

COMMENT



Bernard W. Dan  
President and  
Chief Executive Officer

2005 APR 14 AM 7:07  
April 14, 2005

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RECORDS SECTION

BY E-MAIL AND CERTIFIED MAIL

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

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2005 APR 18 PM 1:00  
OFC. OF THE SECRETARIAT

Re: Proposed Revision of Federal Speculative Position Limits

Dear Ms. Webb:

The Board of Trade of the City of Chicago, Inc. ("CBOT®" or "Exchange") appreciates the opportunity to comment on the Commodity Futures Trading Commission's ("Commission") proposal to increase certain federal speculative position limits and to delete certain obsolete provisions contained in Commission Regulation 150.2.

On April 27, 2004, the CBOT submitted its Amended Petition,<sup>1</sup> pursuant to Commission Regulation 13.2, requesting that the Commission eliminate all federally-mandated position limits, and permit designated contract markets ("DCMs") to bear the sole responsibility for setting their own position limits, where necessary and appropriate, subject to Commission oversight. The CBOT further contended that, if the Commission were to decide to retain federally-mandated spot month limits, it should at least eliminate single-month and all-months limits from Regulation 150.2, leaving the determination of those limits to the exchanges. Finally, the CBOT argued that if the Commission determined to retain federally-set speculative position limits for spot months, single-months and all-months, it should increase the single-month and all-months limits for CBOT Corn, Oats, Soybeans, Wheat, Soybean Oil and Soybean Meal. The Kansas City Board of Trade ("KCBT") and the Minneapolis Grain Exchange ("MGE") submitted separate petitions with respect to their products, and the New York Board of Trade ("NYBOT") submitted a letter supporting the petitions, all of which are described in the Commission's Federal Register Release.

After publishing these petitions, considering the comments received, and reexamining current federal speculative position limits based on its own experience, the Commission now proposes to increase single-month and all-months limits for all of the currently traded products specified in Commission Regulation 150.2, including CBOT Corn, Oats, Soybeans, Wheat, Soybean Oil, and Soybean Meal, in addition to various MGE, KCBT, and NYBOT contracts, while retaining all current spot month limits.

<sup>1</sup> The CBOT's original Petition was submitted to the Commission in a letter dated March 26, 2004.

In its Petition, the CBOT proposed that if the Commission were to retain single-month and all-months limits for its agricultural products, it should increase the all-months limits to the maximum that would be permitted based on the application of the percentage of open interest formula that had previously been adopted by the Commission, and that it should modify the single month limits to maintain the approximate existing ratio of single month to all-months levels. The specific limits proposed by the CBOT in the spring of 2004 were based on 2003 open interest data. The all-months limits now proposed by the Commission are higher than those proposed by the CBOT because the Commission has applied the same percentage of open interest formula to 2004 data. The Commission has also determined to adopt the approach proposed by the CBOT by maintaining the existing ratios between single-month and all-months limits.

While the CBOT continues to believe that all federally-set speculative limits should be removed and that Regulation 150.2 should be repealed for the reasons stated in the Exchange's Petition, the CBOT agrees that the Commission has applied the appropriate methodology in setting its currently proposed speculative position limits for CBOT products. The Exchange also appreciates the Commission's modifying the levels identified by the CBOT in 2004, based on more recently available open interest data. Therefore, the CBOT agrees that the single-month and all-months position limits proposed by the Commission should be adopted.<sup>2</sup>

The Exchange is also pleased that the Commission has indicated in its Federal Register release that it "intends to continue its review of its current policies regarding the administration of speculative position limits, including a further evaluation of the merits of retaining Federal speculative limits." 70 Fed. Reg. 12621, at 12624.

The Commission has clarified in its proposed amendments that the speculative position limits should be applied, on an aggregated basis, to CBOT Corn and mini-sized Corn, Soybeans and mini-sized Soybeans, and Wheat and mini-sized Wheat. The CBOT has no objection to this clarification, and currently applies its speculative position limits for these products in this manner, pursuant to Exchange Regulation 425.01.

The Exchange appreciates the Commission's clarification that the federal speculative position limits set forth in Regulation 150.2 would not apply to the CBOT's soon-to-be launched South American Soybean contract since this contract has substantially different commodity characteristics than the Soybean contract currently covered by the Regulation. As the Commission notes, the CBOT has established its own speculative

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<sup>2</sup> At the time when the CBOT submitted its Petition, it also submitted a request that the Commission approve amendments to CBOT Regulation 425.01 that would raise the single-month and all month limits to the same levels requested in the Petition. The CBOT agreed to an extension of the period for Commission review of the Exchange's rule amendments pending the Commission's action with respect to amendments to Commission Regulation 150.2. The CBOT intends to separately amend its request for rule approval in order to conform its single-month and all-months position limits for the enumerated agricultural contracts with the levels that the Commission is currently proposing.

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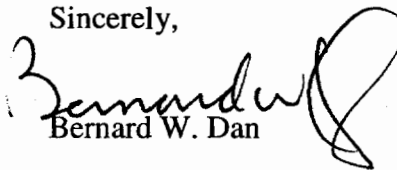
position limits for this new contract, after considering the relevant factors in light of the applicable Core Principles.

However, the Commission noted that if a DCM newly-lists a contract that shares substantially identical terms with a contract traded on another DCM that is subject to federally-set speculative limits in Regulation 150.2, the Commission could consider at that time whether to amend Regulation 150.2 to apply federal limits to the newly-listed contract. The CBOT strongly believes that if the Commission retains federal speculative position limits, the same limits that apply to a product traded on one exchange should also apply to a substantially identical product traded on another exchange, in order to avoid regulatory arbitrage and a competitive disadvantage to one of the exchanges.

The CBOT appreciates the Commission's proposal to delete obsolete provisions from Regulation 150.2, including references to the MidAmerica Commodity Exchange, a former subsidiary of the CBOT, which no longer exists.

The CBOT welcomes the opportunity to provide comments on the Commission's proposal to revise federal speculative position limits. If you have any questions regarding these comments, or wish to discuss this matter, please feel free to contact Anne Polaski, Assistant General Counsel, at (312) 435-3757, or at [apolaski@cbot.com](mailto:apolaski@cbot.com).

Sincerely,

  
Bernard W. Dan