



**BY ELECTRONIC TRANSMISSION**

04-37  
August 3, 2004

Ms. Jean A. Webb  
Secretary of the Commission  
Office of the Secretariat  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21<sup>st</sup> Street, NW  
Washington, DC 20581

Re: **Amendments to Rule 6.19 -**  
**Submission Pursuant to Section 5c(c)(2) of the Act and Regulation 40.4**

Dear Ms. Webb:

Pursuant to Section 5c(c)(2) of the Commodity Exchange Act, as amended, and Commission Regulation 40.4, the Board of Trade of the City of New York, Inc. ("NYBOT<sup>®</sup>" or "Exchange") is requesting approval for amendments to Rule 6.19, attached as Exhibit A, which specify the speculative position limits for Cotton No. 2 futures and options contracts.

Currently, Rule 6.19 states that the position limits will be governed by Commission Regulations, i.e., Regulation 150.2. In anticipation of the Commission either amending or repealing Regulation 150.2, the Exchange has amended its Rule 6.19 so that the speculative position limits are specified in the Rule. Except for the all months combined limit, the limits specified in Rule 6.19 are identical to the limits set forth in Regulation 150.2.

The Exchange has determined to increase the all months combined limit from 3,500 contracts to 4,000 contracts. Regulation 150.5 sets out guidelines for those position limits that are set by exchanges. Regulation 150.5(c)(2) states that ". . . all months-combined levels must be no greater than 10% of the average combined futures and delta-adjusted option month-end open interest for the most recent calendar year up to 25,000 contracts with a marginal increase of 2.5% thereafter. . . ." For calendar year 2003, average month-end open interest was calculated to be 143,347 contracts. Following the Commission guideline as stated above, the Cotton No. 2 limit for all months combined could be 5,459 contracts. However, the Exchange is setting the limit at 4,000 contracts.

In addition to setting the position limits, Rule 6.19 contains a provision that states that “the establishment of position limits . . . shall be deemed to affect the terms and conditions of the Cotton No. 2 Contract . . . .” The purpose of this provision is to eliminate the possibility of changing the position limits without the Cotton Contract Specifications Committee’s approval.

The Exchange certifies that the amendments comply with the requirements of the Commodity Exchange Act and the rules and regulations promulgated thereunder.

The Exchange’s Board of Governors approved the amendments on July 14, 2004. They will become effective, after Commission approval, on a date set by the President for all delivery months currently listed whether or not there is open interest and all subsequently listed delivery months. No substantive opposing views were expressed by members or others with respect to the amendments.

The Exchange agrees to extend the Commission’s time to review and approve the amendments until such time as the Commission implements amendments to Regulation 150.2 for Cotton No. 2.

If you have any questions or need further information, please contact me at [jfassler@nybot.com](mailto:jfassler@nybot.com) or 212-748-4084.

Sincerely,

Jill S. Fassler  
Vice President  
Associate General Counsel

cc: Riva Adriance  
Clarence Sanders  
Thomas Leahy  
Martin Murray  
CFTC, Division of Market Oversight  
Allen Cooper  
CFTC, New York Regional Office

(In the text of the amendments below, additions are underlined and deletions are bracketed and lined out.)

**Rule 6.19. Position Limits for Cotton No. 2 Contracts**

~~[Position limits in Cotton No. 2 Futures Contracts and Options (on a futures equivalent basis) will be governed by Part 150 of the CFTC Regulations; provided, however, that the Board may, from time to time, set different position limits subject to the approval of the CFTC.]~~

(a) Subject to the exceptions contained in this Chapter, the maximum net long or net short position which any one (1) Person may hold or control in the Cotton No.2 Contract is four thousand (4,000 ) Futures Contracts and Futures Equivalent Contracts in all months combined and two-thousand five hundred (2,500) Futures Contracts and Futures Equivalent Contracts in any one (1) month.

(b) Subject to the exceptions contained in this Chapter, the maximum net long or net short position which any one (1) Person may hold or control in the Cotton No.2 Contract is three hundred (300) Futures Contracts for any month for which delivery notices have been, or may be, issued.

(c) The establishment of position limits for Cotton No.2 Contracts shall be deemed to affect the terms and conditions of the Cotton No.2 Contract for purposes of By-Laws Section 601(b)(i).

(d) See CFTC Reg. 1.3(z) and Reg. 1.47 with respect to hedging exemptions.

**EXHIBIT A**