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VIA EMAIL

April 14, 2005

Jean A. Webb, Secretary
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, D.C. 20581

COMMENT

Re: Proposed Revision of Federal Speculative Position Limits

Dear Ms. Webb:

John W. Henry & Company, Inc. (JWH) respectfully submits this comment letter to the Commodity Futures Trading Commission (the "Commission") in response to the Notice of Proposed Rulemaking published in the Federal Register on March 15, 2005, 70 Fed. Reg. 12621 ff. (the "Release"). JWH is one of the largest commodity trading advisors and is managing approximately \$ 2.7 billion in client assets as of the date of this letter. JWH trades in over 70 markets worldwide, including those which are the subject of the proposed revisions to speculative position limits. As a substantial trader in the markets subject to federally established speculative limits, JWH has a vital interest in speculative limits, their levels, and the manner in which they are established.

As JWH stated in its comment letter dated August 14, 2004 concerning the Petitions for Repeal or Amendment of Federal Speculative Position Limits, as proposed by various exchanges, JWH supports the proposed increases in single month and all-months combined position limits proposed in the Release. JWH also supports the intention of the Commission to continue to follow the principle of parity in setting the proposed increased limits, as the Kansas City Board of Trade and the Minneapolis Grain Exchange requested

The arguments JWH advanced last summer in supporting the exchange petitions apply to the proposed increases in position limits. Position limit levels, as a significant influence on volume and liquidity, are important factors in JWH's selection and retention of markets that it will trade. Liquidity is essential because it decreases the likelihood of slippage in trade execution, and permits positions to be established or liquidated promptly when JWH's trading models indicate that is required.

As assets under management increase in the managed futures industry, some markets may be not be capable of growth in liquidity, and participation in those markets may be reevaluated by some advisors and other speculative traders. If position limits are set at too restrictive a level, exposure to those markets may be reduced for client portfolios, and those contracts may consequently contribute immaterially to account performance. In those situations, an advisor may determine that a market will no longer support adequate trading to justify its inclusion in a portfolio or program, and discontinue trading that contract.

Reduction of liquidity in a market attributable to overly restrictive speculative position limits could cause a decrease in trading activity and a decline in the usefulness of the market for hedging and price discovery. Actual experience with increases in speculative position limits has been positive. The petitions submitted by the Minneapolis Grain Exchange and the Kansas City Board of Trade noted that increases in speculative position limits have been related to increases in volume and liquidity. The Board of Trade of the City of Chicago stated in its Amended Petition its expectation that "More speculative trading, within appropriate limits, would provide greater liquidity, which, in turn, would allow commercial market participants to hedge their risks more effectively."

JWH continues to believe that increases in speculative limits will help markets in the United States maintain or increase their competitiveness with non-US exchanges that are not subject to speculative position limits. Those exchanges have not suffered any apparent harm to the integrity of their markets. Moreover, past increases in speculative limits have not resulted in any of the adverse consequences (such as market manipulation) foreseen by some commentators, and have generally resulted in expanded markets.

JWH appreciates the opportunity to comment on the Release and is ready to assist the Commission and its staff if further clarification is required on the points we have raised. JWH also encourages the Commission and staff to continue to assess the appropriate levels for speculative limits, and to assess the value to markets of abolishing federally set speculative limits and moving to a core principles approach to this aspect of market activity, as authorized by the Commodity Futures Modernization Act of 2000.

Respectfully submitted,

s/ David M. Kozak

David M. Kozak
Senior Vice President and General Counsel