August 1, 2014

Melissa D. Jurgens
Secretary of the Commission
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

Via Online Submission

SUBJECT: RIN 3038-AD99 Position Limits for Derivatives

Dear Secretary Jurgens:

The Minneapolis Grain Exchange, Inc. ("MGEX" or "Exchange") would like to thank the Commodity Futures Trading Commission ("CFTC" or "Commission") for reopening the public comment period on the above referenced Notice of Proposed Rulemaking entitled "Position Limits for Derivatives" published in the December 12, 2013 Federal Register Vol. 78 No. 239 ("Proposed Rule"), and for holding the June 19, 2014 CFTC Staff Roundtable on Position Limits ("Roundtable"). Our comments in this letter surround the issues addressed by panelists during the Roundtable, and further serve to supplement the two previous comment letters submitted by MGEX on this topic.[1]

MGEX is both a Designated Contract Market ("DCM") and a Derivatives Clearing Organization ("DCO") and is the principle market for Hard Red Spring Wheat ("HRSW"), one of the core referenced contracts affected by the Proposed Rule.

The primary function of the wheat futures markets is to allow market participants to utilize a reliable tool for price discovery and risk management purposes. While the market has evolved over more than one hundred years, it has been continuously successful in allowing users to access these key market functions.

The origin of speculative position limits extends back to 1936, when Congress amended the Commodity Exchange Act to set limits on trading "as the commission finds necessary to diminish, eliminate, or prevent" excessive speculation. Two years later the Commodity Exchange Commission ("CEC"), predecessor to the CFTC, implemented position limits in wheat and other agricultural commodities. The CEC never established speculative position limits for many agricultural commodities subject to its jurisdiction. Instead, the exchanges, under their own authority, established additional speculative position limits. Then in 1981, the CFTC required exchanges, not the Commission, to establish position limits for all commodities not already subject to Federal limits. Both the CEC and the CFTC recognized that the exchanges, as experts in the

[1] Please see MGEX public comment letters dated March 28, 2011 and February 10, 2014.

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industry, were in the best position to establish proper position limits to achieve the goals of the Commodity Exchange Act. Today, the exchanges or DCMs are still the best evaluators and assessors of proper position limits and the current Commission would be well served by deferring to their expertise in this area. Even the drafters of Core Principle 5 for DCMs recognized the DCMs knowledge when choosing language for the Regulation which requires that a "board of trade shall adopt (spot-month) position limitations or position accountability for speculators, where necessary and appropriate."[2]

The limits implemented in 1938 were equivalent in all three wheat markets; MGEX HRSW, Kansas City Board of Trade hard red winter wheat ("HRW"), and the Chicago Board of Trade soft red winter wheat ("SRW"). While the limits may have changed over the years, this equivalence, or "parity", of position limits among the three contracts has remained. Parity among the wheat contracts has served the markets well in that it makes cross-hedging and spread trading easy to utilize as legitimate risk management tools.

It is counterintuitive that in the text of the Proposed Rule, the wheat class with the largest crop in North America, HRSW, has the lowest proposed non-spot month position limit at 3,300 contracts, while a wheat class with one of the smaller production numbers, SRW, has the largest proposed position limit at 16,200.[3] This proposed disparity in wheat position limits, particularly in non-spot months, means that both hedgers and speculators may have to limit their activity, particularly spread trading activity, to the market with the lowest limits to ensure they don't violate the position limits. Alternatively, hedgers and speculators may choose to simply avoid trading the markets with the lower limits altogether. Either result will not be good for the marketplace and could well be the unintended consequence of the Proposed Rule.

Absent a thorough analysis that the Federal limits should be changed in order to best serve the marketplace, and that making a change would do no harm to the marketplace, position limit equivalence among the wheat contracts should be maintained. The lack of any measurable improvement in convergence, best pricing, risk mitigation or price discovery further support this view. The value and certainty that parity presents to the marketplace has been proven historically effective and efficient for all wheat contracts. Without this parity, inequities would be introduced into the marketplace that could well result in artificial market disruption through a lack of convergence, distorting the market and bringing no value to the price discovery process.

Thanks again for the opportunity to comment, and please feel free to contact MGEX with any questions.

Regards,

Athena R. Elias
Associate Corporate Counsel

[2] Currently, all three domestic wheat contracts have the same spot month position limit of 600 contracts.
[3] Currently, all three domestic wheat contracts have the same non-spot month position limit of 12,000 contracts.