



July 13, 2016

Mr. Christopher J. Kirkpatrick
Secretary of the Commission
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street NW
Washington, DC 20581

VIA ONLINE SUBMISSION

Re: Position Limits for Derivatives: Certain Exemptions and Guidance; Proposed Rule, RIN 3038-AD99

Dear Secretary Kirkpatrick:

The Minneapolis Grain Exchange, Inc. (“MGEX”) would like to thank the Commodity Futures Trading Commission (“CFTC” or “Commission”) for the opportunity to respond to its Supplemental Notice of Proposed Rulemaking (“2016 Rulemaking”) for the above listed proposed rulemaking, as published in the June 13, 2016 Federal Register Vol. 81, No. 113. MGEX has previously submitted comments on prior CFTC’s Notices of Proposed Rulemakings regarding position limits. This comment letter supplements and incorporates those earlier submissions.

MGEX is both a Subpart C Derivatives Clearing Organization (“DCO”) and a Designated Contract Market (“DCM”), and has been the primary marketplace for North American Hard Red Spring Wheat (“HRSW”) since its inception in 1881.

Introduction

MGEX would also like to thank the Commission for its past and present commitment to take into account industry concerns regarding position limits, bona fide hedging, and related issues. MGEX supports Commissioner Giancarlo’s wise statement that “[w]e must balance regulatory burdens with clear economic benefits if we are to maintain liquid commodity hedging markets that support our American way of life.”¹ Few issues have presented the complexities and level of industry concerns as have the various position limits rulemakings. At the onset of this letter, MGEX would like to offer its support to other industry comment letters. An effective rulemaking process must take heed to the comments expressed from all stakeholders and interested parties, particularly agricultural

¹ See Position Limits for Derivatives: Certain Exemptions and Guidance, 81 Fed. Reg. 38514 (June 13, 2016) (“Supplemental Proposal”), Statement of Commissioner J. Christopher Giancarlo.

end-users. MGEX's letter is tailored to the concerns that directly pertain to its position as a DCO and DCM, and those concerns belonging to our market participants.

The 2016 Rulemaking attempts to respond to the many industry concerns regarding prior proposed rulemakings (including supplements). MGEX appreciates that the Commission has offered to modify its approach to defining bona fide hedging and expanding hedge exemptions. While MGEX does have a number of concerns and questions regarding the specific hedge exemption process (please see below), we do support the premise that the "[e]xchanges are in the best position to initially recognize the [non-enumerated bona fide hedging positions and spread positions] from position limits."² This delegation to the exchanges as presented in the 2016 Rulemaking is conceptually an approach that MGEX, as a DCO and a DCM, can support. However, the process can still be much improved upon to make it practical and workable.

The specific areas of comment that MGEX would like to make to the CFTC regarding the 2016 Rulemaking are: wheat parity, enumerated and non-enumerated bona fide hedges, exemptions to position limits, process for granting exemptions, process for spread positions, and process for anticipatory bona fide hedge positions.

Wheat Parity

MGEX has commented several times previously³ that it is critical for the CFTC to maintain non-spot month position limits parity among the three U.S. wheat contracts: CBOT Soft Winter Wheat, KCBT Hard Winter Wheat, and MGEX HRSW. Currently, all three U.S. wheat contracts share an identical single month and all months combined ("non-spot month") limit of 12,000 contracts. The 2016 Rulemaking does not address the non-spot month proposed position limits. However, there remains a proposed rulemaking whereby CBOT wheat non-spot month position limits are set at 16,200 and KCBT wheat is set at 6,500. Despite increasing market participation in HRSW and HRSW's status as the largest wheat class crop in North America, proposed rulemakings set a non-spot month position limits for MGEX HRSW at 3,300—a staggering 72.5% decrease from its current limits of 12,000 contracts and the same limits for both CBOT and KCBT wheat. Consequently, MGEX must again state its concerns and press for adoption of non-spot month position limits parity as the best alternative for the agricultural industry.

Otherwise, there will be a disproportionate and negative impact upon commercial end-users and other wheat market participants. There will be real economic consequences. Critically, it impedes the legitimate risk management strategies of cross-hedging and spread trading among the three U.S. wheat contracts. It is not reasonable for the CFTC to increase the non-spot month limit for CBOT wheat to 16,200, half the limit for KCBT wheat, and then decrease the limit for MGEX HRSW to a mere 3,300, and then expect this to have minimal impact on the marketplace.

² *Id.*

³ See MGEX Comment Letter, February 10, 2014; MGEX Comment Letter, August 1, 2014; MGEX Comment Letter, January 22, 2015; MGEX Comment Letter, March 30, 2015.

For example, a commercial end-user seeking to hedge its risk and spreads 3,500 CBOT wheat contracts opposite MGEX HRSW would reach only 22% of the proposed non-spot month limit for CBOT wheat, but would already exceed the MGEX HRSW limit. The solutions for such a hedger would be (1) limit their spread trading to 3,300 contracts among all wheat contracts; (2) apply for bona fide hedge exemptions; or (3) cease using the futures markets for risk management purposes. These solutions are inefficient and undesirable. While it may be possible for a cross-hedger or spread trader to apply for a bona fide hedge exemption for positions in excess of the limits for HRSW, that serves only to introduce more uncertainty, potential delay and expense for end-users.

By establishing the same non-spot month limits for the three wheat contracts, wheat parity can be maintained. In doing so, the CFTC can eliminate the undesirable disparities that will result under the currently proposed rulemakings. Therefore, MGEX urges the CFTC to consider the needs of those market participants using wheat futures as a legitimate hedging tool, and to maintain the proven success of wheat parity at whatever final quantitative limit is established.

Enumerated and Non-Enumerated Bona Fide Hedges

MGEX contends that the vast majority of commercials and end-users do not distinguish between types of bona fide hedging activities but rather hedge risk on a portfolio basis. There has existed a broad, yet clearly understood, catalog of hedges that agricultural end-users have been using for decades to mitigate risk. MGEX advocates that the status quo of the bona fide hedging definition be preserved by the Commission. While MGEX has itemized comments on some of the specifics of the 2016 Rulemaking, fundamentally, the central quandary of the 2016 Rulemaking is that it does not go far enough and align with current commercial practices. The Commission has not identified a specific harm or abuse within the ag trading sector that it is trying to address in the position limits rulemaking process which has led to untailored and burdensome 'solutions.'

MGEX thanks the Commission for revising the 2013 proposed rulemakings on position limits to remove the incidental test and orderly trading requirements.⁴ However, the determination of whether a transaction qualifies as a bona fide hedge should remain consistent with current laws and regulations as well as with current industry practice. The current definition of a bona fide hedge in CFTC Rule 1.3(z) has served the agricultural industry well. And in the absence of evidence of abuse, should continue as the means to determine what qualifies as an enumerated bona fide hedge. Doing so would eliminate much of the unnecessary debate about non-enumerated bona fide hedges. It would also remove the need for or simplify the entire proposed application process and reporting requirements.

If the status quo of 1.3(z) is no longer going to be the appropriate means for defining bona fide hedges, the proposed rulemakings should limit any changes to those absolutely necessary to improve efficiencies and encourage use of the markets. The proposed

⁴ See Supplemental Proposal; and See *Also*, proposed CFTC Rules § 150.1

changes to the definition of bona fide hedging unfortunately do not appear to meet or guarantee either of those goals.

Generally, the 2016 Rulemaking outlines a new definition of bona fide hedging,⁵ exemptions to such limits,⁶ and exchange-set speculative position limits.⁷ MGEX appreciates that the Commission has attempted to be responsive to industry concerns in drafting these changes. However, MGEX believes there are still many unresolved issues with the definition of bona fide hedging for many market participants. MGEX supports the agricultural industry and requests that their end user concerns be appropriately considered in advance of a final rule. In particular, MGEX supports comments from the industry on the type of risk that can be mitigated through a bona fide hedge. Limiting bona fide hedging to price risk does not take into the realities and accepted practices of the agricultural business model. Transportation, storage, weather, and other forms of risk are legitimate and should be included in the definition of bona fide hedging.

Exemptions to Position Limits

The 2016 Rulemaking outlines that exchanges, like MGEX, would be able to “take action to recognize certain bona fide hedging positions and to grant certain spread exemptions”⁸ subject to a “CFTC review process that would permit the Commission to revoke all such exchange actions.”⁹ Additionally, an exchange engaging in the process of recognizing positions as bona fide hedges “would be required to apply the standards in the Commission’s general definition of bona fide hedging position...[and] subject to Commission’s review and, if necessary, remediation.”¹⁰ Conceptually, MGEX agrees with the structure whereby the exchange performs the analysis to grant or deny an exemption application. However, MGEX is concerned about the practical implications of the processes in question.

Process for Granting and Reporting Bona Fide Hedge Exemptions

In the 2016 Rulemaking, the Commission lays out the processes for exchange administered recognition of non-enumerated hedge positions¹¹, spread positions,¹² and enumerated anticipatory hedge positions.¹³ The purpose of these three processes “allow market participants to rely on an exchange’s recognition...until an exchange or the Commission notifies them to the contrary.”¹⁴

⁵ See, proposed CFTC Rules § 150.1; See *Also*, Position Limits for Derivatives: Certain Exemptions and Guidance, 81 Fed. Reg. 38505-38506 (June 13, 2016) (“Supplemental Proposal”).

⁶ See, proposed CFTC Rules § 150.3; See *Also*, Supplemental Proposal at 38506.

⁷ See, proposed CFTC Rules § 150.5; See *Also*, Supplemental Proposal at 38506-38507.

⁸ See, Supplemental Proposal at 38464.

⁹ *Id.*

¹⁰ *Id.*

¹¹ See, proposed CFTC Rules § 150.9; See *Also*, Supplemental Proposal at 38465.

¹² See, proposed CFTC Rules § 150.10; See *Also*, Supplemental Proposal at 38465.

¹³ See, proposed CFTC Rules § 150.11; See *Also*, Supplemental Proposal at 38465.

¹⁴ See, Supplemental Proposal at 38465.

MGEX has two levels of concern for these three processes. First, with the specific text of §§ 150.9-150.11. Second, how the Commission will be interpreting or ‘reading in’ certain expectations into the specific text as described in the commentary and footnotes to the 2016 Rulemaking.

Granting Hedge Exemptions

In general, MGEX believes the prescriptive list of required information prior to granting hedge exemptions, as well as the subsequent reporting requirements after granting an exemption is an unnecessary paperwork burden. Both market participants and the exchanges themselves are going to have to collect, monitor, store, and otherwise handle a lot of new and detailed information. MGEX would encourage the Commission to be less prescriptive and allow for exchanges to set their own standards and Rules regarding the type, volume, and content of information needed for an exemption in a particular contract. MGEX questions whether the required information listed (under §§ 510.09, 510.10 and 510.11) is really needed for an exchange or even for the Commission to adequately evaluate whether a bona fide hedge exemption is warranted. As always and under current regulations, a DCM or the CFTC can make special calls upon a hedger to provide documentation to support their hedge activity, new rules and regulations are not needed.

Reporting Hedge Exemptions

Moreover, in addition to keeping this information there will be significant new reporting requirements for exchanges granting exemptions. All three processes for granting exemptions outline ‘Report to the Commission’ requirements. The volume of reports, the volume of information contained in the reports, and the volume of resources needed to produce these reports is extensive. Moreover, each class or type of exemption has distinct reporting requirements. These odd inconsistencies in reporting are unwieldy and invite confusion and inevitably will result in mistakes.

Exchange Reports to the Commission		
<i>Non-Enumerated</i>	<i>Spread</i>	<i>Anticipatory</i>
Weekly Report: <ul style="list-style-type: none"> • For each derivative position given an exemption, modification, or revocation. • Including 11 itemized categories of information of each¹⁵ 	Weekly Report: <ul style="list-style-type: none"> • The disposition of any spread exemption, modification or revocation. • Including 10 itemized categories of information of each exemption¹⁶ 	Weekly Report: <ul style="list-style-type: none"> • For each derivative position given an exemption, modification, or revocation. • Including 11 itemized categories of information of each¹⁷

¹⁵ See, proposed CFTC Rules § 150.9(c)(1)(i)(A)-(K)

¹⁶ *Id.* at § 150.10(c)(1)(i)(A)-(J)

¹⁷ *Id.* at § 150.11(c)(1)(i)(A)-(K)

<ul style="list-style-type: none"> • One of which is a summary of the participant’s activity 	<ul style="list-style-type: none"> • A summary of any published exemptions 	<ul style="list-style-type: none"> • One of which is a summary of the participant’s activity
<p>Monthly Report:</p> <ul style="list-style-type: none"> • A copy of any reports submitted to the DCM by an applicant 	<p>Monthly Report:</p> <ul style="list-style-type: none"> • A copy of any reports submitted to the DCM by an applicant 	
<p>Quarterly Report:</p> <ul style="list-style-type: none"> • A summary of any exemption granted under ‘novel facts and circumstances’ • To be published online 	<p>Quarterly Report:</p> <ul style="list-style-type: none"> • A summary of any spread exemption granted describing why the exemption was given • To be published online 	

In the current approach to bona fide hedges, these three distinctions are not made, they are all considered bona fide hedges. A hedge should simply qualify as a hedge without the need for being dissected and sub-labeled. Under the 2016 Rulemaking, market participants and DCMs are going to have to keep track of a minimum of three similar, but divergent recordkeeping and reporting schemes for permissible activity. Not to mention the further complications dictated by different contracts and mixed hedging purposes. A hedger may hedge for anticipatory production needs, non-enumerated purposes, and separately for spreading which could be further broken down into types of spreads. MGEX believes such breakdowns are unnecessarily complicated.

MGEX respectfully requests that a) the reporting and recordkeeping requirements be removed or as least reduced unless there is a demonstrated need for them and b) only exemptions granted in excess of federal limits should require reporting to the Commission.

Process for Non-Enumerated Bona Fide Hedges [§ 150.9]

The Commission has set out a process for a DCM to recognize non-enumerated bona fide hedges subject to CFTC oversight and according to CFTC Rules. Specifically § 150.9 of the 2016 Rulemaking¹⁸ outlines the process including: the need for exchanges to have applicable rules, the circumstances necessary for an exchange to process an application for an exemption, the content of any such applications, etc. MGEX appreciates the delegation of granting non-enumerated bona fide hedges to the exchanges.

One area of concern would be non-enumerated bona fide hedges that are requested “under novel facts and circumstances.”¹⁹ Because under this ‘novel’ standard exchanges are required to take additional steps after recognizing a ‘novel’ hedge including to “publish

¹⁸ See, Supplemental Proposal at 38507-38509.

¹⁹ See, proposed CFTC Rules § 150.9(a)(2)

on its Web site”.²⁰ Additionally, the Commission may in its own estimation determine if an application for a non-enumerated hedge exemption:

“presents novel or complex issues...notify such [DCM]...provide them with 10 business days in which to provide the Commission with any supplemental information..[after which] the Commission shall determine whether it is appropriate to recognize the derivative position for which such application has been submitted as a non-enumerated bona fide hedge, or whether the disposition of such application by such [DCM]...is consistent with section 4a(c) the Act and the general definition of bona fide hedging position in § 150.1.”²¹

This process is clunky, cumbersome, and fraught with potential conflicts and second guessing. An exchange may not recognize something as novel and complex and then after the fact, the Commission may decide that such application was in fact ‘novel and complex’ and triggering a larger review. Or conversely, an exchange could deny a hedge exemption that the Commission then deems appropriate at a later time. Regardless, there is a lack of clarity and legal certainty in the process.

The definition and application of what ‘novel and complex’ may mean and may refer to is likely to differ by activity and the commodity involved. A strategy that may be ‘novel and complex’ in an energy context may be well established in an agricultural context. MGEX has reiterated in past comment letters that a one-size-fits-all approach for swaps and commodities is challenging. If the process for granting a hedge is delegated to a DCM that knows its marketplace and contract, then the decision of the DCM should be allowed certainty in the absence of evidence of negligence or abuse. MGEX therefore respectfully requests that exemptions granted by a DCM be given deference by the Commission upon subsequent review with reversal occurring only when there is evidence of negligence or abuse, or when it may lead to market disruption.

In the event that the Commission determines that the disposition of an application granted by an exchange “is inconsistent with section 4a(c) of the Act and the general definition of bona fide hedging position in § 150.1, the Commission shall notify the applicant and grant the applicant a commercially reasonable amount of time to liquidate the derivative position or otherwise come into compliance.”²² MGEX is concerned about the logistics of how this review process by the Commission will work. The length of time between exchange granting an exemption by application and Commission review matters a lot and will have a profound impact on the behavior of market participants. On its face, this language regarding Commission review seems satisfactory but how this process will be implemented and how the Commission will interpret this standard is still in question.

Generally, a ‘commercially reasonable amount of time’ to unwind positions that a party in good faith entered into after an exchange has granted an exemption implies a practical

²⁰ *Id.* at § 150.9(a)(7)

²¹ *Id.* at § 150.9(d)(2)

²² *Id.* at § 150.9(d)(2)

period of time. However, in the commentary section of the 2016 Rulemaking, the CFTC makes reference that a commercially reasonable amount of time would be less than one business day or 24 hours.²³ This does not seem practical. Trading strategies are often complex and interconnected system of approaches used to mitigate a particular market participant's risk. If a participant believes that they have been given the green light for certain bona fide hedging activity and in the middle of their approach this designation is undone, it could cause significant harm to the participant. Moreover, the rapid and unanticipated liquidation of positions could result in market disruption. Hardly a result any regulator would want.

Additionally, the fact that the Commission can perform its analysis at any time effectively means that good faith reliance is always under threat of liquidation. Predictability and consistency in application of the rules is paramount to effectively functioning markets. Market participants need clear answers, which an exchange should be permitted to give them and upon which they can rely; but to have this constantly under threat of being liquidated in a 24 hour period is not practical or workable without potential negative implications to the marketplace.

In response to these pressures, a participant is either going to have to get all of their positions pre-approved by the Commission or not engage in the risk mitigation that is the core function of the markets. This is a particularly large problem for any DCM. For example, much of the activity at MGEX is commercial end-users hedge activity. They provide the foundation of our marketplace and the majority of our large position holders. Moreover, much of this information may be confidential in nature and problematic to report publically. These commercial end-users have used MGEX HRSW for their hedge activity for 135 years, they have had consistency and predictability to base their behavior on. If the process becomes too onerous, particularly when participants are hedging on multiple exchanges, it could lead them to restrict trading on some exchanges and concentrate their market risk on a single exchange. Again, this is not a desired outcome.

It should also be noted that the CFTC has outlined that DCM's may request Commission review of exemptions, but that there is no guarantee that the Commission will even grant a review. The problems associated with this are more thoroughly discussed below.

MGEX respectfully requests that 'commercially reasonable amount of time' be a case by case assessment made with a default assumption that a week is commercially reasonable.

Process for Spread Positions [§ 150.10]

"[T]he Commission would permit certain exchanges to exempt positions normally known to the trade as spreads, subject to"²⁴ the CEA. MGEX appreciates that calendar spreads are specifically called out in the 2016 Rulemaking²⁵ as spreads that a DCM may approve a hedge exemption application for. However, calendar spreads are a fundamental and

²³ See, Supplemental Proposal at footnote 168.

²⁴ See, Supplemental Proposal at 38464.

²⁵ See, proposed CFTC Rules § 150.10 (a)(2)(i).

legitimate trade activity and hedge strategy that should not need to be called out in a spread exemption but should be included in a general bona fide hedging definition. Calendar spreads, for example, are so common as accepted hedges that the marketplace would suffer without them.

Regardless, under the 2016 Rulemaking a DCM “shall not approve a spread exemption involving a commodity index contract and one or more referenced contracts.”²⁶ This prohibition seems unnecessarily arbitrary and punitive in an agricultural context. For example, a spread exemption between a HRSW physically delivered contract and a HRSW cash settled index contract has legitimate purposes and should be allowable as a bona fide hedge.

Under §510.10 of the 2016 Rulemaking there is additional analysis that a DCM must perform in the context of spreads including analysis to: “ensure sufficient market liquidity for bona fide hedgers, and not unreasonably reduce the effectiveness of position limits to: (A) Diminish, eliminate, or prevent excessive speculation; (B) Deter and prevent market manipulation, squeezes, and corners; and (C) Ensure that the price discovery function of the underlying market is not disrupted.”

In the event that MGEX does decide to grant a spread exemption, MGEX “shall publish on its Web site, on at least a quarterly basis, a summary describing the type of spread position and explaining why it was exempted.”²⁷ MGEX believes that the publication of quarterly information for ‘novel and complex’ non-enumerated hedge exemptions and ‘spread’ hedge exemptions is unnecessary and burdensome. If each subsequent potential hedger must also go through the application and review process, and submit ongoing reporting information, the question arises as to the value of publishing the information about the type of spread. The information is really unique to that applicant, and seems to only serve as a means for market participants to second guess what each and different DCMs will allow. This does not lend certainty to the marketplace if that is an intended purpose. Additionally, a DCM will have to be cautious about the content of the published information so as not to disclose confidential information about the applicant and their trading strategy, so that others may not use that information against them.

MGEX appreciates that the CFTC has opened its door for a DCM to inquire “if a spread exemption application presents complex issues or is potentially inconsistent with the purposes of” the Act”.²⁸ However, under the 2016 Rulemaking, the Commission may “in its discretion” reject a DCMs inquiry and refuse to consider the actions of the DCM. Concurrently, the Commission may “in its discretion at any time review any spread exemption application...[and] If the Commission determines that it is not appropriate to exempt the spread position...the Commission shall notify the applicant and grant the applicant a commercially reasonable amount of time to liquidate the spread position or

²⁶ See, proposed CFTC Rules § 150.10 (a)(1)(ii); See Also, Supplemental Proposal at 38509.

²⁷ See, proposed CFTC Rules § 150.10(a)(7)

²⁸ See, proposed CFTC Rules § 150.10 (a)(8)

otherwise come into compliance.”²⁹ Additionally, the Commission has indicated that 24 hours is a “commercially reasonable” amount of time³⁰.

Under this regulatory structure, a market participant could contact a DCM regarding a trading approach and the need for a spread exemption (or non-enumerated bona fide hedge exemption or anticipatory hedge exemption). The DCM could ask the Commission for consideration of the strategy, the Commission could refuse to give such consideration. In such a circumstance, the DCM could decide if an exemption was proper. Assuming that the DCM found that the exemption was warranted, the market participant would be informed as such. Thereafter and at any time the Commission could decide to take the application under consideration, reverse the DCM’s decision, and require liquidation in 24 hours. This system and approach is the antithesis of predictability and consistency. It puts both the market participant and the DCM in a ‘damned if you do, damned if you don’t’ situation. Not to mention the amount of time and resources that both the market participant and DCM would expend trying to figure this out.

MGEX respectfully requests that in addition to expanding the amount of time that is commercially reasonable to unwind positions that a change be made to the mechanics and procedure. Specifically, MGEX suggests that the Commission consider an arrangement that if the Commission rejects a DCM’s request for review of an application that a) there be an inference that the DCM’s decision was correct absent information that the exemption granted could reasonably harm the markets and b) that additional time is given to the market participant to unwind any applicable positions.

Process for Anticipatory Bona Fide Hedge Positions [§ 150.11]

Initially, MGEX supports other past and present comment letters that address the scope and definition of anticipatory hedging. Particularly with agricultural contracts, anticipatory hedging is a key risk mitigation tool used by commercial end-users. “[T]he Commission would permit certain exchanges to recognize certain enumerated anticipatory hedging positions under the Commission’s definition of bona fide hedging”³¹ and MGEX supports this general delegation to exchanges like MGEX.

Unlike the process for spread exemptions, if a DCM requests review of an application, the Commission must complete its review in ten business days.³² This requirement is a step in the right direction to have some predictability in the exemption process. However, the anticipatory hedge exemption process suffers from the same problems found in the spread exemption process, the Commission may reject a request for review and the Commission may change its mind, review, revoke, and require liquidation for positions in the ‘commercially reasonable’ 24 hour window.

MGEX respectfully requests again that if the Commission rejects a DCM’s request for review of an application that a) there be an inference that the DCM’s decision was correct

²⁹ See, proposed CFTC Rules § 150.10 (d)(1) and (4)

³⁰ See, Supplemental Proposal at footnote 168.

³¹ See, Supplemental Proposal at 38465.

³² See, proposed CFTC Rules § 510.11(a)(6)

absent information that the exemption granted could reasonably harm the markets and b) that additional time is given to the market participant to unwind any applicable positions.

Other Industry Concerns

Five Day Rule

MGEX supports the comments of others in the industry regarding the prohibition on activities in the last five days of trading. The prohibition on trading in the last five days seems at most unnecessary and at least premature. This topic should be delegated to the exchanges as different markets have different dynamics and needs.

Gross v. Net Hedging

MGEX respectfully requests that references in the 2016 Rulemaking that limit the ability of end users to use both gross and net hedging models be eliminated. MGEX supports that both gross and net models should be eligible for bona fide hedging treatment.

Conclusion

MGEX thanks the Commission for an opportunity to comment on this position limits 2016 Rulemaking. While steps have been made in the right direction; MGEX agrees with Commissioner Giancarlo that it is important to "...tak[e] additional steps to ensure that the practical issues raised by the agricultural and end-user communities are addressed in the final rule."³³ Progress has been made; however, key considerations regarding the definition of bona fide hedging and the process by which exemptions can be attained still need to be addressed adequately and appropriately by the Commission.

Please feel free to contact MGEX with any further questions.

Sincerely,



Emily M Spott
Associate Corporate Counsel

cc Mark G. Bagan, President & CEO, MGEX
Layne G. Carlson, Treasurer & Corporate Secretary, MGEX
Chairman Timothy G. Massad, CFTC
Commissioner Sharon Y. Bowen, CFTC
Commissioner J. Christopher Giancarlo, CFTC

³³ See Supplemental Proposal at 38514, Statement of Commissioner J. Christopher Giancarlo.