Teleconference Between Staff of the Federal Reserve Board and Representatives of Southwest Airlines July 23, 2014

Representatives: Ron Ricks and Chris Monroe (Southwest Airlines)

Laurie Schaffer, Michael Waldron, Constance Horsley, Robert Brooks, Kevin Tran, and Will Giles (Federal Reserve Board)

Summary: Southwest representatives stated the hedging benefits that financial holding companies (FHCs) provide and noted that FHCs were adept at providing hedges in particularly illiquid areas. The representatives also noted that FHCs made better counterparties in physical commodity markets than nonbank companies. As an example, the representatives stated that FHCs were willing to accept Southwest's aircraft as collateral to back Southwest's hedges whereas nonbanks would only accept cash or a line of credit. The representatives noted that the exit of FHCs from physical commodities markets could reduce market liquidity and could have anticompetitive effects (since the large nonbank participants may not have an interest in extending credit).