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COMMENT

August 11, 2004

Ms. Jean A. Webb  
Office of the Secretariat  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21<sup>st</sup> Street, N.W.  
Washington, D.C. 20581

**RE: Petitions of the Chicago Board of Trade, the Kansas City Board of Trade and the Minneapolis Grain Exchange Pursuant to Commission Regulation 13.2 for Repeal or Amendment of Speculative Position Limits in Commission Regulation 150.2**

Dear Ms. Webb:

The National Grain Trade Council (NGTC) submits these comments in support of the above referenced Petitions filed by the Chicago Board of Trade, Kansas City Board of Trade, and Minneapolis Grain Exchange. The CBOT petition requests that all or part of federally mandated position limits be eliminated from Commission regulations and that Regulation 150.2 be repealed. Alternatively, if the Commission does not repeal all or part of Regulation 150.2, the CBOT petition requests that the Commission amend the regulation to increase the single-month and all-months combined speculative position limits for the corn, soybeans, wheat, soybean oil, and soybean meal contracts. If the Commission chooses to retain federal speculative position limits, the KCBT petition requests that parity across wheat markets be maintained. The NGTC fully supports the CBOT petition and KCBT petition's call for parity.

The NGTC is a national trade association whose members include grain futures exchanges, grain and food processing firms, grain merchandising firms, transportation companies, futures commission merchants, and other grain trade related businesses.

Currently, the Commission sets speculative position limits for a highly focused subset of agricultural commodities, while never setting such limits for many of the other agricultural commodities that fall under the Commission's jurisdiction. Instead, individual exchanges are allowed to, and do, set such limits. Subjecting certain commodities to federal limits, as noted by the CBOT petition, appears to be a historical development rather than the result of a need to reduce the potential threat of market manipulation or congestion. Moreover, Core Principle 5(d) of the Commodity Futures Modernization Act of 2000 requires boards of trade to adopt position limits where necessary and appropriate subject to the Commission's oversight. Consequently, the

NGTC supports the CBOT petition. We believe that exchanges should be responsible for setting speculative position limits, subject to the Commission's oversight.

Alternatively, if the Commission chooses to retain federal speculative position limits, the NGTC supports the increase of single-month and all-months combined speculative position limits for corn, soybeans, wheat, soybean oil, and soybean meal contracts.

Additionally, if the Commission retains federal speculative position limits, the NGTC supports the maintenance of parity across wheat exchanges. Exchanges that offer different wheat contracts compete vigorously for the business of hedgers, speculators, and professional money managers. Many market users view the wheat contracts as substitutable. Setting disproportionate speculative limits for exchanges could create a structural barrier for smaller exchanges, limiting their future growth opportunities. Parity treatment is also important for customers who trade interclass wheat spreads. Absent parity, these traders could be faced with market distorting asymmetric position regulation. Therefore, the Council strongly recommends that the Commission maintain parity across wheat exchanges.

If you have any questions regarding this letter, please contact NGTC President Jula Kinnaird at (202)842-0400.

Sincerely,

National Grain Trade Council

cc: Tom Neal