

July 18, 2016

Chris Kirkpatrick  
Secretary  
U.S. Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21<sup>st</sup> Street, NW  
Washington, DC 20581

RE: Supplemental Notice of Proposed Rulemaking: Position Limits for Derivatives: Certain Exemptions and Guidance (RIN 3038-AD99)

Dear Mr. Kirkpatrick:

The National Cotton Council of America<sup>1</sup> (“NCC”), the American Cotton Shippers Association (“ACSA”)<sup>2</sup>, and Amcot<sup>3</sup> (jointly the “Associations”) submit the following comments on the Supplemental Notice of Proposed Rulemaking: Position Limits for Derivatives: Certain Exemptions and Guidance (“Supplemental Proposal”).<sup>4</sup> The Associations take an active part in promoting the increased use of cotton in the U.S. and throughout the world; establishing with other cotton trade organizations national and international standards for trade; collaborating with producer organizations throughout the cotton belt in formulating farm programs; and cooperating with government agencies in the administration of such programs.

With regard to the Supplemental Proposal, the Associations write in support of the comment letter filed by the Commodity Markets Council (“CMC”). We believe that CMC’s letter provides the most practical recommendations for an effective and efficient position limits regime that works for commercial end-users. In addition, the Associations request that the Commission consider our previous comment letters before issuing a final rule on position limits.<sup>5</sup>

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<sup>1</sup> The NCC membership includes producers, ginners, cottonseed processors and merchandizers, merchants, cooperatives, warehousemen and textile manufacturers. Farms and businesses directly involved in the production, distribution and processing of cotton employ almost 200,000 workers and produce direct business revenue of more than \$27 billion.

<sup>2</sup> ACSA is comprised of Merchants, Primary Buyers and Mill Service Agents with members located throughout the cotton belt from coast to coast. ACSA’s member firms handle over 80% of the U.S. cotton sold in domestic and foreign markets.

<sup>3</sup> Amcot is the trade association of the four farmer-owned marketing cooperatives comprised of Calcot, Carolinas Cotton Growers Cooperative, Plains Cotton Cooperative Association and Staplcofn. Collectively, these associations market cotton globally on behalf of their producer-members.

<sup>4</sup> See *Position Limits for Derivatives: Certain Exemptions and Guidance*, 81 Fed. Reg. 38458 (June 13, 2016).

<sup>5</sup> See ACSA Letter to CFTC (Feb. 10, 2014); and NCC and ACSA’s Joint Letter to CFTC (Jan. 22, 2015).

The Associations urge the Commission to consider all of the recommendations made by CMC, with a particular focus on the following requests:

1. Interpret the term *risks* in Commodity Exchange Act, Section 4a(2)(A)(ii) to encompass the countless risks facing commercial market participants during the conduct of business, including but not limited to: absolute price risk, relative price risk (which is basis or unfixed risk), calendar spread risk, time risk, location risk, quality risk, execution and logistics risk, credit risk, counterparty risk, default risk, weather risk, sovereign risk, and government policy risk;
2. Allow firms to utilize both “gross hedging” and “net hedging” concepts, and affirm that each of these methods entail derivatives that would be eligible for *bona fide* hedging treatment;
3. Recognize the full scope of anticipatory hedging activities such as anticipatory merchandising and anticipatory processing hedges, and cross-commodity hedges as enumerated hedge exemptions;
4. Authorize the exchanges to grant *bona fide* hedges, non-enumerated *bona fide* hedges, and spread exemptions during the last five days of trading or less;
5. Continue allowing the exchanges to grant cash and carry spread exemptions, and let the exchanges set the conditions on when market participants must enter and exit positions; and
6. Implement the reporting regime for end-users and exchanges as recommended by CMC.

Successful hedging ultimately benefits the general public by reducing the volatility of consumers of commodities such as cotton. We hope that the Commission will consider the concerns raised by the Associations and other commercial end-users before issuing a final position limits rulemaking so that end-users can continue to utilize the commodity derivatives markets to hedge everyday business risks.

Sincerely,

Amcot  
American Cotton Shippers Association  
National Cotton Council