

Geneva Energy Markets, LLC

July 27, 2011

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

RE: Position Limits for Derivatives (RIN 3038-AD15 and 3038-AD16)

Dear Mr. Stawick:

Geneva Energy Markets, LLC (“GEM”) previously submitted comments on the CFTC’s proposed rule on position limits for derivatives as part of the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank”).¹ As a follow-up to our letter, we offer specific language to the Commission that would address the concerns we raised. Note that GEM strongly believes that position limits should be imposed for derivative instruments, particularly in the oil markets, and that we feel the CFTC’s proposed position limit rules², for the most part, impose appropriate limits. However, GEM believes that the proposed non-spot-month single class limits will overly restrict important liquidity providers such as GEM from providing swap liquidity to the oil markets, including liquidity to producers and end-users.

To address that issue, GEM proposes language below that would raise the non-spot-month single class limits to twice the aggregate limit. For traders that are long both futures and swaps (or short both futures and swaps), the aggregate limit would apply and the class limit would not be relevant. Our Section 151.4 language addresses the increase in the single class limit, and our new Section 151.6(f) modifies that section to conform to our added language. We believe this approach will more accurately reflect the dynamics of the markets and contribute to the ability of all market participants to provide liquidity.

Proposed Language

§ 151.4 Position limits for referenced contracts.

....

(d) *Non-spot position limits.* Except as otherwise authorized in § 151.5, no person may hold or control positions, separately or in combination, net long or net short, in referenced contracts in the same commodity when such positions, in all months combined (including the spot month) or in a single month, are in excess of:

(1) *An all-months-combined aggregate and single-month position limits*, fixed by the Commission at 10 percent of the first 25,000 contracts of average all-months-combined

¹ See letter submitted July 5, 2011 via the CFTC’s comment portal.

² “Position Limits for Derivatives,” 76 Fed. Reg. 4752 (January 26, 2011).

aggregated open interest, as calculated by the Commission pursuant to paragraph (e) of this section, with a marginal increase of 2.5 percent thereafter;

(2) *A class all-months-combined and single-month position limit*, fixed by the Commission, for referenced contracts that are contracts of the same class, at a level equal to 200% of the all-months-combined aggregate position limit.

§ 151.6 Position visibility.

....
(f) *Netting of positions.* (1) For referenced contracts in the spot month, a trader's positions in physical delivery and cash-settled contracts are calculated separately and traders can, without being required to submit filings under this section, have up to the visibility level in both the physically delivered and cash settled contracts. {SUBMITTED SOLELY FOR CONSISTENCY WITH § 151.4}

(2) For the purpose of applying requirements to submit filings with respect to positions in excess of visibility levels, a trader's position shall be combined and the net resulting position shall be applied towards determining the trader's aggregate single-month and all-months combined position.

(3) For the purpose of applying requirements to submit filings with respect to positions in excess of visibility levels, a trader's position in contracts of the same class shall be combined and the net resulting position shall be applied towards determining the trader's class single-month and all-months-combined position.

* * *

GEM greatly appreciates the opportunity to submit our views on these important issues before the CFTC. Do not hesitate to contact us if you have any questions regarding the comments in this letter.

Sincerely,

/s/ Mark Vonderheide

Managing Partner
Geneva Energy Markets, LLC

/s/ Robert S. Creamer

President
Geneva Trading USA, LLC