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July 12, 2006

COMMENT

Received CFTC
Records Section

7/13/06

Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street NW
Washington, D.C. 20581

SUBJECT: What Constitutes a Board of Trade Located Outside of the United States

To Whom It May Concern:

The Minneapolis Grain Exchange ("MGEX" or "Exchange") would like to thank the Commodity Futures Trading Commission ("CFTC" or "Commission") for this opportunity to respond to the Commission's request for comment on the above referenced matter, published in the June 13, 2006 Federal Register.

In general, the Exchange supports the Commission's current system of issuing no action letters for Foreign Boards of Trade ("FBOT") choosing to provide direct access to trading terminals within the U.S. It is the MGEX's belief that the Commission and other international regulators need to collaborate to establish a level and equal regulatory playing field for all boards of trade, both U.S. and foreign. As a Designated Contract Market ("DCM") and Derivatives Clearing Organization, the MGEX is particularly interested in maintaining consistent regulation throughout the futures industry. While the MGEX understands the need for and benefits of regulation, this regulation should not cause domestic boards of trade to be at a competitive disadvantage to FBOTs. The MGEX believes equal and consistent regulation will allow the market to dictate where the better trading opportunities exist.

Through the Federal Register the Commission specifically asked for responses to two questions. The MGEX's responses are as follows:

1. The Level of U.S. Presence and Requirement for DCM/DTEF Registration.

The MGEX believes arguments can be made for a number of different factors when determining what regulatory body should have jurisdiction over a board of trade. Whether regulatory jurisdiction is determined by physical location, where volume originates or some other factor, the MGEX believes that as long as foreign and domestic regulations are not based on the same principles and do not have the same minimum standards a board of trade will find a way to game the regulatory system to achieve its desired outcome. The MGEX believes the best way to prevent foreign

regulation from giving a board of trade a competitive advantage over a domestic board of trade is for the Commission to work with foreign regulators to establish globally accepted regulatory core principles. However, the MGEX believes those boards of trade not regulated by a country upholding the globally accepted core principles, should not be issued no action letters.

Further, the MGEX believes if the Commission chooses to force its regulatory standards on foreign boards of trade providing direct access to trading terminals within the U.S., foreign regulators may reciprocate by prescribing their regulatory requirements on U.S. boards of trade providing direct access to trading terminals within foreign countries. This has the potential to create overly burdensome and unequal regulation resulting in less competition, in the end producing less efficient markets and potentially harming the end customer. The MGEX believes proper regulation is necessary to ensure orderly and appropriately safeguarded markets; however, regulation should not put a board of trade at a competitive disadvantage.

The MGEX believes that by adopting a set of globally accepted regulatory core principles the possibility of jurisdictional uncertainty is also lowered. Among other things jurisdictional uncertainty creates the possibility a board of trade will become subject to a different regulatory body without an opportunity to prepare for the financial and procedural ramifications caused by this change. Any uncertainty also has the potential to create disorder in markets, one of the fundamental issues regulation is designed to mitigate. The MGEX believes it is in a board of trade's and the market's best interest to have both a consistent regulator and system of regulation.

2. DCM Designation Criteria, DTEF Registration Criteria and Core Principles.

As stated earlier, the MGEX supports the Commission's current process of issuing no action letters to FBOTs providing direct access to trading terminals within the U.S. The MGEX believes this process allows the Commission the opportunity to ensure a FBOT and its regulators are sufficiently within the Commission's acceptable regulatory requirements. Additionally, if a FBOT is not regulated by a country upholding the minimum globally accepted core principles, this process affords the Commission the ability to deny a request for a no action letter.

As mentioned earlier, in addition to no action letters, the MGEX believes the Commission should foster an international consensus of acceptable core principles of regulation. The MGEX believes the International Organization of Securities Commissions (IOSCO) principles for screen based trading are an excellent starting point for such a process. The MGEX believes creating core principles on which regulation is based will help to maintain a level and equal regulatory playing field for all boards of trade, both foreign and domestic.

In closing the MGEX would like to reiterate its strong belief that regulatory issues should not inhibit or prevent growth or afford a competitive advantage to any board of trade. The MGEX believes by adopting codified, globally accepted regulatory core principles this can be avoided.

The MGEX thanks the Commission again for the opportunity to comment. If there are any questions regarding these comments, please contact me at (612) 321-7190. Thank you for your attention to this matter.

Sincerely,

A handwritten signature in cursive script, appearing to read 'Sullivan'.

Sandra S. Sullivan
Director, Market Regulation