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**COMMENT**

June 22, 2000

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OFFICE OF THE SECRETARIAT

Jean A. Webb, Secretary  
Commodity Futures Trading Commission  
Three Lafayette Centre  
21<sup>st</sup> Street NW  
Washington, DC 20581

**Re: Combination of the CBOT/EUREX trading systems and proposed amendments to maximum daily price fluctuation limits**

Dear Ms. Webb:

I am writing to express several concerns on the Chicago Board of Trade (CBOT) proposed combination with the EUREX trading system and corresponding amendments to increase the maximum daily price fluctuation limits for the Exchange's corn, corn yield insurance (six contracts), oats, soybeans, soybean meal, soybean oil and wheat.

It is my understanding that the CBOT is proposing to stop Project A in order to join with EUREX.

I understand that the way the new overnight trading would work is that a computer operator would watch the trading and when a trade was made at the price limit, trading would stop on all months of that commodity. However, it is not clear to me whether trading would be halted if a bid or offer was at the limit or whether an actual trade must take place at the daily price limit.

To have a trade at the price limit would likely mean that a bid or offer would have to be made above the price limit. If trading is halted when a bid or offer was made at the price limit it could easily lead to price manipulation, a practice the American Farm Bureau Federation (AFBF) strongly opposes.

Furthermore, AFBF is opposed to the daily price limit increase. AFBF policy states, we will: "support changes in current futures contracts if research shows that, in the long run, they will result in maintaining or increasing liquidity of the market." There is no research that shows this would increase liquidity in these markets. To the contrary, the evidence suggests that the increased limits may increase volatility of the markets, making it harder for producers to trade the markets, and possibly harder for them to make marketing decisions. The increased volatility will also increase the premium price of options on the futures contracts. Thereby making it harder and more expensive for producers to use futures and options as part of their marketing strategies.

Also, with the increased price limits come increased margin requirements. This means producers will likely be required to place more money in their trading accounts, making the process more expensive.

It would seem much more reasonable to change the EUREX computer system rather than to increase the daily price limits. Changing the computer system to make sure the markets continue to function properly would seem to make more sense than making the markets more difficult and less useful to producers in their hedging strategies.

Therefore, we recommend that the CBOT delay consolidation with the EUREX until the daily price limits can be incorporated into the trading program.

Lastly, we have concerns over the proposed changes to the current Project A hours of 8:00 p.m. to 5:00 a.m. to 10:00 p.m. to 5:00 a.m. We feel the two hour delay will reduce availability of evening trades to farm producers. If evening trading is to be delayed by two hours, we would recommend that the amount of time in the morning be expanded to at least 7:00 a.m.

Thank you for the opportunity to comment on the CBOT's proposed changes.

Sincerely,

A handwritten signature in cursive script that reads "Al Christopherson".

Al Christopherson, President  
Minnesota Farm Bureau Federation