January 3, 2023

Chief Counsel's Office
Attention: Comment Processing
Office of the Comptroller of the Currency
400 7th Street SW, Suite 3E-218
Washington, DC 20219

Ms. Ann E. Misback
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

Mr. James P. Sheesley
Assistant Executive Secretary
Attention: Comments/Legal OES (RIN 3064-AF29)
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429

Via Agency Website

Re: ***Comment Letter on Proposed Rules: "Large Banking Organizations and Banking Organizations with Significant Trading Activity" (OCC Docket Number OCC-2023-0008 (RIN 1557-1557-AE78); Board Docket No. R-1813 (RIN 7100-AG64); FDIC RIN 3064-AF29); and "Risk-Based Capital Surcharges for Global Systemically Important Bank Holding Companies; System Risk Report (FR Y-15)" (Board Docket No. R-1814 (RIN 7100-AG65))***

Liberty Latin America Ltd. ("LLA" or the "Company") is pleased to respond to the requests for comments in connection with the notice of proposed rulemaking titled "Large Banking Organizations and Banking Organizations with Significant Trading Activity" (the "Basel III Endgame Proposal"); and "Regulatory Capital Rule: Risk-Based Capital Surcharges for Global Systemically Important Bank Holding Companies; System Risk Report (FR Y-15)" (the "GSIB Surcharge Proposal" and, together with the Basel III Endgame Proposal, the "Proposals").[1]

LLA, a public company with its shares traded on the NASDAQ stock exchange, is an international provider of fixed, mobile and subsea telecommunications services across Latin America and the Caribbean, including corporate offices in Denver, Colorado and operations in Puerto Rico.

LLA manages risk through the use of derivatives, like many other commercial end-users. LLA uses derivatives primarily to protect against (i) increases in the interest rates on our variable rate

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[1] 88 Fed. Reg. 64028 (Sept. 18, 2023) (Basel III Endgame Proposal); 88 Fed. Reg. 60385 (Sept. 1, 2023) (GSIB Surcharge Proposal).

debt and (ii) adverse foreign currency movements.

Our use of derivatives helps ensure earnings and cash flow stability. This, in turn, helps us provide low, predictable pricing to our customers. Hedging is a critical part of LLA's risk management strategy, and we rely on our bank counterparties to provide us with affordable hedging options. LLA works with a number of banks in managing its derivative strategy, including US-based banks.

LLA is a signatory to the comment letter submitted by the Coalition for Derivatives End-Users (the "Letter") and shares the concerns set forth in that letter. The imposition of burdensome regulations on counterparties to commercial end-users, who are engaged in simple risk management, may have a significant negative impact on companies like ours, as we operate in the global economy. Because these large banking organizations act as capital markets intermediaries, sources of credit, underwriters of corporate debt and equity securities, and liquidity providers, the Proposals will adversely impact US banking institutions, as well as their end-users. Further, the discrepancies between the Proposals and those adopted by the EU and the UK create a scenario where commercial end-users may be compelled to conduct derivatives transactions with banking institutions beyond the regulatory scope of the US.

This point bears emphasis. We are a global company yet many of our bank counterparties are US-based. The Proposals likely would reduce the availability and increase the cost of entering into derivatives transactions with US banks, thus potentially driving our hedging business offshore, even when U.S. products might offer more suitably tailored hedging options.

LLA believes that the Proposals fail to adequately consider their impacts on derivatives end-users and the broader economy. Federal Reserve Governor Christopher Waller noted that, "It is not clear to me why our large banks should face a further roughly 70 percent hike in market risk capital requirements, on top of the existing post-crisis requirements to address risks in the trading book, including market risk capital requirements plus the stress test. And I worry that doing so could discourage those banks from engaging in certain market making activities, which could impede market functioning." And he is not alone. An analysis conducted by Oliver Wyman and Morgan Stanley estimates that the risk-weighted assets ("RWA") uplift from the final implementation of the Basel III Endgame Proposal for wholesale banks would increase by 30%, globally.[2] But that estimate is driven substantially by home market, with United States wholesale banks facing an uplift of 35% (as opposed to 15% for European wholesale banks).[3] With United States wholesale banks facing substantial RWA uplift, we can expect the Proposals will result in two materially adverse impacts on end-users: (i) substantial cost increases flowing to consumers who transact with impacted banks; and (ii) reduced capacity for end-users like LLA to hedge commercial risks because the costs to hedge those risks will rise, likely significantly, resulting in greater earnings and cash flow volatility.

Specifically, LLA is concerned with the following aspects of the Proposals:

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[2] *Into the Great Unknown for Wholesale Banking*, Morgan Stanley and Oliver Wyman at 6, *available at*, https://www.oliverwyman.com/content/dam/oliver-wyman/v2/publications/2023/nov/Morgan-Stanley-Oliver-Wyman-Wholesale-Banking-Report-2023.pdf.

[3] *Id.*

Credit Valuation Adjustment ("CVA"). The Basel III Endgame Proposal would require that CVA capital be calculated for all counter parties with CVA-covered positions—with no exemptions. LLA primarily enters into derivative hedges on a non-margined basis, under the exemptions to margining for commercial end users. Notably, the long-dated derivatives that are employed by LLA fall into the category that faces significant penalties under the Basel III Endgame Proposal.

LLA requests that the Federal Banking Agencies align its final rule with those of the UK and EU, and exempt derivatives transactions with corporates, pension funds, insurance companies and other commercial end-users (and their associated hedges) from CVA-risk-capital requirements.

Non-Modellable Risk Factor ("NMRF"). Under the Basel III Endgame Proposal, the NMRF increases the capital requirements for custom derivative hedging transactions that commercial end-users use to mitigate business risks. LLA requests that the Federal Banking Agencies exempt any NMRF requirement for transactions involving commercial end-users and associated hedges.

GSIB Surcharge Proposal. The GSIB Surcharge Proposal significantly increased the capital requirements on derivative clearing operations of large banking institutions. This could lead to significant obstacles for end-users looking to access cleared OTC derivatives services, leading to an uptick in costs and a reduction in availability. End-users, like LLA, will be harmed by having to pay more money in order to hedge their risks. It is widely acknowledged that risk hedging activities by commercial end-users are pivotal to economic stability. By increasing costs of hedging to commercial end-users, the costs will ultimately fall to consumers. LLA requests that the Federal Reserve continue to exclude OTC client cleared transactions from the complexity and interconnectedness indicators of the GSIB surcharge.

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The points raised in the Coalition for Derivatives End-Users Letter—along with those discussions above, highlight the specific concerns and recommendations LLA has with respect to the structure of the Proposals. We respectfully request that the Federal Banking Agencies either re-propose these Proposals or revise them substantially in ways that accommodate the legitimate concerns of end-users, which we believe would entail aligning the proposals more closely to the approaches taken by regulators in the EU and the UK.

Sincerely,

John Winter

John Winter
SVP, Chief Legal Officer
Liberty Latin America