

**U.S. COMMODITY FUTURES TRADING COMMISSION**

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RECORDS SECTION



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Mr. Paul J. Draths  
Vice President and Secretary  
Chicago Board of Trade  
141 West Jackson Boulevard  
Chicago, Illinois 60604-2994

Re: Proposed Amendments to the Chicago Board of Trade rough rice futures contract including modifications to Regulations 3701.01 and 3702.01 that will place a limit on the number of stained and light stained kernels permitted in deliverable rice and prohibit delivery of rice containing heat-damaged kernels. (Exchange Reference File #1969.01.)

Dear Mr. Draths:

In correspondence dated October 28, 1999, the Chicago Board of Trade (CBT) submitted the subject proposed amendments to the CBT's rough rice futures contract. The proposed amendments were submitted for Commission approval pursuant to Section 5a(a)(12)(A) of the Commodity Exchange Act and the Fast Track provisions of Commission Regulation 1.41(b). The Division of Economic Analysis, in a letter dated December 16, 1999, notified the CBT that it had determined to extend the 45-day Fast Track review period by 30 days (through January 18, 1999).

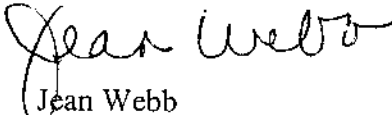
The proposed amendments will change the contract standards for deliverable rice. Under the amended specifications, deliverable rough rice must meet all of the standards for No. 2 long grain rough rice: provided that the number of stained and light stained kernels in a 500-gram sample will be limited to 10 kernels of which no more than five kernels may be stained, and no heat-damaged kernels will be permitted. Warehousemen will be required to certify on the receipts that they issue and register for delivery in satisfaction of rough rice futures contracts that the rice represented by the receipts meets CBT delivery requirements.

The CBT intends to make the proposed amendments effective with respect to all newly listed contract months following Commission approval. The Exchange has indicated that it

intends to implement the proposed amendments commencing with the September 2000 contract month.

Acting pursuant to Section 5a(a)(12) of the Act, the Commission hereby approves the proposed regulations and implementation plan. In acting to approve the amendments, the Commission notes that concerns have been raised relating to a reduction in the level of deliverable supplies available for the futures contract and the potential that the revised standards may increase the risk that rough rice tendered for delivery may be found not to comply with the revised standards thereby materially inhibiting the willingness of deliverers to make delivery on the futures contract. In view of these concerns, the Commission expects the CBT to closely monitor trading in the amended futures contract to insure that deliverable supplies are adequate to minimize the susceptibility of the contract to manipulation and price distortion. Also, the Exchange should continue to work with the Federal Grain Inspection Service of the U.S. Department of Agriculture to ensure that the inspection process does not create any impediments to delivery. Finally, the CBT should consider appropriate amendments to the contract's terms, including reduced spot month speculative position limits or revised quality specifications (including quality price differentials) if these amendments appear to result in a reduced deliverable supply or an increased susceptibility of the contract to price manipulation or congestion in the delivery process.

Sincerely,

  
Jean Webb  
Secretary of the Commission