Margins are presently set in all commodity futures markets by the governing boards of the respective exchanges. They should continue to be so set as they are fixed and changed from time to time as circumstances demand and by those persons in the industry who are the most knowledgeable and the most responsible.

Margin controls do not constitute credit controls. There is no analogy or similarity in margin requirements for securities and margin requirements for commodity futures transactions. Margin payments on commodity futures transactions do not constitute a down payment for equity and no possession of a commodity nor title to a commodity is passed at the time a commodity futures transaction is executed. Transfer of title to a commodity occurs at the time the contract matures and is delivered at which time full payment must be made for the commodity involved. On the other hand, margins (down payments) paid for stock transactions constitute credit transactions as the purchaser of the security immediately becomes the owner thereof and from that time is entitled to all benefits such as equity in the issuing company, dividends, stock splits, rights or warrants, etc., while still owing a part of the purchase price. Margin controls on commodity transactions have absolutely no effect on the extension of credit.

High margins or low margins have no effect in inflating consumer prices. The price of a commodity future comes to its relative value with the price of the same cash commodity when the delivery month becomes current. The price of the commodity future at that time does not dictate the value of the actual commodity but to the contrary, and therefore commodity futures prices cannot inflate consumer prices.

Here again, the difference in any potential inflation factors arising out of purchases of securities and purchases or sales of commodity futures becomes apparent. When commodity futures transactions are entered into, money paid in terms of margins comes from both sides of the transaction and when the future month matures the purchaser receives the commodity and pays its full value to the seller. That transaction is then out of the market and the investment capital ratio has not changed. When, however, purchases of securities are arranged, money flows into the securities market as the money entering on the purchase side of the transaction is ordinarily new capital moving from savings or other investments into the stock market.

We therefore conclude that the adoption of Sec. 207 would be unwise, unnecessary and undesirable.

We appreciate the opportunity you have afforded us to be heard.

Sincerely yours,

C. R. Berg,
*Managing Director.*

---

Statement Submitted for Hearing Record by New York Coffee and Sugar Exchange, Inc.

The New York Coffee and Sugar Exchange Inc., wishes to go on record as opposed to Section 207 of proposed H.R. 11601, (a Bill to safeguard the consumer in connection with the utilization of credit) for the following reasons:

1. *Margins as applied to commodity trading are not credits.* A transaction does not result in immediate dollar obligations, since such obligations only become existent when the previously purchased goods are delivered in the future. As in any buying and selling transaction, *the buyer is asked to deposit* with the brokerage firm *as a sign of good faith, a sum related to the value of the contract.* He is also asked to maintain the amount of this payment should market fluctuations erode the commercial value of his purchase. This is not a credit inasmuch as the brokerage firm does not make up the difference between the amount of the deposit and the total value of the transaction. In no sense can this practice be called a "credit".

2. *The Seller is also asked to deposit this evidence of financial responsibility* and he, in turn, is obligated to maintain the dollar amount should the market value be higher than the original sale; but clearly, since the seller will eventually receive payment upon delivery, *his "binder" is not a "credit" in any sense of the word.*

3. *The ultimate determination of price is the relationship of supply to demand.* Commodity trading reflects the changing opinions on supply-demand from day to day, month to month. *Trading in itself, does not change the supply-demand situation* which determines the prices of commodities which go into consumption.