



## NEWS

For Immediate Release: November 3, 2014

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### **NGSA Commends CFTC for Clarifying Exclusion of Forward Contracts With Embedded Volumetric Optionality**

(Washington, D.C.) -- The Natural Gas Supply Association (NGSA) commended the Commodity Futures Trade Commission (CFTC) for releasing a proposed clarification of its interpretation of forward contracts with embedded volumetric optionality earlier today.

Jenny Fordham, NGSA's vice president, markets, said, "We're pleased that the Commission took positive steps to dispel the existing regulatory uncertainty concerning the use of volumetric flexibility in forward contracting."

Fordham said, "In particular, we have long sought for the CFTC to make clear that it is the intent of the parties at the time they enter into the transaction that determines if a contract is a physical forward. A swap cannot spring into life when volumetric optionality that is embedded in a physical contract is exercised."

Fordham explained that flexibility about delivered volumes is a critical tool used to address the uncertainty inherent in any physical commodity contract. Physical forward contracts with flexibility or optionality in their volumes are used daily in the natural gas industry, allowing these contracts to seamlessly adjust to fluctuations in underlying supply and demand.

"We commend the Commission for taking this important step to ensure that forward contracts with embedded volumetric optionality are not incorrectly classified as swaps," said Fordham. "We look forward to commenting on the proposal."

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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](http://www.ngsa.org).