



July 13, 2016

SUBMITTED VIA REGULATIONS.GOV

Secretary of the Commission
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street NW
Washington, DC 20581

RE: RIN 3038-AD99 “Position Limits for Derivatives: Certain Exemptions and Guidance” (81 FR 38458, June 13, 2016)

Dear Docket Clerk:

The American Feed Industry Association appreciates the opportunity to respond to the Commodity Futures Trading Commission’s supplemental notice of proposed rulemaking regarding “Position Limits for Derivatives: Certain Exemptions and Guidance” (RIN 3038-AD99).

AFIA is the world’s largest organization devoted exclusively to representing the interests of the business, legislative and regulatory interests of the U.S. animal feed industry and its suppliers. AFIA membership includes more than 600 domestic and international companies and state, regional and national associations. Member-companies are livestock feed and pet food manufacturers, integrators, pharmaceutical companies, ingredient suppliers, equipment manufacturers and companies which supply other products, services and supplies to feed manufacturers.

AFIA members are significant commercial users of futures and derivatives markets, relying on both for hedging of price risks and for reliable price discovery of key traded commodities. As such, we have been strong supporters of CFTC’s efforts, since enactment of the 2010 Wall Street Transparency and Accountability Act (“Dodd-Frank Act”), to develop a workable system of position limits and appropriate exemptions that would add stability to these markets.

Bona Fide Hedge Definition:

AFIA generally supports the revisions CFTC is proposing to its original 2013 position limits plan as reflected in the new June 13, 2016 Supplemental Notice. This includes the clarification of key definitions as well as the new alternative process for designated contract markets (DCMs) and swap execution facilities (SEFs) to recognize certain positions as non-enumerated bona fide hedges, subject to CFTC oversight. These revisions address widely-stated concerns from market users that hedgers be allowed maximum flexibility to design hedges reflecting real-life commercial needs in a stable, predictable environment. The individual DCMs, we agree, are best

situated to respond quickly to changing commercial needs, while also being responsive to the requirements of maintaining safe markets.

However, there are a few sections of this revised definition and related rules that potentially might leave the bona fide hedger with uncertainty and excessive reporting burdens. First, we propose the Commission define in more detail, in the final rule, how this review process will work. For timely and effective risk management, we propose CFTC consider either (a) the Futures Industry Association proposal of a Rule Enforcement Review, rather than an “exemption-by-exemption” review process, or (b) better clarification of the process for resolving a case where CFTC does not agree with a non-enumerated bona fide hedge determination made by the DCM, including a required timeline by which a decision would be made.

We also note section 150.11(d)(3), in describing the new process, provides if CFTC reviews a DCM-approved hedge after-the-fact and finds it to be inconsistent with CFTC standards, it must grant the market user a “commercially reasonable” time to liquidate the position or come into compliance. Liquidating a position cannot always be done quickly, based on the liquidity and other conditions in the particular market. We ask CFTC, in its final rule, to clarify this language to assure it provides maximum protection to the market user who has relied on an initial DCM approval. In most instances, we believe this would mean allowing the position to remain in place until it expires or until the hedging purpose has been fulfilled.

Finally, the proposal creates a new form 504, which imposes reporting requirements to track and distinguish between hedge types, as well as cash and market holdings for each day of the spot month. We propose for hedge exemptions granted under the new procedure, reporting requirements similar to those for existing hedge exemptions should be considered adequate.

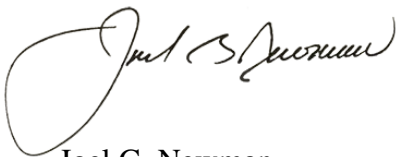
Last Five Days of Trading:

AFIA is pleased CFTC has revised its position to allow spread exemptions in the spot month. While we understand the Commission’s sensitivity to the final five days of trading, the volume that ensures liquidity for hedgers also ensures convergence of the cash and futures markets, which is critical to effective price discovery.

Again, we strongly encourage CFTC in its goal of finalizing the position limits rule before the end of the calendar year and appreciate the substantial effort you have made in this regard.

Thank you for your consideration of our comments.

Sincerely,

A handwritten signature in black ink, appearing to read "Joel G. Newman". The signature is fluid and cursive, with a large loop at the beginning.

Joel G. Newman
President & CEO