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May 8, 2012

David A. Stawick
Secretary of the Commission
Commodity Futures Trading Commission
Three Lafayette Centre, 1155 21st Street NW
Washington, DC 20581

Re: Cost-Benefit Analysis Related to Potential Exclusion for Small Financial Institutions from Financial Entity Definition [End-User Exception to Mandatory Clearing of Swaps (17 CFR Part 39; RIN 3038-AD10)]

Dear Mr. Stawick:

Webster Bank is an $19 billion full-service commercial bank headquartered in Waterbury, Conn., with 168 branches stretching from Boston to Westchester County, NY. We are a major provider of banking products and services to middle market companies, small businesses and families in our region.

Webster depends on interest rate derivatives to prudently manage risks inherent to the business of commercial banking. We do not use credit default swaps or use derivatives for speculative purposes. Rather, Webster uses derivatives to increase certainty with respect to its net interest margin and to reduce risks that naturally arise from making loans and taking in deposits. Since 1999 Webster has been providing a relatively small amount of interest rate derivatives to our commercial banking customers to assist them in managing their own risks. In New England, we face competition from many of the large New York and European owned banks and we need to offer borrowers the risk mitigation benefits associated with an interest rate swap in order to compete for commercial loans. Interest rate swaps allow us to offer competitive long-term financing to borrowers in a manner that does not require Webster to take on unwanted interest rate exposure.

Webster manages its derivative business to minimize interest rate and credit exposure. Customer facing swaps are cross-defaulted and cross-collateralized with the Webster loan. We execute offsetting trades (back – to back swaps) with counterparties to eliminate the incremental interest rate risk. We strongly believe this dealer-facing trade executed to offset a customer-facing trade to be a "hedge of commercial

risk". Counterparty transactions are marked-to-market and netted on a daily basis. Our counterparty relationships are governed by the ISDA Agreement and the Credit Support Annex to the ISDA Agreements. In accordance with those agreements, we have established a "Zero Threshold" with each counterparty so that all exposure is collateralized by cash or securities. Our only risk arises if a counterparty fails, our net exposure is positive from Webster's perspective (the counterparty owes us if all transactions are terminated), and the market moves against us during the 7 days that it takes to declare an "Event of Default" and we are slightly under-collateralized to the extent of the market movement. We perform this process very efficiently, utilizing our Bank investment accounting system, our Bloomberg terminals, our e-mail system, and the Fed wire system for the movement of cash or securities. These 4 systems are integral to normal banking processes and required no additional cost when we began to offer derivatives. Our derivative activities are regulated by the Office of the Comptroller of the Currency (OCC). The OCC provides extensive guidance on risk management of counterparty credit risk, and conducts regular examinations to ensure our compliance with sound risk management practices.

I point this out to emphasize the fact that our current process is cost effective, and minimizes interest rate risk and counterparty credit risk. Our ability to offer interest rate derivatives promotes lending initiatives and allows us to compete with large money center banks.

Requiring Webster to clear these transactions does little to reduce our counterparty credit risk, and adds to our cost to provide the product. It creates additional credit exposure and operational risk by introducing a new Futures Commission Merchant (FCM) counterparty and a Swap Execution Facility (SEF). We will need to devote resources to understanding a new type of risk created by comingling our collateral at the FCM. We will have added opportunity cost due to the requirement for initial margin requirements at the FCM – which reduces our funds available to lend. The added costs will either make it prohibitive for us to offer the product, and encourage our clients to turn to Money Center banks, or we will determine we must offer the product to stay competitive, and our clients may end up bearing the added cost. We have offered these products responsibly to our customers for the past twelve years, and I am concerned that it becomes cost prohibitive to continue to do so, borrowers will have fewer choices, and the lack of competition from small and mid sized banks drives the cost of credit higher.

I appreciate the opportunity to share information on the cost to clear our transactions. Our costs go beyond the hard dollar transaction costs. The Dodd-Frank Act itself is voluminous and Title VII is very complicated. Our Compliance Department was hard pressed to evaluate and implement all that was required. We hired a consultant just to help us implement Title VII for a fee of $55,000. We will incur legal fees associated with new client agreements, negotiating contracts with a Futures Commission

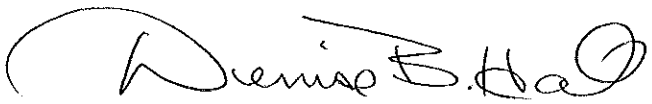
Merchant (FCM) and a Derivatives Clearing Organization (DCO). Estimated legal fees are $25,000. In addition to those one-time costs, I estimate that we will have the following reoccurring costs:

Annual Primary and Secondary FCM fees:	$150,000
Outsource back office to meet Regulatory Requirements	175,000
DCO costs – variable based on collateral	

These added costs will be accompanied by a lower volume of activity. Previously many of our clients relied on the Business Line Exemption to the Eligible Contract Participant definition to qualify to enter into an interest rate swap. Some may no longer qualify under the new definition. In addition, many borrowers have elected floating rate loans due to the low interest rate environment and the Federal Reserve statements that rates will remain low for the foreseeable future. The exclusion for an Insured Depository Institution (IDI) that offers swaps in connection with a loan restricts that exclusion to a swap that is entered into with in 90 days before or 180 days after the date of the loan agreement or any draw of principal. We will thus be prohibited from helping these clients manage their interest rate risk if they choose to float for 180 days. Those clients may choose to borrow from a bank that is a swap dealer so that they have maximum flexibility in managing their interest rate risk.

I appreciate the opportunity to discuss this issue or answer any questions you may have. I understand the need for additional regulation and the importance of getting the regulations right. I urge you to exempt end-user banks from the new mandatory swaps clearing requirements. Otherwise, I believe the cost will result in many community and regional banks exiting this business line, and borrowers concentrating more lending business at the large bank and broker dealers. Thank you for your consideration of our comments.

Sincerely,



Denise B. Hall

Senior Vice President

Webster Bank, NA