National Rural Utilities
Cooperative Finance Corporation
SERVICE | INTEGRITY | EXCELLENCE

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January 29, 2016

Christopher Kirkpatrick
Secretary
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street NW
Washington, DC 20581

Re: CFTC-2016-0001-0001 - Margin and Capital Requirements for Covered Swap Entities

The National Rural Utilities Cooperative Finance Corporation (CFC) is a nonprofit cooperative lender created and owned by consumer-owned and governed rural electric cooperatives. CFC was created 46 years ago to enable electric cooperatives to efficiently access the capital markets, and today our members rely on us to provide the financing necessary to deliver their end product—electricity—to more than 42 million rural Americans across 47 states.

We are writing to express our support for the interim final rule regarding margin and capital requirements of the Dodd-Frank Act (DFA) for covered swap entities issued by five federal agencies – the Farm Credit Administration, the Federal Deposit Insurance Corporation, the Federal Housing Finance Agency, the Federal Reserve, and the Office of the Comptroller of the Currency (OCC) - on October 30, 2015.

When CFC engages in swaps to hedge or mitigate risks associated with originating loans for its members, it is acting solely on the behalf of, and for the benefit of, rural electric cooperatives. We appreciate that the Commodity Futures Trading Commission recognized the unique role of cooperative lenders, such as CFC, by making them exempt from DFA clearing requirements (the “Cooperative Exemption”) in August 2013. However, for electric cooperatives to fully realize the benefits of this action, cooperative lenders also needed to be exempted from proposed margin requirements. Subsequently, Congress passed and the President signed into law H.R. 26, the Terrorism Risk Insurance Program Reauthorization Act. This legislation clarified that cooperative lenders exempted from clearing under the Cooperative Exemption were also exempted from proposed margin requirements.

We appreciate that the interim final rule implements this act of Congress appropriately by providing a clear exemption for cooperative lenders such as CFC from the margin requirements on swap transactions under the Dodd-Frank Act, preventing the imposition of unnecessary costs which would ultimately be borne by the rural customers of our member cooperatives.

We previously provided comments in connection with the 2014 proposed rule on margin and capital requirements for covered swap entities by letter dated November 24, 2014.[1] Thank you for implementing the interim final rule in a manner that is responsive to our concerns. We support the adoption of the exemption for cooperatives set forth in the interim final rule as part of any final rule that the agencies may issue.

Please do not hesitate to contact me at (703) 467-1646 or brad.captain@nrucfc.coop should you wish to discuss this letter or need additional information.

Sincerely,

Brad Captain
Senior Vice President of Corporate Relations
National Rural Utilities Cooperative Finance Corporation

[1] CFC's comment letter in response to the 2014 proposed rule is available at http://www.regulations.gov/#!documentDetail;D=OCC-2011-0008-0154.