

UNITED STATES OF AMERICA
COMMODITY FUTURES TRADING COMMISSION

2033 K Street, N.W.
Washington, D.C. 20581

October 18, 1991



Ms. Laurie R. Ferber
General Counsel
J. Aron & Company
85 Broad Street
New York, NY 10004

Dear Ms. Ferber:

By filing dated June 28, 1991, pursuant to Commodity Futures Trading Commission (Commission) Rule 1.47, J. Aron & Company ("Aron") requested that the Commission recognize as bona fide hedging the transactions and positions in the Chicago Board of Trade's wheat, corn and soybean futures contract markets taken by Aron as an offset of price risks resulting from swap activity related to the Goldman Sachs Commodity Index ("GSCI"). The statement was supplemented by a filing dated July 19, 1991.

The filing states that Aron intends to engage in swap transactions in which Aron will be obligated to make payments to the counterparties based on the GSCI. Thus, Aron will effectively be short the commodity components of the GSCI. In order to offset this price risk exposure, Aron intends to establish offsetting long positions in the component futures contract markets.

The filing represents that Aron has a specific order to enter into a swap which has a notional value of \$100 million. The stated exemption levels for a swap of that size (based on futures settlement prices on June 25, 1991) are 414 CBT wheat futures contracts, 75 for CBT soybean futures contracts, and 321 CBT corn futures contracts. The filing further represents that Aron anticipates entering into additional swap contracts related to the GSCI.

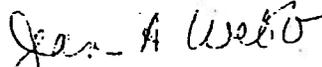
The Commission understands that Aron anticipates that the level of outstanding swap transactions related to the GSCI may change quickly, and that Aron will need to adjust its hedge accordingly. The Commission, therefore, agrees to accept Aron's offer to submit weekly reports showing the notional value of all outstanding swaps against which Aron will be obligated to make payments based on the GSCI, and the equivalent number of futures contracts of wheat, corn and soybeans. These reports should be submitted to the Commission's Chicago regional office on the same date that Aron files its Form 204 reports.

The maximum level of hedge exemption, therefore, will be based on the value fluctuation equivalent of all outstanding GSCI swap transactions you have entered into. No additional filing will be necessary unless there is a change in the nature (as opposed to the

level) of the risk exposure or unless specifically requested by the Commission. However, an additional filing will be required if Aron wishes to exceed Commission position limits in a futures market not covered in this application or if Aron wishes to hedge swap transactions unrelated to the GSCI.

The current filing requests exemptions for both long and short positions, but only demonstrates a need for long hedge positions. The representations of a need for short hedge positions are, at this point, hypothetical and, in any event, certainly appear to fall short of the levels that have been requested based on needs for long hedge positions. Accordingly, based on the current filing, the Commission will not recognize short positions, purported to be related to GSCI swap transactions, as bona fide hedging pursuant to 1.3(z)(3). Of course, the Commission will reconsider this issue in light of any additional information that Aron may choose to provide in a future filing pursuant to 1.47.

Sincerely,



Jean A. Webb
Secretary to the Commission