

January 13, 2015

Mr. Christopher J. Kirkpatrick
Secretary
Commodity Futures Trading Commission
1155 21st Street, N.W.
Washington, DC 20581

Re: Residual Interest Deadline for Futures Commission Merchants
RIN 3038-AE22, 79 Federal Register 68148, November 14, 2014

Dear Mr. Kirkpatrick:

The undersigned organizations represent a very broad swath of agricultural futures market participants, including crop and livestock producers who use futures directly to manage their risk; agribusiness firms who rely on future markets as they assist producers with risk management plans and in their own risk management programs; and lenders that support the industry's risk management solutions. Our organizations unanimously favor prudent action by the Commission, exchanges and other regulators to enhance futures customer protection without placing undue operational and financial burdens on those same customers.

We support very strongly the Commission's proposal to revise the time at which futures commission merchants (FCMs) perform their residual interest calculation to remain at 6:00 p.m. the day following a futures trade (known as T+1). This proposed change, rather than an eventual move of the residual interest time to the morning of T+1 as currently scheduled to occur at the end of 2018, strikes an appropriate balance between customer protection and recognizing the burdens that the earlier calculation time would place on customers. Further, we support keeping the calculation time at 6:00 p.m. on T+1 unless additional Commission action is taken in the future to change that time through formal rulemaking that includes input from the agricultural sector.

Our deep concern with the current residual interest rule is that the earlier time would compel FCMs to require pre-margining of hedge accounts by their customers. That has been confirmed through consultation with the FCMs who are so important to risk management in the agricultural sector. Pre-margining would tie up customer capital unnecessarily, thereby preventing farmers, ranchers and agribusinesses from investing in their businesses and hiring additional personnel.

Pre-margining also would place additional customer funds – perhaps twice as much – at risk in the event of another FCM insolvency in anticipation of market moves that may never occur.

As noted at the recent meeting of the CFTC Agricultural Advisory Committee, these results would force some participants out of futures markets, exactly opposite the desired result as a range of risk management alternatives are increasingly important in U.S. agriculture today.

Sincerely,

American Cotton Shippers Association
American Farm Bureau Federation
American Soybean Association
American Feed Industry Association
Commodity Markets Council
National Association of Wheat Growers
National Barley Growers Association
National Corn Growers Association
National Council of Farmer Cooperatives
National Grain and Feed Association
National Pork Producers Council
National Sunflower Association
North American Export Grain Association
USA Rice Federation
US Canola Association
US Dry Bean Council