Atlanta Calgary Chicago Houston London New York Singapore

January 17, 2012

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

Re: Interim Final Position Limit Rules For Futures and Swaps

Dear Mr. Stawick:

IntercontinentalExchange, Inc.("ICE") appreciates the opportunity to comment on the Commodity Futures Trading Commission's ("CFTC" or "Commission") interim final rules position limits for futures and swaps (the "Interim Final Rules")

Since February 2010, the CFTC has provided for a "Conditional Limit" for financially settled natural gas contracts during the last three days of contract trading. Under the Conditional Limit, a market participant may carry a position in the financially-settled natural gas contracts (ICE H or NYMEX NN) that is up to 5 times that of the physically settled natural gas contract's (NYMEX NG) position limit if the participant agrees not to hold a position in the NG contract in the last three days. In the Commission's Interim Final Rules, the Commission codified the Conditional Limit with the addition that market participant can hold a position up to 4 times the NYMEX NG limit if the participant holds the maximum limit in the NG contract. As the Commission states in the final rulemaking: the "one to five ratio for natural gas maximizes the objectives as set forth in section 4a(a)(3) of the Act, of preventing excessive speculation and manipulation, ensuring market liquidity for bona fide hedgers, and promoting efficient price discovery."[1]

The Commission has already recognized the need for and benefits of the Conditional Limit.[2] The Interim Final Rule reaffirms this policy and recognition that many market participants have a need to pay or receive the final settlement price of the NG contract to perfect their hedges and that this is most effectively accomplished by holding cleared or bilateral swaps to expiration. Eliminating or decreasing the limit for cash-settled contracts would be a significant departure from current rules, which have the

[1] Position Limits for Futures and Swaps, 76 Fed. Reg. 71626 at 71637 (November 18, 2011)

[2] *See*, Federal Speculative Position Limits on Referenced Energy Contracts, 75 Fed. Reg. 4143 (January 26, 2010).

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support of the broader market. In the nearly two years since the Conditional Limit rule went into effect, natural gas prices have been lower and less volatile than historical levels while having no or little impact on market liquidity for both the NYMEX NG contract and the ICE and NYMEX financially settled contracts.[3] In addition, convergence of the natural gas futures and spot markets has increased since the Conditional Limit has been in place.[4] Finally, a review of the comment letters received from market participants demonstrates support for the higher limit.[5]

In the final rule, the Commission should retain the five to one limit for natural gas contracts. In addition, given the benefits of the Conditional Limit, the Commission should reconsider expanding the five to one limit to other commodities as considered in the proposed position limit rule.

Sincerely,

R. Trabue Bland
VP, Regulatory Affairs
and Assistant General Counsel
IntercontinentalExchange, Inc.

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[3] Position Limits for Futures Swaps, 76 Fed Reg. at 71636 (discussing impact of the conditional limit on market liquidity and volatility). *See also*, ICE Comment Letter submitted August 12, 2011 (discussing conditional limit and the impact on volatility).

[4] ICE Comment Letter at 7.

[5] *See, e.g.* Working Group of Commercial Energy Firms Comment Letter submitted August 16, 2011.

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