

May 14, 2020

Via Electronic Submission

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

Re: Position Limits for Derivatives (RIN 3038-AD99)

Dear Mr. Kirkpatrick:

On behalf of the membership of Cotton Committee of the National Council of Textile Organizations (NCTO), I am writing in response to the request for public comments on the Commodity Futures Trading Commission's ("CFTC") proposed amendments to regulations concerning speculative position limits to conform to the Wall Street Transparency and Accountability Act of 2010 amendments to the Commodity Exchange Act, as originally published in the Federal Register at [85 FR 11596](#), and with the comment deadline extended to May 15 at [85 FR 22690](#). Our comments specifically relate to cotton on-call reporting as NCTO represents textile mills that purchase and process cotton.

Cotton is the only commodity that is required to disclose unfixed price purchases and sales to the CFTC. The CFTC discloses this information to the market on a weekly basis in its "Cotton On-Call Report."

Commercial end-users (producers and consumers) utilize the futures markets in order to manage the risks of each of their respective enterprises. Speculators also trade in these markets, providing the necessary liquidity. The commercial end-users, however, are the ones that ensure convergence of the physical prices in the marketplace and the futures market prices.

NCTO is very concerned about the disclosure of the unfixed price contracts of producers and consumers to the broader marketplace and general public. Our textile mill members generally purchase cotton that is indexed to the futures market, and thus is unfixed or on-call. Disclosing this proprietary information to the public provides the non-commercial trader, or speculator, with an unfair advantage and could harm the textile mills' ability to manage risk.

Generally speaking, textile mills represent the vast majority of unfixed price, or on-call transactions, primarily because our textile mills prefer to price their cotton purchases to match the ultimate sales of their manufactured product. Whenever these figures are disclosed to the market, speculators are able to take advantage of trade flow they know will need to come to the market. This is simply unfair.

The history of disclosing on-call contracts goes back several decades. Following the enactment of the Commodity Exchange Act (“the Act”) amendments of 1936, which brought cotton under the Act, the Commodity Exchange Authority (“CEA”), the CFTC’s predecessor, began studying on-call contracts’ effect on the market. An early conclusion was that public information of on-call transactions was needed. The CEA believed that some merchandising firms, knowing their own on-call positions, would exchange this information with other merchandising firms. Because of this, the CEA determined that merchandisers were in a position to influence prices to the detriment of textile mills and other market users. Therefore, in 1939, the CEA inaugurated the weekly report of on-call transactions. The market has evolved considerably since 1939, and so has speculative interest in the futures market.

The decision to publicly report on-call transactions was made by the CEA to primarily protect textile mills. However, as the market has evolved, with much more speculative traders, this information is now harming the same textile mills that it was intended to help. Therefore, we strongly urge the Commission to stop publishing the Cotton On-Call report. If, however, the Commission has a compelling reason for continuing the collection of this data only in the cotton market, NCTO would strongly support not publishing the data.

Thank you for your consideration of our views, and please contact NCTO if we may provide additional information.

Sincerely,

A handwritten signature in blue ink that reads "Kimberly Glas". The signature is written in a cursive, flowing style.

Kimberly Glas  
President & CEO