

June 15, 2011

Commodity Futures Trading Commission
1155 21st Street NW
Washington, DC 20581

Dear Commissioners:

As member-owners of the National Rural Utilities Cooperative Finance Corporation (CFC), our wholly owned cooperative that provides us with financing, we encourage the CFTC to clarify in rulemaking that CFC, as an “end user” of derivatives, is exempt from the new margining and clearing requirements under the Dodd-Frank Act (DFA).

By way of background, CFC is a nonprofit cooperative entity created and owned by consumer-owned rural electric cooperatives (RECs). We, the RECs, established CFC in 1969 to supplement the loan programs of the U.S. Department of Agriculture. Since that time, we have continued to rely on CFC to provide us the financing necessary to deliver our end product – electricity – to consumers. CFC’s loans to us enable us to provide electric power service to more than 42 million rural Americans in 47 states.

Congress explicitly recognized that end users of over-the-counter (OTC) interest rate swaps should be exempt from margining and clearing requirements. Under the DFA, Congress provided electric cooperative end users a clear exemption from the margining and clearing requirements for swaps used to mitigate our own business risks. In connection with making loans to us, CFC also uses OTC interest rate swaps to mitigate its business risks. If new requirements are imposed on CFC, the increased cost will undoubtedly be borne by our rural electric consumers in the form of higher rates.

We encourage the CFTC to “look through” CFC to its REC member-owners and clarify that, as a nonprofit lender owned and controlled by the entities exempted under the DFA, CFC is provided a clear exemption from margining and clearing requirements for the following reasons:

- CFC is a captive nonprofit cooperative created by, and wholly owned by, electric cooperatives;
- CFC is owned and controlled by its REC members on a “one member, one vote” basis;
- CFC uses swaps only to mitigate the commercial risk arising from lending to its electric cooperative members; and
- CFC never uses derivatives for speculative purposes.

We strongly urge that CFC, our wholly owned and controlled financing arm, be afforded the same exemptions as its REC member-owners from margining and clearing requirements.

We appreciate your consideration of our views.