

Risk Management Committee
Report to the NGFA Board of Directors
September 2024

I. Key Issues:

- Engage with the futures exchanges.
- Engage with the Commodity Futures Trading Commission (CFTC).

II. Committee Activities:

- A. CFTC Commissioners:** Chairman Russ Behnam’s second term expires on June 19, 2026. Kristin Johnson’s first term expires April 13, 2025, and she has been nominated to be the Assistant Secretary of the Treasury. Christy Goldsmith Romero’s first term ended April 13, 2024, and she is in her holdover year. Goldsmith Romero has been nominated to chair the Federal Deposit Insurance Corporation. If Johnson and Goldsmith Romero are approved for their nominated positions, then there would be two vacant CFTC commission positions. Caroline Pham’s first term ends April 13, 2027, and Summer Mersinger’s second term ends April 13, 2028. There currently are three Democrat commissioners and two Republican commissioners. Julie Siegel has been nominated to fill one of the Democrat commissioner slots that is anticipated to open when Johnson or Goldsmith Romero is confirmed.
- B. Kansas City Wheat Contract Review:** The CME Group is anticipated to update the Kansas City wheat contract rules soon. Anticipated changes include adjustments to conveyance and storage rates, expansion of the delivery territory, specific inclusion of shuttle load out rules, and monetary benefits for loading more quickly than the specified daily rate of loading.
- C. Corn Contract Review:** The CME Group is expected to finalize its corn contract review soon. Anticipated changes include a conveyance fee increase, an increase to the zone 6 differential and the addition of an August contract month.
- D. CME Group Implementation of Contract Changes:** The CME Group’s past policy on contract change implementation has been to exclude existing contracts containing “significant” open interest. This can result in a multi-year delay in the implementation of contract changes. For the anticipated changes to the Kansas City wheat and corn contracts, CME Group said they will make immaterial changes immediately. These are changes that have no financial impact on current contract holders. Material changes will be made immediately on contracts with open interest if there is a 100 percent approval vote from contract holders.

- E. Commitments of Traders Reports:** The Risk Management Committee continues to urge CFTC to more frequently publish commitments of traders' (COT) reports and to reduce the lag time between data collection and reporting.
- F. Basel III Endgame:** NGFA submitted comments to the Federal Reserve Board, FDIC, and Office of the Comptroller of the Currency. NGFA asked these banking regulators to remove the negative impact on derivatives of their proposals to increase capital requirements on the largest U.S. banks. The regulations increase capital requirements in many ways, including by making banks hold more capital when they engage as Futures Commission Merchants (FCM) in derivative markets. The proposal has the potential to increase trading costs and reduce FCM availability. Given the potential negative economic ramifications of the rule that were brought to light through advocacy efforts, the rulemaking progress has slowed and it is unknown when a final rule will be published.
- G. Legislation:** The Risk Management Committee is monitoring the House Agriculture Committee's work on its CFTC Reauthorization bill.

III. Other Actions:

The Risk Management Committee and NGFA staff also were engaged in the following activities during the March 2024 – September 2024 period:

- A.** Monthly check-in calls with CME Group.
- B.** Monitoring CFTC announcements of violations and fines and the reasons they happened.
- C.** The Risk Management Committee met with CFTC and CME Group in Chicago on August 8. The meetings provided an opportunity for committee members to network with these two key stakeholders and with other committee members. The meetings also helped committee members better understand CFTC's work and to receive an update from CME Group's ag team on the Kansas City wheat contract, corn contract, Chapter 7 rules, Span 2 margining, the K algorithm for matching orders, and the dynamic circuit breaker (2-minute pause during periods of large price movements).