

# Coalition for Derivatives End-Users

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June 18, 2026

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

Mr. Benjamin W. McDonough  
Secretary  
Board of Governors of the Federal Reserve System  
20th Street and Constitution Avenue NW  
Washington, DC 20551

Ms. Jennifer M. Jones  
Deputy 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: “Regulatory Capital Rule: Category I and II Banking Organizations, Banking Organizations With Significant Trading Activity, and Optional Adoption for Other Banking Organizations” (OCC Docket Number OCC-2026-0265 (RIN 1557-AF52); Board Docket No. 1887 (RIN 7100-AH20); FDIC RIN 3064-AF29); “Regulatory Capital Rules: Regulatory Capital and Standardized Approach for Risk-Weighted Assets” (OCC Docket Number OCC-2026-0034 (RIN 1557-AF49); Board Docket No. R-1888 (RIN 7100-AH21); FDIC RIN 3064-AG23); and “Risk-Based Capital Surcharges for Global Systemically Important Bank Holding Companies; Systemic Risk Report (FR Y-15)” (Board Docket No. 1889 (RIN 7100-AH22))***

The Coalition for Derivatives End-Users (the “Coalition”) is pleased to respond to the requests for comments by:

1. The Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System (the “Federal Reserve”) and the Federal Deposit Insurance Corporation (collectively, the “Agencies”) in connection with the notices of proposed rulemaking titled: (i) “Regulatory Capital Rule: Category I and II Banking Organizations, Banking Organizations With Significant Trading Activity, and Optional Adoption for Other Banking Organizations” (the “Expanded Risk-Based Proposal”); and (ii) “Regulatory Capital Rules: Regulatory Capital and Standardized Approach for Risk-Weighted Assets” (the “Standardized Approach Proposal”); and
2. The Federal Reserve in connection with the notice of proposed rulemaking titled “Regulatory Capital Rule: Risk-Based Capital Surcharges for Global Systemically Important Bank Holding Companies; Systemic Risk Report (FR Y-15)” (the “GSIB

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Surcharge Proposal” and, together with the Expanded Risk-Based Proposal and the Standardized Approach Proposal, the “Re-Proposal”).<sup>1</sup>

The Coalition, represented today by 94 end-user companies, associations that support them, and municipalities that use derivatives to hedge price risk, appreciates the meaningful improvements that the Agencies have made since the original Basel III endgame proposal published in September 2023.<sup>2</sup> In particular, the Coalition welcomes the removal of the public listing requirement for investment-grade corporate risk weighting, the exclusion of the cleared client-facing leg of derivatives transactions from credit valuation adjustment (“CVA”) risk capital requirements, and the overall reduction in GSIB surcharges through the proposed coefficient adjustments. These changes are responsive to concerns that we and other stakeholders raised during the prior comment period. However, the Coalition urges the Agencies to apply the same rigor to one foundational economic principle as the Re-Proposal is finalized: economic decisions about hedging and risk management are made at the margin, not based on aggregates or averages. Any legitimate cost-benefit analysis must account for the marginal cost impact on individual transactions, not merely the aggregate effect on a banking organization’s overall capital stack. With that principle in mind, the Coalition has certain remaining concerns with the Re-Proposal, which center on four interrelated themes:

1. The continued absence of a CVA risk capital exemption for uncleared derivatives with commercial end-users, which places U.S. end-users at a material competitive disadvantage relative to their counterparts in the European Union (“EU”);
2. The continued overlap between the Re-Proposal’s capital requirements and the Global Market Shock (“GMS”) component of the Federal Reserve’s Comprehensive Capital Analysis and Review (“CCAR”), which results in double-counting of market and CVA risks;
3. The compounding effect of the Re-Proposal’s operational risk framework on CVA risk requirements; and
4. The risk that the Re-Proposal may reintroduce the 1.4x alpha multiplier under the standardized approach for counterparty credit risk (“SA-CCR”), a step that would reverse a critical protection for commercial end-users and tilt the playing field in favor of non-U.S. corporations.

## **I. Background**

The Coalition represents hundreds of end-user companies and municipalities across the U.S. that employ derivatives primarily to manage the commercial risks they face in connection with their day-to-day businesses and activities. We also represent end-user trade associations. Our message is straightforward: financial regulatory reform measures should promote economic stability,

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<sup>1</sup> 91 Fed. Reg. 14,952 (Mar. 27, 2026) (Expanded Risk-Based Proposal); 91 Fed. Reg. 15,332 (Mar. 27, 2026) (Standardized Approach Proposal); 91 Fed. Reg. 14,908 (Mar. 27, 2026) (GSIB Surcharge Proposal).

<sup>2</sup> See Regulatory Capital Rule: Large Banking Organizations and Banking Organizations with Significant Trading Activity, 88 Fed. Reg. 64,028 (Sept. 18, 2023) (the “Basel III Endgame Proposal”).

transparency and resiliency without imposing undue burdens on derivatives end-users and the broader U.S. economy. The large banking organizations subject to the Re-Proposal serve as critical counterparties, capital markets intermediaries, and liquidity providers for these end-users, providing the bulk of derivatives products and services to U.S. corporations of all sizes across a range of diverse industries. As the Coalition observed in our comment letter on the Basel III Endgame Proposal,<sup>3</sup> imposing unnecessary regulatory costs, whether directly on end-users or indirectly through their bank counterparties, risks increasing the cost of hedging, constraining productive investment, and reducing end-users' capacity to manage commercial risk. In the current environment of elevated inflation and geopolitical uncertainty, those costs are particularly ill-timed, and the Coalition is concerned they would not be accompanied by any meaningful reduction in systemic risk.

Set forth below are the Coalition's specific concerns and recommendations.

## II. CVA Risk Capital Requirements for Commercial End-User Derivatives

Under the Re-Proposal, Category I and II banking organizations, as well as banking organizations with \$1 trillion or more in average aggregate gross notional over-the counter ("OTC") derivatives activity, would be required to hold capital against potential losses from increases in CVA for all OTC derivative contract counterparties, subject to certain exceptions.<sup>4</sup> Although the Agencies have excluded client-facing cleared derivatives from this requirement, they have not extended this exclusion to uncleared derivatives transactions with commercial end-users. The failure to extend this exclusion to uncleared derivatives with commercial end-users is difficult to reconcile with Congress's deliberate exemption of commercial end-users from mandatory margin and clearing requirements under the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank").<sup>5</sup>

- ***Exempt uncleared derivatives transactions with commercial end-users from CVA risk capital requirements.***

Vice Chair for Supervision Bowman remarked earlier this year that the Re-Proposal's CVA requirement "focuses on bilateral transactions among large financial firms, avoiding unintended costs for commercial end users of derivatives including farmers and manufacturers."<sup>6</sup> The Coalition welcomes that statement and shares that objective. As currently drafted, though, the CVA framework applies broadly to uncleared derivatives with commercial end-users and does not include an exemption for those end-users' bona fide hedging activity. The final rule presents an

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<sup>3</sup> *Comment Letter of the Coalition for Derivatives End-Users on the Basel III Endgame Proposal* (Jan. 16, 2024) (the "Basel III Endgame Comment Letter").

<sup>4</sup> The CVA scoping provisions appear at 91 Fed. Reg. at 15,078-79.

<sup>5</sup> *See* Dodd-Frank §§ 731, 764 (codified at 7 U.S.C. § 6s(e)(3)(C); 15 U.S.C. § 78o-10(e)(3)(C)) (exempting commercial end-users from mandatory clearing and margin requirements for uncleared swaps used to hedge commercial risk).]

<sup>6</sup> Vice Chair for Supervision Michelle W. Bowman, Remarks at the Cato Institute, "Reflections on Basel III and Bank Capital Reform" at 5 (Mar. 12, 2026), *available at*: <https://www.federalreserve.gov/newsevents/speech/files/bowman20260312a.pdf> ("Bowman March 2026 Remarks").

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opportunity to align the regulatory text with the stated policy objective, and the Coalition urges the Agencies to do so by adopting an express exemption for commercial end-users.

In that connection, the Agencies should exempt from CVA risk capital requirements: (i) uncleared derivatives transactions with commercial end-users and their associated hedges, and (ii) associated CVA hedges. Such an exemption would be consistent with the EU approach, would eliminate duplicative capitalization of risks already captured through CCAR, and would honor the policy rationale underlying the Dodd-Frank end-user exceptions from clearing and margin requirements.

## *A. CVA Capital Requirements for End-User Derivatives Are Additive and Redundant*

As the Coalition observed in the Basel III Endgame Comment Letter, CVA risk capital for derivatives transactions with commercial end-users is “entirely additive to existing capital already required to be held by large banking organizations on derivatives transactions, with no corresponding benefit to those banking organizations or the broader financial system.”<sup>7</sup> The Re-Proposal’s CVA framework imposes a separate and fully additive charge as CVA risk is already capitalized under CCAR.

The CVA requirement is structured in a way that is most punitive for precisely the types of transactions that characterize legitimate commercial hedging: those that are long-dated, uncollateralized or undercollateralized, and single-directional. Most Coalition members transact on an uncollateralized basis by reason of the Congressional exemption from mandatory margin requirements under Dodd-Frank. They also hedge over long time horizons that match their underlying business exposures, and hedge in one direction, reducing risk rather than taking on speculative positions. Every characteristic that defines bona fide commercial hedging is also a characteristic that drives higher CVA capital under the Re-Proposal. The framework thus imposes its greatest burdens on the most clearly legitimate hedging activity, and in doing so effectively undoes the carefully calibrated protections Congress and the Agencies have previously extended to commercial end-users, most notably the Dodd-Frank clearing and margin exemptions and the removal of the 1.4x alpha factor from SA-CCR.

## *B. The EU Has Adopted CVA Exemptions for Commercial End-Users*

The Coalition’s request for a commercial end-user CVA exemption is fully consistent with the approaches adopted by the EU. Under the EU’s Capital Requirements Regulation (CRR3), derivatives transactions with non-financial counterparties that do not exceed the clearing threshold are explicitly excluded from CVA risk capital requirements. This reflects a deliberate regulatory policy judgment that commercial hedging transactions as an effective risk management tool to commercial end users warrant preferential capital treatment and, thus, should not be subject to standalone CVA capital treatment.

The Re-Proposal unfortunately does not reflect that same judgment. As a result, U.S. commercial end-users engaging in derivatives transactions with U.S. banking counterparties face materially higher hedging costs than their European competitors engaging in identical transactions with EU banks. As the Coalition noted in the Basel III Endgame Comment Letter, absent a corresponding

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<sup>7</sup> Basel III Endgame Comment Letter at p. 9.

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exemption under the Re-Proposal, U.S. commercial end-users engaged in derivatives transactions with large banking organizations would be placed at a material disadvantage vis-à-vis their non-U.S. competitors.<sup>8</sup>

## *C. Real-Economy Impacts Across End-User Sectors*

The costs imposed by the Re-Proposal's CVA requirements will fall broadly across the sectors that constitute the Coalition's membership, but they will fall most heavily on long-dated, uncollateralized, and directional derivatives commonly used by commercial end-users to hedge ordinary business risk. Because the CVA capital charge is highest for transactions with those characteristics, commercial end-users across sectors are likely to face higher hedging costs.

Energy companies across the supply chain provide a useful illustration. In the electric sector, utilities and independent power producers are rapidly expanding generation and transmission infrastructure to meet growing demand, including from data centers, as well as broader reliability and energy security objectives. These capital-intensive projects commonly rely on long-dated interest rate derivatives to hedge financing costs and commodity derivatives to hedge fuel inputs, instruments that would generally attract higher CVA capital charges under the Re-Proposal. Similarly, participants throughout the oil and gas supply chain are making substantial capital investments across drilling, development, processing, and delivery operations. Many use long-dated commodity and interest rate derivatives to protect the margin on capital invested today for production realized tomorrow. Higher CVA-related costs may increase the cost of financing and risk management across all of these segments. Agricultural producers and food processors face a similar dynamic. Their commodity derivatives are often forward-looking and directional because they reflect underlying production and inventory exposures. As a result, these transactions may attract comparatively higher CVA capital charges, increasing hedging costs that may ultimately affect food production and pricing.

The impact is not confined to energy and agriculture. Manufacturers with global supply chains rely on foreign exchange and interest rate derivatives to manage currency risk and financing costs associated with cross-border operations. By increasing the cost of these routine hedging transactions, the Re-Proposal may reduce operational flexibility and increase costs for U.S. manufacturers competing internationally. The CVA capital charge is not limited to complex or tailored instruments. Plain vanilla interest rate swaps and basic foreign exchange forwards used by corporations across a wide range of industries are equally subject to the charge. The Re-Proposal does not distinguish between complex and simple instruments or exempt short-dated hedges. As proposed, the charge would apply broadly to derivative transactions entered into by commercial end-users that are not subject to collateral posting requirements. The practical effect of the Re-Proposal would be to increase the cost of hedging transactions routinely used by commercial end-users across a broad range of industries.

- ***Provide a comprehensive economic analysis of CVA impacts on commercial end-users.***

The Re-Proposal's economic analysis of CVA's impact on commercial end-users would benefit from greater granularity. The Re-Proposal devotes fewer than two pages to CVA across more than

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<sup>8</sup> See *id.*

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250 pages of economic analysis,<sup>9</sup> and does not include the transaction-level or business-line-level assessment that would allow the Agencies to evaluate whether the charge is appropriately calibrated for end-user derivatives specifically. The Agencies suggest that because CVA is a small fraction of total aggregate capital requirements across all risk types, its impact is acceptable,<sup>10</sup> but the relevant question is not what CVA contributes to a bank's aggregate capital stack, but what it adds to the capital cost of an individual derivative transaction. **This point is difficult to over emphasize; economic decisions about hedging and risk management are made at the margin and not based on aggregates or averages. Concluding that the costs associated with CVA capital requirement is acceptable because, in aggregate, it represents a small fraction of overall capital is faulty economic reasoning that does not relate to any legitimate cost-benefit analysis.** The Agencies own economic analysis recognizes that banking organizations subject to higher capital requirements may “exit some markets or reduce the variety of their offerings”, and that it is “widely accepted that banking organizations attempt to shift resources from activities with low capital efficiency towards activities with higher capital efficiency.”<sup>11</sup> A more granular analysis, including transaction-level cost effects, cost pass-through to end-users, and sector-level impacts, would better equip the Agencies to assess whether the CVA framework as applied to end-user transactions achieves its intended purpose.

The Coalition also notes that the Re-Proposal's economic analysis draws in part on Modigliani and Miller (1958) for the proposition that commercial hedging does not add value because shareholders can diversify on their own. The Coalition notes that the framework was not originally designed to speak to the value of hedging and risk management services provided by banks. Their work is intended to explain the impact of leverage on the value of a firm, not the benefits of specialization and efficiency gains that bank risk management services provide through the provision of derivatives. The Coalition respectfully submits that citing that work as a rationale in support of the CVA requirements may extend those results beyond their intended scope.<sup>12</sup> The Re-Proposal itself cites more recent work, including Froot, Scharfstein, and Stein (1993) and Allayannis and Weston (2001), for the proposition that risk management increases firm value and supports growth. The Coalition respectfully submits that these more recent studies better reflect the realities of modern commercial hedging, and that the cost-benefit analysis would be strengthened by weighting it accordingly, particularly in the current environment of elevated inflation, geopolitical uncertainty, and commodity market volatility.

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<sup>9</sup> See 91 Fed. Reg. at 15,142-43.

<sup>10</sup> See 91 Fed. Reg. at 15,104-05.

<sup>11</sup> See *id.* at 15,142.

<sup>12</sup> Commercial end-users benefit substantially from the expertise and detailed market knowledge that banks provide in the provision of risk management services, in the same way that a firm benefits from purchasing other specialized third-party inputs to its business rather than attempting to replicate that expertise internally.

### III. Redundancy and Overlap Between the Re-Proposal and the GMS Component of CCAR

- *Exempt uncleared derivatives with commercial end-users from CVA risk capital requirements to alleviate the compounding effect of the double-count between the CVA and GMS component of CCAR.*

The Coalition’s second structural concern is the redundancy between the Re-Proposal’s capital requirements and the GMS component of CCAR. Both the CVA framework and the revised market risk framework (commonly referred to as the Fundamental Review of the Trading Book (“FRTB”)) have been calibrated to capture losses during periods of market stress, as has the GMS. The result is that large banking organizations are required to hold multiple layers of capital against the same underlying risks. As Federal Reserve Governor Bowman observed in her July 27, 2023 statement dissenting from the Basel III Endgame Proposal, the proposal “leaves in place and even introduces new regulatory redundancies, as with changes to the market risk capital rule, credit valuation adjustments, and operational risk that overlap with stress testing requirements and the stress capital buffer,” adding that “[i]t is not clear whether or when we will revisit the broader set of capital rules to address redundancy and overlap, but doing so could significantly improve the efficiency of the capital framework.”<sup>13</sup> The Re-Proposal addresses some of the concerns Governor Bowman identified. While the Federal Reserve has acknowledged these overlaps and the accompanying stress test proposal would partially reduce requirements for CVA risk and trading positions, the Re-Proposal does not resolve the underlying structural redundancy, as discussed below.

Under the current capital framework, the binding capital constraint for most large banks is the standardized approach, which does not include operational risk or CVA.<sup>14</sup> Under the Re-Proposal’s expanded risk-based approach, CVA and operational risk will be incorporated into the minimum capital requirements for the first time.<sup>15</sup> The result is that these risks are captured both as a minimum capital floor under the Re-Proposal and as a stress capital add-on through CCAR, with the proposed stress test reductions providing only a partial offset. The combination produces capital requirements that remain over-calibrated relative to actual risk for the specific subset of transactions at issue here: uncleared derivatives with commercial end-users.

CVA risk for derivatives transactions with commercial end-users is addressed through the stress testing framework. The GMS component of CCAR subjects banking organizations to severe shocks to market risk factors, like credit spreads, that drive CVA losses, thereby capturing in the stress capital buffer<sup>16</sup> the market-risk-driven CVA losses that the Re-Proposal’s standalone CVA capital charge is also designed to capture. As the Coalition stated in the Basel III Endgame Comment Letter, including these transactions in a standalone CVA risk capital framework is “only

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<sup>13</sup> Statement of Governor Michelle W. Bowman on the Basel III Endgame Proposal at 5 (July 27, 2023), *available at*: <https://www.federalreserve.gov/aboutthefed/boardmeetings/bowman-statement-20230727.pdf>.

<sup>14</sup> Under the current capital framework, the standardized approach serves as the binding constraint for most large banking organizations and does not include a standalone CVA risk capital requirement or the operational risk capital requirement proposed under the Re-Proposal. *See* 91 Fed. Reg. at 15,138.

<sup>15</sup> *See id.*

<sup>16</sup> *See id.* at 15,115-16.

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additive to existing capital requirements, with no corresponding benefit to large banking organizations, their counterparties or the broader financial system.”<sup>17</sup>

This double-counting is particularly problematic for derivatives with commercial end-users, whose transactions tend to be long-term and directional, attracting disproportionately higher CVA capital under both frameworks simultaneously. The cumulative effect is an effective capital charge materially in excess of what the underlying risk profile warrants.

- ***Exclude CVA-related income and losses from the business indicator’s noninterest component used in operational risk calculation, to mitigate the compounding effects between the CVA and the operational risk capital requirements.***

The Re-Proposal’s treatment of CVA risk creates a distinct and additional double-counting problem through the interaction between the standalone CVA framework and the new operational risk framework.

Under the new operational risk framework, a banking organization’s operational risk capital requirement is determined by reference to a BI that reflects business volume.<sup>18</sup> The BI’s noninterest component captures trading-related revenues, including CVA-related income and losses as they flow through a bank’s profit and loss account. Because CVA activity directly affects trading revenues, it drives up the operational risk capital charge through the BI, while simultaneously being subject to a standalone CVA capital requirement. The result is that the same CVA activity contributes to two separate capital charges.<sup>19</sup>

The layering compounds further under CCAR, which includes both a CVA GMS component and an operational risk component. The combined effect is that CVA-related risk is captured across four overlapping regulatory requirements simultaneously: the standalone CVA minimum capital requirement under the Re-Proposal; the CVA losses captured in the stress capital buffer through the GMS component of CCAR; the operational risk minimum capital requirement under the Re-Proposal; and the operational risk losses captured in the stress capital buffer through CCAR. The Coalition acknowledges that the Federal Reserve has stated it is “mindful of the overlaps between the capital and stress testing frameworks”<sup>20</sup> and that proposed stress testing changes include “material reductions to the projected losses relating to operational risk and trading positions.”<sup>21</sup> However, the stress testing adjustments do not address the specific redundancy identified here: even with reduced stress test projections, the minimum capital floor for CVA and operational risk remains fully independent of the stress capital buffer, meaning both layers bind simultaneously for

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<sup>17</sup> Basel III Endgame Comment Letter at p. 8.

<sup>18</sup> Under the operational risk framework, the BI is defined at proposed § \_\_.150(c) and includes a noninterest component that captures total noninterest income and expenses including trading revenues. *See also* 91 Fed. Reg. at 15,010-14 (discussing BI components and the inclusion of trading income in the noninterest component).

<sup>19</sup> Basel III Endgame Comment Letter at p. 9; *see also* 91 Fed. Reg. at 15,010-14.

<sup>20</sup> Board of Governors of the Federal Reserve System, Staff Memorandum to the Board of Governors, “Basel III proposal, GSIB surcharge proposal, and standardized approach proposal” at 7 (Mar. 19, 2026), *available at*: <https://www.federalreserve.gov/aboutthefed/boardmeetings/files/board-memo-basel-gsib-standardized-approach-20260319.pdf> (“Board Memo”); 91 Fed. Reg. 14,959.

<sup>21</sup> Board Memo at 7.

end-user derivatives. The result is a capital stack far more conservative than the underlying risk profile of the transactions warrants, particularly for derivatives with commercial end-users, where CVA risk is already low relative to other counterparty types.

- ***Make substantive changes to the revised market risk framework to avoid the double-counting of market risks under FRTB and the GMS component of CCAR.***

The revised market risk framework suffers from the same fundamental redundancy identified in the Basel III Endgame Comment Letter.<sup>22</sup> FRTB has been calibrated to capture market risk losses during periods of stress. The GMS component of CCAR is designed to do precisely the same thing. FRTB was calibrated and finalized by the Basel Committee without reference to the U.S.-specific CCAR stress testing framework. Although the Federal Reserve has acknowledged the overlap<sup>23</sup> and the stress test proposal would partially reduce positions for trading positions,<sup>24</sup> it does not resolve the underlying structural redundancy—that is, the proposed adjustments reduce but do not eliminate the double-counting of market risk losses across the two frameworks.

#### **IV. The Proposed Reintroduction of the SA-CCR Alpha Multiplier**

The Re-Proposal solicits comment on whether the commercial end-user exemption from the SA-CCR alpha multiplier should be eliminated.<sup>25</sup> The Coalition strongly urges the Agencies to retain it. The alpha multiplier is a scaling factor designed to buffer against wrong-way risk and model imprecision, characteristics that do not apply to commercial end-users, who use derivatives to reduce risk, not assume it. The 2020 SA-CCR final rule recognized as much,<sup>26</sup> and nothing in the Re-Proposal identifies new evidence, changed market conditions, or a policy rationale that would support revisiting that determination.

Reintroducing the alpha multiplier would be particularly ill-timed. Layering a 40% capital gross-up on top of the new CVA charge, the operational risk requirement, and the CCAR stress capital buffer would further compound an already over-calibrated capital stack for precisely the end-user

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<sup>22</sup> Basel III Endgame Comment Letter at p. 10.

<sup>23</sup> 91 Fed. Reg. at 14,959.

<sup>24</sup> See 91 Fed. Reg. at 15,117; Bowman March 2026 Remarks at p. 5.

<sup>25</sup> Question 40 of the Expanded Risk-Based Proposal asks, in relevant part, whether there would be advantages or disadvantages to “allowing banking organizations to apply the higher factor of 1.4 for all derivative transactions, rather than having to distinguish based on whether the counterparty qualifies as a commercial end-user,” and invites any rationale or data helpful for the agencies to consider. 91 Fed. Reg. at 14,983.

<sup>26</sup> See Standardized Approach for Calculating the Exposure Amount of Derivative Contracts, 85 Fed. Reg. 4,362, 4,365 (Jan. 24, 2020) (final rule removing the 1.4x alpha factor for derivative contracts with commercial end-user counterparties and explaining that the alpha factor is “designed to address model risk and wrong-way risk” but does not reflect the reduced risk profile of commercial end-user transactions).

transactions that Congress and the Agencies have consistently sought to protect.<sup>27</sup> The Coalition urges the Agencies to reaffirm the exemption in the final rule.

## V. Conclusion

The Coalition, represented today by 94 end-user companies and associations that support them, applauds the Agencies' efforts to promote safety and soundness and financial stability and commends the Agencies for the meaningful improvements reflected in the Re-Proposal, particularly the elimination of the public listing requirement and the exclusion of client-facing cleared derivatives from CVA scope.

The Re-Proposal would nonetheless benefit from further refinement in several areas that, as currently drafted, risk introducing unnecessary burdens on commercial end-users without a corresponding improvement in safety and soundness. As described above, the CVA framework as applied to end-user derivatives would increase the cost of routine hedging transactions for the commercial end-users that make up the Coalition's membership, with the greatest burden falling on precisely the long-dated, uncollateralized, and directional transactions that characterize legitimate commercial hedging. For end-users that hedge over long time horizons on an uncollateralized basis, the compounding effect of the CVA charge, the operational risk requirement, and the CCAR stress capital buffer would produce a capital stack in excess of what the underlying risk warrants, and those costs would ultimately be borne by the end-users themselves. The Coalition also notes that the absence of a CVA exemption would place U.S. commercial end-users at a competitive disadvantage relative to their EU counterparts engaging in economically identical transactions. That outcome is not compelled by the underlying risk profile of those transactions and could be avoided by aligning with the approach the EU has adopted.

The Coalition respectfully submits that the solutions proposed in this letter would address these concerns without compromising the stability or resilience of the financial system. Most fundamentally, the Coalition urges the Agencies to ground the final rule in a cost-benefit analysis that reflects the marginal economics of end-user hedging—one that evaluates the impact of capital requirements at the transaction level where commercial end-users actually make their risk management decisions. The Coalition respectfully urges the Agencies to consider these broader economic consequences as they finalize the Re-Proposal, and to ensure that the final rule does not inadvertently discourage the prudent risk management practices that support American innovation, investment, job creation, and competitiveness.

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<sup>27</sup> The U.S. Chamber of Commerce illustrated the practical impact of eliminating the exemption in a whitepaper published in 2024. It described that the transition to SA-CCR “would likely flow through to pricing, making markets less efficient and affecting various commercial end users (e.g., agricultural producers, oil producers) and businesses that rely on swaps and futures to hedge commercial business risk,” specifically noting increased prices for “oil producers, airline companies, retail grocery chains, shipping companies, and other critical providers of consumer goods” who would likely have to, in turn, increase consumer-facing prices, with the ultimate “cost borne through reduced economic growth.” See U.S. Chamber of Com., Ctr. for Cap. Mkts. Competitiveness, “Endgame” for Main Street Lending: Understanding How the Basel III Bank Capital Rules Will Harm American Businesses and the U.S. Economy at 40, <https://www.uschamber.com/assets/documents/Endgame-for-Main-Street-Lending-Basel-III-White-Paper.pdf> (last visited June 16, 2026).

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We thank you for the opportunity to comment on these very important issues to derivatives end-users and are available to further discuss and answer any questions you may have.

As always, the Coalition stands ready to work with the Agencies to help implement capital rules that promote safety and soundness and resolvability, bolster financial stability, provide clarity to the markets and reduce complexity without unduly burdening American businesses and the broader U.S. economy.

Sincerely,

The Coalition for Derivatives End-Users

Achema Group  
AEGIS Markets  
Alabama Municipal Electric Authority  
Albemarle Corporation  
American Public Gas Association  
APA Corporation  
Arena Energy  
Aviation Facilities Company Management  
Avports LLC, a GSAM portfolio company  
BASA Resources, Inc.  
Basin Electric Power Cooperative  
Blue Jay Quebec Mergeco Holdings Inc.  
Business Roundtable  
Chatham Financial  
City of Aledo, Illinois  
City of Fairfield, Illinois  
City of Huntingburg, Indiana  
City of Jasper, Indiana  
City of Lineville, Iowa  
City of Linton, Indiana  
City of McLeansboro, Illinois  
City of Mulberry, Kansas  
City of Nashville, Illinois  
City of Red Bud, Illinois  
Clarke-Mobile Counties Gas District  
Clayton Energy Corporation  
Commodity Markets Council  
Community Natural Gas Co. Inc.  
Comstock Resources, Inc.  
Dow Inc.  
Eco-Tech, LLC  
Electric Power Supply Association  
Energy Southeast, a Cooperative District  
EQT Corporation

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Expand Energy Corporation  
GC Infrastructure Investors LLC  
Grant City, Missouri  
GridStor  
Honeywell International Inc.  
Huebert Fiberboard Inc.  
Huntsville Utilities  
Hydrostor Inc.  
IOG Resources  
Jonah Energy LLC  
Kinder Morgan Inc.  
Large Public Power Council  
Liberty Global  
Liberty Latin America Ltd.  
LyondellBasell  
Madhive  
Madison Air (Madison IAQ, LLC)  
Minnesota Municipal Gas Agency, d/b/a Minnesota Community Energy  
Montgomery City, Missouri  
Municipal Gas Commission of East Central Missouri  
National Association of Manufacturers  
National Cattlemen's Beef Association  
National Rural Electric Cooperative Association (NRECA)  
Nearing Visabeira, SA  
Norgine  
Northeast Natural Energy LLC  
Northern Oil and Gas, Inc.  
One Earth Energy, LLC  
Ovintiv Inc.  
PBF Holding Company LLC  
People Corporation  
Public Energy Authority of Kentucky  
Public Energy Facilities Authority  
Quantum Dynamics, Inc.  
Radiac  
RWE Supply & Trading Americas, LLC  
Seneca Resources Company, LLC  
Snyder Brothers  
Southeast Energy Authority, A Cooperative District  
Synthon BV  
Tech Lishe Enterprises  
Terra Energy Partners  
The Black Belt Energy Gas District  
The City of Tallahassee  
The Tennessee Energy Acquisition Corporation  
Town of Roachdale, Indiana

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U.S. Chamber of Commerce  
U.S. Steel  
Unincorporated community of Unionville, Illinois  
Utility Gas Management  
VF Corporation  
Village of Flat Rock, Illinois  
Village of Jeffersonville, Illinois  
Village of Pawnee, Illinois  
Village of Westville, Illinois  
Volvo Group North America  
W&T Offshore, Inc.  
Warner Bros. Discovery, Inc.  
Wayne City, Illinois  
WildFire Energy I LLC