



Commodity Markets Council
1300 L St., N.W. Suite 1020
Washington, DC 20005
Tel 202-842-0400
Fax 202-789-7223
www.commoditymktcs.org

April 16, 2012

Via Electronic Mail

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

Re: Comment on Prohibitions and Restrictions on Proprietary Trading and Certain Interests in, and Relationships with, Hedge Funds and Covered Funds (RIN 3038-AD05)

Dear Mr. Stawick:

The Commodity Markets Council ("CMC") welcomes the opportunity to submit the following comments to the Commodity Futures Trading Commission ("CFTC") regarding its aforementioned proposed rule (the "Volcker Rule" or "rule").

CMC is a trade association bringing together exchanges and their industry counterparts. The activities of our members represent the complete spectrum of commercial users of all futures markets including energy and agriculture. Specifically, our industry member firms are regular users of the Chicago Board of Trade, Chicago Mercantile Exchange, ICE Futures US, Kansas City Board of Trade, Minneapolis Grain Exchange and the New York Mercantile Exchange. CMC is uniquely positioned to provide the consensus views of commercial and end users of derivatives. Our comments represent the consensus view of CMC members.

CMC's primary concern with the Volcker Rule is that its implementation would impede commercial end users from accessing capital at reasonable interest rates. While commodities markets were not the primary focus of the Volcker Rule when Congress passed it, the impact on many of the commodity risk management services banks provide to agricultural and energy companies could result in adverse economic consequences; a report published by the IHS consulting firm estimates that in the energy industry alone, the Volcker Rule's implementation could result in up to 200,000 fewer jobs and \$34 billion (2005 dollars) less in U.S. GDP on an annual basis over the 2012-2016 period.

The Volcker Rule seeks to eliminate excessive investment risk at banks without measuring either the level of risk or the capacity of banks to handle it. This subjective and indiscriminately restrictive approach means the Volcker Rule will do a poor job of identifying or eliminating what it arbitrarily deems excessive investment risk. We believe the rule's implementation will prove too costly by perversely discouraging legitimate and financially viable risk that is incorrectly treated as excessive. In so doing, the Volcker Rule will raise the cost of credit to commercial end users during this period of nascent economic recovery.

Moreover, we are concerned commodity-based businesses will be harmed by a reduction in the liquidity currently provided by banks, which are a critical supplier of capital in the commodities markets. This will force a widening of bid/ask spreads, and as a result, raise the cost for companies looking to borrow funds to invest in new plants or hire staff.

Finally, we believe the restrictions imposed by the Volcker Rule on banks could result in financial activity moving to less regulated parts of the U.S. economy or overseas to jurisdictions the U.S. competes with and where regulations are more lax. Such an outcome would not only be economically harmful but also contrary to the stated goal of the Dodd-Frank Act, which is to reduce systemic risk in the American financial system.

CMC thanks the CFTC for the opportunity to present its views on this subject. If you have any questions or would like to discuss further, please do not hesitate to contact me via email at christine.cochran@commoditymks.org or via phone at (202) 842-0400 - ext. 101. Thank you in anticipation of your attention to these comments.

Regards,

A handwritten signature in black ink, appearing to read "Christine M. Cochran". The signature is written in a cursive style with a large, stylized initial "C" and "M".

Christine M. Cochran
President