MINUTES OF THE JULY 29, 2026 MEETING OF THE U.S. COMMODITY FUTURES TRADING COMMISSION'S AGRICULTURAL ADVISORY COMMITTEE

The Agricultural Advisory Committee ("AAC") convened for a public meeting on Wednesday, July 29, 2026, at 1:00 p.m., at the U.S. Commodity Futures Trading Commission's ("CFTC" or "Commission") Headquarters Conference Center, located at Three Lafayette Centre, 1155 21st Street, N.W., Washington, D.C. The meeting consisted of four main panels regarding the following: (1) Basel III Proposal; (2) Commitments of Traders ("COT") Reports; (3) Potential Gaps in Risk Management Tools for Agricultural End Users; and (4) 24/7 Trading and Emerging Markets.

<u>AAC Members in Attendance</u>

Gabe Afolayan, Vice President, Soybean Merchandising & Trading, Cargill
Buddy Allen, President & CEO, American Cotton Shippers Association
Dr. Melissa Bailey, Associate Administrator, Agricultural Marketing Service, United States Department of Agriculture ("USDA")
Joe Barker, Representative, National Council of Farmer Cooperatives
Chris Betz, Representative, Michigan Agri-Business Association
Robbie Boone, Senior Vice President of Regulatory Affairs and General Counsel, Farm Credit Counsel
Gerry Corcoran, Chief Executive Officer, R.J. O'Brien & Associates, a StoneX company
Daniel Diez, Representative, Cocoa Merchants Association of America
Neil Donovan, Director of Trading North America Soybeans, Bunge
Matt Frostic, First Vice President, Finance Committee, National Corn Growers Association
Tommy Hayden, Jr., Representative, Commodity Markets Council
Tom Hoffman, Portfolio Manager, Citadel
Ahmet Hepdogan, Representative, American Bakers Association
Corey McCray, Vice President of Government Relations, National Oilseed Processors Association
Nelson Neale, Representative, Futures Industry Association
John Newton, Vice President of Public Policy and Economic Analysis, America Farm Bureau Federation
Ethan Ongstad, Interim President, MIAX Futures Exchange, LLC
Kim Parks, Representative, National Milk Producers Federation
Ed Prosser, AAC Chair, Senior Vice President of Emerging Businesses, The Scoular Company
Derek Sammann, Global Head of Commodities, Options, and International Markets, CME Group, Inc.
Ananda Radhakrishnan, Senior Vice President, Bank Derivatives Policy, American Bankers Association
Liam Smith, Representative, PTG
Curt Strubhar, Representative, Grain and Feed Association of Illinois
Brad Sullivan, Chief Operating Officer, ICE Futures U.S.
Kate Thompson, Director of Government Affairs, National Cattlemen's Beef Association
Justin Tupper, President, U.S. Cattlemen's Association

Wes Uhlmeyer, CEO, Greenfield Holdings, LLC
Ryan Weston, Representative, American Sugar Alliance
Jason Wheeler, Representative, USA Rice Federation
Brandon Wipf, Director, American Soybean Association

CFTC Commissioners and Staff in Attendance
Michael S. Selig, AAC Sponsor and Chairman
Emma Johnston, Senior Agricultural Advisor, Designated Federal Officer
Amir Zaidi, Chief of Staff
Jessica Harris, Chief Data Officer and Director, Division of Data ("DOD")

Invited Speakers in Attendance
Thomas Tuberville, U.S. Senator, Alabama
Benedetto Bosco, Federal Deposit Insurance Corporation ("FDIC")
Benjamin Pegg, Office of the Comptroller of the Currency ("OCC")
David Lynch, Federal Reserve Board ("FRB")
Mary Catherine Cromley, Senior Policy Advisor, Farm Production and Conservation, USDA
Heather Manzano, Associate Administrator, Risk Management Agency, USDA

I. Opening Remarks

Ms. Johnston called the meeting to order and introduced Chairman Selig, who delivered opening remarks and welcomed everyone. Chairman Selig discussed the history of the AAC and how it has been chairman-sponsored since it was created in 1985. He described how, at the time, as today, the CFTC and Securities Exchange Commission were grappling with thorny jurisdictional questions regarding where the line between commodities and securities falls. He emphasized that the CFTC should do its job without overregulating the marketplace.

Chairman Selig then stated that agencies have layered rules onto intermediaries serving agriculture without asking producers whether those rules work, citing the nearly 80 new regulations finalized under Dodd-Frank by the end of 2016 as a driver of consolidation. For example, futures commission merchants ("FCMs") have fallen from roughly 90 before 2007 to fewer than 50 today. Many FCMs, swap dealers, and commodity trading advisors ("CTAs") serving farmers are bank-owned and therefore carry bank capital requirements on top of CFTC and NFA regulation. Chairman Selig emphasized how many of these regulations have proven to be unnecessary, duplicative, overly complex, and difficult to enforce. He noted that the CFTC is pursuing a deregulatory agenda focused on identifying rules that no longer serve their intended purpose and eliminating roadblocks and red tape that have reduced productivity.

He also announced and reiterated several initiatives, including (1) coordinating with prudential regulatory agencies on bank capital rules; (2) moving the COT reports from once- to twice-a-week by the end of the year; (3) an end to "regulation by enforcement"; and (4) finalizing a USDA memorandum of understanding on interagency coordination.

Chairman Selig then introduced Senator Tuberville, who emphasized the acute financial distress of farmers. Senator Tuberville stated that 150,000 farms and 25,000 farmers went out of business during the Biden administration. With input costs rising (e.g., over $1 million for a cotton picker), farmers cannot pay their bills. He urged passage of a Farm Bill; advocated for aggressive tariffs; promoted the Buy American Cotton Act requiring purchase of American cotton; and criticized climate policy as costly, because farmers are the country's most committed conservationists.

Ms. Johnston thanked Senator Tuberville and Chairman Selig for their remarks.

II. Basel III Proposal

Mr. Prosser thanked the committee members for their service and introduced the first set of panelists from the OCC, the FRB, and the FDIC. Staff from these agencies presented jointly and did not take questions, as the comments were still being reviewed. The panelists discussed the Basel Proposals. In March 2026, the agencies approved two notices of proposed rulemaking that would modify the regulatory capital requirements for all banking organizations. The panelists stated that they would focus most of their discussion around the proposed changes to the capital requirements for derivatives transactions. The first proposal, the Basel III or the "expanded risk-based" proposal, modifies capital requirement for the largest, most complex U.S. banking organizations based on the 2017 Basel agreement and lessons learned from an unfinalized 2023 proposal. Other banks can optionally choose to adopt it. The second proposal (the "standardized" approach proposal) modifies capital requirements for all other banking organizations to align with the Basel II proposal while maintaining a simpler framework. The panelists emphasized that both proposals work together to better align regulatory capital with actual risk and simplify calculation frameworks. The comment period for these rulemakings closed on June 19, 2026, and there were over 400 comments.

With regards to derivatives, the panelists stated the changes relative to the unfinalized 2023 proposal included removing the dual-calculation of capital requirement so that the largest banks compute one minimum capital figure rather than both standardized and internal-model versions; easing use of internal models for market risk; raising thresholds triggering the market risk and credit valuation adjustment ("CVA") frameworks; recognizing the benefits of qualifying cross-product netting; and removing the CVA capital charge for client-facing cleared derivatives.

Mr. Prosser thanked the presenters and opened the floor to questions and comments from AAC members. The public comments highlighted several critical concerns regarding the proposals, particularly pointing out that imposing capital requirements at the bank holding company level effectively double charges for the same underlying activity. Furthermore, commenters noted that if a bank-affiliated FCM offers cross-product netting and lower margins, fewer dollars remain in margin accounts, potentially creating a funding shortfall when additional capital mandates are applied. There was also a strong emphasis on the need to improve capital allocation so that agricultural producers can reliably access markets whenever necessary. In response, Chairman Selig thanked the participants for their valuable input and underscored the ongoing importance of working to reduce burdensome regulations for market participants.

III. Commitments of Traders

Mr. Prosser introduced Ms. Harris, the head of the Commission's DOD. Ms. Harris provided an update on the COT report. She began by giving some background on the COT report, stating that it was built from daily position data from about 300 reporting firms, reconciled against exchange data, with reportable traders classified by primary market purpose. In terms of usage, she cited roughly 195,000 monthly views on CFTC.gov and over 6.5 million API calls. The COT report is a tool that farmers, merchandisers, commercial hedgers, agribusiness, and analysts rely on to understand how different participants are positioned in the market.

Ms. Harris stated that the Commission recently invited public comments on potential updates to the COT program. The request for comment drew more than 100 responses and featured three principal themes: protecting confidentiality, modernizing where sensible, and improving usability. Participants wanted assurance that changes would not expose proprietary positions.

Mr. Prosser thanked Ms. Harris and opened the floor to questions and comments from AAC members. The comments and discussion were supportive with a common theme being to make as many changes as possible and quickly. Some key themes included: the need to address delays with the COT report during government shutdowns; the need to publish the COT reports with greater frequency and a shortened gap between cutoff and release of the COT report; suggestions on how to modernize the COT report to make it available more frequently; and the need examine the cotton on-call report and whether it is still useful and/or potentially harmful to market participants. Chairman Selig thanked Ms. Harris for her hard work and thanked the members for all the input they provided.

IV. Potential Gaps in Risk Management Tools for Agricultural End Users

Mr. Prosser then introduced the next panel. Ms. Manzano began by describing the Federal Crop Insurance Program, a $200 billion program that provides a multi-parallel crop insurance across about 130 crops, rainfall index products, and whole farm revenue production.

Ms. Cromley discussed the USDA Farm Service Agency ("FSA"), which offers a variety of commodity and livestock programs to help producers in times of price declines and disaster. Two of the main programs most producers are familiar with are the agricultural risk coverage and the price loss coverage programs. FSA also offers a variety of disaster programs that trigger through different disaster events across the country, and marketing assistance loans that let producers delay marketing when harvest prices are poor.

Dr. Newton then discussed how farmers are not the first users of derivatives instruments because of the costs of utilizing these tools through margin accounts require liquidity premiums upfront. Farmers have much better access to crop insurance premiums since they are not due up front. Dr. Newton discussed gaps in coverage where farmers could use help to manage their risk, including specialty crops, poultry, aquaculture, and shallow-loss products.

Ms. Thompson then discussed how, for cattle producers, the Livestock Risk Protection Program and the Livestock Indemnity Program serve as critical complements to futures for producers who find direct hedging inaccessible. She emphasized looking into gaps in coverage in these programs to improve risk management for cattle producers.

Mr. Frostic then discussed the perspective of corn farmers, emphasizing the importance of commodity programs, crop insurance, and the suite of disaster economic assistance programs. In 2025, corn growers purchased federal crop insurance on over 90 million acres of corn, with more than $63 billion in liabilities. Mr. Frostic highlighted a major potential gap in risk management tools for corn as being input costs. For example, U.S. growers often pay more than Brazilian competitors, margin protection policy is designed for county-level rather than producer-level losses, and input costs are hard to hedge as pricing may be difficult to estimate.

Mr. Prosser thanked all the panelists and opened the floor to questions and comments from AAC members. The key themes from the comments and discussion included: improving existing products rather than introducing new products; whether event contracts could fill gaps in risk management and the risks associated with event contracts; and filling education gaps and making educational resources for futures and options markets equally accessible to all regions and all types of producers. Chairman Selig thanked all the panelists for their comments and the robust discussion.

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V. 24/7 Trading and Emerging Markets

Mr. Prosser introduced Mr. Smith to speak on the last panel of the day. Mr. Smith stated his goal was to provide a deeper understanding of perpetual futures. He began by explaining that a perpetual future is a cash-settled derivative with no expiration. This concept traces back to work by economist Robert Shiller in the 1990s who came up with it to measure illiquid assets. In May of this year, the CFTC approved the first onshore U.S. perpetual future, in Bitcoin. He explained that an index price is a benchmark in the digital assets space arrived upon by referencing several spot markets the perpetual future will reference. Moreover, the perpetual futures funding rate is a periodic fee paid between long and short traders to keep the contract price close to the asset's spot price. He described the rubberband theory, stating that risk that would normally resolve through convergence at expiration does not disappear, but instead moves to the funding rate. Finally, he explained auto-liquidation as an automated safety mechanism where an exchange forcibly closes a trader's leveraged position because their account equity has fallen below the required maintenance margin.

Mr. Prosser thanked all the panelists and opened the floor to questions and comments from AAC members. The key themes from the comments and discussion included: doubts regarding whether the funding rate could carry the information now conveyed by calendar spreads; concerns that the perpetual futures markets are not transparent and increase market fragmentation, concerns regarding margin exposure with a seven day perpetual futures markets when the federal banking system does not operate on weekends; concerns that more hour hours would mean more time without liquidity rather than concentrated liquidity; and more generally that perpetuals were not a good fit for agricultural products. Chairman Selig thanked Mr. Smith for breaking down a complex topic with his fantastic presentation. Among other things, he reiterated that the Commission would not take a one-size-fits-all approach and that agricultural products have long been distinguished in the Commission's rules and regulations. Ms. Johnston then asked Chairman Selig for closing remarks.

VI. Closing Remarks and Adjournment

Chairman Selig thanked each of the AAC members for their thoughtful participation. He emphasized how we were in one of the most consequential periods for markets and that we should make sure we are not pushing innovation offshore that may benefit commercial users in our markets. He also thanked Ms. Johnston for all her hard work.

Ms. Johnston adjourned the meeting at 3:57 p.m.

Ed Prosser
Chair, AAC

9/17/26
Date