

APPENDIX 2 Enumerated Bona Fide Hedge Exemptions

Enumerated bona fide hedges are those that are incorporated by referenced into the final rule and are more fully set forth in Appendix A to Part 150 of CFTC Regulations.

Enumerated Hedge	Requirement/Explanation	New?
Inventory & Cash Commodity Fixed Purchase Contracts	Inventory or a fixed-price purchase contract, must be on hand as opposed to a non-fixed price purchase contract or an anticipated purchase; this hedge requires the person to establish a short position in a commodity derivative contract to offset price risk.	No
Cash Commodity Fixed-Price Sales Contracts	Long positions in commodity derivatives contracts that do not exceed in quantity the sum of the person's fixed-price sales contracts in the underlying cash commodity and the quantity of equivalent fixed-price sales contracts in cash commodity and by-products of such commodity.	No
Offsetting Unfixed-Price Cash Commodity Purchases and Sales	Long and short positions that are not greater than the amount of the underlying cash commodity that has been both bought and sold by the same person at an unfixed price. This can now be used to hedge a cash commodity bought and sold at unfixed prices at a basis to different derivatives contracts in the same commodity even if for the same calendar month (not just different months).	No
Unsold Anticipated Product	Short position in contracts that do not exceed in quantity the person's unsold anticipated production of the underlying cash commodity; no longer limited to 12 months of unsold production; no more five-day rule.	No
Unfilled Anticipated Requirements	Long positions that do not exceed in quantity the person's unfilled anticipated requirements for the underlying cash commodity, for processing, manufacturing, or use by the person, or for resale by a utility as it pertains to obligations to meet unfilled anticipated demand for customers.	No
Anticipated Merchandising	Long or short positions that offset the anticipated change in value of the underlying commodity that a person anticipates purchasing or selling, provided that: (1) the positions do not exceed in quantity 12 months of current or anticipated purchase or sale requirements of the same commodity; and (2) the person is a merchant with a demonstrated history of such activity and that person is entering into the position solely for its merchandising business.	Yes

Enumerated Hedge	Requirement/Explanation	New?
Hedges by Agents	Long or short positions by an agent who does not own or has not contracted to sell or purchase the underlying cash commodity at a fixed price, provided that: (1) the agent is responsible for merchandising the cash positions; and (2) the agent has a contractual arrangement with the person who owns the commodity or holds the cash market commitment being offset.	Yes
Anticipated Mineral Royalties	Short positions in a person's contracts offset by the anticipated change in value of owned mineral royalty rights; provided that the rights arise out of the production of underlying mineral.	Yes
Anticipated Services	Long or short positions offset by the anticipated change in value of receipts or payments due or expected to be due under an executed contract for services held by that person; provided that the contract arises out of commercial activities (i.e., production, manufacturing, etc.) relating to such underlying commodity.	Yes
Offsets of Commodity Trade Options	Long or short positions that do not exceed in quantity, on a futures-equivalent basis, a position in a commodity trade option that meets the requirements of CFTC Regulation 32.3.	Yes
Cross-Commodity Hedges	Enumerated bona fide hedging positions referenced above may also be used to offset the risks arising from a commodity other than the cash commodity underlying the commodity derivatives contract, provided that the fluctuations in value of the cash commodity must be substantially related to the fluctuations in value of the actual or anticipated cash commodity position or pass-through swap; "substantially related" means that the commodities must have a reasonable commercial relationship and serve as reasonable substitutes for one another; no more five-day rule.	No