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OFFICE OF THE SECRETARIAT

February 24, 2000

### COMMENT

Jean A. Webb, Secretary  
Commodity Futures Trading Commission  
Three Lafayette Centre,  
21<sup>st</sup> Street, NW  
Washington, D.C. 20581

**Received CFTC  
Records Section**

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Fax: (202) 418-5527

**Re: Proposed Revision of the Commission's Procedure on the Review of Contract Market Rules**

Dear Ms. Webb:

The Kansas Livestock Association (KLA) appreciates the opportunity to comment on the proposed changes to the review of contract market rules.

KLA is very concerned with the broad authority this proposal would give exchanges relative to commodity contracts, especially those with physical delivery. Specifically, we must express our skepticism about the potential impact on the Chicago Mercantile Exchange's (CME) Live Cattle Contract.

Over time, KLA has strived for an open exchange of ideas with the CME to improve the contract. There are several examples where beneficial change has occurred. However, we have also taken comfort in the knowledge that CFTC, as sole regulator, was there to ensure that discriminatory or unjust rules would not harm market participants.

While KLA is not an advocate of more regulatory control, we must protest the ability of exchanges themselves to be the sole arbiter and authority of contract rules. We appreciate the need for commodity exchanges to have the agility to react to rapid changes occurring in a "global" futures market. Notwithstanding, we think that flexibility already exists under current CFTC regulation.

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KLA and the National Cattlemen's Beef Association have standing policy against contract changes without input from the cattle industry. This proposal would create a system where the opportunity for reasonable input by all market participants is not assured. We are deeply concerned with the potential for biased or unfair decisions that may benefit vested interests at the expense of legitimate hedgers and those delivering live cattle. The beef industry relies heavily on these instruments to manage risk, and the confidence the marketplace is equitably competitive. In all likelihood, that confidence and balance would be significantly undermined if this proposal were approved.

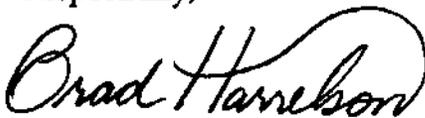
Furthermore, under no circumstance, should any regulatory change be approved that would allow modifications to contracts with open interest. KLA objects to this provision, or any future proposal to change open interest contract rules. Rule changes to existing futures contracts should not go into affect until the opening day of trading of a contract month and thereafter. CFTC has existing and sufficient authority to suspend a rule if it is determined that market participants are being harmed.

It is essential that the cattle industry have efficient, competitive, and reliable opportunities to manage risk in their business. Futures and options are currently among the few viable alternatives. Nonetheless, reasonable unbiased regulatory oversight is essential for the long-term sustainability and protection of all market participants. Therefore, we recommend that CFTC continue to fulfill this obligation and maintain its existing regulatory role.

In conclusion, KLA strongly urges the CFTC to reject the proposed revision of the Commission's procedure for the review of contract market rules for agricultural commodity contracts.

Thank you for your consideration on this important issue.

Respectfully,



Brad Harrelson  
Director of Feedlot Services

BH:s