

Melissa D. Jurgens, Secretary
Commodity Futures Trading Commission
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- **17 CFR Parts 1, 15, 17, 19, 32, 37, 38, 140, and 150**
- **RIN Number 3038-AD99**
- **Position Limits for Derivatives**

Dear Ms. Jurgens.

Thank you for giving us the opportunity to comment on your Notice of proposed rulemaking: Position Limits for Derivatives.

You are proposing to amend regulations concerning speculative position limits to conform to the Wall Street Transparency and Accountability Act of 2010 (Dodd-Frank) amendments to the Commodity Exchange Act (CEA). You propose to establish speculative position limits for 28 exempt and agricultural commodity futures and option contracts, and physical commodity swaps that are “economically equivalent” to such contracts. In connection with establishing these limits, you propose to update some relevant definitions; revise the exemptions from speculative position limits, including for bona fide hedging; and extend and update reporting requirements for persons claiming exemption from these limits.

Bona fide hedging definition

I support exemptions for bona fide hedging activities. § 1.3(z) currently defines bona fide hedging to include transactions “where they are economically appropriate to the reduction of risks in the conduct and management of a commercial enterprise” and that are “established and liquidated in an orderly manner in accordance with sound commercial practices”. This principles-based approach, supported by additional conditions, has worked well in the past and has sufficiently defined bona fide hedging for the purposes of a commercial enterprise’s risk management activities.

Please note that the comments expressed herein are solely my personal views

Proposed § 150.1 keeps these wordings in the new definition of bona fide hedging position, which replaces § 1.3(z). I support this. Bona fide hedging must have a strong economic rationale, with risks backed by positions that replicate underlying cashflows or valuations with more than an average or accidental offsetting. For this reason I also support the proposed requirements for cross-commodity hedges, which are based on the fluctuations in the value of the position being “substantially related” to the fluctuations in value of the actual or anticipated cash position or pass-through swap. This approach is reasonable and complete.

Yours sincerely

C.R.B.

Chris Barnard