

April 6, 2010

Mr. David Stawick
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, D.C. 20581

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

The Board of Trade of the City of Chicago, Inc. ("CBOT®" or "Exchange") hereby petitions, pursuant to Commodity Futures Trading Commission ("Commission" or "CFTC") Regulation 13.2, that the Commission amend its Regulation 150.2 (Position Limits). Open interest in Corn, Wheat, Soybean, and Soybean Oil futures and options contracts has increased significantly since speculative position limits were last updated for these contracts. Speculative position limits were last updated for these commodities in June and December 2005 (a phased implementation) based on 2004 open interest.

Increased open interest supports higher speculative position limits (for single-month and all-month limits) for these contracts based on a formula used by the Commission in the past to determine approved speculative limits for enumerated commodities. The CBOT is not seeking any amendments at this time in the spot month limits for these products or in any of the limits for Oats or Soybean Meal.

Currently, the single-month and all-month speculative limits for Corn stand at 13,500 and 22,000 contracts, for Wheat at 5,000 and 6,500 contracts, for Soybeans at 6,500 and 10,000 contracts, and for Soybean Oil at 5,000 and 6,500 contracts, respectively. Based on open interest data, we are proposing that Regulation 150.2 be amended to provide for new limits as follows: single-month and all-month speculative limits for Corn at 20,500 and 33,000 contracts; for Wheat at 9,000 and 12,000 contracts; for Soybeans at 10,000 and 15,000 contracts; for Soybean Oil at 6,500 and 8,000 contracts; respectively.

A. Current Regulation 150.2

Regulation 150.2 establishes speculative position limits for named agricultural contracts that are traded on specifically identified designated contract markets. For Chicago Board of Trade products, those limits are currently set forth as follows:

Speculative Position Limits

[By contract with regular and min-sized contracts aggregated pursuant to the regulation]

Limits by number of contracts

Contract Spot month Single month All months

Chicago Board of Trade

Contract	Spot month	Single month	All months
Corn (and Mini-Corn)	600	13,500	22,000
Oats	600	1,400	2,000
Soybeans (and Mini-Soybeans)	600	6,500	10,000
Wheat (and Mini-Wheat)	600	5,000	6,500
Soybean Oil	540	5,000	6,500
Soybean Meal	720	5,000	6,500

B. Single-month and all-months speculative position limits for CBOT Corn, Soybeans, Wheat, Soybean Oil and Soybean Meal should be increased.

The Exchange requests that the Commission raise such limits for CBOT contracts as follows:

Deletions [bracketed] and struck-through; Additions **bolded** and underlined.

Contract	Spot month	Single month	All months
Corn (and Mini-Corn)	600	[13,500] <u>20,500</u> [22,000] <u>33,000</u>	
Oats	600	1,400	2,000
Soybeans (and Mini-Soybeans)	600	[6,500] <u>10,000</u> [10,000] <u>15,000</u>	
Wheat (and Mini-Wheat)	600	[5,000] <u>9,000</u> [6,500] <u>12,000</u>	
Soybean Oil	540	[5,000] <u>6,500</u> [6,500] <u>8,000</u>	
Soybean Meal	540	5,000	6,500

As noted, trading volume and open interest in Corn, Soybean, Wheat and Soybean Oil futures and options contracts has increased significantly since the Commission last revised its single-month and all-month position limits for these products. Therefore, the Exchange determined to examine the efficacy of the existing single-month and all-months-combined speculative position limits in light of the increased participation in these markets.

1. Market participants historically have supported increased speculative position limits.

Over the years, the Federal position limits for the enumerated commodities listed for trading on the CBOT have been raised on numerous occasions. Our market users have consistently supported increases in those limits, and we are not aware of any information that indicates any change has occurred in those longstanding views. In addition, most supporters of increased limits historically have preferred that the ratio of single-month to all-months limits remain in roughly the same proportions as they exist today. Thus, the CBOT has generally maintained these proportions in the levels that it has proposed for single-month and all-months-combined speculative position limits.

2. The proposed increases are justified by the application of the percentage of open interest formula that has been adopted by the Commission as the appropriate method for determining the levels of single-month and all-months speculative position limits.

Since 1992, the Commission has consistently taken the position that the levels of single-month and all-months speculative position limits are appropriately based upon a percentage of average open interest in the relevant contracts. The applicable formula is clearly stated in Regulation 150.5(c)(2), as follows:

Individual nonspot or all-months-combined levels must be no greater than 10% of the average combined futures and delta-adjusted option month-end open interest for the most recent calendar year up to 25,000 contracts with a marginal increase of 2.5% thereafter...

Regulation 150.5(c)(2) specifically addresses exchange-set speculative position limits for physical delivery contracts that are not enumerated in Regulation 150.2. However, the Commission applied the same open interest criterion and numeric formula when it proposed to raise the single-month and all-months limits for CBOT agricultural commodities to their current levels, beginning in 1992. Revision of Federal Speculative Position Limits, [1990-1992 Transfer Binder] Comm. Fut. L. Rep. (CCH) ¶25,268 (57 F.R. 12766, April 13, 1992).

When increases in single-month and all-months position limits previously were finally adopted in May 1999, the Commission indicated that it would consider future increases to the speculative position limit levels for all [Regulation 150.2] contracts as open interest or large traders' positions increased. Furthermore, the Commission invited petitions such as the instant one, by explicitly stating that "... an exchange may petition the Commission for rulemaking any time that a contract meets the criteria supporting an increase in the levels." Revision of Federal Speculative Position Limits and Associated Rules, [1998-1999 Transfer Binder] Comm. Fut. L. Rep. (CCH) ¶27,608, at 47,883-47,884 (64 F.R. 24038, May 5, 1999).

The application of the Commission's percentage of open interest formula to CBOT Corn, Soybeans, Wheat and Soybean Oil contracts clearly supports the Exchange's proposed increases in the single-month and all-months speculative position limits. It should be noted that, consistent with the CBOT's historical practice, the new limits that we are proposing have been rounded down by several hundred lots from the maximum levels suggested by the open interest data.

The 2009 average month-end futures and futures equivalent option open interest in Corn was 1,263,064 contracts. CFTC Regulation 150.5 criteria, when applied to Corn, suggests that appropriate speculative limits would be up to 33,452 single-month and all-month contracts. Therefore, the Exchange proposes that Regulation 150.2 be amended to roughly maintain the current ratio between single-month and all-months-combined limits, with a 20,500 single-month speculative position limit and a 33,000 all-months speculative position limit for Corn.

The 2009 average month-end futures and futures equivalent open interest in Soybeans was 536,133 contracts. CFTC Regulation 150.5 criteria, when applied to Soybeans, suggests that appropriate speculative limits would be up to 15,278 single-month and all-month contracts. Therefore, the Exchange proposes that Regulation 150.2 be amended to roughly maintain the current ratio between single-month and all-months-combined limits, with a 10,000 single-month speculative position limit and a 15,000 all-months speculative position limit for Soybeans.

The 2009 average month-end futures and futures equivalent open interest in Wheat was 405,098 contracts. CFTC Regulation 150.5 criteria, when applied to Wheat, suggests that appropriate speculative limits would be up to 12,002 single-month and all-month contracts. Therefore, the Exchange proposes that Regulation 150.2 be amended to roughly maintain the current ratio between single-month and all-months-combined limits, with a 9,000 single-month speculative position limit and a 12,000 all-months speculative position limit for Wheat.

The 2009 average month-end futures and futures equivalent open interest in Soybean Oil was 262,932 contracts. CFTC Regulation 150.5 criteria, when applied to Soybean Oil, suggests that appropriate speculative limits would be up to 8,448 single-month and all-month contracts. Therefore, the Exchange proposes that Regulation 150.2 be amended to roughly maintain the current ratio between single-month and all-months-combined limits, with a 6,500 single-month speculative position limit and a 8,000 all-months speculative position limit for Soybean Oil.

Spreadsheets reflecting the data used to make the calculations described in the preceding paragraphs are attached as Appendix A.

3. The proposed increases are also supported by the distribution of large trader positions in the relevant markets.

As discussed above, when the Commission proposed to raise the single-month and all-months position limits for CBOT agricultural products to their current levels in 1992, it did so with reference to the percentage of open interest formula that is described in Regulation 150.5(c)(2). However, the Commission determined that the distribution of speculative traders in the markets continued to be a relevant criterion, and even concluded that higher limits than those suggested by the open interest formula may be appropriate where it appears that such levels “. . . would constrain the normal pattern of speculative trading.” Revision of Federal Speculative Position Limits, [1990-1992 Transfer Binder] Comm. Fut. L. Rep. (CCH) ¶25,268, at 38,862, and fn. 18 and 19 (57 F.R. 12766, April 13, 1992).

Accordingly, when the Commission re-proposed the current levels of single-month and all-months limits for CBOT products on July 17, 1998, it indicated that increases in the relevant numbers of large traders and the size of their positions, as well as increased open interest, justified the proposed increases. Revision of Federal Speculative Position Limits and Associated Rules, [1996-1998 Transfer Binder] Comm. Fut. L. Rep. (CCH) ¶27,354, at 46,612-46,613 (63 F.R. 38525, July 17, 1998).

Appendix B contains charts and graphs that Exchange staff has compiled from the Commission's Commitment of Traders Reports. In particular, these charts and graphs reveal significant increases in the numbers of large traders; however, the percentage of open interest held by any category of large trader has remained relatively constant despite increases in the speculative position limits in late 2005 and significant increases in open interest. This suggests any additional speculative activity attracted through increased speculative position limits also attracts corresponding activity from other categories of traders.

Between the first CFTC Commitment of Trader (COT) report in 2006 (immediately following the last increase in speculative position limits and when the CFTC began isolating Index Funds in the COT Report) and the first COT report in 2010, open interest has increased 30, 29, 47, and 23 percent in Corn, Wheat, Soybeans, and Soybean Oil, respectively. Likewise, the number of large reportable traders has increased 20, 35, 32, and 42 percent in Corn, Wheat, Soybeans, and Soybean Oil, respectively. These markets have grown significantly since the last speculative position limit increase. Looking more closely at outright speculators in the market, the number of outright reportable speculators in Corn has increased 13 percent while the percentage of outright open interest held by these reportable speculators has decreased 0.69 percent. The number of outright reportable speculators in Wheat has increased 27 percent while the percentage of

outright open interest held by these reportable speculators has decreased 0.01 percent. The number of outright reportable speculators in Soybeans has increased 41 percent while the percentage of outright open interest held by these reportable speculators has increased only 2.88 percent. The number of outright reportable speculators in Soybean Oil has increased 73 percent while the percentage of outright open interest held by these reportable speculators has decreased 0.72 percent.

In short, the data reflected in Appendix B shows a relationship between increased speculative activity and increased commercial activity. Increasing the single-month and all-months speculative limits would facilitate increased speculative trading in these markets. More speculative trading, within appropriate limits, would provide greater liquidity, which, in turn, would allow commercial market participants to hedge their risks more effectively.

C. Conclusion

The Exchange requests that the Commission amend Regulation 150.2 to raise the single-month and all-months limits applicable to CBOT Corn, Soybeans, Wheat and Soybean Oil to the levels specified above and for the reasons discussed therein.

The Exchange is also submitting a request to the Commission for approval of amendments to Position Limit, Position Accountability and Reportable Level table in the Interpretations & Special Notices section at the end of Chapter 5 of the CBOT's rulebook, which reflect increases to the Exchange's single-month and all-months-combined speculative position limits that are identical to those described above. A copy of the proposed amendments is included as an attachment to this petition.

If you have any questions about this Petition, please contact Dave Lehman, Managing Director, Commodity Research and Products, at (312) 930-1875; Fred Seamon, Associate Director, Commodity Research and Development, at (312) 634-1587; or Brian Regan, Managing Director, Regulatory Counsel, at (212) 299-2207.

Sincerely,


Brian Regan

cc: Steve Sherrod
David Van Wagner

Att.