February 12, 2018

The Honorable Blaine Luetkemeyer
2230 Rayburn House Office Building
United States House of Representatives
Washington, DC 20515

Dear Chairman Luetkemeyer,

We write today in strong support of the legislation you have authored, H.R. 4659, which will provide much-needed relief to agricultural end-users, the energy industry and other participants in the cleared derivatives markets. We also commend H.R. 4659's original co-sponsors, Reps. Frank Lucas, Tom O'Halleran, Filemon Vela and David Scott, for their work on behalf of a robust, affordable cleared-derivatives market in the United States.

This legislation is necessary because, despite calls for reform by Republican and Democrat members of both the House Agriculture and Financial Services Committees, the current and previous Chairmen of the Commodity Futures Trading Commission, the United States Treasury Department's Report on Capital Markets, and market participants, U.S. implementation of the leverage ratio rule continues to suffer from a flawed and damaging approach to cleared derivatives.

As currently constructed, the leverage ratio does not allow an offset for exposure-reducing margin provided by clients for their cleared derivatives. The inability to recognize an offset for client initial margin increases the cost of client clearing and limits the amount of client clearing that banks will conduct. This in turn will lead to a smaller and less diverse set of clearing participants, thereby reducing access to clearing, limiting hedging opportunities for end-users, and reducing the ability to transfer clients in stressed market conditions. This regulatory approach harms farmers and manufacturers seeking to manage commodity price fluctuations, commercial firms wishing to lock in prices as they distribute their goods, and pension funds using derivatives to enhance workers' retirement benefits. In addition, the reduced ability to transfer clients is likely to increase the volatility in already stressed market conditions, thus increasing systemic risk.

This result is an unintended consequence of the post-crisis financial reforms and undermines the incentives and benefits of central clearing for derivatives. Furthermore, the U.S. approach to the leverage ratio rule puts U.S. firms at a disadvantage to their European counterparts. The European Union has proposed legislation that would provide offsets for client initial margin on centrally cleared derivatives in their implementation of the leverage ratio rule. H.R. 4659 would ensure that our country's firms are not placed at a competitive disadvantage with their foreign counterparts due to a flawed leverage ratio calculation.

Thank you once again for your leadership on this important issue. We appreciate the work you and your bipartisan coalition of co-sponsors are doing to encourage robust and affordable cleared derivatives markets while maintaining capital levels to ensure financial stability in our economy.

Yours respectfully,

Walt L. Lukken
President & Chief Executive Officer
FIA

Gregg Doud
President
Commodity Markets Council (CMC)

Sunil Cutinho
President
CME Clearing

Scott Hill
Chief Financial Officer
Intercontinental Exchange (ICE)

About FIA:

FIA is the leading global trade organization for the futures, options and centrally cleared derivatives markets, with offices in London, Singapore and Washington, D.C. FIA's membership includes clearing firms, exchanges, clearinghouses, trading firms and commodities specialists from more than 48 countries as well as technology vendors, lawyers and other professionals serving the industry. FIA's mission is to:

- support open, transparent and competitive markets,
- protect and enhance the integrity of the financial system, and
- promote high standards of professional conduct.

About CMC:

The Commodity Markets Council ("CMC") is a trade association that brings together exchanges and their industry counterparts. Its members include commercial end-users that utilize the futures and swaps markets for agriculture, energy, metal, and soft commodities. Its industry member firms also include regular users and members of swap execution facilities (each, a "SEF") as well as designated contract markets (each, a "DCM"). Along with these market participants, CMC members also include regulated derivatives exchanges and price reporting agencies. The businesses of all CMC members depend upon the efficient and competitive functioning of the risk management products traded on DCMs, SEFs, and over-the-counter ("OTC") markets.

About CME Group:

CME Group is the parent of four U.S.-based designated contract markets ("DCMs"): Chicago Mercantile Exchange Inc. ("CME"), the Board of Trade of the City of Chicago, Inc. ("CBOT"), New York Mercantile Exchange, Inc. ("NYMEX"), and the Commodity Exchange, Inc. ("COMEX") (collectively, the "CME Group Exchanges" or "Exchanges"). These Exchanges offer a wide range of products available across all major asset classes, including: futures and options based on interest rates, equity indexes, foreign exchange, energy, metals and agricultural commodities. The CME Group Exchanges serve the hedging, risk management and trading needs of our global customer base by facilitating transactions through the CME Globex® electronic trading platform, our open outcry trading facility in Chicago, as well as through privately negotiated transactions. CME Group also includes the clearinghouse division of CME ("CME Clearing"), a derivatives clearing organization ("DCO") which provides clearing and settlement services for exchange-traded and over-the-counter derivatives transactions, as well as a swap data repository ("SDR").

About ICE:

Intercontinental Exchange (NYSE: ICE) is a Fortune 500 and Fortune Future 50 company formed in the year 2000 to modernize markets. ICE serves customers by operating the exchanges, clearing houses and information services they rely upon to invest, trade and manage risk across global financial and commodity markets. A leader in market data, ICE Data Services serves the information and connectivity needs across virtually all asset classes. As the parent company of the New York Stock Exchange, the company raises more capital than any other exchange in the world, driving economic growth and transforming markets.