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CFTC STAFF INTERPRETATIVE
LETTER # 76-11

COMMODITY FUTURES TRADING COMMISSION
2033 K Street, N.W., Washington, D.C. 20581

May 4, 1976

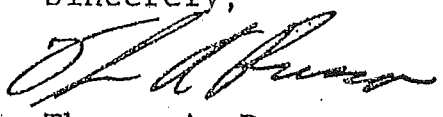
Dear :

This is in response to your letter of April 27, 1976, with which you submitted, pursuant to section 5a(12) of the Commodity Exchange Act ("Act"), proposed amendments to New York Cocoa Exchange, Inc. ("Exchange") Trade Rule 3 relating to daily price limits for cocoa. Trade Rule 3 presently provides that the daily price limit for cocoa is $.02 per pound above or below the previous business day's clearing price or, if no clearing price has been established, from the price of the first transaction. The Exchange proposes to amend Trade Rule 3 by increasing the daily price limits for cocoa from $.02 to $.04 per pound and by limiting cocoa's daily trading range in any contract month to $.04. The Exchange explained in its April 27 letter that the proposed amendment to Trade Rule 3 is in response to recent pressures on prices for cocoa futures traded at both the London Cocoa Terminal Market and the Exchange and is designed as an interim measure until the Exchange submits to the Commission and receives section 5a(12) approval of a variable price limit rule for cocoa.

Because the concept of a daily trading range with varying parameters depending on the lowest or the highest previous price of any contract month on that trading day is a concept unique to the Exchange, it will require further study before the Division can make a recommendation to the Commission respecting approval of the proposal. Nevertheless, the Division will not recommend, for a period of

sixty (60) days, that the Commission institute enforcement action against the Exchange if the Exchange implements the proposed amendment without Commission approval. This should give the Exchange adequate time to adopt a variable limits rule replacing the proposed interim rule.

Sincerely,



Thomas A. Russo
Director
Division of Trading
and Markets