



NEWS

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Seventh Element Creates Ambiguity in Defining a Swap *NGSA Recommends Clarifying Seventh Element*

(Washington, D.C.) -- The Commodity Futures Trading Commission (CFTC) must clarify one of the seven elements it uses to interpret whether a physical commodity transaction with embedded “volumetric optionality” qualifies as a swap, because the current language creates confusion among market participants, the Natural Gas Supply Association (NGSA) said today in a letter to the Commission. NGSA joined the Commodity Markets Council and the National Corn Growers Association in sending the letter.

Jenny Fordham, vice president of markets at NGSA, said, “The uncertainty created by the seventh element is already impacting market participants conducting business in physical commodities such as natural gas, corn and other commodities. The CFTC should resolve the issue through the simple, widely-supported clarification we propose in our letter.”

As written, the seventh element of the Swap Definition Rule does not align with the Commodity Exchange Act statute governing physical settlement of forward contracts with volumetric optionality, creating an atmosphere of uncertainty.

In addition, NGSA and the CMC and NCGA noted that there is a technical problem with elements 4 and 5 of the Seven Element Interpretation and the organizations recommended alternative language to clarify those elements.

Read the [letter with suggested clarifying language from NGSA, CMC and NCGA here](#).

Link to NGSA’s [previous letters](#) and [press releases](#) related to volumetric optionality.

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NGSA represents integrated and independent companies that supply natural gas. Established in 1965, NGSA encourages the use of natural gas within a balanced national energy policy, and promotes the benefits of competitive markets to ensure reliable and efficient transportation and delivery of natural gas and to increase the supply of natural gas to U.S. customers.

For more information, please visit www.ngsa.org and www.naturalgas.org

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