

Organizational sign on letter:

March 28, 2011

Mr. David A. Stawick
Secretary
Commodity Futures Trading Commission
Three Lafayette Center
1155 21st Street NW
Washington, DC 20581

We, the undersigned U.S. and international organizations, write to encourage the Commission to follow through with the full implementation of the Dodd-Frank Act as quickly as possible. We are concerned that deregulation in the last two decades has rendered U.S. commodity markets useless for the very actors for whom those markets were designed, and has helped drive millions of people to the edge of starvation.

We write to stress the global reach of the decisions you are making. While most who have talked with you about the proposed rules are commercial and financial actors in commodity markets, we feel it is essential that all Commissioners remember that billions of people are directly affected by the functioning of U.S. commodity markets. Please consider this letter as a small representation of that global reality.

We believe that commodity markets should be dominated by bona fide commercial end users who deal in physical commodities with a limited amount of speculation to provide liquidity. Commodities are too important to allow their prices to be unduly influenced by speculators.

To assure well-functioning commodity markets and avoid food and energy price bubbles like those that occurred in 2008, we would like to stress the following points regarding the implementation process:

- 1) At a minimum, the proposed rules regarding position limits should be implemented fully. We think these rules will address the problem of manipulation, but not excessive speculation. To reduce excessive speculation, we encourage the Commission to consider additional aggregate limits on speculation.
- 2) Any exemptions to position limits or transparency rules should be limited to businesses that deal directly in physical commodities and use commodity markets to hedge commercial risks. Banks, hedge funds, pension funds and institutions that provide commodity indexes, exchange-trade funds, or exchange-traded notes should not be granted any exemptions.
- 3) We are especially concerned about the effect of passive investments such as commodity indexes, exchange-traded funds and exchange-traded notes. We encourage the Commission to consider additional restrictions or a complete ban of these instruments in commodity markets.

- 4) We agree with the Department of Justice¹ that ownership and control restrictions for Designated Contract Markets and Swap Execution Facilities should be tightened. This is necessary to prevent a small number of large financial institutions with common goals from owning a controlling share of these important institutions.

We are very concerned that, if the CFTC does not move forward quickly in implementing Dodd-Frank reforms, the world faces the danger of experiencing unnecessary price bubbles similar to 2008 when over 100 million people were pushed into hunger.

In response to charges that there is no evidence of excessive speculation, we would like to point out dozens of studies and commentaries from respected universities like MIT, Universities of Chicago and London, Princeton, Yale, and Rice, and institutions such as Oppenheimer, Deutsche Bank, UNCTAD, the World Bank and the U.S. Senate.²

To quote the Senate Permanent Subcommittee on Investigation's June 2009 report on wheat speculation,

“Virtually all of the traders and analysts contacted by the Subcommittee stated that the large presence of commodity index traders in the Chicago market was the primary factor contributing to the pricing problems in the wheat market.”³

No laws have changed to prevent another episode like that described by the Senate subcommittee. Only strong implementation of Dodd-Frank reforms by the Commission will help restore sanity to essential commodity markets. People all around the world, especially the most vulnerable, depend on well-functioning commodity markets. We hope that the Commission will make the right decision and rein in excessive commodity speculation.

Thank you for your consideration.

Sincerely,

¹ Comments of the U.S. Department of Justice before the U.S. Commodity Futures Trading Commission in the matter of RIN 3038-AD01, December 28, 2010.

² http://stopgamblingonhunger.com/?page_id=848

³ Senate Permanent Subcommittee on Investigation's report "Excessive Speculation in Wheat Markets" (pps. 137-138)