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August 13, 2018

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

RE: Notice of Proposed Rulemaking, De Minimis Exception to the Swap Dealer Definition. Federal Register/Vol. 83, No. 113/June 12, 2018 (RIN 3038-AE68).

Dear Mr. Kirkpatrick:

On behalf of the more than two million farmers and ranchers who belong to one or more farmer cooperative(s), the National Council of Farmer Cooperatives (NCFC)¹ submits the following comments in response to the Commodity Futures Trading Commission's (CFTC) Notice of proposed rulemaking, *De Minimis Exception to the Swap Dealer Definition* (RIN 3038-AE68).

I. Introduction

NCFC members represent a broad section of the agriculture industry, across nearly all commodities and segments of the inputs and marketing channels. Therefore, many NCFC members rely on the derivatives markets – both exchange-traded futures and options, and over-the-counter products – to hedge the commercial risk inherent to agriculture production, processing, and marketing.

While not used to the extent as exchange-traded contracts, the swaps markets play a vital role in the ability of cooperatives to hedge in the various commodity markets, in both the agricultural and energy markets. Swaps are especially important in times of extreme price volatility that puts financial stress on the industry – and allows working capital to be freed up so cooperatives can continue to offer forward pricing options for farmers to manage their own production risk. In addition, swaps serve as important tools in agriculture markets that may not have sufficient trading volume on the futures exchanges, as well in being able to customize hedges to address situations that may not match up well to conventional futures contract specifications.

¹ Since 1929, NCFC has been the voice of America's farmer cooperatives. Farmer cooperatives – businesses owned and controlled by farmers, ranchers, and growers – are an important part of the success of American agriculture. NCFC members include regional and national farmer cooperatives, which are in turn composed of over 2,000 local farmer cooperatives across the country. NCFC members also include 21 state and regional councils of cooperatives.

II. De Minimis Threshold

Farmer cooperatives do use registered swap dealers as counterparties for non-financial commodity (NFC) swaps. However, they also rely on entities that are unregistered as counterparties. These counterparties are largely commercial entities that are non-financial in nature and primarily in the physical commodity business.

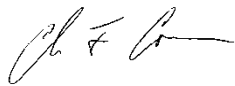
NCFC agrees with the Commission's view that if the de minimis threshold is decreased from \$8 billion, "this would negatively affect swap market access and liquidity for commercial end-user counterparties of current unregistered entities that are active in NFC swaps. Specifically, these entities may reduce or stop dealing activity if a lower threshold would subject them to SD registration...Further, if the threshold is maintained at \$8 billion, it is possible that unregistered entities that currently limit trading activity to below \$3 billion may increase dealing volumes to levels closer to \$8 billion, potentially increasing liquidity in the NFC swap market."

To preserve the ability of farmer cooperatives to effectively and cost-efficiently utilize swaps to hedge their risks, we support the de minimis exception at a level that allows for sufficient liquidity and competition in the NFC swaps markets. Therefore, we support the Commission's proposal to maintain the de minimis threshold at the \$8 billion aggregate gross notional amount.

To further limit unregistered entities participation in the NFC swaps market in our opinion would have the negative effect of promoting additional consolidation in the market among a few large banks and a handful of non-bank swaps dealers. NCFC believes that would lead to less competition, fewer options, and undoubtedly higher hedging costs. We would prefer to see more unregistered entity dealing activity to foster increased market liquidity and hedging options, and with that, more innovation as farmer cooperative hedging needs develop in the future.

NCFC member organizations appreciate that the Commission considered the agriculture industry's interests in drafting the De Minimis Proposal. Thank you for this opportunity to provide our views as you work toward finalizing this rule.

Sincerely,



Charles F. Conner
President & CEO