NEWS

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

Natural Gas Companies and Corn Growers Urge Congress to Grant More Time and Proper Sequencing for CFTC Financial Reform Rules

(Washington, D.C.) -- Legislation (H.R. 1573) requiring the Commodity Futures Trading Commission (CFTC) to revisit the sequence and timing of Dodd-Frank Act rulemakings would help ensure more effective and deliberate regulatory oversight of the derivatives market, according to the Natural Gas Supply Association (NGSA) and the National Corn Growers Association (NCGA). The associations jointly wrote to the House Agriculture Committee in advance of a hearing tomorrow.

"By granting more time to craft rules, Congress is giving the CFTC the opportunity to thoughtfully sort through all the facts needed to make the best rules, rather than rushing to make the most expedient ones," said Jenny Fordham, NGSA's vice president, markets.

Fordham said the CFTC has been tasked with an uncompromising and unrealistic timeline for implementation of a rule that carries enormous potential consequences and risks to the economy. She said, "Extending the timeline gives regulators more time to assess the economic impact and to sequence rules in a more orderly way." For example, the CFTC would be able to issue key definitions such as "swap dealer" and "major swap participant" before issuing the rules that affect these entities. Extending the deadline also would align the United States with international financial reform timelines.

H.R. 1573 would extend the deadline for implementing Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act by 18 months. It maintains the current timeframe for some rules including key definitions. It also calls for more public forums to take stakeholder input before finalizing the rules.

The joint letter to House Agriculture Committee Chairman Frank Lucas and Ranking Member Collin Peterson follows.

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May 3, 2011

The Honorable Frank D. Lucas, Chairman
House Committee on Agriculture
1301 Longworth House Office Building
Washington, DC 20515

The Honorable Collin Peterson, Ranking Member
House Committee on Agriculture
1205 Longworth House Office Building
Washington, DC 20515

Subject: NCGA and NGSA Support Passage of H.R. 1573 to Facilitate Implementation of Title VII of Dodd-Frank Wall Street Reform and Consumer Protection Act

Dear Chairman Lucas and Ranking Member Peterson:

The Commodity Futures Trading Commission's (CFTC) implementation of Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act) is critical to maintaining the economic protections provided by the Dodd-Frank Act to end-users.

The National Corn Growers Association (NCGA) and the Natural Gas Supply Association (NGSA) were active participants in the shaping of the Dodd-Frank Act during its passage and continue to take an active role in the Dodd-Frank Act's successful implementation through the CFTC's rulemaking process.

To date, NCGA and NGSA have jointly filed comments in three CFTC rulemaking proceedings, offering recommendations related to the CFTC's proposals for implementing the swap dealer definition, the end user exception and position limits. We continue to work together to develop viable implementation solutions and expect to file joint comments in future rulemaking proceedings, including those related to product definitions and margin requirements.

Prudent implementation of the Dodd-Frank Act is an immense, but doable task. Although well-intended, the aggressive statutory deadlines imposed by the Dodd-Frank Act have created a race against the clock instead of a legal framework for developing long-term, viable and cost-effective mechanisms to accomplish Dodd-Frank Act's objectives.

If implemented without modification, the current CFTC proposals would negate the economic and end user protections provided by the Dodd-Frank Act. Implementation of the current CFTC proposals would result in the following market changes, among others, that directly affect the integrity of the end user and economic protections. More time will allow the CFTC to work with market participants to correct proposals that would cause the following problems:

- Board approval and corporate demonstration of financial health to the CFTC for *each* swap that is eligible for the end user clearing exception rather than a one time or annual demonstration.

- Hedge positions that must be correlated to individual physical transactions instead of hedge positions for a *portfolio* of physical assets and related positions due to inflexible bona fide hedge exemption requirements.

- Entities that primarily *trade* swaps for their own account instead of acting as dealers may be designated as swap dealers, precluding entities that primarily rely on swaps to commercial business hedge risk from use of the end user clearing exception.

The unintended consequences of these market changes come with a high price tag on the economy and *increased* systemic risk. **We urge you to vote for H.R. 1573 to provide the CFTC and market participants with the time and proper sequence to work together to get it right.** Keeping U.S. industry's capital at work in a recovering economy through sound implementation of the end user protections in the Dodd-Frank Act will help create jobs, energy and products for U.S. consumers without compromising the integrity of the U.S. financial system. H.R. 1573 will give regulators the time they need to more fully review and consider the thousands of comments already received and to work with market participants and other regulators to find viable implementation solutions.

Founded in 1957, NCGA is the largest trade organization in the United States representing 35,000 dues-paying corn farmers nationwide and the interests of more than 300,000 growers who contribute through corn checkoff programs in their states. NCGA and its 48 affiliated state associations and checkoff organizations work together to create and increase opportunities for their members and their industry. Established in 1965, NGSA represents integrated and independent companies that produce and market approximately 40 percent of the natural gas consumed in the United States.

Please do not hesitate to contact Sam Willett, Senior Director of Public Policy for NCGA at 202-628-7001 or Jenny Fordham, Vice President, Markets for NGSA at 202-326-9317, if we can provide any additional information.

Sincerely,

National Corn Growers Association
Natural Gas Supply Association

Copy: Members of U.S. House of Representatives Committee on Agriculture