



00-19  
92

RECEIVED  
C.F.T.C.

'00 JUN 30 PM 12 04  
OFFICE OF THE SECRETARIAL

RECEIVED C.F.T.C.  
RECORDS SECTION

'00 JUN 30 PM 12 41

RECEIVED  
C.F.T.C.

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

### COMMENT

June 22, 2000

**RE: Proposed amendments to the CBOT's maximum daily price fluctuation limits**

Dear Ms. Webb:

As the largest general farm organization in Pennsylvania, representing over 28,000 member families, the Pennsylvania Farm Bureau is extremely interested in the marketing of agricultural commodities. Farm Bureau has been particularly interested in and supportive of the use of futures to decrease risk in the agricultural marketplace. Furthermore, Farm Bureau is supportive of daily futures price fluctuation limits, which limit the volatility of the futures market, further reducing risk and keeping margin requirements to a minimum. Lower margin requirements allow for increased access to futures markets. Because of these benefits of daily price fluctuation limits, Farm Bureau is opposed to the Chicago Board of Trade's (CBOT's) proposed amendments to increase the limits by 50%.

It appears that CBOT's motivation for proposing these amendments is not a concern for market security, but rather an unwillingness to make the changes to its electronic trading system (ETS) that will be necessary, once it aligns with Eurex, to accommodate the present limits. Under the current CBOT system, when a contract month has reached the price fluctuation limit, trading on that particular month can continue at that limit. Also, trading on other months that have not reached the limit can continue. However, because the Eurex ETS is not programmed to handle daily price limits, trading on the CBOT/Eurex Alliance system will have to be closed manually when a price limit is reached. Manual closure will close all trading for all contract months when any one month reaches the price limit.

The CBOT has chosen to solve the problem of manual closure by proposing that the price fluctuation limits be increased to levels that will rarely, if ever, be reached. This has the effect of eliminating the price limit system, along with the concurrent market benefits, as discussed above. Like the CBOT, Farm Bureau is concerned about the consequences of a manual closure of trading. However, Farm Bureau believes that the more reasonable solution is an update of the ETS to enable it to handle the current price limit system, rather than the proposed amendments, which would undermine the market security and access that has been achieved to date. Therefore, Farm Bureau recommends that the trading of CBOT contracts on the Eurex platform be delayed until the ETS is able to accommodate the current limits.

Pennsylvania Farm Bureau appreciates the opportunity to comment on this matter. Thank you for your consideration.

Sincerely,

Marel A. Raub, Esq.  
Director of Regulatory Affairs

\\SAMAR\CBOTlimits.wpd