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Tel (202) 842-0400 Fax (202) 789-7223

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February 24, 2000

OFFICE OF THE SECRETARIAT

COMMENT

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 proposed revision of the Commission's procedure for the review of contract market rules as published in the *Federal Register* on November 26, 1999. Subject to certain conditions, the proposed rulemaking would permit contract markets to place new rules and rule amendments into effect without prior approval from the Commission. The Council supports the direction of the Commission's rulemaking.

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 Council is cognizant of the competitive challenges faced by organized exchanges from electronic trading systems and over-the-counter derivatives which do not face the same regulatory burdens and, thus, the same regulatory costs. The Council has long supported efforts to streamline the regulatory burden.

Ending the pre-approval requirement for exchange rules and rule amendments will provide exchanges with important flexibility and would be a step towards placing exchanges 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 other types of markets or systems which 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.

We recognize that concerns have been raised with this proposal to end the pre-approval requirement. Some have voiced concerns that this would allow exchanges to make rule changes that may affect the value of a contract already listed for trading. History shows that exchanges avoid

making rule changes that could affect the value of a contract -- rule changes typically are implemented as new contract months begin trading or for deferred contract months where there is no open interest. We believe exchanges strive to make balanced business decisions that are in the best interest of the marketplace as a whole. Exchanges are accountable to their customers, regulators, and the marketplace for their decisions and are subject to the disciplines brought by the threat of legal action.

While it is likely to be rare that an exchange might seek to change contract terms where it would affect the contract value, such a step should not be foreclosed provided the process is balanced and all affected parties have the opportunity to be heard. We recognize that the CFTC proposal does contain safeguards. While exchanges would be able to implement new rules and rule changes without prior approval, the exchange will have to certify to the Commission that rule changes are consistent with requirements of the Commodity Exchange Act.

The Council supports the adoption of rules such as the Commission is proposing that will streamline the regulatory burden for exchanges and that will provide exchanges with important flexibility. We applaud the Commission's effort in developing new approaches that will provide regulatory relief to exchanges.

Respectfully,

A handwritten signature in black ink that reads "Robert Petersen". The signature is written in a cursive style with a large, prominent initial "R".

Robert R. Petersen
President