National Grain and Feed Association
TRANSFORMING AMERICA'S HARVEST™

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Submitted Electronically

January 16, 2024

The Honorable Michael S. Barr
Vice Chairman for Supervision
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

The Honorable Martin J. Gruenberg
Chairman
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20499

Mr. Michael J. Hsu
Acting Comptroller of the Currency
The Office of the Comptroller of the Currency
400 7th Street, SW
Washington, DC 20219

Re: Comments on Regulatory Capital Rule: Large Banking Organizations and Banking Organizations with Significant Trading Activity, Docket ID OCC–2023–0008, Fed: Docket No. R–1813, RIN 7100–AG64, FDIC: RIN 3064–AF29, 88 Fed. Reg. 64028 (2023) and Regulatory Capital Rule: Risk-Based Capital Surcharges for Global Systemically Important Bank Holding Companies; Systemic Risk Report (FR Y-15), Docket No. R–1814, 88 Fed. Reg. 60385 (2023)

Dear Vice Chair Barr, Chairman Gruenberg, and Acting Comptroller Hsu:

The National Grain and Feed Association (NGFA) submits this statement in response to the Board of Governors of the Federal Reserve System (Board), the Federal Deposit Insurance Corporation (FDIC), and the Office of the Comptroller of the Currency (OCC) proposed rule to substantially revise the capital requirements applicable to large banking organizations and to banking organizations with significant trading activity as well as the Board's separate proposed rule that identifies and establishes risk-based capital surcharges for global systemically important bank holding companies (GSIBs). The GSIB Surcharge proposed rule was published September 1, 2023, in the Federal Register. The joint capital proposal was published September 18, 2023, in the Federal Register.

The NGFA, established in 1896, consists of grain, feed, processing, exporting and other grain-related companies that operate more than 8,000 facilities handling U.S. grains and oilseeds. Its membership includes grain elevators; feed and feed ingredient manufacturers; biofuels companies; grain and oilseed processors and millers; exporters; livestock and poultry integrators; and associated firms that provide goods and services to the nation's grain, feed and processing industry.

NGFA understands the premise behind the rulemakings is to further strengthen the resilience of the banking sector by increasing capital requirements. However, NGFA has concerns that the proposals will result in increased costs for accessing cleared derivatives markets. While on the surface, the exposure to a client's derivative risk may seem great, the risk is usually negligible as many clients use derivatives to hedge an offsetting position. In other words, the client offsets losses on derivatives with gains on the underlying asset and vice versa. Plus, we believe firms providing derivative clearing services understand the risk and set appropriate fees for use of their services.

If the proposals are implemented as currently drafted, NGFA is concerned GSIBs will cease providing futures commission merchant (FCM) services. Out of 47 FCMs registered with the Commodity Futures Trading Commission, that provide access for end-users to futures markets, the nine largest holders of customer funds are GSIBs. Additionally, today, there are only 12 FCMs providing clearing services for over-the-counter (OTC) derivatives. The FCM capacity GSIBs bring is necessary for hedging risk and we strongly urge the Board to modify the proposals to remove the impact on derivatives and risk management tools that end-users rely upon.

NGFA's members and their customers depend on derivatives markets to hedge their risks and central clearing provides agricultural hedgers with confidence that they can trade contracts without fear of loss if their counterparty defaults. U.S. banks are major contributors to the clearing system, and we are concerned a contraction in the availability of clearing services will have a disproportionate impact on agriculture. We urge you to modify the proposals so that they do not disincentivize banks from providing this important service to their customers.

Thank you for this opportunity to provide input on the Board's proposed rule and we would be pleased to serve as a resource.

Sincerely,

Michael J. Seyfert
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