



National Grain Trade Council

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April 12, 2005

COMMENT

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

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**RE: Proposed Revision of Federal Speculative Position Limits**

Dear Ms. Webb:

The National Grain Trade Council (the Council) submits these comments in support of the Commission's proposed increase for all single-month and all-month-combined positions and maintenance of parity of position limits across similar markets. In our August 11, 2004, letter, the Council supported the petitions of the Chicago Board of Trade (CBOT), the Kansas City Board of Trade (KCBT) and the Minneapolis Grain Exchange (MGE).

The Council is a North American trade association that brings together grain exchanges, boards of trade, and national grain marketing organizations with their grain industry counterparts including grain companies, millers and processors, railroads, futures commission merchants, and banks to advocate and defend open, competitive commerce in agriculture.

At this time, the Council respects the Commission's decision to retain federal speculative position limits and we strongly support the increase of single-month and all-months combined speculative position limits for corn, oats, soybeans, wheat, soybean oil, and soybean meal contracts. As illustrated by the CBOT petition, trading volume and open interest in futures contracts for these products has increased significantly since May 1999. The Commission's proposed increases will facilitate more effective market operations.

We also support the Commission's proposal to retain parity across wheat exchanges. Exchanges that offer different wheat contracts compete vigorously for the business of hedgers, speculators, and professional money managers. Many market users view the wheat contracts as substitutable. Setting disproportionate speculative limits for exchanges could create a structural barrier for smaller exchanges, limiting their future growth opportunities. Parity treatment is also important for customers who trade interclass wheat spreads. Absent parity, these traders could be faced with market distorting asymmetric position regulation. Therefore, the Council supports the Commission's proposed maintenance of parity across wheat exchanges.

The Council further encourages the Commission to continue its review of current policies regarding the administration of speculative position limits. As we previously stated, the Council believes that, ultimately, exchanges should be responsible for setting speculative position limits, subject to the Commission's oversight. By eliminating federal speculative position limits, the Council believes two goals would be accomplished: 1) reduction in duplicative regulatory oversight and 2) greater market transparency.

The current regulatory process requires exchanges to change their rules and then petition the Commission to modify its rules before an increase can be implemented. This duplicative regulatory structure contradicts Core Principle 5(d) of the Commodity Futures Modernization Act, which requires boards of trade to adopt position limits where necessary and appropriate, subject to the oversight of the Commission. Moreover, allowing exchanges to increase speculative position limits would also increase activity in a transparent marketplace and allow exchanges to compete more effectively with over-the-counter markets.

If you have any questions regarding this letter, please contact NGTC President Jula Kinnaird at (202) 842-0400, ext. 100.

Sincerely,

MARK METZGER  
Futures Committee Chairman  
National Grain Trade Council

cc: Randy Linville