



# Tri-State Coalition

*for Responsible Investment*

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February 10, 2014

Acting Chairman Wetjen  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21st Street NW  
Washington, DC 20581

Re: RIN Number 3038-AD99, Position Limits for Derivatives

Dear Acting Chairman Wetjen and Commissioners Chilton and O'Malia:

The Tri-State Coalition for Responsible Investment and its members appreciate the opportunity to comment on the Proposed Rule for Position Limits for Derivatives. The Tri-State Coalition for Responsible Investment is an alliance of Roman Catholic institutional investors primarily located throughout the New York metropolitan area. Our members utilize their power as shareholders to hold corporations accountable to social and environmental concerns. In making decisions about managing resources and investments, Coalition members view local and global economies not only in terms of production and distribution, but also by their effects on the environment and the dignity of the human person.

We write in support of the rulemaking to establish speculative position limits for 28 agriculture and energy derivatives, and request that you include our comment in the public record. However, we are concerned that the proposed limits may be too high to effectively curb the control of market share by financial firms that led to the extreme price volatility of these commodities in the past, and we encourage you to establish lower limits for both spot-month and non-spot month positions.

We are interested in this issue due to the role that speculation in the commodities markets and subsequent market volatility had on food security around the world. We believe position limits are important to prevent excessive speculation and market manipulation of the commodities market. The food and energy price bubbles of 2008 threatened food security around the world, leaving 250 million people without enough food to eat, and food riots in more than 30 countries ensued. In 2009, as the food crisis continued to unfold and connections to the futures market were revealed, the Senate Permanent Subcommittee on Investigations Report showed that speculators were responsible for the bubble in wheat prices and for the disruptions in the wheat market that made it nearly impossible for farmers to hedge.

As faith-based investors, our ministry sites shared first-hand accounts of the impact of the increase in food prices on their local communities' ability to access affordable food. For



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example, when wheat prices tripled between 2005 and 2008, it became impossible for families to meet their ongoing nutritional needs.

It is well documented that excessive speculation by financial firms in commodity markets unduly influences price and causes volatility. Commodity derivatives including futures, options and swaps were created as a risk management tool for bona fide hedgers and as a means to discover commodity prices that are based on real-world supply and demand. Therefore, we welcome the appropriate exclusions for bona-fide hedging activities in the rulemaking.

While we welcome the long-overdue proposed rule to establish limits on speculative positions in energy futures, swaps, and other commodity derivatives, and believe it will help to mitigate unsustainable market volatility, we believe the rulemaking can be stronger. Speculators serve an important role, by taking on the risk that hedgers seek to shed and providing liquidity as necessary to ensure markets are functional. However, speculators should not be allowed to dominate these markets or take such large positions that they distort price discovery, exacerbate market volatility or manipulate prices, which is why we believe position limits are important.

We continue to call for limits that disallow funds' ability to buy and hold a substantial amount of open interest so that the market can react according to traditional market fundamentals. Proposed Section 150.2 would set spot-month position limits at 25 percent of deliverable supply and limit non-spot month positions to 10 percent of open interest for the first 25,000 contracts and 2.5 percent thereafter. These limits are much too high to adequately regulate excessive speculation that might lead to price fluctuations. We recommend setting a lower limit for spot-month positions in order to ensure market stability and prevent market manipulation.

In considering the rule, we call on the Commissioners to take a strong regulatory position, in consideration of the impact that excessive speculation has had on businesses, consumers and the broader economy. We urge you to establish restrictive speculative position limits and impose them expeditiously in order to restore stability and confidence to the U.S. commodity markets.

Thank you for your consideration of our comments on these important regulations.

Sincerely,

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