JOHN W HENRY & COMPANY INC

301 Yamato Road
Suite 2200
Boca Raton
Florida 33431-4931

561.241.0018
Fax: 561.994.6887

E-mail: investor@jwh.com
Web site: www.jwh.com

04-6

5

VIA EMAIL

August 15, 2004

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

COMMENT

Re: Petitions for Repeal or Amendment of Federal Speculative Position Limits

Dear Ms. Webb:

John W. Henry & Company, Inc, (JWH) respectfully submits this comment letter to the Commodity Futures Trading Commission (the "Commission") in response to the Notice of Petitions for Amendment, or Repeal of a Rule, and Request for Comment on the Petitions, published in the Federal Register on June 17, 2004, 69 Fed. Reg. 33874 ff. (the "Release"). JWH is one of the largest commodity trading advisors and is managing over $ 2 billion in client assets as of the date of this letter. JWH trades in over 70 markets worldwide, including those which are the subject of the petitions seeking amendment. As a substantial trader in the markets subject to federally established speculative limits, JWH and its clients have a vital interest in speculative limits, their levels, and the manner in which they are established.

JWH supports the petitions (and the letter from the New York Board of Trade) in requesting the elimination of federally mandated speculative position limits, so that designated contract markets will be solely responsible for establishing such limits. JWH agrees with the petitioners that the maintenance of speculative position limits at the federal level is now a historical anomaly, since some agricultural markets are subject to federally established limits and others are not. In enacting the Commodity Futures Modernization Act of 2000, Congress did not qualify its endorsement of the core principle approach as being suitable for only certain markets, or types of markets. JWH agrees with the petitioners that the core principle approach should be extended to all markets and that federally established speculative position limits ended.

As a less preferred alternative, JWH supports the abolition of single month and all-months combined limits in Regulation 150.2. If neither of these alternative forms of relief is deemed appropriate by the Commission, JWH supports the increases in single month and all-months combined position limits proposed in the petitions. If federally established speculative limits are retained and increased, JWH believes that the Commission should continue to follow the principle of parity in setting those increased limits, as the Kansas City Board of Trade and the Minneapolis Grain Exchange requested. JWH believes that the arguments advanced by those exchanges are sound and worthy of support. Under any of these alternatives, of course, the Commission would retain its oversight function, which provides protection of the public interest in avoiding market manipulation in markets not subject to federally established speculative limits.

The levels at which speculative position limits are set is obviously a matter of great importance to commodity trading advisors and other speculative traders in these markets. In evaluating the selection and retention of markets that it will trade, JWH assesses and monitors volume and liquidity, among other factors. Liquidity is essential because it decreases the likelihood of slippage in trade execution, and permits positions to be established or liquidated promptly when JWH's trading models indicate that is required. New markets might require a period of development before they are deemed capable of supporting trading at the level required by the asset levels of the accounts JWH manages. Similarly, existing markets that JWH currently trades are reviewed regularly for changes in their volume and liquidity.

As assets under management increase in the managed futures industry, some markets may be not be capable of growth in liquidity, and participation in those markets may be reevaluated by some advisors and other speculative traders. If position limits are set at too restrictive a level, exposure to those markets may be reduced for client portfolios, and those contracts may consequently contribute immaterially to account performance. In those situations, an advisor may determine that a market will no longer support adequate trading to justify its inclusion in a portfolio or program, and discontinue trading that contract.

Reduction of liquidity in a market attributable to overly restrictive speculative position limits could cause a decrease in legitimate trading activity and a decline in the usefulness of the market for hedging and price discovery. Actual experience with increases in speculative position limits has been positive. The observations in the petitions submitted by the Minneapolis Grain Exchange and the Kansas City Board of Trade to the effect that increases in speculative position limits have been related to increased market liquidity and stability, and to increases in volume and liquidity, are consistent with how JWH generally would approach markets and increased limits in determining the markets it will trade, and the extent of its trading in particular markets. In JWH's opinion, commercial use of energy contracts on the New York Mercantile Exchange to hedge energy-related risks increased after position limits were increased, and the ability of speculators to hold larger positions may have helped to create a more efficient market. Prospectively, the Board of Trade of the City of Chicago stated in its Amended Petition its expectation that "More speculative trading, within appropriate limits, would provide greater liquidity, which, in turn, would allow commercial market participants to hedge their risks more effectively."

In addition, JWH believes that abolition of federally established speculative position limits, or increases as proposed, will help markets in the United States maintain or increase their competitiveness with non-US exchanges that are subject to regulatory programs without speculative position limits. Those exchanges have not suffered any apparent harm to the integrity of their markets. Moreover, past increases in speculative limits have not resulted in any of the adverse consequences (such as market manipulation) foreseen by some commentators, and have generally resulted in expanded markets.

In response to the sixth issue raised by the Commission in the Request for Comments portion of the Release, JWH believes that the Commission's current acceptable practices for Core Principle 5 should be maintained, at least until experience with its application has demonstrated that amendments are necessary. JWH advocates that the determination of the contracts to be governed by exchange-set limits should be made by the exchanges themselves.

JWH appreciates the opportunity to comment on the Release and is ready to assist the Commission and its staff if further clarification is required on the points we have raised.

Respectfully submitted,

s/ David M. Kozak

David M. Kozak
Senior Vice President and General Counsel