

November 12, 2003

Ms. Jean A. Webb
Secretary
Commodity Futures Trading Commission
Three Lafayette Center
1155 21st Street, N.W.
Washington, D.C. 20581

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Rule Certification

Dear Ms. Webb:

Pursuant to Commission Regulation 40.6, the Chicago Board of Trade (CBOT[®]) hereby submits the following:

- **Amendments to Regulations 431.02, 431.03, 431.03A, 431.05 and 431.06 per the attached texts (additions underlined; deletions bracketed).**

In connection with the Chicago Mercantile Exchange (CME)/CBOT Clearing Link, the referenced amendments will update and simplify the CBOT's rulebook format for specifying minimum margin requirements, consistent with the format currently used by CME. (i.e., The regulations will continue to provide that the Exchange will determine applicable margin rates, but the regulations themselves no longer will include lists of the specific rates for each particular contract and spread.) The CBOT will continue to publish, in the Notice form, all established margin rates and any margin changes for the information of market participants.

The CBOT intends to implement these amendments no sooner than one day after the Commission's receipt of this filing.

There were no opposing views among the CBOT's Board of Directors concerning these amendments.

The CBOT certifies that these provisions comply with the Commodity Exchange Act and the rules thereunder.

Sincerely,

Paul J. Draths
Vice President and Secretary

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Additions are underlined; Deletions are bracketed.

431.02 Margin Requirements - Margin requirements shall at all times be those requirements currently in effect. Changes in margin requirements shall be effective on all transactions.

* * * *

9. When a correspondent member's account with the [C]clearing [House] member consists of trades which are spreading trades, such account may be carried as a spreading account by the clearing member.

* * * *

431.03 Margin on Futures -

[(1) MAINTENANCE AND INITIAL MARGINS. Other than Hedging or Spreading.] Under the provisions of Rule 431.00, the Exchange [hereby] shall from time to time, [fixes] determine the [following] minimum [maintenance and] initial and maintenance margins for futures transactions, [other than] including hedging and spreading transactions[:].

[* * * *][Remove table.]

[(2) HEDGING MARGINS. Subject to the provisions of Paragraphs 8, 9,10 and 11 of Regulation 431.02, minimum initial and maintenance hedging margins on all commitments in futures shall be as follows:]

* * * * [Remove table.]

[(3) SPREADING MARGINS. [The minimum maintenance margin of spreading transactions shall be as follows:

Intra-market spreads (involving the same commodity) where both sides of the transaction are carried on the books of one member firm shall be margined to the market, except for the following commodities which will be margined as indicated:]

* * * * [Remove table.]

[Inter-market spreads where both sides of the transaction are carried on the books of one member firm shall be as follows (See paragraph (1) for initial margin mark-up percentage):]

* * * * [Remove table.]

[For the purpose of this paragraph, a crush spread is a position of 5,000 bushels of soybeans against one contract of soybean meal and one contract of soybean oil or a ratio of contracts that conforms to generally accepted soybean processor crush relationships. The number of crush spreads is limited to the net positions within any of the commodities.]

[(4) INTER-MARKET SPREADS. Inter-market spreads (involving the same commodity) where both sides of the transaction are carried on the books of one member firm shall be margined on the Chicago Board of Trade side as follows (SPAN- does not currently recognize inter-market spreads):]

* * * * [Remove table.]

[(5) INTER-MARKET SPREADS FOR CBOT AND MIDAM CONTRACTS

(a) Customers

For purposes of Regulations 431.03 and 431.05, any spread or other recognized strategy specified therein may consist of a combination of positions in Chicago Board of Trade and MidAmerica Commodity Exchange (MidAm) contracts, provided that each MidAm position in such a combination is equivalent in size, and is in the same commodity, as is specified with respect to a Chicago Board of Trade position.

(b) Non-Clearing Members

For purposes of Regulations 431.01, 431.03 and 431.06, any spread or other recognized strategy specified therein may consist of a combination of positions in Chicago Board of Trade and MidAmerica Commodity Exchange (MidAm) contracts, provided that each MidAm position in such a combination:

- is equivalent in size, and is in the same commodity, as is specified with respect to a Chicago Board of Trade position;
- and
- is in a contract in which the non-clearing member has MidAm membership privileges.]

[431.03A Margins - Spreads involving soybeans versus only crude soybean oil or only soybean meal or spreads involving crude soybean oil versus soybean meal do not meet the requirements of Paragraph 4(a) of Regulation 431.03 and, therefore, do not qualify for margins on one side only.]

431.05 Margin on Options - Under the provisions of Rule 431.00, the [Board] Exchange hereby establishes that minimum margins for option transactions will be determined by the *Standard Portfolio Analysis of Risk- (SPAN-) margin calculations, or as otherwise determined by the Exchange.

[Maintenance margin will equal the maximum of:

- (a) Market Risk Margin calculation
- (b) Extreme Market Risk calculation
- (c) Gross Short Option calculation
- (d) Initial margins for each commodity are identified in Regulations 431.03(1), (2) and (3).]

For all long option positions, premium must be paid in full when the position is initiated. [See Regulations 1305.01, 2705.01, 2805.01, 2905.01, 3005.01, 3105.01, 3205.01, 3305.01, 3505.01, 3605.01, 4405.01, 4605.01, 5005.01, 5205.01 and 5805.01.]

[The values of the following policy variables will be determined by the Board of Directors:

- 1. Normal range of futures price changes.
- 2. Normal range of implied volatility changes.
- 3. Intermonth spread margin for determining intermonth spread risk.
- 4. Extreme range of futures price changes.
- 5. Backup margin collection ratio for the Extreme calculation.
- 6. Gross short option assessment level.]

431.06 Margin on Options - Non-Clearing Members - A non-clearing member who makes his own option trades or who on the Floor gives his orders for option trades which are exclusively for his account shall be subject solely to the provisions of the *Standard Portfolio Analysis of Risk- margin (SPAN-).

[Maintenance margin will equal the maximum of:

- (a) Market Risk Margin calculation.
- (b) Extreme Market Risk calculation.
- (c) Gross Short option calculation.]

For all long option positions premium must be paid in full when the position is initiated. [See Regulations 1305.01, 2705.01, 2805.01, 2905.01, 3005.01, 3105.01, 3205.01, 3305.01, 3505.01, 3605.01, 4405.01, 4605.01, 5005.01, 5205.01 and 5805.01.]

*"SPAN-" and "Standard Portfolio Analysis of Risk-" are trademarks of the Chicago Mercantile Exchange. The Chicago Mercantile Exchange assumes no liability in connection with the use of SPAN by any person or entity.

[B. Inter-Market Option Spreads - (See 431.03) section 5]