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MINNEAPOLIS GRAIN EXCHANGE

James H. Lindau
President &
Chief Executive Officer

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August 4, 1998

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

COMMENT
August 5 01 PM '98
COMMODITY FUTURES
TRADING COMMISSION
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Re: Recordkeeping

Dear Ms. Webb:

The Minneapolis Grain Exchange ("MGE" or "Exchange") appreciates the opportunity to comment on the proposal to amend Commodity Futures Trading Commission ("Commission" or "CFTC") Regulation 1.31 and related recordkeeping issues.

As a practical matter, the Exchange is encouraged that the Commission's proposed rules would allow Commission registrants subject to the Commission's recordkeeping requirements to choose the type of electronic or micrographic storage media they may utilize. Specifically, the Exchange supports the Commission's effort to permit registrants to choose the type or combination of recordkeeping systems which best suit their business needs. The Exchange also concurs with the Commission that micrographic or electronic storage should be an option, not a requirement, in satisfying the provisions of Regulation 1.31.

However, the Exchange also believes that there are a number of issues within the Commission's proposal which may hinder registrants from developing micrographic or electronic storage systems. Specifically, for those persons who choose to either store Commission required records on micrographic media or electronic storage media, the Exchange believes that most firms will expend significant resources in attempting to maintain an accurate and complete index. For those firms using electronic storage media, significant resources could be spent on developing and maintaining written operational procedures and controls designed to provide accountability over initial entry and any changes made to previously stored documents. Aside from the financial resources it may take to develop these systems, the Exchange also is concerned that such projects would be time-consuming, and a never ending project for many registrants.

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Additionally, the Exchange is troubled by the Commission's proposal with respect to those registrants who may be exclusively using electronic storage media. Specifically, these registrants would be required to enter into an arrangement with at least one third party technical consultant who would have access to their electronically stored media and would have the ability to download such stored information directly. Aside from the obvious issue of cost associated with such a requirement, the Exchange is concerned that this requirement may compromise a registrant's internal security. With each entity who utilizes some type of electronic storage media being asked to open its files to a third party, the possibility for corrupted files or leaked information would surely be increased. This requirement in itself may be enough to scare many registrants away from even attempting to update their office technology when it comes to electronically storing documents.

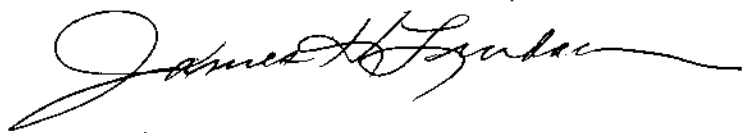
The Exchange also questions why the Commission would feel it necessary to be able to view electronically stored documents directly without first giving potential notification to appropriate individuals. The Exchange considers such a practice to be very intrusive and believes that all registrants should have prior notification that documents are being requested by the Commission. Additionally, the Exchange is concerned that such a requirement may not be possible given the potentially wide selection of technology available to registrants in the storing of Commission required records. The Exchange is concerned that with so many technological choices, some technology may not be compatible for downloading of stored records by the Commission. Accordingly, the Exchange believes that such a requirement may limit a registrant's choices in developing electronic storage systems. If one of the reasons for the proposed amendments of Commission Regulation 1.31 is to allow registrants greater flexibility, such a requirement may, in fact, defeat the Commission's intended purpose.

In all, the Exchange is concerned that the proposed changes to Commission Regulation 1.31 may develop a two class system within the futures industry. Specifically, only the wealthiest registrants may be able to store documents through the use of electronic media given the Commission's proposal to amend Regulation 1.31. Clearly, smaller registrants may not have the financial or human resources necessary to develop and maintain electronic storage technology. Furthermore, a smaller registrant may not have the financial resources to employ and retain an outside third party technical consultant who would have access to the entities electronically stored media and the ability to download information from such media. Accordingly, the proposed amendments to Regulation 1.31 may limit a small registrant from even attempting to update their in house technology to store Commission required records. Furthermore, the financial burden a wealthy registrant may be faced with in attempting to update required information with respect to their electronic storage techniques and technology may not be acceptable if such a registrant would also need to retain and organize all original hard copy documents for the full five year period. Accordingly, given the proposed amendments, the Commission may be removing the option of electronic storage for Commission registrants.

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

Sincerely,

A handwritten signature in cursive script, reading "James H. Lindau". The signature is written in black ink and is positioned above the printed name.

James H. Lindau