Industrial Energy Consumers of America
The Voice of the Industrial Energy Consumers

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Legislative and Regulatory Activities Division
Office of the Comptroller of the Currency
Department of Treasury
400 7th Street, SW
Suite 3E-218
Washington, DC 20219
regs.comments@occ.treas.gov

Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429
comments@fdic.gov

Ann E. Misback
Secretary
Board of Governors of the Federal Reserve
System
20th Street and Constitution Avenue, NW
Washington, DC 20551
regs.comments@federalreserve.gov

Re: Capital Adequacy: Standardized Approach for Calculating the Exposure Amount of Derivative Contracts, OCC Docket ID OCC-2018-0030 and RIN 1557-AE44; Board Docket No. R-1629 and RIN 7100-AF22; FDIC RIN 3064-AE80

Dear Legislative and Regulatory Activities Division, Secretary Misback, and Executive Secretary Feldman:

On behalf of the Industrial Energy Consumers of America (IECA), we are opposed to the proposed changes to the standardized approach for calculating the exposure amount of derivative contracts.

IECA is a nonpartisan association of leading manufacturing companies with $1.0 trillion in annual sales, over 3,700 facilities nationwide, and with more than 1.7 million employees. IECA membership represents a diverse set of industries including: chemicals, plastics, steel, iron ore, aluminum, paper, food processing, fertilizer, insulation, glass, industrial gases, pharmaceutical, building products, automotive, brewing, independent oil refining, and cement.

On February 15, 2019, the U.S. Commodity Futures Trading Commission (CFTC) submitted comments on this notice of proposed rulemaking (NOPR). The Chairman and all three Commissioners supported the comments. We agree with their views that adoption of the NOPR would likely result in more than a 30 basis points increase, thereby increasing costs to those of us who use derivatives. The CFTC says the NOPR would be counterproductive.

Key paragraphs from the CFTC letter:

> "However, market data, academic research, and feedback from a diverse landscape of financial and end user firms indicate that one of the implemented capital standards – namely, supplementary leverage ratios (SLR) – is working counterproductively, limiting access to derivatives risk management strategies and discouraging the central clearing of standardized swap products."
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> "The Proposal requires clearing member client banking organizations (clearing members) to use a modified version of SA-CCR to determine the on- and off-balance sheet amounts of derivative contracts for the purposes of calculating total leverage exposure. As with the current exposure method (CEM), the SA-CCR calculation does not include an offset for segregated initial margin that the clearing members hold on behalf of clients. The adoption of SA-CCR without offset will maintain or increase the clearing members' SLRs by more than 30 basis points on average, will continue to disincentivize clearing members from providing clearing services, and thereby limit access to clearing in contravention of G20 mandates and Dodd-Frank."

Therefore, on behalf of the manufacturing sector that uses derivatives, we strongly encourage you to not implement the NOPR.

Sincerely,

Paul N. Cicio
President

The Industrial Energy Consumers of America is a nonpartisan association of leading manufacturing companies with $1.0 trillion in annual sales, over 3,700 facilities nationwide, and with more than 1.7 million employees worldwide. It is an organization created to promote the interests of manufacturing companies through advocacy and collaboration for which the availability, use and cost of energy, power or feedstock play a significant role in their ability to compete in domestic and world markets. IECA membership represents a diverse set of industries including: chemicals, plastics, steel, iron ore, aluminum, paper, food processing, fertilizer, insulation, glass, industrial gases, pharmaceutical, building products, automotive, brewing, independent oil refining, and cement.