risks and serve their customers' day-to-day needs. We submit this letter in connection with the Board of Governors of the Federal Reserve System's (the "Board") Advance Notice of Proposed Rulemaking (the "ANPR") regarding the physical commodities activities conducted by Financial Holding Companies ("FHCs").

The ANPR does not address the many benefits FHCs provide to end-users and we are concerned that the Board has not fully considered the impact any additional regulation on FHCs in this area will have on such companies.

As the ANPR notes, FHCs already have begun to exit physical commodities markets. Further regulation could hasten this process, which causes us concern. In short, FHC departures will create more concentrated, illiquid markets, which will make it very difficult for end-users of physical commodities to efficiently transact in these markets.

FHCs, unlike other counterparties in these markets, are uniquely situated to serve the distinct needs of end-users of physical commodities and likely cannot be replaced by other market participants.

*First*, they are in the business of making markets and their physical commodities activities allow end-users to transact in these markets at the specific points in time which they need to do so. The time horizon for each end-user to access these markets is different depending on each end-user's specific day-to-day business needs and risk profiles. FHCs, given their size, sophistication, and business model, allow end-users to efficiently transact in the markets, how and when they need to do so.

*Second*, given their sophistication, FHCs are able to customize trades to each end-user's specific needs, allowing end-users to most effectively hedge their underlying risks. FHCs often proactively recommend sophisticated trades for the consideration of their end-user clients in order to accommodate specific physical commodity and hedging needs.

*Third*, because FHCs are large, liquid entities authorized to hold title to physical commodities, end-users of physical commodities are able to use FHCs' services through the course of their day-to-day business activities, from sourcing raw materials, to delivering refined materials to the point of sale without arranging for independent financing or engaging in additional risk mitigation.

*Fourth*, end-users also feel comfortable transacting with FHCs because they are already well regulated by agencies such as the Board, the Federal Energy Regulatory Commission, the Commodity Futures Trading Commission, and the Securities & Exchange Commission.

We appreciate that the Board is taking the time to analyze whether FHCs' physical commodities and commodity-related derivatives activities pose "substantial risks to the safety and soundness of depository institutions or the financial system generally." We do not see such a risk, but we do see one of regulation driving FHCs out of the physical commodities' space, much to our detriment.

Since 2003, end-users of physical commodities have been transacting with FHCs in physical commodities and related financial derivatives markets and have done so safely and to the benefit of their businesses. We fear that additional regulation in this area will negatively impact our businesses by making it more difficult for us to hedge our risks and serve our customers. As the price volatility we experienced this past winter shows, now more than ever end-users need sophisticated and well-run entities to help manage risk. Robust FHC participation in providing risk management products and services is essential to achieving that goal.

We thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "T. Deas, Jr.", written in a cursive style.

Thomas C. Deas, Jr.  
Director and Immediate Past Chairman  
National Association of Corporate Treasurers

**List of Company Signers**

Air Products and Chemicals, Inc.

Anadarko Petroleum Corporation

Apache Corporation

Armstrong World Industries, Inc.

The Boeing Corporation

Blyth, Inc.

The Dow Chemical Company

FMC Corporation

The Hershey Company

Hess Corporation

The HollyFrontier Companies

Honeywell International Inc.

PCS Nitrogen Fertilizer, L.P.

Portland General Electric Company

Republic Services, Inc.