

NATIONAL GRAIN TRADE COUNCIL
SUITE 925
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COMMENT

(202) 842-0400

October 12, 1999

Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, DC 20581

Dear Sir or Madam:

The National Grain Trade Council submits these comments on the joint petition for exemptive relief, dated June 25, 1999, submitted to the Commodity Futures Trading Commission by the Chicago Board of Trade, the Chicago Mercantile Exchange, and the New York Mercantile Exchange, pursuant to Section 4(c) of the Commodity Exchange Act.

The petition requests exemptive relief for exchanges to (1) list new contracts for trading without pre-approval by the Commission; (2) adopt new rules or rule changes upon 10 days notice to the CFTC; and (3) implement trading rules and procedures comparable to those of a competing foreign exchange.

The Council supports the joint petition. The Council is a trade association whose voting members are grain exchanges, boards of trade, and national grain marketing organizations. The Council's associate members are grain companies and related businesses. The Council brings together markets and a broad cross-section of market users, including grain merchants, handlers, processors, and food companies.

The joint petition was filed by the exchanges in an effort to position themselves to meet competitive threats or opportunities. Those challenges may come in several forms: electronic trading systems that perform exchange-like functions, but do not fall under the purview of the Commodity Exchange Act; over-the-counter derivatives; and/or foreign exchanges. The exchanges believe the exemptive petition would grant them important flexibilities that would allow them to better meet competitive challenges. The petition would also place contract markets on a similar regulatory footing with potential competitors.

This issue is important to Council members for a number of reasons. We believe exchanges should have the flexibility to adapt to a changing marketplace. Failure to adapt would mean business will gravitate to overseas markets who are free to offer more innovative products. The consequences of no action we fear would be to jeopardize the liquidity and cost-effective markets that users enjoy today.

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We compliment the Commission for recognizing that exchanges need relief from the regulatory burden as evidenced by two rules the agency has recently proposed. The Commission published on July 15, 1999, a proposed rule regarding its procedures for reviewing exchange rules and allowing futures exchanges to change some rules and make some rule amendments automatically as long as they meet certain requirements. In addition, the Commission published a proposed rule on July 27, 1999, to create a pilot program to allow exchanges to list new contracts without CFTC pre-approval. We appreciate the Commission's recognition that such streamlining is necessary. The Commission's proposals, though, would only provide nominal relief for the most routine types of contract and rule submissions. We support more aggressive changes to ease the regulatory burden faced by exchanges.

Taking a fresh look at the regulatory burden is also consistent with the Commission's recent proposal to streamline regulation of agricultural trade options. We have filed comments with the Commission supporting some aspects of that proposal, but recommending further steps in other areas.

With regard to the joint petition for exemptive relief, the Council believes some steps can be taken to streamline the regulatory structure and yield efficient, but meaningful regulation. Rationalizing regulatory efforts, making them more efficient, should not lower customer safeguards. Exchanges should be allowed to list new contracts and implement new rules or rule changes without first seeking CFTC approval. The Commission should specify broad guidelines for obtaining and maintaining a contract market designation. Similarly, the Commission should provide parameters for the types of rule changes that could be made without prior approval. The Commission should hold exchanges accountable for meeting such parameters or guidelines.

In other words, we hope the Commission will look for a progressive solution that will substantially meet the goals of the joint petition for exemptive relief and provide exchanges with the flexibility to meet competitive challenges. Providing such relief should not mean lower customer safeguards or a lack of market safeguards. Those are responsibilities that must be taken up by the exchanges under CFTC oversight.

Respectfully,



Robert R. Petersen
President