INTERNATIONAL ENERGY CREDIT ASSOCIATION

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February 25, 2016

Robert deV. Frierson, Secretary
Board of Governors of the Federal Reserve System
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Re: Comments on Federal Reserve Board Proposed Rules Regarding Total Loss-Absorbing Capacity, Long-Term Debt, and Clean Holding Company Requirements, 80 FedReg 74926, Docket No. R-1523, RIN 7100-AE37, published on November 30, 2015 ("TLAC Proposal")

Dear Mr. deV. Frierson:

On November 30, 2015, the Board of Governors of the Federal Reserve System ("Board") published the above-captioned TLAC Proposal as a notice of proposed rulemaking under Section 165 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 ("Dodd-Frank Act"). The Board subsequently extended the public comment period until February 19, 2016. The International Energy Credit Association ("IECA") respectfully provides these comments in response to the request for public comment set forth in the Board's TLAC Proposal.

Following the passage of the Dodd-Frank Act, the IECA has filed numerous comments with the Commodity Futures Trading Commission ("CFTC") and, on at least one earlier occasion, with the Board, seeking to protect the rights and advance the interests of the commercial end-user community that makes up the majority of its membership. Many of the IECA's members are representatives of small to large physical energy businesses, all of whom have a fundamental mission of providing safe, reliable, and reasonably priced energy commodities that US business and consumers require for our economy and our livelihood.

By these comments, the IECA wishes to endorse, support and commend to the Commission various comments on the TLAC Proposal, namely (i) the comments submitted by the Managed Funds Association ("MFA Comments"), which were submitted to the Board by the Managed Funds Association ("MFA") on February 19, 2016, and (ii) the comments submitted by the International Swaps and Derivatives

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Association, Inc. ("ISDA Comments"), which were submitted to the Board by the International Swaps and Derivatives Association, Inc. ("ISDA") on February 19, 2016.

By these comments, the IECA also wishes to explain that its concern with the TLAC Proposal relates to the prohibition on guarantees found in proposed Section 252.64(a)(4), which prohibits guarantees by a global systemically important [U.S.] bank holding company ("**Covered BHC**") of "a liability of a subsidiary of the [Covered BHC] if such liability permits the exercise of a default right that is related, directly or indirectly, to the [Covered BHC] becoming subject to a receivership, insolvency, liquidation, resolution, or similar proceeding other than a receivership proceeding under Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act (12 U.S.C. 5381 through 5394)."

Similarly, the IECA is concerned by the prohibition in Section 252.165(d), which prohibits guarantees by an intermediate holding company of a systemically important foreign banking organization ("**Covered IHC**") of "a liability of an affiliate of the Covered IHC if such liability permits the exercise of a default right that is related, directly or indirectly, to the Covered IHC becoming subject to a receivership, insolvency, liquidation, resolution, or similar proceeding other than a receivership proceeding under Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act (12 U.S.C. 5381 through 5394)."

Many U.S. energy companies rely on contracts with subsidiaries of Covered BHCs and affiliates of Covered IHCs to provide physical energy commodities or financial derivatives related to their physical energy businesses. In many bilateral (i.e., uncleared) transactions with such subsidiaries and affiliates, the provision of credit enhancements in the form of guarantees from Covered BHCs and Covered IHCs are essential to ensure the creditworthiness of the counterparties to such transactions.

The IECA believes that it understands, to some extent, the requirements of the special resolution regime enacted under Title II of the Dodd-Frank Act and its requirements on transactions between energy companies and subsidiaries of Covered BHCs and affiliates of Covered IHCs. The IECA and its members were under the impression that issues like the "clean holding company requirements," being addressed by the Board's proposed prohibition on guarantees in the TLCA Proposal, would be dealt with in the Board's enactment of new regulations to be established in connection with the ISDA resolution stay protocol ("U.S. Resolution Stay Regulations"). We are concerned that the deliberations with respect to the Board's enactment of such U.S. Resolution Stay Regulations could occur at a different pace than the Board's enactment of its prohibition of guarantees under the TLAC Proposal, so that the prohibition of guarantees under the TLAC Proposal could become effective prior to the Board's U.S. Resolution Stay Regulations.

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If that were to occur, energy companies could find themselves unable to enter into physical supply contracts and commodity hedging agreements with subsidiaries of Covered BHCs and affiliates of Covered IHCs, because of the lack of credit enhancements that would otherwise have been made available through the guarantees by the Covered BHCs and Covered IHCs of their, as applicable, subsidiaries' or affiliates' contractual obligations. Such a lack of liquidity could be very disruptive to U.S. energy markets for both physical commodities and related commodity derivatives transactions, which would increase the cost of doing business and potentially subject energy companies' businesses to higher levels of unmanaged commodity price volatility.

Accordingly, the IECA urges the Board to consider not imposing the prohibition on guarantees set forth in the TLAC Proposal prior to publishing and adopting the Board's U.S. Resolution Stay Regulations.

The IECA appreciates the opportunity to provide these comments and would welcome the opportunity to discuss these comments further should you require any further information.

Please direct correspondence concerning these comments to:

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Yours truly,
INTERNATIONAL ENERGY CREDIT ASSOCIATION

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