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OFC. OF THE SECRETARIAT

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

Reference File # 2699.02
Rule Certification

Dear Ms. Donovan:

By letter dated July 20, 2006 (Reference File #2699.01), the Chicago Board of Trade (CBOT®) submitted, pursuant to Commission Regulation 40.6(a), regulation changes with respect to CBOT Denatured Fuel Ethanol futures. The amendments included revisions to CBOT Regulations 1609.01 and 1690.01 to change the last trading day and load-out provisions for Ethanol futures. The CBOT indicated its intention to implement these changes beginning with the September 2006 Ethanol contract.

Based on subsequent discussions between Commission staff and CBOT staff, the CBOT is supplementing its initial filing in this regard. The following provides further background concerning industry support for the referenced contract changes.

An Ethanol Industry Meeting was held on June 5, 2006 at the CBOT to discuss the performance of the CBOT Ethanol futures contract. The meeting was attended by over 40 participants from 26 firms representing all facets of the ethanol industry on both the buy and sell sides of the market.

The meeting was held to address issues raised from both the buy and sell sides of the market. The buy side dislikes when physical delivery occurs in the month following the delivery month. The buy side would like assurances, or at least a high probability, that deliveries will occur in the delivery month. The sell side dislikes the time constraints required to deliver ethanol to Chicago. Rail delays can be detrimental to sellers making their delivery commitments.

Proposals to move the last trading day from the business day prior to the 15th calendar day to the 3rd business day of the delivery month, and to require shippers to load out all cancelled certificates within 17 days regardless of whether the ethanol is being shipped to Chicago or to the buyer's destination, were unanimously supported at the meeting. Moving the last trading day forward in the delivery month provides buyers more assurance of receiving physical ethanol in the delivery month if they cancel their outstanding certificates soon after delivery. Giving shippers a fixed load-out period takes away the risk of delivery default due to delays on the railroad over which the shipper has no control.

As mentioned above, both of these changes were supported unanimously at the meeting because they lower risk for both buyers and sellers. Additionally, the meeting attendees recommended implementation as soon as possible. The topic of implementing the changes on contracts with open interest was discussed. Given the current market price curve, the attendees thought that any impacts on price would be negligible. The attendees recommended the CBOT be aggressive in implementing these changes and work with the CFTC to get implementation as soon as possible.

All meeting attendees were given an opportunity to respond in confidence to the meeting outcome and the proposed changes. Only one seller has voiced a concern over implementation with the September 2006 contract. This seller supports the changes, but complained over the logistics of loading out the August contract and having to go directly into delivery of the September contract. That said, this seller has not brought up any issues over these changes affecting prices, only a logistical concern that would have to be faced whenever the changes are implemented. In addition, CBOT staff contacted individually the market participants known to have a history of trading the ethanol contract to ensure that September 2006 implementation was agreeable. All recommended September 2006 implementation.

Given the strong market support for these changes to be implemented as soon as possible, CBOT believes any costs that might occur because of price effects are more than compensated for by the benefits of an improved contract that lowers risk for both buyers and sellers.

Any additional questions in this regard may be directed to Fred Seamon in the Business Development Department (telephone 312-347-3808).

Sincerely,

Paul J. Draths
Vice President and Secretary

cc: Thomas M. Leahy, Jr. – Division of Market Oversight