

Chief Counsel's Office
Attention: Comment Processing
Office of the Comptroller of the Currency
400 7th Street SW, Suite 3E-218
Washington, DC 20219

Ms. Ann E. Misback
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

Mr. James P. Sheesley
Assistant Executive Secretary
Attention: Comments/Legal OES (RIN 3064-AF29)
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429

Re: Comment Letter on Proposed Rules: "Large Banking Organizations and Banking Organizations with Significant Trading Activity" (OCC Docket Number OCC-2023-0008 (RIN 1557-1557-AE78); Board Docket No. R-1813 (RIN 7100-AG64); FDIC RIN 3064-AF29); and "Risk-Based Capital Surcharges for Global Systemically Important Bank Holding Companies; System Risk Report (FR Y-15)" (Board Docket No. R-1814 (RIN 7100-AG65))

As outlined by the Coalition for Derivatives End-Users, AEGIS Hedging Solutions is particularly concerned that Basel III Endgame will have several meaningfully negative effects on our clients, industry, and economy. AEGIS Hedging Solutions is a leading commodity risk-management firm representing over 350 clients across energy, metals, and environmental markets. We see every day the necessity for transparent, efficient, and regulatory compliant commodity derivative markets. Financial derivatives such as swaps and options are our clients' primary tools for mitigating commodity-price risk. As these derivatives are offered mostly by banks, our clients rely on these large financial institutions to provide market liquidity.

The largest banking institutions that would be subject to these proposals provide numerous services to clients across the commodity landscape, and these services require offering credit of various types and warehousing risk. These large banking organizations play a critical role as counterparties to commercial end users for derivative hedging, serve as capital market intermediaries, and provide sources of capital and lending, among other critical financial roles. The proposals under Basel III Endgame would significantly increase the capital requirement and associated costs for these critically important liquidity providers. Increased capital costs for banks will undoubtedly result in lower liquidity and higher transaction costs to end users of derivative instruments.

Not only are these proposals punitive to all derivative end-users, its highly likely smaller businesses will be disproportionately adversely affected. Commodity risk mitigation (most often by "hedging" using financial derivatives) is particularly attractive to small and medium-sized businesses who are increasingly

sensitive to commodity-price volatility and unpredictability. Additional barriers to hedging through a lack of market liquidity and increased transaction costs could make it cost prohibitive for some businesses to continue this crucial business practice of hedging.

We urge the Federal Banking Agency to review the current proposal and make appropriate changes in accordance with the Coalition for Derivative End-User recommendations.

Sincerely,
AEGIS Hedging Solutions