

April 29, 2004

Ms. Jean A. Webb  
Secretary  
Commodity Futures Trading Commission  
Three Lafayette Center  
1155 21<sup>st</sup> Street, NW.  
Washington, DC 20581

Re: Reference File #2448.01  
Request for Commission Rule Approval

Dear Ms. Webb:

- 40.5(a) (i) The following Request for Commission Rule Approval is submitted pursuant to Section 5c(c) of the Commodity Exchange Act and Commission Regulations 40.4 and 40.5.
- 40.5(a) (ii) The Chicago Board of Trade (CBOT<sup>®</sup>) proposes to amend Regulation 425.01 per the attached text (deletions bracketed and struck through). These amendments would normalize the spot month speculative position limits for the March and May contract months in CBOT Wheat and mini-sized Wheat futures.
- 40.5(a) (iii) The Board of Directors approved these regulation changes pursuant to the CBOT Charter, Article Seventh and the CBOT Bylaws, Article I, Section 2.

The CBOT intends to implement these amendments following CFTC approval.

- 40.5(a) (iv) When spot-month speculative position limits were last reviewed in CBOT Wheat futures in the 1990s, the CFTC required spot-month speculative position limits to telescope down from 600 contracts to 350 contracts in the March contract and from 600 contracts to 220 contracts in the May contract during the last five trading days of these contracts. The CFTC based this requirement on data for the previous five years showing that deliverable supplies in Chicago, Toledo and St. Louis in these months were not four times the spot month limit.

The CFTC has suggested, in Appendix B to Part 38 of its Regulations, that Core Principle No. 5 requires the following for spot-month speculative position limits:

Spot-month limits for physical-delivery markets are appropriately set at no more than 25 percent of the estimated deliverable supply.

Ms. Jean A. Webb  
April 29, 2004  
Page Two

In response to requests from market participants, CBOT staff recently reviewed deliverable stocks of grain as reported in the weekly "Stocks of Grain" report published by the Registrar's Office. During the past five years, deliverable stocks of wheat in Toledo, Chicago, and St. Louis on the last Friday in February have averaged 26,481,400 bushels (5,296 contracts). Twenty-five percent of this number would suggest a spot-month speculative position limit of 1,324 contracts. During the five years data were collected, the smallest level of deliverable stocks on the last Friday in February was 14,211,000 bushels of deliverable stocks in 2003. This represents 2,842 contracts and would suggest a spot-month speculative position limit of 710 contracts. Therefore, deliverable stocks of wheat during the last five years support a spot-month limit of at least 600 contracts for the March delivery month.

Deliverable stocks of wheat in Toledo, Chicago, and St. Louis on the last Friday in April for the past five years have averaged 26,493,200 bushels of deliverable stocks (5,298 contracts). Twenty-five percent of this number would suggest a spot-month speculative position limit of 1,325 contracts. During the five years data were collected, the smallest level of deliverable stocks on the last Friday in April was 9,328,000 bushels of deliverable stocks in 2003. This represents 1,865 contracts and would suggest a spot-month speculative position limit of 466 contracts. Deliverable stocks support spot-month limits of well over 600 contracts for May Wheat futures for every year except 2003 for the past five years.

Based on the foregoing, the CBOT has concluded that Regulation 425.01 should be amended to remove the telescoping feature for the March and May Wheat contract months during the last five days of trading.

- 40.5(a) (v) There were no opposing views among the CBOT Board of Directors concerning this proposal.
- 40.5(a) (vi) The CBOT has not identified any Commission regulations or sections of the Act which would require amendment or interpretation in connection with this proposal

Questions in this regard may be directed to David Lehman, Managing Director of Commodity Products, at (312)347-3848.

Sincerely,

Paul J. Draths  
Vice President and Secretary

b042004

Deletions are [~~bracketed with strikethrough~~]

**425.01 Position Limits -**

|  | *SPOT                          | *SINGLE                                 | *ALL   | *REPORTABLE                     | *REPORTABLE      |
|--|--------------------------------|---|--|---------------------------------|------------------|
| CONTRACT   | MONTH                          | MONTH                                   | MONTH  | FUTURES<br>LEVEL                | OPTIONS<br>LEVEL |
| Bund   | None                           | None                                    | None   | 1,000                           |                  |
| Bobl   | None                           | None                                    | None   | 800                             |                  |
| Schatz   | None                           | None                                    | None   | 500                             |                  |
| 10-Year Interest Rate Swap                               | None                           | None                                    | None   | 500                             | 500              |
| 5-Year Interest Rate Swap                                | None                           | None                                    | None   | 500                             | 500              |
| CBOT Dow Jones Industrial<br>Average <sup>sm</sup> Index | None                           | None                                    | 50,000<br>(aggregate<br>DJIA <sup>sm</sup> limit,<br>see #9) | 100                             | 100              |
| CBOT mini-sized Dow <sup>sm</sup> (\$5<br>multiplier)    | None                           | None                                    | 50,000<br>(aggregate<br>DJIA <sup>sm</sup> limit,<br>see #9) | 100                             | 100              |
| CBOT Dow TMI <sup>sm</sup>                               | None                           | None                                    | 50,000   | 25                              |                  |
| CBOT Dow Jones-AIG<br>Commodity<br>Index <sup>sm</sup>   | None                           | None                                    | 15,000   | 25                              |                  |
| CBOT mini-sized Silver                                   | 1,500                          | 1,500                                   | 3,000  | 750                             |                  |
| CBOT mini-sized Gold                                     | 4,000                          | 4,000                                   | 6,000  | 600                             |                  |
| U.S. Treasury Bonds                                      | None                           | None                                    | None   | 1,000                           | 1,000            |
| mini-sized U.S. Treasury Bonds                           | None                           | None                                    | None   | 1,000                           |                  |
| U.S. Treasury Notes (5yr.)                               | None                           | None                                    | None   | 800                             | 800              |
| U.S. Treasury Notes (6 1/2-<br>10yr.)                    | None                           | None                                    | None   | 1,000                           | 1,000            |
| mini-sized U.S. Treasury Notes<br>(6 ½-10 yr.)           | None                           | None                                    | None   | 1,000                           |                  |
| U.S. Treasury Notes (2yr.)                               | None                           | None                                    | None   | 500                             | 500              |
| 30 Day Fed Fund  | None                           | None                                    | None   | 300                             | 300              |
| 10-Year Municipal Note Index                             | 5,000                          | None                                    | 5,000  | 100                             |                  |
| mini-sized Eurodollars                                   | 10,000                         | 10,000                                  | 10,000   | 400                             |                  |
| Corn and CBOT mini-sized<br>Corn                         | 600<br>(aggregate,<br>see #10) | 5,500<br>(aggregate<br>, see #1,<br>10) | 9,000<br>(aggregate,<br>see #1, 3, 10)                       | 150<br>(individual,<br>see #11) | 150              |
| Soybeans and<br>CBOT mini-sized Soybeans                 | 600<br>(aggregate,<br>see #10) | 3,500<br>(aggregate<br>, see #1,<br>10) | 5,500<br>(aggregate,<br>see #1, 4, 10)                       | 100<br>(individual,<br>see #11) | 100              |

|                                    |   |   |  |                                 |     |
|------------------------------------|---|---|--|---------------------------------|-----|
| Wheat and<br>CBOT mini-sized Wheat | 600<br>(aggregate,<br>see # <del>8</del> ,<br>10) | 3,000<br>(aggregate<br>, see #1,<br>10) | 4,000<br>(aggregate,<br>see #1, 7, 10) | 100<br>(individual,<br>see #11) | 100 |
| Oats                               | 600   | 1,000<br>(see#1)                        | 1,500<br>(see#1,6)                     | 60                              | 60  |
| Rough Rice                         | 600<br>(see#5)                                    | 1,000                                   | 1,000<br>(see#2)                       | 50                              | 50  |
| Soybean Oil                        | 540   | 3,000<br>(see#1,7)                      | 4,000<br>(see#1,7)                     | 200                             | 200 |
| Soybean Meal                       | 720   | 3,000<br>(see#1,7)                      | 4,000<br>(see#1,7)                     | 200                             | 200 |

~~8 In the last five trading days of the expiring futures month, the speculative position limit for the March futures month will be 350 contracts and for the May futures month the limit will be 220 contracts. For the purposes of these regulations, one mini-sized Wheat contract shall be deemed to be equivalent to one-fifth of a corresponding Wheat contract.]~~