



MINNEAPOLIS GRAIN EXCHANGE

James H. Lindau
President &
Chief Executive Officer

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August 25, 1999

COMMENT

1999 SEP -2 P 1:35

Certified Mail

SECRETARIAT

Ms. Jean A. Webb
Secretary of the Commission
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, D.C. 20581

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1999 SEP -3 P 2:5

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RE: Revised Procedures for Commission Review and Approval of Applications for Contract Market Designation and of Related Contract Terms and Conditions

Dear Ms. Webb:

The Minneapolis Grain Exchange ("MGE" or "Exchange") would like to take this opportunity to respond to the Commodity Futures Trading Commission's ("Commission") proposed rulemaking on the above referenced matter published in the July 27, 1999 Federal Register.

In general, the proposal for a two-year pilot program to permit the listing of contracts prior to Commission approval is another long overdue step toward granting greater flexibility to domestic exchanges and giving them greater ability to compete globally. The MGE encourages these types of steps.

However, the MGE questions the Commission's conclusion that the pilot program should only apply to listings of new contracts but cannot apply to changes for existing contracts. The Commission argues that changes to existing contracts frequently raise economic issues relating to existing positions and should be made available for public comment. The MGE believes that with adequate public notice to present and potential position holders, the economic impact of a change to the terms or conditions of an existing contract would likely be less significant than the introduction of terms or conditions of a newly listed contract submitted under the two-year pilot program. In particular, changes to existing contracts that are lightly traded or have few open positions should pose little economic upheaval. Additionally, changes to unopened contract months of an existing actively traded contract should have a nominal impact on current positions. The Exchange believes that it is somewhat discriminatory to provide almost unfettered freedom to list new contracts that could be more financially risky than permitting changes to existing well established contracts to become immediately effective. Even if the Commission's proposed amendments to Regulation 1.41 permitting fast track review are passed without changes,

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it could still take up to 45 days or more to change certain terms and conditions of an existing contract.

The Exchange believes the Commission's proposed rule adequately prevents attempts by exchanges to use the predesignation listing to evade an adverse Commission proceeding involving the same or similar contract, or attempts to use the pilot program to jump ahead of an exchange submitting the same or similar contract under regular or fast track procedures. However, the MGE believes that there is a loophole that should be closed. An exchange should not be able to use the pilot program to start trading the same or similar contract already trading at another domestic exchange. Attempts to set up and trade another established contract should be subject to public comment prior to designation. The MGE does not believe that closing this loophole would conflict with the Commission's goal to allow exchanges to react to global competition.

If there are any questions regarding these comments, please contact Mark G. Bagan, Vice President, Market Regulation, at (612) 321-7166. Thank you for your attention to this matter.

Sincerely,


James H. Lindau