February 15, 2019

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Robert E. Feldman, Executive Secretary
Federal Deposit Insurance Corporation
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Legislative and Regulatory Activities Division
Office of the Comptroller of the Currency
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Re: Comment to Notice of Proposed Rulemaking –*Standardized Approach for Calculating the Exposure Amount of Derivative Contracts* [Docket No. R–1629 and RIN 7100–AF22; RIN 3064–AE80; Docket ID OCC–2018–0030]

Dear Sir/Madam,

Thank you for allowing industry feedback on the proposal to amend the standardized approach for calculating the exposure amount for derivative contracts (the "Proposal")[1] issued jointly by the Board of Governors of the Federal Reserve System ("FRB"), the Federal Deposit Insurance Corporation ("FDIC"), and the Office of the Comptroller of the Currency ("OCC") (together, the FRB, FDIC and OCC are the "Agencies").

The Proposal will have an impact on the derivatives market that our members across the country utilize every day. As an association that represents true commercial end-users, we at the National Cattlemen's Beef Association ("NCBA") have concerns for the potentially negative consequences that will ultimately arise from this proposal as it currently reads. Although NCBA may not directly be impacted by the change, if adopted, our members will face the burden of a marketplace with increased costs and less liquidity and participants.

In this letter, we breakdown our association and how the Proposal will harm the way our members conduct their business and manage risks.

[1]FRB, OCC and FDIC, Notice of Proposed Rulemaking, *Standardized Approach for Calculating the Exposure Amount of Derivative Contracts*, 83 Fed. Reg. 64660 (Dec. 11, 2018).

NCBA Background

NCBA is the national trade association representing U.S. cattle producers, with more than 25,000 individual members and several industry organization members. Together NCBA represents more than 175,000 cattle producers and feeders. NCBA works to advance the economic, political and social interests of the U.S. cattle business and to be an advocate for the cattle industry's policy positions and economic interests.

NCBA represents all segments of the American beef industry and have members residing in all 50 states. American cattle production is one of the most important industries in the agricultural economy, accounting for nearly $64 billion[2] in cash receipts in the United States and nearly $7.2 billion[3] in total exports to foreign markets. Our members include some market participants that heavily rely on various derivative products to assist in price discovery, as well as granting them the ability to hedge and mitigate commercial risk.

NCBA members use the derivative markets as a source of market information and forecasting tool. Members use products across the board as price risk management tools to provide a market position that is desirable for their businesses to be sustainable for the long-term. Our members have used derivatives to deal with the impacts of feed costs, unexpected changes in supplies, and market reactions to government policies.

NCBA Concerns

Following the 2008 financial crisis, legislators came together to form a regime that could potentially help prevent a future crisis while not placing an unneeded burden on market participants that had no part in causing the financial crisis. Although the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank")[4] is far from being perfect legislation, it did grant derivative market end-users relief by providing end-user exceptions and exemptions from clearing and uncleared derivative margin requirements. These exceptions and exemptions are imperative to NCBA members' ability to mitigate their commercial risk.

NCBA members are fortunate to have open access to the most liquid and transparent financial systems in the world. NCBA believes if the Proposal were to move forward with its revised capital requirements for non-cleared derivatives it would circumvent congressional intent by requiring U.S. banks to hold additional funds for products across many asset classes when trading with end-users. Congressional leaders have always given regulators clear directions to be mindful that any new rule not inadvertently increase business costs and constrain liquidity in the marketplace for end-users. Legislators took this stance to protect industries like ours who rely on these intermediaries to provide adequate capital and participation in the market. NCBA members

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[2] U.S. Department of Agriculture, Economic Research Service, 2016.

[3] U.S. Department of Agriculture, Foreign Agricultural Service, 2017.

[4] 12 USC § 5301 *et seq*. (2010).

that manage their risks will ultimately bear the burden of increased capital cost by seeing fewer market participants and an overall decrease in market liquidity.

Conclusions

With the current state of the rural economy our members need to have open access to market capital, not a change that would make it harder for our members to continue serving as an economic lifeline that provides real jobs for people across the nation. Our members need derivatives to hedge against real market risks to stay in business, and we believe that the proposed calculations under SA-CCR would negate the benefits of the exceptions and exemptions from derivatives regulations, which Congress explicitly provided NCBA and other end-users in Dodd-Frank. We urge the Agencies to reconsider the downstream effects of the Proposal to better align its purpose with the intent and boundaries clearly designed by the law, so they do not negate the real value of the end-user relief that our members rely on.

Sincerely,

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