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COMMENT

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OFFICE OF THE SECRETARIAT
C.F.T.C.

Mr. David Stawick
Secretary
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street N.W.
Washington, DC 20581

Re: "Whether to Eliminate the Bona Fide Hedge Exemption for Certain Swap Dealers and Create a New Limited Risk Management Exemption from Speculative Position Limits."

Dear Mr. Stawick:

I am writing on behalf of the 25,000 members of Plains Cotton Cooperative Association to convey our comments and answer questions contained in the CFTC's Concept Release [Federal Register: March 24, 2009 (Volume 74, Number 55)].

We fully agree with statements made by Joe Nicosia, representing the American Cotton Shippers Association, and Woods Eastland, representing AMCOT, on April 22, 2008, before the CFTC Roundtable. Specifically, we agree that an index fund with a hedge exemption should restrict its position in a commodity to the dollar allocation or the percentage of funds allocated to that commodity as defined in its prospectus and recorded with the CFTC. Further, any variation should be subject to speculative position limits, and that such funds should report their cash positions on a weekly basis. And further, that the CFTC monitor and oversee all swaps and OTC activity by requiring the reporting of all swap and OTC contracts by market participants, and that it determine the aggregation of positions from all sources, including the exchanges, ETFs, swaps, OTC, and all other trading entities. And finally, that all non-traditional hedge accounts, those not involved in the commercial enterprise of physically trading bales of cotton, be reported as a separate individual category.

Our answers to the 15 questions contained in the Concept Release are as follows:

A. General Advisability of Eliminating the Existing Bona Fide Hedge Exemption for Swap Dealers in Favor of a Limited Risk Management Exemption

1. Should swap dealers no longer be allowed to qualify for exemption under the existing bona fide hedge definition? ***Yes***

2. If so, should the Commission create a limited risk-management exemption for swap dealers based upon the nature of their clients (e.g., being allowed an exemption to the extent a client is a traditional commercial hedger)? ***Yes***

3. If the bona fide hedge exemption were eliminated for swap dealers, and replaced with a new, limited risk management exemption, how should the new rules be applied to existing futures positions that no longer qualify for the new risk-management exemption? ***Existing***

futures positions in excess of current Federal speculative position limits should be grandfathered until the futures and option contract in which they are placed expire.

B. Scope of a Potential New Limited Risk Management Exemption for Swap Dealers

4. The existing bona fide hedge exemptions granted by the Commission extend only to those agricultural commodities subject to Federal speculative position limits. Should the reinterpretation of bona fide hedging and any new limited risk management exemption extend to other physical commodities, such as energy and metals, which are subject to exchange position limits or position accountability rules? ***Yes***

C. Terms of a Potential New Limited Risk Management Exemption for Swap Dealers

5. If a new limited risk management exemption were to be permitted to the extent a swap dealer is taking on risk on behalf of commercial clients, how should the rules define what constitutes a commercial client? ***A commercial client should be a traditional hedger, i.e., hedgers involved as a commercial enterprise in the production, distribution or consumption of the physical commodity.***

6. How should the Commission (and, if applicable, the responsible industry self-regulatory organization (SRO)) and the swap dealer itself verify that a dealer's clients are commercial? ***They need to confirm with the client that the client is a commercial.***

Is certification by the dealer sufficient or would something more be required from either the dealer or the client? If so, what should be reported and how often—etc? ***Commercial and non-commercial hedgers should file monthly reports directly to CFTC. Reports should contain their aggregated position of physicals, futures, futures equivalent options, and OTC instruments.***

7. For a swap dealer's noncommercial clients, should the rules distinguish between different classes of non-commercials—for example: (1) Clients who are speculators (e.g., a hedge fund); (2) clients who are index funds trading passively on behalf of many participants; and (3) clients who are intermediaries (e.g., another swap dealer trading on behalf of undisclosed clients, some of whom may be commercials)? ***Yes***

8. If a swap dealer were allowed an exemption for risk taken on against index-fund clients, how would the dealer satisfy the Commission that the fund is made up of many participants and is passively managed? Is certification by the dealer or fund sufficient or should the dealer or fund be required to identify the fund's largest clients? ***Certification by the dealer and/or fund is insufficient; therefore, the fund should be required to identify its largest clients.***

9. If a swap dealer were allowed an exemption for risk taken on against another intermediary, how would the dealer satisfy the Commission that its intermediary client does not in turn have non-commercial clients that are in excess of position limits? ***Commercial and non-commercial hedgers should file monthly reports directly to CFTC. Reports should contain their aggregated position of physicals, futures, futures equivalent options, and OTC instruments.***

Is certification by the dealer or second intermediary sufficient or should the dealer or intermediary be required to separately identify the intermediary's largest clients? ***They should identify the intermediary's largest clients.***

10. What futures equivalent position level should trigger the new limited risk management exemption reporting requirement? For example, under the rules of the on-going special call to swap dealers and index funds described earlier, a swap dealer must report any client in any individual month that exceeds 25% of the spot month limit, or the net long or short position of a client that in all months combined exceeds 25% of the all-months-combined limit. ***Continue operating under the rules of the ongoing special call.***

11. If none of a swap dealer's clients exceed required reporting levels in a given commodity, or none of such clients exceed reporting levels in any commodity, what type of report should be filed with the Commission—e.g., a certification by the swap dealer to the Commission to that effect? ***Yes, a certification by the swap dealer to the Commission to that effect.***

12. Should there be an overall limit on a swap dealer's futures and option positions in any one market regardless of the commercial or noncommercial nature of their clients? ***Yes***

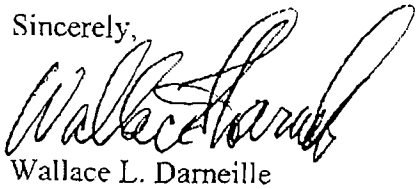
13. If a new limited risk-management exemption for swap dealers is created, what additional elements, other than those listed here, should be considered by the Commission in developing such an exemption? ***The overall size of the individual commodity market***

D. Other Questions

14. How should the two index traders who have received no-action relief from Federal speculative position limits be treated under any new regulatory scheme as discussed herein? ***Current positions limits should be grandfathered until the futures and/or option contract in which they are placed expire.***

15. What information should be required in a swap dealer's application for a limited risk management exemption? ***1. Identify the parties of the transaction. 2. How the swap is margined. 3. All terms of the swap, i.e., dates it is to be entered and exited, how offsetting futures would be entered and exited, and whether it is actively or passively managed. 4. Why the exemption from speculative limits should be granted. 5. The purpose of the fund entering into the swap.***

Sincerely,



Wallace L. Darneille
President & CEO