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OFFICE OF THE
SECRETARIAT

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.

Sincerely,

A handwritten signature in black ink, appearing to read "Carl R. Albrecht".

Carl R. Albrecht, CEO
Garkane Energy Cooperative, Inc.

CFTC ISSUE SUMMARY

- The Dodd-Frank Wall Street Reform and Consumer Protection Act was signed into law almost one year ago on July 21, 2010 to provide regulatory reform following the financial crisis.
- The Commodity Futures Trading Commission (CFTC) is the primary federal agency charged with implementing this law within a one year deadline imposed by Congress.
- Neither CFC nor the electric co-ops were the cause of the financial crisis that led to the Dodd-Frank Act. Therefore, CFC and the electric co-ops should not be subjected to unnecessary regulatory burdens.
- CFC uses interest rate swaps to offer electric co-ops flexibility in loan terms at the lowest costs. Specifically, CFC uses swaps to "match fund" its loan portfolio with the debt instruments it issues in the market, thereby mitigating interest rate risk and reducing costs.
- CFC does not use derivatives for investment or speculative purposes, nor is CFC a broker or dealer in derivatives. CFC enters into swaps only to hedge the risks associated with lending to our members.
- Imposing new requirements on CFC will unnecessarily increase costs without a corresponding reduction in risks.
- The specific requirements that concern CFC would require submitting swaps to a clearinghouse and providing margin (collateral) with each transaction. This could limit CFC's flexibility by confining swaps use to a limited universe of standard contracts and add the unnecessary expense of posting collateral.
- Without a clear exemption from the regulators, these requirements would be unnecessarily imposed on CFC.