REGIONS

January 19, 2016

<u>Via Electronic Delivery</u>

Mr. Christopher Kirkpatrick
Secretary of the Commission
Commodity Futures Trading Commission
Three Lafayette Center
1155 21st Street NW
Washington, DC 20581

RE: Comments on Swap Dealer *De Minimis* Exception Preliminary Report

Dear Mr. Kirkpatrick:

Regions Bank[1] ("Regions") appreciates the opportunity to provide comments in response to the Commodity Futures Trading Commission's Swap Dealer *De Minimis* Exception Preliminary Report ("the Report"). Regions recommends that the CFTC maintain the current *de minimis* threshold at $8 billion gross notional amount. In addition, Regions believes that the CFTC should not alter the current threshold until there is a clearer understanding of the swaps market data and the agency is able to clarify the uncertainties and limitations of the swaps market data identified in the Report. Improved data could also assist the CFTC's efforts to better understand the role of non-dealer insured depository institutions in the swaps market and could lead the CFTC to consider expanding the IDI Exclusion as part of its efforts to set a permanent *de minimis* threshold.

The Report identifies no clear Dodd-Frank Act policy interest in lowering the current threshold, while at the same time a lower threshold would burden non-dealer regional and mid-size banks

[1]Regions Bank, with $122 billion in assets is one of that nation's largest full-service providers of consumer and commercial banking, wealth management, mortgage and insurance products and services. Regions serves customers in 16 states through its subsidiary Regions Bank operating nearly 1,700 banking offices and 2,000 ATMs. Additional information about Regions can be found at www.regions.com.

that are engaged in swaps activity primarily to support the risk management efforts of their clients. The swaps activities of non-dealer institutions constitute a small fraction of the market and do not present a significant risk to the overall swaps market. As indicated in the most recent OCC Quarterly Bank Derivatives Report, the swaps market is highly concentrated in the four commercial banks that account for 91 percent of the total banking industry swap notional amounts. According to the Report, lowering the threshold to $3 billion would potentially add another 88 swap dealers, while lowering the *de minimis* threshold to $1 billion would add 136. Lowering the threshold would add significant regulatory and compliance burdens to firms engaged in swaps activities primarily tied to traditional lending, while providing few benefits to marketplace regulation.

Regions participated in the drafting of comment letters from the American Bankers Association and the Financial Services Roundtable and is supportive of the detailed arguments expressed in those letters. Instead of restating all of the points in those letters, Regions would reiterate several of the key arguments, noted below:

- The CFTC lacks complete information regarding the swaps market and the Report highlights persistent problems in information available from the swaps data repository. While the market works to address these reporting and data issues, the CFTC should not lower the current threshold.

- Non-dealer regional and mid-size commercial banks, like Regions, typically enter into swaps transactions tied to their provision of credit to small and mid-sized end user customers. Lowering the *de minimis* threshold—and raising the compliance burdens and associated costs of maintaining this business—could either: (1) limit the ability of banks to provide risk management solutions to their customers or (2) substantially raise the cost of providing hedges to meet the risk management needs of their customers. Limiting commercial end users access to the swaps market runs counter to the policy aims of the Dodd-Frank Act.

- The potential negative impacts of lowering the *de minimis* threshold is exacerbated by the current IDI exclusion. This is particularly problematic due to the timing restrictions for swaps that are related to a loan and to the requirement that the swap transaction be entered into by the same entity providing the loan. Regions believes that customers should be able to enter into an interest rate swap, for instance, at any time during the life of a loan and that this type of transaction should be part of the IDI exclusion. Moreover, Regions believes that the IDI exclusion should be available in circumstances where the swap is originated by the insured depository institution but the related loan is issued by one of its non-insured depository institution affiliates.

Regions believes that the Report does not identify any policy interests or regulatory goals that could be achieved with a lower *de minimis* threshold. In fact, the Report highlights the need for better information in order to evaluate the swaps market. The current threshold should be maintained at least until a better information regime exists—and at that time, with a better understanding of the marketplace and the nature of the transactions between regional and mid-sized banks and their customers—it may be appropriate to increase the *de minimis* threshold. Regions appreciates the CFTC's willingness to gather better data as evidenced by its review of reporting rules under parts 43 and 45 and the December publication of the Draft Technical Specifications for Certain Swap Data Elements. We look forward to continuing to work with the CFTC on enhancements to the reporting of swaps data and determining an appropriate *de minimis* threshold.

Sincerely,

Terry Katon
Executive Vice President and Head of Capital Markets
Regions Bank