June 17, 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: Additional Comments on 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 to address additional elements of the Commodity Futures Trading Commission ("CTFC" or "Commission") proposed rulemaking entitled "Position Limits for Derivatives" (the "Proposal"). NCTO is an interested party in these matters as a trade association whose membership includes textile mills that purchase and process cotton.

This submission is designed to supplement our comments filed on May 24, 2020 with the Commission in relation to cotton on-call reporting, and we thank you for the opportunity to submit additional feedback regarding concerns with other sections of the proposal.

NCTO supports the Commission's efforts intending to limit excessive speculation and unwarranted price volatility. A stable derivatives market reflective of the fundamentals of the underlying commodity is in the best interest of both the production and consumption of U.S. cotton fiber. We agree with the views expressed by the National Cotton Council in their comment letter submitted to the extent those comments are consistent with the following positioning.

Specifically, regarding **Risk Management Exemptions**, we welcome the proposed rule to modify the "temporary substitute test" to require that bona fide hedging transactions or positions in a physical commodity must *always* and not just *normally* be connected to the production, sale and use of a physical cash market commodity. We also support the elimination of risk management exemptions for banks because outsized positions in physical commodity-focused indexes can have significant adverse effects on futures market price dynamics.

Regarding **Deliverable Supply**, we disagree with the Commission's acceptance of the deliverable supply estimates for the US Cotton No 2 ("CT") contract. Deliverable supply estimates should be considered in terms of a product's quality and its legitimate logistical availability for delivery. The estimates included in the Proposal do not reflect the cotton industry's historical ability to deliver the physical commodity.

Regarding **Federal Limits**, NCTO objects to the proposed federal spot month limit increase from 300 to 1,800 CT contracts. Moreover, NCTO disagrees with the proposed combination of the single-month limit, particularly for smaller markets like cotton, to prevent concentrated speculative activity in any single month, which would jeopardize convergence.

The proposed limits are not in line with historical limits, are excessive and will likely be disruptive to orderly market flows if adopted. The proposed limits of 1,800 for the spot month and 11,900 single/overall month are far in excess of the existing limits of 300 and 5,000 respectively. Further, the prosed limit increases are disproportionately higher than proposals for other commodities.

Should the exchange choose to adopt these limits or those close to these proposed federal limits, especially in the spot month, the CFTC will have fostered excessive speculation and unwarranted price volatility. NCTO respectfully requests that the CFTC reduce the proposed maximum federal limits to more appropriate levels that are in line with historical norms.

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

Sincerely,

Kimberly Glas

Kimberly Glas
President & CEO