Report on Proposed Revision of Federal Speculative Position Limits

For
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Purpose of Positions Limits

- To prevent excessive speculation causing sudden or unreasonable or unwarranted changes in the price of a commodity - Section 4a(a) of the Commodity Exchange Act .

- To reduce the potential threat of market manipulation or congestion, especially during trading in the delivery month - Core Principle 5 for DCMs (Section 5(d)(5) of the Act).

Two-Pronged Regulatory Framework of Position Limits

- Federal position limits are established and enforced by the Commission for futures contracts on a limited group of agricultural commodities.

- Exchanges establish and enforce position limits or position accountability provisions for other markets, subject to Commission oversight and separate enforcement authority.

Regulatory Structure for Federal Position Limits

- Limits set for positions in the spot month, any single month, and all months combined.
- Aggregation policy – all commonly owned or controlled positions are aggregated for compliance with position limits.
- Exemptions – for bona fide hedging, and certain other limited exemptions permitted.

Proposed Revisions to Federal Position Limits

- Increase the single-month and all-months-combined limits in all commodities except CBOT oats.
  - All-months-combined limits would be increased based on the existing formula set out in Commission Regulation 150.5(c).
  - Single-month limits would be increased to maintain their existing ratios with all-months-combined limits.
  - Spot month limits would remain unchanged.
- Aggregate traders' positions when a DCM lists a futures contract that shares substantially identical terms with a contract with Federal limits that trades on another DCM.

Criteria Used to Determine All-month Combined Positions Limits

- Based on a formula specified in Section 150.5(c) of the Commission's regulations
- Formula is applied to average combined futures and delta-adjusted option month-end open interest for the most recent calendar year (2006).
- Limit is to be no greater than 10% of the average month-end open interest up to 25,000 contracts plus a marginal increase of 2.5% thereafter.

Computation of the All-Months Combined Position Limit for Corn

- 2006 average month-end open interest = 1,617,319 contracts

- (a) 10% of 25,000 contracts = 2,500 contracts
  (b) 2.5% of open interest > 25,000 (1,592,319) = 39,808 contracts

  All-Months Position Limit (a + b) = 42,308 contracts

Speculative Position Limits[1]
[By contract]

Contract	Spot Month	Single Month		All Months	
Chicago Board of Trade					
Corn & Mini-Corn[+2]	600	~~13,500~~	26,000	~~22,000~~	42,400
Soybeans & Mini-Soybeans[+2]..	600	~~6,500~~	8,600	~~10,000~~	13,300
Wheat & Mini-Wheat[+2].....	600	~~5,000~~	11,100	~~6,500~~	14,500
Soybean Oil	540	~~5,000~~	6,600	~~6,500~~	8,600
Soybean Meal	720	~~5,000~~	5,500	~~6,500~~	7,100
Minneapolis Grain Exchange					
Hard Red Spring Wheat	600	~~5,000~~	11,100	~~6,500~~	14,500
New York Board of Trade					
Cotton No. 2	300	~~3,500~~	5,300	~~5,000~~	7,300
Kansas City Board of Trade					
Hard Winter Wheat	600	~~5,000~~	11,100	~~6,500~~	14,500