IPHFHA
INTERNATIONAL PIZZA HUT
FRANCHISE HOLDERS ASSOCIATION

March 24, 2011

David Stawick
Secretary of the Commission
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street NW
Washington, DC 20581

Dear Mr. Stawick:

I am writing to voice the support of the franchise owners of the 5,500 U.S. Pizza Hut restaurants for immediate adoption of the proposed rule on speculative position limits for commodities (RIN 3038-AD15 and 3038-AD16 Position Limits for Derivatives). As franchisees of a national restaurant chain, their small businesses rely on well-functioning, efficient futures markets to manage the price risk for the physical products used in their operations. Price risk on physical products are managed through our purchasing cooperative and their suppliers in order to limit input cost volatility. Up until the last few years, agricultural commodity futures markets offered an effective means to provide predictable costing.

Over the past few years the explosive growth in passive, long-only speculative positions has interfered with the ability of commercial users to effectively hedge risk. The positions held by these funds have strongly increased the demand for financial derivatives, which is disconnected from the actual supply and demand for physical products. The excessive speculation fails to provide efficient and transparent markets that provide for hedging effectiveness. Dozens of studies by industry experts, economists, academics and Congressional committees have warned of the harmful effects of excessive speculation. These studies reinforce the need for **meaningful** position limits in the commodity markets and therefore adoption of this rule.

As the Commission considers its final rule, we request that the rule addresses these specific points:

1. Ensure that the definition of bona fide hedges, as applied to both individual and aggregate position limits, properly includes commercial end-users who use physical goods and excludes speculative index funds or other speculators that allegedly manage "portfolio" risk or "financial" risk. Under no circumstance shall index funds qualify for the bona fide hedge exemption by hedging "general inflation risk".
2. Ensure that position limits, either individual or aggregate, be set at levels that are effective in limiting speculative influences. Stringent limits must be placed on long-only index fund positions.
3. Ensure that any increased margin requirements are strictly limited to non-commercial users and not applied to farmers, manufacturers and end users of physical goods.
4. Ensure that all swap dealers fully disclose the category of their customer (end user, farmer, traditional speculator, index fund) and ensure that multiple entities cannot be used by speculative long-only index funds to circumvent speculative limits.

The position limits rule will play a crucial role in reestablishing the true purpose of the futures markets and help return stability and confidence to these markets. In Title VII of the Wall Street Reform Act and Consumer Protection Act of 2010, Congress acknowledged the potential harm of excessive speculation by requiring the Commission impose speculation limits on currently unregulated markets. We urge you to implement the intent of Congress. Thank you for your consideration.

Best regards,

Mary Adolf

Mary Adolf
Executive Director

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