



Credit Union National Association

cuna.org

601 Pennsylvania Ave., NW | South Building, Suite 600 | Washington, DC 20004-2601 | **PHONE:** 202-638-5777 | **FAX:** 202-638-7734

Submitted via www.regulations.gov

August 16, 2012

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

Re: Clearing Exemption for Certain Swaps Entered Into by
Cooperatives, [17 CFR Part 39, RIN 3038-AD47]

Dear Mr. Stawick:

This comment letter represents the views of the Credit Union National Association (CUNA) regarding the Commodity Futures Trading Commission's (CFTC's) proposal to provide a clearing exemption for certain swaps entered into by cooperatives. By way of background, CUNA is the largest credit union advocacy organization in this country, representing approximately 90% of our nation's 7,200 state and federal credit unions, which serve about 95 million members.

Under the proposed exemption, the CFTC would permit cooperatives with \$10 billion or more in assets to elect not to clear swaps in connection with originating loans for members or that hedge or mitigate risks associated with member loans, if the cooperative's members are either: 1) non-financial entities; 2) financial entities to which the small financial institution exemption applies; or 3) cooperatives themselves. This proposed exemption would supplement the final rule on the end-user exception to the clearing requirement for swaps, which exempts credit unions and other financial institutions with \$10 billion or less in assets.

CUNA supports the proposed clearing exemption for credit unions. As not-for-profit cooperatives, all well managed credit unions, consistent with safety and soundness, should be able to elect not to clear swaps that are for the purpose of hedging interest rate risks. We believe the proposed exemption would help minimize the additional costs and fees associated with mandatory clearing and provide flexibility for credit unions to use non-cleared swaps.



OFFICES: | WASHINGTON, D.C. | MADISON, WISCONSIN

Currently, as permitted under the National Credit Union Administration's rules and regulations, a limited number of federal credit unions use certain derivatives, such as interest rate swaps and caps, to hedge or reduce their interest rate risks. Some state-chartered credit unions also have similar derivatives authority for risk management purposes.

We also agree with the CFTC's cost-benefit analysis that shows the proposed exemption is appropriate. As the agency has noted, the exemption would minimize the costs associated with hedging and mandatory clearing for cooperatives that are eligible for the exemption, while the impact on the financial integrity of the swap markets is limited because a small number of cooperatives are currently estimated to qualify for the proposed exemption.

Further, we urge the agency to minimize any compliance burdens on credit unions and other cooperatives that elect the clearing exemption, under this proposal and the final rule on the end-user exception, including the notification requirements to the CFTC regarding how an exempt counterparty plans to meet its financial obligations associated with non-cleared swaps.

Thank you for the opportunity to comment on this proposal. If you have any questions concerning our letter, please feel free to contact me or Regulatory Counsel Dennis Tsang at (202) 508-6733.

Sincerely,

A handwritten signature in cursive script that reads "Mary Mitchell Dunn".

Mary Mitchell Dunn
CUNA Senior Vice President and Deputy General Counsel