

March 28, 2011

Mr. David A. Stawick, Secretary
Commodity Futures Trading Commission
Three Lafayette Center
1155 21st Street, N.W.
Washington, D.C. 20581

Comments on RIN numbers 3038-AD15 and 3038-AD16: Position Limits for Derivatives

Dear Mr. Stawick,

We, the undersigned – 56 U.S. and 28 international organizations and coalitions from 16 countries – 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 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,

Signatories on following pages

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)

National organizations

ActionAid USA
Affording Hope Project
African Faith and Justice Network
Alliance for Global Justice
American Jewish World Service
Americans for Financial Reform
Bartimaeus Cooperative Ministries
Bountiful Cities
CAJA³ Community Action for Justice in the Americas, Africa, Asia
Catholic Charities of Kansas City-St. Joseph, Inc.
Church World Service
Columban Center for Advocacy and Outreach
Consumer Watchdog
Family Farm Defenders, Kansas
Fellowship of Reconciliation
Food & Water Watch
Foreign Policy in Focus
Friends of the Earth-US
Gasoline and Automotive Service Dealers of America - GASDA, Inc.
Global Advocates for Food Sovereignty and Environmental and Social Justice
Global Policy Forum
Grassroots International
Heartland Center
Holy Cross International Justice Office
Institute for Agriculture and Trade Policy
Interfaith Center on Corporate Responsibility
Jubilee Missoula Network
Leadership Conference of Women Religious
Lutheran Peace Fellowship
Maryknoll Office for Global Concerns
Medical Mission Sisters, Sector North America
Mennonite Central Committee U.S. Washington Office
Missionary Oblates of Mary Immaculate, Justice, Peace/Integrity of Creation Office
National Catholic Rural Life Conference
National Family Farm Coalition
National Latino Farmers & Ranchers Trade Association
New Rules for Global Finance Coalition
Nicaragua Center for Community Action (NICCA)
Order of Friars Minor, Justice, Peace and Integrity of Creation Office
Organic Consumers Association
Pesticide Action Network North America
PLANT (Partners for the Land & agricultural Needs of Traditional Peoples)
Public Citizen
Roman Catholic Diocese of Albany, Commission on Peace and Justice
Second Chance Foundation, Inc.
Sisters of the Holy Cross - Congregation Justice Committee
Sisters of Mercy of the Americas – Institute Justice Team
Sisters of the Presentation, Fargo
Sisters of the Presentation, San Francisco
Sisters of St. Dominic of Caldwell, NJ
Sisters of St. Francis of Philadelphia
The International Presentation Association of the Sisters of the Presentation
Tri-State Coalition for Responsible Investment
Union of Sisters of the Presentation of the Blessed Virgin Mary – United States Province
United Church of Christ Justice and Witness Ministries
WhyHunger

International organizations

Africa-Europe Faith and Justice Network (AEFJN), Belgium
CEDURE, Centro de Estudios Urbano Regionales, Bolivia
Claretian Missionaries - General Secretariat for JPIC, Italy
Committee of the Missionaries of Africa of Justice and Peace, Netherlands
Concord Denmark
Con-spirando Women's Theology Collective, Chile
Daughters of the Sacred Heart, Malta
East and Southern African Small-Scale Farmers Forum (ESAFF), Zambia
Forum Solidaridad Perú
Grupo de Solidaridad-Arenal (GRUDESA), Nicaragua
Hermanas del Servicio Social (Social Service Sisters), Mexico
Informationsgruppe Lateinamerika (IGLA-Information Group on Latin America), Austria
JPIC Commission of the Union of Superiors General and the International Union of Superiors
General, Rome
Latinamerican Network on Debt, Development and Rights (Latindadd)
Mujeres para el Diálogo, AC (Women for Dialog), Mexico
Platform Aarde Boer Consument (Earth Farmer Consumer), Netherlands
Presentation Sisters of the Blessed Virgin Mary, Philippine Vice Province, Philippines
Presentation Sisters of Western Australia
Presentation Sisters, South East and South West Provinces, Ireland
Presentation Sisters, Zimbabwe
Red Nacional Género y Economía (National Network on Gender and Economics), Mexico
Share The World's Resources (STWR), UK
Siembra, A.C., Mexico
Sisters of the Presentation, England
Society of the Divine Savior, Italy
Southern and East African Trade Institute, SEATINI (South Africa Chapter)
Union of Sisters of the Presentation of the Blessed Virgin Mary
War on Want, UK
WEED – World Economy, Ecology & Development, Germany
World Development Movement, UK