



**Iowa
Cattlemen's
Association**

February 15, 2013

Ms. Sauntia Warfield
Assistant Secretary
Commodity Futures Trading Commission
1155 21st Street, NW
Washington, DC 20581

RE: 17 CFR Parts 1, 3, 22, 30 and 140

RIN 3038-AD88: Enhancing Protections Afforded Customers and Customer Funds Held by Futures Commission Merchants and Derivatives Clearing Operations, "Federal Register" Vol. 77, No. 220, pages 67866-67971

Dear Ms. Warfield:

I am submitting comments on behalf of the 10,000 members of the Iowa Cattlemen's Association regarding the proposed rule "Enhancing Protections Afforded Customers and Customer Funds Held by Futures Commission Merchants and Derivatives Clearing Organizations" (RIN 3038-AD88).

Almost every segment of Iowa agriculture use commodity futures as a risk management tool. As you know, over the past several years, failures within the futures industry have shaken the confidence of its users. We strongly believe these issues should be addressed and that more protection should be given to account holders. We also know that these protections come at a cost and we want to ensure that those costs bring about true benefit. Our biggest concern, however, is that proposals in this rule will have unintended consequences that may drive users of these tools – especially farmers - away from the futures market.

In particular, Iowa cattle farmers have significant concerns about the proposed amendments to section 1.17(c)(5)(viii). This section would require futures commission merchants (FCMs) to take a capital charge for margin calls which are outstanding more than one day, rather than the current three-day practice. We understand the need to ensure that FCMs and their customers are protected from a customer who fails to meet a margin call. This proposed change, however, completely fails to recognize the needs of the FCM customers this amendment purports to protect.

The provision giving customers three days to make their margin is reflective of a time when checks were used for most transactions. While many customers now use other technology such as wire transfer, there are also many customers who still use checks. Requiring agricultural producers to use wire transfers increases their cost of doing business. Any increase in cost given the current state of the U.S. beef industry could be devastating. We see no need to eliminate the three-day requirement, especially since the most recent failures of large FCMs such as MF Global and Peregrine Financial Group were not attributed to a customer's margin deficiency.

Iowa farmers are mostly small modest businesses that have an intimate relationship with their broker. The margin calls are usually made with a phone call from individual brokers. This relationship allows for the FCMs to understand if an account is headed for trouble long before there is anything like MF Global. We feel like the need to regulate the extremely large and fraudulent will put increased financial burden on the honest small business operator like an Iowa farmer.

We are also very concerned about the lack of input that was solicited by the Commodity Futures Trading Commission (CFTC) in preparing this rule. In April 2012, a delegation of Iowa cattlemen along with

cattle producers from other states had the opportunity to meet with one of your commissioners. We felt like it was a good exchange of information and yet when the rule came out we were surprised! We feel that further outreach to Iowa or national commodity and farm groups could and should have been made. In fact, CFTC did so little to talk about this proposed rule that the original comment deadline came with the vast majority of our industry not even knowing about the rule.

It is imperative that the CFTC understand all sizes of businesses that use the CME. In better understanding the needs of farmers like me, the CFTC has a better opportunity to write rules that provide a logical fit. Our fear is that if this rule is put in place, we will have members who will not take advantage of the risk management tools the CME provides. In Iowa, we continue to educate our members on the volatility of the markets and the need to hedge profits when possible. With increased margin requirements, we fear less hedging will occur.

Thank you for your consideration of our request. If you have any questions or would need representation on any kind of advisory group, please contact me at greimanbros@comm1net.net or 515-231-5400.

Sincerely,

A handwritten signature in black ink, appearing to read 'Ed Greiman', with a long horizontal line extending to the right.

Edward Greiman
Garner, Iowa
President, Iowa Cattlemen's Association