

Comments related to nonprofit organizations which provide technical assistance to others or which work to alleviate hunger, unemployment, suffering, medical issues, and the like.

This is in response to the request for public comments in the **Second Consultative Document on "Margin Requirements for Non-Centrally Cleared Derivatives"** issued by the Committee on Banking Supervision (BCBS) of the International Organization of Securities Commissions.

Introduction: Some national governments or states have enacted laws to promote the public welfare in a manner that would be universally regarded as good policy. For example, many nations have laws to encourage nonprofit, benevolent entities or nonprofit cooperative associations to assist needy families or poor communities by assisting in: providing safe drinking water or life-saving medicines; creating medical clinics; offering medical treatments; providing electric power to rural areas; offering food and clothing to impoverished families; providing emergency relief; or free schooling in basic reading and math.

These types of nonprofit entities or nonprofit cooperatives exist solely to provide public benefits and are often recognized as such under national or state laws and are typically not allowed to operate on a for-profit basis. I have worked with a number of nonprofit, public interest organizations or nonprofit cooperative associations over the years. For example, I am currently on the board of directors of a nonprofit authorized under New York State laws and registered as a nonprofit under federal laws. They assist communities and families through thousands of related organizations (also non-profits) engaged in job training, emergency food aid, and help in getting other assistance.

Sometimes nonprofit entities are assisted in their ability to offer such services by a centralized office, related organization, or instrumentality of those nonprofits which can reduce costs and help the nonprofits better carry out their nonprofit, benevolent functions. In order to continue to carry out their missions, these nonprofit entities often engage in activities that reduce their risks – whether physical or financial. These centralized entities may provide technical advice to related nonprofits or arrange for discount insurance or better financing, lend money, sell bonds to raise money, hedge transactions (often payments in foreign currencies), or invest to grow an endowment all to support their nonprofit efforts or the efforts of others with whom they work.

Concerns: There is some concern that the public purpose activities carried out throughout the world by such entities or cooperative associations, authorized under charitable or benevolent charters authorized by national or state laws, will be unintentionally undermined by any universal rule that imposes clearing and margin requirements for non-centrally cleared derivatives. Certainly, there should be transparency. These transactions should be reported to an agency of the national government to make sure there are no abuses.

These charitable nonprofits, that serve national public policies recognized in national laws, often support policies and programs addressing problems similar to those addressed by United Nations agencies or the World Bank – fighting hunger, rural poverty, disease, or joblessness and/or providing medical, economic, job training, safe drinking water, electricity, and emergency food assistance.

In some cases more sophisticated nonprofit entities even use swaps to help members or related organizations to obtain better financing (e.g. to build dams, electric power facilities, schools, renewable energy facilities, hospitals, etc). Those swaps would be used solely to hedge since they are nonprofits unable to speculate under their charters or national laws. Your proposed universal margin requirements may unintentionally reduce the efforts of these benevolent entities without any measureable benefit in terms of reducing systemic risk. I am concerned that you have not fully considered these negative possibilities regarding public interest, nonprofits that implement the above types of public policies supported by most national governments.

Even in the aggregate throughout the world; these types of nonprofit entities or nonprofit cooperative associations which assist their members or related "local" nonprofits in implementing their public purpose goals are not systemically important from a financial perspective because they do not speculate and are not motivated to make profits. But these nonprofit end users* / may use swaps to hedge real market risks for the purpose of advancing universally accepted public policies. For that reason, I suggest that as long as national laws specifically recognize the importance of those public purposes, limit and identify in some way those types of nonprofits, and require registration of some type of that nonprofit status, and if they report all their transactions to the national government;** / I suggest that such entities should not be subject to margin, capital, or clearing requirements, even if they might be deemed to be "financial" since that may reduce their humanitarian, public purpose, or beneficial activities (and since they do not speculate, but only hedge or reduce risks).

Thank you for your consideration.

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*** / Sometimes nonprofits that are owned by their member end users (the nonprofits that provide the "local" assistance, product, electric power, life-saving medicines, etc) act as instrumentalities of those members and should thus be considered an end user.**

**** / By requiring reporting (full transparency) of each swaps transaction, rules could be fashioned to allow national governments to address any misuse of this approach.**