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Electronic Mail

May 20, 2004

Ms. Jean A. Webb  
Secretary of the Commission  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21<sup>st</sup> Street NW  
Washington, D.C. 20581

RECEIVED  
MAY 20 2004

Subject: Petition for Amendment of Commodity Futures Trading Commission  
Regulation 150.2

Dear Ms. Webb:

Pursuant to Commodity Futures Trading Commission ("CFTC" or "Commission") Regulation 13.2, the Minneapolis Grain Exchange (AMGEX@) hereby petitions that the Commission eliminate or, in the alternative, amend Regulation 150.2.

Currently, Regulation 150.2 establishes speculative position limits for Hard Red Spring Wheat traded on the MGEX. Specifically, the position limits are 600 contracts for the spot month, 3,000 contracts for a single month and 4,000 contracts for all months combined.

#### 1. Elimination of Hard Red Spring Wheat Position Limits.

The MGEX requests that the spot month, single month and all months limits be eliminated. Since inception of the position limits, they have been increased, most recently in May of 1999. The increase was intended, in part, to reflect both the greater interest and activity in the Hard Red Spring Wheat contract and other wheat contracts by more participants. Further, since the last increase in limits, the MGEX has not found an increase in the susceptibility of the Hard Red Spring Wheat market to manipulation or price distortions. To the contrary, speculative position holders appear to have added liquidity and stability to the marketplace.

Elimination of the Commission's mandated position limits will not eliminate the MGEX' responsibility to monitor position holders and their activity. Pursuant to Core Principle 5 of Section 5(d) of the Commodity Exchange Act, as amended, the MGEX is to adopt position limits or position accountability for speculators, where necessary and appropriate. Part (b)(4) to Core Principle 5 contained in Appendix B to Part 38 of the Regulations, states in part, that spot month limits for physical delivery markets should be based upon an analysis of deliverable supplies and the history of spot month liquidations.

A review of MGEX Hard Red Spring Wheat deliverable supplies indicates an adequate supply of wheat in deliverable position before and during each delivery period. Additionally, the largest position holders have been commercials. Consequently, susceptibility of the Hard Red Spring Wheat market to manipulation by speculators is limited even further.

Pursuant to intentions of the Commodity Futures Modernization Act ("CFMA") of 2000 and Core Principle 5, a contract market should have the freedom and, indeed the obligation, to set those position limits it determines are necessary for its market and to comply with its Core Principle obligations. Under the current mandated position requirements of CFTC Regulation 150.2, the MGEX is limited in its ability to comply with the Core Principle. This impediment would be removed with the elimination of the current Regulation 150.2 limits which predate the CFMA and Core Principle 5.

Should the Hard Red Spring Wheat limits of CFTC be eliminated, the MGEX would establish position limits pursuant to its Core Principle 5 obligations so that the market would not be susceptible to manipulation by speculators.

## 2. Amendment to Hard Red Spring Wheat Position Limits.

Should the Commission choose not to eliminate Hard Red Spring Wheat position limits in Regulation 150.2, the MGEX requests the limits be increased to parity with any increase in the wheat position limits of the CBOT or KBOT.

Historically, the Commission's position limits among the three domestic contract markets trading an enumerated wheat contract have been the same. Failure to maintain parity in position limits would be discriminatory, not only to the MGEX but its market participants. Many of the traders at the MGEX, particularly the funds, utilize arbitrage opportunities among the wheat markets. Any disparate treatment in position limits could drive away those participants and thereby, reduce market liquidity.

In conclusion, the MGEX petitions for the Commission for the elimination the position limits for Hard Red Spring Wheat in CFTC Regulation 150.2. In the alternative, the MGEX requests that Hard Red Spring Wheat position limits remain in parity with the other wheat markets.

If there are any questions regarding this petition, please contact me at (612) 321-7169. Thank you for your attention to this matter.

Sincerely,

Layne G. Carlson  
Director, Surveillance

cc: Fred Linse