PRESS RELEASE

RIVERSIDE Risk Advisors

Dodd-Frank Act Could Make Could Make Derivatives More Expensive for Corporations, Financial Firms, and Pension Funds Says Derivatives Advisory Firm

Riverside Risk Advisors Cautions Against Unintended Consequences of Derivatives Regulation

New York – February 15, 2011 – Instead of fixing the derivatives markets, the Dodd-Frank Wall Street Reform and Consumer Protection Act potentially places undue burden on so-called end-users, such as corporations, some banks, and pension funds that increasingly rely on the derivatives market, according to Frank Iacono, a derivatives practitioner and partner at New York- based Riverside Risk Advisors. Mr. Iacono presented his suggestions for amending the legislation in a letter to the U.S. House of Representatives Financial Services Committee. The full committee is holding hearings on Tuesday, February 15th on the aspects of the Dodd-Frank Act, including implementation of the derivatives provisions of the law.

“With the best of intentions, Dodd-Frank was designed to reduce the risk of a systemic meltdown similar to 2008. The problem is that the bill over-reaches in some regards and is still inadequate in others,” Mr. Iacono commented.

The multi-trillion dollar derivatives market has become a vital component of financing and risk management strategy for financial and non-financial companies, municipalities and nonprofits. For instance, banks often lend money to businesses and institutions at floating interest rates. Using derivatives, primarily interest rate swaps, borrowers can use interest rate swaps to exchange or “swap” a floating interest rate on a loan for a fixed rate. Knowing their borrowing costs reduces rate risk and allows treasurers and chief financial officers to plan better.

“Making the derivatives market affordable is good for everyone,” Mr. Iacono said, adding, “Unfortunately, the derivatives market could dry up for some parties if access to it is made prohibitively expensive.”

Riverside Risk Advisors proposed a broader end-user exemption, which would in effect limit margin and clearing requirements to those end-users who are deemed large enough to pose a meaningful risk to the financial system - the so-called “major participants.”

At the same time, Riverside Risk Advisors said Congress should consider alternative measures to address counterparty risk including updated capital reserve requirements for federally-insured banks and more meaningful disclosure in financial reports.

About Riverside Risk Advisors
Riverside Risk Advisors is an independent derivatives advisory firm offering unparalleled expertise to clients in the structuring, pricing and execution of derivatives, including credit derivatives, interest rate and currency swap transactions.

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