

AEGIS MARKETS

Proposal and Comment Information

Title: GSIB-Regulatory Capital Rule: Risk-Based Capital Surcharges for Global Systemically Important Bank Holding Companies; Systemic Risk Report (FR Y-15), R-1889

Comment ID: FR-2026-0009-01-C20

Submitter Information

Organization Name: AEGIS Markets

Organization Type: Company

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See attached PDF.

AEGIS Markets is a Swap Execution Facility (“SEF”) regulated by the Commodities Futures Trading Commission (“CFTC”). We are an online hedging platform that enables commodity producers & consumers to hedge their price risk to secure their cash flows. Our entire business is dedicated to bona fide hedgers and the Dealer counterparties that enable them to offset their risk. We are grateful to the Board of Governors of the Federal Reserve System for the opportunity to comment on R-1889, a rulemaking proposal which includes amendments to Globally Systemic Important Banks (“GSIB”) risk-based capital surcharges.

THE PROBLEM: GSIB surcharges are creating additional costs for hedging clients and their GSIB counterparties. This is at cross-purposes with the stated goals of GSIB surcharges, which is to foster greater resilience in the financial system.

BACKGROUND: The (mostly oil & gas) businesses that hedge on AEGIS Markets’ SEF face Dealers bilaterally, and many of these Dealers are GSIB entities. We currently have 39 Dealers transacting with hundreds of their clients, and roughly one third of these Dealers are GSIBs who are responsible for over half (53%) of the volume of our SEF.

BONA FIDE HEDGE: Because our SEF is regulated by the CFTC, we ensure that each transaction declares that they are a “Commercial End User (CEU),” they are utilizing the “End-User Exception” or the “Hedge-Affiliate Exception,” and they are making a “Hedging Representation.”

RIGHT WAY RISK: When a Dealer extends credit to a client who is hedging commodity cash flows, this is “Right Way” Risk. This credit is the opposite of the credit extended to businesses to expand their business. As an example, when the oil producer loses on the hedge, the rest of their business is being strengthened from higher oil revenue.

COLLATERAL: Many of these hedges are done within RBLs (Reserve-based Lending) or ICAs (Intercreditor Agreements).

SUMMARY: The extension of HEDGE CREDIT directly mitigates and offsets risk, so it should be exempt from GSIB surcharges.

A CEU (producer or consumer of commodities) is naturally long or short commodities. When the CEU offsets their commodities exposure, this action *reduces* the risk of the CEU’s business, and to the GSIB Lender, who is typically a Commercial Lender to the CEU.

The purpose of GSIB regulation is to protect against increased credit-related losses. Hedging already does this by fixing revenue/costs and thus directly protecting the credit. GSIB surcharges on hedge credit therefore act as a disincentive to reduce risk because they add cost to an activity that is decreasing risk.

ACTION: GSIB Regulatory Capital Rules need to be amended to exempt the capital that is allocated to bona fide hedges from GSIB surcharges. This is a simple request which should be added to the proposed amendments.