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HORIZON MILLING™

A CARGILL FOODS AFFILIATE

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September 6, 2006

Ms. Eileen Donovan
Secretary
Commodity Futures Trading Commission
Three Lafayette Center
1155 21st Street, N.W.
Washington, D.C. 20581

**Received CFTC
Records Section**

9/7/06

RE: Conflicts of Interest in Self-Regulation and Self-Regulatory Organizations
Proposed Regulations Dated July 7, 2006

Dear Ms. Donovan:

On behalf of Horizon Milling, LLC, I am submitting these comments in response to the "Conflicts of Interest in Self-Regulation and Self-Regulatory Organizations Proposal" (the "Proposal") published by Commodity Futures Trading Commission (CFTC) in the Federal Register on July 7, 2006. Horizon Milling, LLC, believes it is counterproductive and unnecessary to require 50 percent of an exchange's governing board and executive committee to be comprised of "public members." We ask that these portions of the proposal be rescinded.

Horizon Milling, LLC, is a Cargill Foods affiliate that processes wheat into flour in 13 states in the U.S. We rely on the KCBT and MGE Wheat futures contracts to manage risk as a hedge trader. We play an active role in the governance of both the KCBT and MGE and I personally hold a director's position and two subcommittee positions at the KCBT. We believe it is absolutely critical to maintain an active trade representation in governance in order to be made most effective as a hedging vehicle.

The Proposal lists the 50 percent public member rule as an acceptable practice that an exchange must follow in order to receive "safe harbor" treatment by the CFTC for compliance with the Core Principle to "minimize conflicts of interest in the decision making process." Noncompliance with CFTC's acceptable practices gives the impression that an exchange is not rigorously carrying out its self-regulatory duties.

However, the proposed board composition requirement would not contribute to minimizing conflicts of interest or serve the public interest. Instead, it would diminish the diversity of representation on exchange boards and dilute the participation of agricultural and other commercial market users, thereby removing a successful and time-tested measure for protecting market integrity. To more than double the number necessary to meet core principles would require an exchange to dilute the necessary resources of experience so vital to exchange governance. Absent compelling reasons - not presented here - we should not so jeopardize our national marketplaces.

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The CFTC acknowledges that KCBT successfully carries out self-regulatory duties and conflicts of interest are not a problem. KCBT has four public board members (20 percent of its board). KCBT also has a conflict of interest rule for board members, which precludes a member from voting on certain decisions where the member or the member's firm may have a material interest. These direct means of avoiding conflicts and protecting the public interest are sufficient and more effective than creating a board composition requirement.

As a sound alternative, we urge the Commission to give deference to Congressional policies underlying Core Principal 16 which directly covers exchange governance (or mutually-owned exchanges) and its existing requirement that futures exchange's governing boards be comprised of "market participants." This provides the necessary experience and expertise to achieve meaningful governance; conflicts issues are well served by existing standards. "The prescriptive nature of the CFTC's proposed changes are directly counter to the market-oriented, principal-based regulatory structures authorized in the last CFTC reauthorization. I encourage the agency to continue along the direction set by Congress and maintain oversight with solid principles that allow flexible growth into the future.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael L. Dean", with a long horizontal flourish extending to the right.

Michael L. Dean
Merchandising Manager
Horizon Milling, LLC