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February 2, 2011

James E. Mooney
President & CEO

Commodity Futures Trading Commission
Office of Public Affairs
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

Re: Proposed Rules Further Defining "Swap Dealer"

Dear Commissioner:

On behalf of Chevron Federal Credit Union, a not-for-profit financial institution serving more than 70,000 Chevron employees, contractors and family members worldwide, I am writing to request that the proposed definition of "Swap Dealer" be expanded to exempt the Federal Home Loan Banks (FHLBs).

The FHLBs enter into derivative trades for member financial institutions like the Credit Union that are seeking a prudent means to mitigate business risks. Such trades are not speculative in nature. Instead, each individual trade is completely offset by another trade holding a counter-exposure. The FHLBs merely act as a conduit for member financial institutions that would otherwise have little or no access to the interest rate derivatives market.

Why should the FHLBs be exempt?

It is well documented that the intent of the Regulatory Reform Act regarding derivatives is to provide oversight and regulation of those engaged in speculative derivative activities. The statute explicitly excludes persons and entities that enter into security-based swaps for their own account "but not as a part of a regular business." This is consistent with the intent expressed by Rep. Barney Frank, then-chairman of the House Financial Services Committee and a principal author of the Act, that financial institutions should be able to hedge "their own commercial risks or those of their customers." This is precisely the role the FHLBs have, until recently, performed for its member institutions.

Why is FHLB exemption important to small-sized financial institutions?

Small financial institutions like ours rely on the FHLB system, a quasi-governmental agency, for liquidity and risk management. We do not have the ability to readily go to the primary broker/dealers due to our small size. Moreover, our regulator, the National

Credit Union Administration (NCUA), requires that (1) the counter party to any derivatives trade must have a credit rating from a national rating agency of AA- or better and (2) post collateral when the counter party is in a net deficit position. The FHLBs are one of the few providers today that meet the NCUA's credit quality threshold; furthermore, they are exempt by the NCUA from the collateral requirement due to their quasi-governmental status.

Unfortunately, the particular FHLB in which we hold membership, FHLB of San Francisco (FHLB-SF), has terminated all derivative trades because it does not wish to fall under the proposed definitions of "Swap Dealer", which could trigger onerous requirements and capital outlays for what amounts to relatively minor business activity for FHLB-SF.

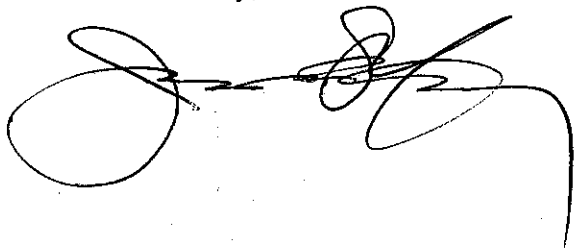
What are the potential effects for the Credit Union if the FHLBs are not exempted?

During the recent financial crisis and subsequent recession, many surviving financial institutions sharply curtailed their lending activities. Chevron Federal Credit Union did not. We continued to be a reliable source of loans – and particularly mortgage loans – for our members. We could not have done so without the ability to mitigate interest rate risk through the use of interest rate caps and swaps acquired through FHLB-SF. These financial derivatives enabled us to lend at rates attractive for our members but also economical for the Credit Union.

While the recession has subsided, our need to access the derivatives market has not. In the absence of FHLB-SF's derivatives services, we are left with virtually no place to turn. There are very few broker/dealers with a credit rating that satisfies our regulator's minimum requirements, and even fewer willing to post collateral or trade in the small notional amounts that are typical for an institution our size. Without the ability to prudently mitigate interest rate risk, we will likely need to raise the costs of borrowing for our members at a time when mortgage rates are already rising and the housing market continues to struggle.

For these reasons, we urge you to consider expanding the proposed definition of Swap Dealer to exempt the FHLBs. We appreciate your consideration of our request.

Sincerely,

A handwritten signature in black ink, consisting of a large, stylized loop on the left and a series of smaller loops and lines extending to the right, ending in a long, thin tail that curves downwards.