

NEWS

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Position Limits Re-proposal Step in Right Direction; NGSA Recommends Further Improvements

(Washington, D.C.) – The Natural Gas Supply Association (NGSA) today recommended that the Commodity Futures Trading Commission (CFTC) fine-tune its Re-proposal of the Position Limits Rule by addressing a handful of key issues that NGSA highlighted in comments submitted to the Commission today.

NGSA noted that the re-proposal included several changes that facilitate the ability of natural gas end users to cost-effectively hedge. However, NGSA listed further changes that are needed in order to keep natural gas markets functioning well.

NGSA Senior Vice President, Government Affairs, Jenny Fordham said, “Setting speculative position limits that are appropriate, practical and provide flexibility for hedging is a complex matter. We thank the CFTC for its continued dedication to getting this done right and offer these specific recommendations to prevent the rule from discouraging legitimate hedging or interfering with healthy physical commodity markets.”

NGSA’s comments emphasized that maintaining the statutory “breadth and flexibility” of the bona fide hedging definition is essential. To ensure this, NGSA asked for recognition that bona fide hedges are linked not only to price risks, but also risks such as operational, credit, locational, seasonal, and liquidity and other appropriate risks. NGSA further called on the Commission to provide regulatory certainty for the treatment of hedges priced at index. NGSA also called for changes to the process for using a non-enumerated bona fide hedge in order to permit the hedge to extend into the five-day period before expiry.

Fordham added, “A workable position limits rule that is compatible with existing commodity market structures and practices is critical. The changes and clarifications to the re-proposed position limits rule provide a workable regime for exchange-traded swaps. Looking ahead, we need to take the same care to preserve the ability for end users to enter into hedges using over-the-counter swaps. The Commission must ensure that these issues are appropriately addressed before attempting to apply federal position limits to OTC swaps.”

NOTE: NGSA has submitted comments on position limits six times since the association’s first comments on position limits were filed in 2011. Today’s comments and previous comments are available [here on the NGSA website](#).

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The Natural Gas Supply Association (NGSA) represents integrated and independent companies that supply natural gas. For more information, please visit www.ngsa.org and www.naturalgas.org.

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