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OFFICE OF THE SECRETARIAT

August 21, 2006

Ms. Eileen Donovan
Acting Secretary
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street NW
Washington, DC 20581

COMMENT

Received CFTC
Records Section
08/28/06

VIA ELECTRONIC MAIL

SUBJECT: Comprehensive Review of the Commitments of Traders Reporting Program

Dear Ms. Donovan:

The Minneapolis Grain Exchange ("MGEX" or "Exchange") would like to take this opportunity to respond to the Commodity Futures Trading Commission's ("CFTC" or "Commission") request for comment on the above referenced matter, published in the June 21, 2006 Federal Register.

The Exchange strongly supports the Commission's proposal to adopt changes to the categorization of the data presented in the Commitments of Traders ("COT") reports. The Exchange recognizes the benefits the COT reports provide to the public. However, the MGEX recommends the categorization be expanded to identify a category of traders as "non-traditional" commercial positions; namely, those participants engaged in non-traditional hedge activity, such as financial hedges. Additionally, the MGEX recommends a new category to include "non-traditional" non-commercial activity; namely, those participants engaged in index fund activity. This non-traditional non-commercial activity should be categorized as either a subcategory of the non-commercial open interest component or as its own freestanding category.

Also, as specifically mentioned by the Commission in the above referenced matter, the decision to consider further changes to the classification system of "commercial vs. non-commercial" appears to be driven by the Commission recognizing it may not have fully realized the potential market reporting needs when the "hedging vs. speculative" categories were changed in 1982. There is an apparent need within the market today to address further changes to the COT reports. The MGEX appreciates the Commission's further consideration of the necessary changes to the COT reports.

Responses to selected specific questions:

3. Do the COT reports, in their current form, provide any particular segment of traders with an unfair advantage?

The MGEX believes there may be a potential unfair advantage to market participants currently classified in the COT reports within the non-commercial category. This category currently blends non-commercial open interest such as index funds with traditional non-commercial open interest. This enables index funds to potentially conceal their positions amongst other market participants within non-commercial activity. Thus, the COT reports may misrepresent or blur open interest positions and unintentionally influence actual market activity such as order flow, market swings or shifts in value, causing market inefficiencies.

4. Should the Commission continue to publish the COT reports?

The MGEX supports the continued publication of the COT reports. However, the MGEX is concerned the current COT reports may not provide sufficient transparency of the underlying open interest to fully assess non-commercial and commercial activity. Specifically, non-traditional hedge positions (financial hedges) are regularly grouped with positions hedging the underlying physical commodity. This can result in similar distortions to those stated in the response to question #3.

5. If the Commission continues to publish the COT reports, should the reports be revised to include additional categories of data – for example, non-traditional commercial positions, such as those held by swap dealers?

The MGEX supports adding a new category of index funds to the current COT reports. Index funds are quickly gaining ground and represent a growing percentage of total volume and open interest at the MGEX. Many index funds are typically long and do not respond to changes in market prices, even significant changes, thus, index funds should be represented and categorized accordingly within the COT reports.

Furthermore, the MGEX believes it would be beneficial to the marketplace to create another additional new category of non-traditional commercials such as swap dealers to further differentiate these positions from traditional commercial positions. The MGEX has become increasingly aware of a steady increase in both the number and level of overall wheat market participants who are actively seeking “bona fide hedging” exemption requests and whose futures positions truly reflect non-traditional commercial risk management strategies. Accordingly, the MGEX supports a new, free-standing category to represent non-traditional commercial open interest. This change in categorization will allow for further transparency within futures and options markets.

6. As a general matter, would creating a separate category in the COT report for “non-traditional” commercials potentially put swap dealers or other non-traditional commercials at a competitive disadvantage? (since other participants would generally know their positions are usually long, are concentrated in a single month, and are typically rolled to a deferred month on a specific schedule before the spot month)?

The MGEX does not believe creating a separate non-traditional commercial category in the COT reports would put such participants at a competitive disadvantage. The MGEX recognizes the need for accurate separation of commercial and non-commercial positions. However, the current long form version of the COT reports include the categorization of “old and other” futures within total open interest, providing protection for position holders. Further, the COT reports, even today, do not indicate when market participants roll their positions from one month to the next.

8. If the data in the reports are subject to further and finer distinctions, should the reports be revised for all commodities, or only for those physical commodity markets in which non-traditional commercials participate?

The MGEX flagship Hard Red Spring Wheat futures contract has a valid delivery process and cash market. As such, the MGEX can only speak to the benefits of incorporating the stated changes within a physical commodity market and the MGEX believes the changes would be beneficial to our market participants. However, the MGEX believes all grain markets should be treated consistently.

10. The Commission has observed that the non-traditional commercials tend to be long only and tend not to shift their futures positions dramatically-even in the face of substantial price movements. If the data in the COT reports are subject to further, and finer, distinctions, would issuing the additional data on a periodic basis, in the form of a quarterly or monthly supplement, be sufficient?

The MGEX is supportive of the current timing in the issuance of the COT reports to remain the same. To do otherwise would create an undue burden with separate reporting requirements to those respective market participants.

11. Some reportable traders engage in both traditional (physical) and non-traditional (financial) commercial activity in the same commodity market. If the data in the COT reports are made subject to further, and finer, distinctions, such traders would have to break out their non-traditional commercial OTC hedging activity into a separate account. Would such a requirement represent an undue burden to those traders?

The MGEX believes the benefits to the marketplace gained with the proposed enhanced reporting requirements would outweigh the cause for concern of any potential unforeseen burden.

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Finally, the MGEX supports the continued publication of the COT reports and recognizes the benefits which are provided to the public. As market conditions and participants change, it is only appropriate for the COT reports to follow suit.

The Exchange thanks the Commission for the opportunity to provide comments regarding the COT reports. If there are any questions regarding these comments, please contact me at (612) 321-7190. Thank you for your attention to this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "S Sullivan", written in a cursive style.

Sandra S. Sullivan
Director, Market Regulation