NEWS

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CFTC Swap Execution Facility Proposal Risks Limiting Important Hedging Tool

(Washington, D.C.) – In comments filed today at the U.S. Commodity Futures Trading Commission (CFTC) regarding the Swap Execution Facility (SEF) proposal, the Natural Gas Supply Association (NGSA) explained the important role that brokers provide to market participant hedging.

NGSA Senior Vice President Jenny Fordham said, "In ever-changing markets, there are no one-size-fits-all hedging practices. Policies that allow a variety of tools for hedging make sense for consumers and market participants. That's where brokers play an important role in matching counterparties with different hedging needs in illiquid markets. Brokers help provide counterparty diversity.

"A new SEF registration requirement that is imposed on brokers risks creating a disincentive for broker participation in the market. Brokers fill a void in the market that cannot otherwise be met. Brokers are the market response to a need for customized hedges and lack of liquidity in certain commodity swaps. Without them, the ability to hedge is potentially diminished."

The complete NGSA filing can be found here.

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