

May 17, 2005

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

Re: Reference File #2442.02  
Request for Commission Rule Approval

Dear Ms. Webb:

40.5(a) (i) The following Request for Commission Rule Approval is submitted pursuant to Section 5c(c) of the Commodity Exchange Act and Commission Regulations 40.4 and 40.5.

This Request supersedes a previous filing submitted by the Chicago Board of Trade (CBOT<sup>®</sup>) by letter dated March 30, 2004 (CBOT Reference File #2442.01).

40.5(a) (ii) The CBOT intends, with CFTC approval, to increase the single-month and all-month speculative position limits on CBOT Corn and Mini-sized Corn futures from 5,500 and 9,000 contracts to 13,500 and 22,000, respectively. To increase the single-month and all-month speculative limits on CBOT Oat futures from 1,000 and 1,500 contracts to 1,400 and 2,000, respectively. To increase the single-month and all-month speculative limits on CBOT Soybean and Mini-sized Soybean futures from 3,500 and 5,500 contracts to 6,500 and 10,000, respectively. To increase the single-month and all-month speculative limits on CBOT Wheat and Mini-sized Wheat futures from 3,000 and 4,000 contracts to 5,000 and 6,500, respectively. To increase the single-month and all-month speculative position limits on CBOT Soybean Oil and Soybean Meal futures from 3,000 and 4,000 contracts to 5,000 and 6,500 respectively. These proposed increases in single-month and all-month speculative limits are consistent with Commission proposed position limits in regulation 150.2 published in **Federal Register** Vol. 70, No. 49.

The increases would be implemented through amendments to Regulation 425.01 as shown in the attached text (additions underlined; deletions bracketed and struck through).

May 17, 2005  
Ms. Jean A. Webb  
Page Two

40.5(a) (iii) The Board of Directors approved these regulation changes pursuant to the CBOT Charter, Article VIII and the CBOT Bylaws, Article IX.

The Exchange plans to implement these increases in single-month and all-month speculative position limits in a phased process. The Exchange will initially increase the single-month and all-month speculative position limits by one-half of the requested amount effective at the same time as the Commission's effective date for revisions to regulation 150.02 (June 10, 2005). The Exchange then will implement the full single-month and all-month speculative position limits six months following the initial effective date.

40.5(a) (iv) The operation, purpose and effect of the proposed amendments to CBOT Regulation 425.01 will be to conform the applicable Exchange position limit provisions with those of Commission regulation 150.02.

40.5(a) (v) There were no opposing views concerning this proposal.

40.5(a) (vi) The CBOT has not identified any commission regulations or sections of the Act requiring interpretation or amendments in connection with this proposal.

Questions in this regard may be directed to David Lehman, Managing Director of Business Development, at (312)347-3848 or Fred Seamon, Advisory Economist, at (312) 347-3808.

Sincerely,

Paul J. Draths  
Vice President and Secretary

Attachment

b051705

Additions underlined; deletions bracketed and struck through

**425.01 Position Limits -**

|  | *SPOT                          | *SINGLE  | *ALL  | *REPORTABLE                     | *REPORTABLE      |
|--|--------------------------------|--|---|---------------------------------|------------------|
| CONTRACT   | MONTH                          | MONTH  | MONTH   | FUTURES<br>LEVEL                | OPTIONS<br>LEVEL |
| Bund   | None                           | None   | None  | 1,000                           |                  |
| Bobl   | None                           | None   | None  | 800                             |                  |
| Schatz   | None                           | None   | None  | 500                             |                  |
| 10-Year Interest Rate Swap                               | None                           | None   | None  | 500                             | 500              |
| 5-Year Interest Rate Swap                                | None                           | None   | None  | 500                             | 500              |
| CBOT Dow Jones Industrial<br>Average <sup>sm</sup> Index | None                           | None   | 50,000<br>(aggregate<br>DJIA <sup>sm</sup><br>limit,<br>see #9)                       | 200                             | 200              |
| CBOT mini-sized Dow <sup>sm</sup> (\$5<br>multiplier)    | None                           | None   | 50,000<br>(aggregate<br>DJIA <sup>sm</sup><br>limit,<br>see #9)                       | 200                             | 200              |
| CBOT Dow Jones-AIG<br>Commodity<br>Index <sup>sm</sup>   | None                           | None   | 15,000  | 25                              |                  |
| CBOT 5,000 oz. Silver                                    | 1,500                          | 6,000  | 6,000   | 150                             |                  |
| CBOT 100 oz. Gold  | 3,000                          | 6,000  | 6,000   | 200                             |                  |
| CBOT mini-sized Silver                                   | 1,500                          | 1,500  | 3,000   | 750                             |                  |
| CBOT mini-sized Gold                                     | 4,000                          | 4,000  | 6,000   | 600                             |                  |
| U.S. Treasury Bonds                                      | None                           | None   | None  | 1,500                           | 1,500            |
| mini-sized U.S. Treasury Bonds                           | None                           | None   | None  | 1,500                           |                  |
| U.S. Treasury Notes (5yr.)                               | None                           | None   | None  | 2,000                           | 2,000            |
| U.S. Treasury Notes (6 1/2-<br>10yr.)                    | None                           | None   | None  | 2,000                           | 2,000            |
| U.S. Treasury Notes (2yr.)                               | None                           | None   | None  | 1,000                           | 1,000            |
| 30 Day Fed Fund  | None                           | None   | None  | 600                             | 600              |
| 10-Year Municipal Note Index                             | 5,000                          | None   | 5,000   | 300                             |                  |
| mini-sized Eurodollars                                   | 10,000                         | 10,000   | 10,000  | 400                             |                  |
| Corn and CBOT mini-sized<br>Corn                         | 600<br>(aggregate,<br>see #10) | [ <del>5,500</del> ]<br><u>9,500</u><br>(aggregate<br>, see #1,<br>10, <u>13</u> ) | [ <del>9,000</del> ]<br><u>15,500</u><br>(aggregate,<br>see #1, 3,<br>10, <u>13</u> ) | 250<br>(individual,<br>see #11) | 250              |
| Soybeans and<br>CBOT mini-sized Soybeans                 | 600<br>(aggregate,             | [ <del>3,500</del> ]<br><u>5,000</u>   | [ <del>5,500</del> ]<br><u>7,750</u>  | 150<br>(individual,             | 150              |

|                                 |                                |   |  |                              |     |
|---------------------------------|--------------------------------|---|--|------------------------------|-----|
|                                 | see #10)                       | (aggregate, see #1, 10, <b>13</b> )   | (aggregate, see #1, 4, 10, <b>13</b> )   | see #11)                     |     |
| South American Soybeans         | 600<br>(see #12)               | 3,500<br>(see #1)   | 5,500<br>(see #1)  | 150                          |     |
| Wheat and CBOT mini-sized Wheat | 600<br>(aggregate, see #8, 10) | [ <del>3,000</del> ]<br><b>4,000</b><br>(aggregate, see #1, 10, <b>13</b> ) | [ <del>4,000</del> ]<br><b>5,250</b><br>(aggregate, see #1, 7, 10, <b>13</b> ) | 150<br>(individual, see #11) | 150 |
| Oats                            | 600                            | [ <del>1,000</del> ]<br><b>1,200</b><br>(see#1, <b>13</b> )                 | [ <del>1,500</del> ]<br><b>1,750</b><br>(see#1,6, <b>13</b> )                  | 60                           | 60  |
| Rough Rice                      | 600<br>(see#5)                 | 1,000   | 1,000<br>(see#2)   | 50                           | 50  |
| Soybean Oil                     | 540                            | [ <del>3,000</del> ]<br><b>4,000</b><br>(see#1,7, <b>13</b> )               | [ <del>4,000</del> ]<br><b>5,250</b><br>(see#1,7, <b>13</b> )                  | 200                          | 200 |
| Soybean Meal                    | 720                            | [ <del>3,000</del> ]<br><b>4,000</b><br>(see#1,7, <b>13</b> )               | [ <del>4,000</del> ]<br><b>5,250</b><br>(see#1,7, <b>13</b> )                  | 200                          | 200 |
| Ethanol                         | 200                            | 1,000   | 1,000  | 25                           |     |

#1 Additional futures contracts may be held outside of the spot month as part of futures/futures spreads within a crop year provided that the total of such positions, when combined with outright positions, do not exceed the all months combined limit. In addition, a person may own or control additional options in excess of the futures-equivalent limits provided that those option contracts in excess of the futures-equivalent limits are part of an eligible option/futures spread.

#2 No more than 500 futures-equivalent contracts net on the same side of the market are allowed in a single month in all strike prices combined. Additional options contracts may be held as part of option/options or option/futures spreads between months within the same crop year provided that the total of such positions, when combined with outright positions, does not exceed the all months combined limit. The futures-equivalents for both the options and futures contracts are aggregated to determine compliance with these net same side single month position limits.

#3 No more than [~~5,500~~] **9,500** futures-equivalent contracts net on the same side of the market are allowed in a single month in all strike prices combined. Additional options contracts may be held as part of option/option or option/futures spreads between months within the same crop year provided that the total of such positions, when combined with outright positions, does not exceed the all months combined limit. The futures-equivalents for both the options and futures contracts are aggregated to determine compliance with these net same side single month position limits.

#4 No more than [~~3,500~~] **5,000** futures-equivalent contracts net on the same side of the market are allowed in a single month in all strike prices combined. Additional options contracts may be held as part of option/option or option/futures spreads between months within the same crop year provided that the total of such positions, when combined with outright positions, does not exceed the all months combined limit. The futures-equivalents for both the options and futures contracts

are aggregated to determined compliance with these net same side single month position limits.

#5 In the last five trading days of the expiring futures month, the speculative position limit for the July futures month will be 200 contracts and for the September futures month the limit will be 250 contracts.

#6 No more than ~~[4,000]~~ **1,200** futures-equivalent contracts net on the same side of the market are allowed in a single month in all strike prices combined. Additional options contracts may be held as part of option/option or option/futures spreads between months within the same crop year provided that the total of such positions, when combined with outright positions, does not exceed the all months combined limit. The futures-equivalents for both the options and futures contracts are aggregated to determined compliance with these net same side single month position limits.

#7 No more than ~~[3,000]~~ **4,000** futures-equivalent contracts net on the same side of the market are allowed in a single month in all strike prices combined. Additional options contracts may be held as part of option/option or option/futures spreads between months within the same crop year provided that the total of such positions, when combined with outright positions, does not exceed the all months combined limit. The futures-equivalents for both the options and futures contracts are aggregated to determine compliance with these net same side single month position limits.

#8 In the last five trading days of the expiring futures month in May, the speculative position limit will be 600 contracts if deliverable supplies are at or above 2,400 contracts, 500 contracts if deliverable supplies are between 2,000 and 2,399 contracts, 400 contracts if deliverable supplies are between 1,600 and 1,999 contracts, 300 contracts if deliverable supplies are between 1,200 and 1,599 contracts, and 220 contracts if deliverable supplies are below 1,200 contracts. Deliverable supplies will be determined from the CBOT's Stocks of Grain report on the Friday preceding the first notice day for the May contract month. For the purposes of these regulations, one mini-sized Wheat contract shall be deemed to be equivalent to one-fifth of a corresponding Wheat contract.

#9 The aggregate position limit in CBOT mini-sized Dow<sup>SM</sup> (\$5 multiplier) futures and CBOT DJIA<sup>sm</sup> futures and options is 50,000 DJIA<sup>sm</sup> contracts, net long or net short in all contract months combined. For the purposes of these regulations, one mini-sized Dow<sup>SM</sup> (\$5 multiplier) contract shall be deemed to be equivalent to one-half of a DJIA<sup>SM</sup> futures contract.

#10 The net long or net short positions in Corn, Soybeans, or Wheat contracts may not exceed their respective position limits. The net long or net short positions in mini-sized Corn, mini-sized Soybeans, or mini-sized Wheat contracts may not exceed their respective position limits. The aggregate net long or net short positions in Corn and mini-sized Corn, Soybeans and mini-sized Soybeans, or Wheat and mini-sized Wheat contracts may not exceed their respective position limits. For the purposes of these regulations, one mini-sized Corn, one mini-sized Soybeans, or one mini-sized Wheat contract shall be deemed to be equivalent to one-fifth of a corresponding Corn, Soybeans, or Wheat contract.

#11 The reporting level for the primary contract is separate from the reporting level for the mini-sized contract. Positions in any one month at or above the contract level indicated trigger reportable status. For a person in reportable status, all positions in any month of that contract must be reported. For the purposes of these regulations, positions are on a contract basis.

#12 In the last five trading days of the expiring futures month, the speculative position limit for the November futures month will be 180 contracts and the January futures month the speculative position limit will be 365 contracts.

**#13 On December 10, 2005, Corn and Mini-sized Corn single-month limits will be increased to 13,500 contracts and all-month limits will be increased to 22,000 contracts; Oats single-month limits will be increased to 1,400 contracts and all-month limits will be increased to 2,000 contracts; Soybean and Mini-sized Soybean single-month limits will be increased to 6,500 contracts and all-month limits will be increased to 10,000 contracts; Wheat, Mini-sized Wheat, Soybean Oil, and Soybean Meal single-month limits will be increased to 5,000 contracts and all-month limits will be increased to 6,500 contracts.**

Except for the interest of a limited partner or shareholder (other than the commodity pool operator) in a commodity pool, ownership, including a 10% or more financial ownership interest, shall constitute control over an account except as provided in Regulation 425.05.

The maximum positions which any person, as defined in Regulation 425.01 (c), may own or control shall be as set forth herein. However, with respect to the maximum positions which a member firm may carry for its customers, it shall not be a violation of the limits set forth herein to carry customer positions in excess of such limits for such reasonable period of time as the firm may require to discover and liquidate the excess positions or file the appropriate hedge or exemption statements for the customer accounts in question in accordance with Regulations 425.03 and 425.04. For the purposes of this regulation, a "reasonable period of time" shall generally not exceed one business day for those positions that are not subject to the provisions of Regulations 425.03 and 425.04.

However, for any option position that exceeds position limits for passive reasons such as a market move or exercise assignment, the person shall be allowed one business day to liquidate the excess position without being considered in violation of the limits. In addition, if at the close of trading, an option position exceeds position limits when evaluated using the previous day's delta factors, but does not exceed the limits when evaluated using the delta factors for that day's close of trading, then the position shall not constitute a position limit violation.

Note: The Commodity Futures Trading Commission has imposed speculative position limits on Corn, Oats, Soybean, Wheat, Soybean Oil and Soybean Meal futures contracts as provided in Part 150 of CFTC Regulations.

- (c) The term "net" shall mean the long or short position held after offsetting long futures positions against short futures positions. The word "person" shall include individuals, associations, partnerships, limited liability companies, corporations and trusts.
- (d) The foregoing limits on positions shall not apply to bona fide hedging positions which meet the requirements of Regulations 425.02 and 425.03, nor to positions subject to particular limits granted pursuant to Regulation 425.04.
- (e) The Board, or a Committee authorized by the Board may direct any member or registered eligible business organization owning, controlling or carrying a position for a person whose total position as defined in subsection (f) below exceeds the position limits as set forth in subsection (b) above or as specifically determined pursuant to Regulations 425.03 or 425.04 to liquidate or otherwise reduce the position.
- (f) In determining whether any person has exceeded the position limits specified in subsection (b) of this Regulation or those limits determined pursuant to Regulations 425.03 or 425.04, or whether a position is a reportable position as set forth in subsections (b) and (g) herein, all positions in accounts for which such person by power of attorney or otherwise directly or indirectly controls trading, except as provided in Regulation 425.05, shall be included with the positions held by such person. Such limits upon positions shall apply to positions held by two or more persons acting pursuant to an expressed or implied agreement or understanding, the same as if the positions were held by a single person.
- (g) If a person owns, controls or carries a position equal to or greater than the number of contracts specified in subsection (b) above long or short in any one month, then all such futures and options on such futures contract owned, controlled or carried by that person, whether above the given level or not, shall necessarily be deemed reportable positions. Every member or registered eligible business organization shall report each and every reportable position to the Office of Investigations and Audits at such times and in such form and manner as shall be prescribed by the Business Conduct Committee.
  - (1) On or before the first day on which any position must be reported as provided above, the member or registered eligible business organization carrying the position must furnish to the Office of Investigations and Audits a report, in the form, manner and content prescribed by the Business Conduct Committee, identifying the owner of the account for which the position must be reported and all persons associated with the account as described in subsection (f) above.

- (2) Every member or registered eligible business organization must report each and every reportable position and provide the report required in subsection (1) above for each person within any account carried on an omnibus basis, unless, upon application of the member or registered eligible business organization to the Business Conduct Committee, the nonmember omnibus account specifically is approved to report directly to the Office of Investigations and Audits.