



NEWS

For Immediate Release: February 14, 2019

Contact: Daphne.Magnuson@ngsa.org (202) 326-9314

Hinson.Peters@ngsa.org (202) 326-9325

NGSA Urges Prudential Regulators to Rethink End-User Capital Requirements

(Washington, D.C.) – The Natural Gas Supply Association (NGSA) and the National Corn Growers Association today filed joint comments at the Federal Reserve, the Treasury Department and the Federal Deposit Insurance Corporation (Prudential Regulators) on capital requirements for commodity derivatives.

Jenny Fordham, senior vice president of NGSA said, “Capital requirements are a common part of risk management tools and business. The key issue here is how the capital requirements are sized and met. This proposal misses the mark.”

The Standardized Approach to Counterparty Credit Risk (SA-CCR) is a method of measuring credit risk exposure used to establish bank capital requirements for derivatives transactions. According to the filing, the proposed SA-CCR significantly undermines the economically vital end user protections provided by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.

“Finding the middle ground between transaction-specific capital requirements and the SA-CCR proposed standardization approach is essential for producers and the market.” Fordham said. “Without a more granular approach, consumers will bear the cost of the proposal in the form of higher commodity costs and fewer job-creating investments by U.S. industry,” she said.

Fordham said, “The proposed capital requirements should not apply to commodity risk management derivatives, but if the Prudential Regulators continue down this path, two modifications are critical. Commodity-specific factors should be used to assess market risk and to develop more granular factors for determining capital requirements. This avoids wasting vital working capital.”

She explained, “Commercial market participants must be able to use non-cash collateral to satisfy these requirements. The value of the commercial market participants’ assets must be recognized.”

As detailed in the filing, unless it is modified, the proposal would increase systemic risk and discourage commercial market participant risk management. Fordham concluded, “We look forward to working with the Prudential Regulators and other stakeholders to ensure capital isn’t left idle and the market retains its flexibility.”

For more information, see the joint letter filed [here](#).

####

The Natural Gas Supply Association (NGSA) represents integrated and independent companies that supply natural gas. Founded in 1965, NGSA is the only national trade association that solely focuses on producer-marketer issues related to the downstream natural gas industry. NGSA maintains a deep focus on the regulatory issues that affect natural gas producer-marketers and has been involved in a substantive manner in every one of the Federal Energy Regulatory Commission’s significant natural gas rulemakings since FERC’s creation in 1977.

More information at www.ngsa.org.

Markets Matter: Representing America’s Major Producers and Suppliers of Natural Gas Since 1965