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⑥**MINNEAPOLIS GRAIN EXCHANGE**

James H. Lindau
President &
Chief Executive Officer

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Certified Mail

COMMENT

Ms. Jean A. Webb
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

RE: Comments on Proposed Commission Regulation 1.69

Dear Ms. Webb:

This letter contains the Minneapolis Grain Exchange's ("MGE" or "Exchange") response to the Commodity Futures Trading Commission's ("CFTC" or "Commission") proposed Regulation 1.69. The Exchange can appreciate the CFTC's obligation to implement the statutory directives of Section 5a(a)(17) of the Commodity Exchange Act as amended by Section 217 of the Futures Trading Practices Act of 1992. Additionally, the Exchange supports reasonable measures to prevent conflicts of interest. However, upon review of proposed Regulation 1.69, the Exchange believes the benefits to its members, other participants in our market and the public will be minimal, if even measurable. Contrastingly, the requirements to document full compliance with the regulation appear to be unnecessarily burdensome to an exchange in our position. Since the Exchange does not believe it has conditions symptomatic of a real illness, the CFTC's proposed pound of prevention is not necessary.

After reading the Federal Register, the MGE noted with much disappointment that the Commission apparently dismissed some of the Kansas City Board of Trade's ("KCBOT") concerns with such ease. In particular, the KCBOT quite accurately stated that many committee members at small exchanges have a substantial financial interest in the Exchange's primary products. Therefore, knowledgeable members could be prevented from participating in important decisions. In response, the Commission stated its belief that ensuring diversity of membership interests on a committee would resolve the problem. With all due respect, the MGE believes the CFTC has missed the point. Small exchanges may not have a sufficient diversity of interests. For example, in 1997 the MGE modified its Board of Directors and Committee structure to broaden participation by other interests. However, the MGE discovered there was not a sufficiently diverse membership to fill all of the interests defined by CFTC Regulation 1.64. Consequently, the MGE has a hurdle to overcome which the major exchanges do not.

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The Exchange also noted with deep concern that membership in a broker association will disqualify persons from deliberating on matters involving a named party who may also be listed as a member of the same broker association. At the time the CFTC was proposing adoption of Part 156 - Broker Associations, the Exchange stated the regulations were not clearly applicable to the MGE. Since adoption of Part 156, the facts have supported the MGE's initial opinion. All broker associations at the MGE that have more than two members are listed primarily because the members may pass an order to another member (share a deck of orders). Except where there exists an employee/employer relationship, no other relationship or financial relationship may tie two individuals together. In fact, some broker associations contain practically all of the active floor brokers that execute orders. Consequently, the MGE could potentially lose or need to replace a significant portion of the Board of Directors or Committee when the topic is someone who is a "named party in interest."

Additionally, the CFTC stated in the Federal Register that exchanges could set standards and thresholds, or establish procedures to meet or implement various aspects of proposed Regulation 1.69. However, the MGE has discovered that such apparent freedom may not equate to flexibility. As a result, the MGE is concerned that should the Exchange have to comply with the proposed regulation as written, it will be subject to second guessing by the CFTC until the MGE's standards and procedures meet those that the CFTC had in mind but did not publish.

In summary, the MGE believes the proposed regulation is overkill for a small exchange. Consequently, this letter is meant to express the Exchange's displeasure with unnecessary overregulation. If there are any further questions, please contact Mark G. Bagan, Vice President, Market Regulation, at (612) 321-7166.

Sincerely,



James H. Lindau