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COMMENT

August 21, 2000

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Commodity Futures Trading Commission  
Office of the Secretariat  
Three Lafayette Centre  
1125 21st Street, NW  
Washington, DC 20581

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RECORDS SECTION

OFFICE OF THE SECRETARIAT

Dear Commissioners:

The following organizations have reviewed the proposed rule, *A New Regulatory Framework for Multilateral Transaction Execution Facilities, Intermediaries, and Clearing Organizations*, and appreciate the opportunity to comment on it. We commend the Commission for the effort that has gone into creating this proposal. The undersigned organizations are encouraged by the flexibility in the proposed rule that will enable agricultural futures markets to evolve and remain viable risk management tools in a world of rapidly changing technology. However, we are concerned about three aspects of the proposed rule.

Recognized Derivatives Transaction Facility

In the proposed rule, the Commission requested comment from the agricultural community on the advisability of allowing enumerated agricultural commodities to be traded on a "Recognized Derivatives Transaction Facility" (DTF).

We have confidence in the ability of the Commodity Futures Trading Commission (CFTC) to evaluate markets for eligibility to trade on a DTF under the standards set forth in the proposed rule, including a public notice and comment period. Because the agricultural futures markets serve as the price discovery mechanism for agricultural commodities, any changes to these markets can have a significant impact on farmers and ranchers. Therefore, we strongly believe that agricultural producers and their representative organizations should have the opportunity to comment on any petition to move an enumerated agricultural commodity from a Recognized Futures Exchange to a DTF. We encourage you to retain a public notice and comment requirement as a condition of approving such petitions.

In reviewing a petition to trade an enumerated agricultural commodity on a DTF, we support the ability of the CFTC to require the DTF, on a case-by-case basis, to abide by provisions appropriate to transactions that may impact cash markets, in addition to the seven core principles described in the proposed rule. In particular, DTF trades of enumerated agricultural commodities should be required to file large trader reports with the CFTC for public review and ensure an appropriate audit trail is maintained.

Additionally, the CFTC must allow producer access to any DTF trading agricultural contracts and must further clarify the responsibilities and obligations of intermediaries representing non-institutional traders.

#### New Contract Approval

We applaud the CFTC for retaining the 45-day expedited approval period for amendments and changes to rules for agricultural contracts, including those with open interest. Requiring a review process, rather than automatic CFTC approval, will alleviate marketplace uncertainty and retain producer and market confidence in these instruments. However, the proposed rule does not require prior review and approval by the CFTC of new contracts on enumerated agricultural commodities. We urge the CFTC to require a 45-day approval period for new agricultural contracts as well. Under the proposed rule, we are concerned that the ability to offer a new contract with one day's notice could be used to avoid the 45-day approval period for amendments to such contracts. The new contract provisions could also result in market fragmentation if new trading facilities decide to test new contracts on the market, rather than conducting a thorough business analysis prior to introduction. The public participation made possible by the approval process should help avoid these situations while retaining balance between the interests of producers and futures exchanges.

#### Electronic Trading Facilities

We recognize that electronic trading facilities will have an important impact on agricultural futures markets. While the competition created by these new types of facilities may be beneficial to farmers and ranchers, we strongly support continued regulatory review by the CFTC of electronic trading facilities for agricultural commodities. As previously stated, public input concerning the oversight of new technology that will affect both cash and futures markets for agricultural commodities is critically important to farmers and ranchers.

Again, we appreciate the opportunity to comment on the proposed rule. Thank you for your consideration.

Sincerely,

American Farm Bureau Federation  
American Soybean Association  
National Association of Wheat Growers  
National Cattlemen's Beef Association  
National Corn Growers Association  
National Farmers Union  
National Grain Sorghum Producers  
National Pork Producers Council