

January 22, 2014

**VIA E-MAIL**

Ms. Melissa Jurgens  
Office of the Secretariat  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21st Street, N.W.  
Washington, DC 20581

**Re: CFTC Regulation 40.2(a) Certification. New Product Listing  
of KC HRW Wheat Calendar Spread Options  
CBOT Submission # 14-031**

Dear Ms. Jurgens:

The Board of Trade of the City of Chicago, Inc. (“CBOT” or the “Exchange”) is notifying the Commodity Futures Trading Commission (“CFTC” or “Commission”) that it is self-certifying the listing of KC HRW Wheat Calendar Spread Options (Rulebook chapter 14M) for CME Globex electronic trading and for trading on the CBOT trading floor on Sunday, January 26, 2014 for trade date Monday, January 27, 2014.

Calendar Spread Options allow market participants to trade calendar spreads with a single transaction, rather than buying and selling individual options in separate delivery months. They provide hedgers with an effective tool for hedging inventory risks or carrying charges arising from declining spreads, and offer traders an efficient way to take views on price spreads between different delivery months. Calendar Spread Options are sensitive to the value and volatility of the spread itself, rather than the price of the underlying commodity. They are more efficient than combining options on two different months in an effort to replicate the spread, and provide a better risk management device for hedgers and market participants exposed to calendar spread risks.

The KC HRW Wheat Calendar Spread Options will have the same contract specifications – European-style exercise, strike price ranges, strike price increments, minimum premium increments, price limits, position limits, trading hours, venues, last trade date, daily and final settlement – as the existing CBOT SRW Wheat Calendar Spread Options. The Exchange will list KC HRW Wheat Calendar Spread Options on the following spreads: the nearby five (5) consecutive futures calendar spreads (Floor Code: K7C; Globex Code: KZC); the nearest March-July futures spread (Floor Code: KC3; Globex Code: CK3); the nearest July-December futures spread (Floor Code: CKM; Globex Code: KCR); the nearest December-July futures spread (Floor Code: CK6; Globex Code: KC6); the nearest July-July (1 year) futures spread (Floor Code: CKN; Globex Code: 12K); and the nearest December-December (1 year) futures spread (Floor Code: KCZ; Globex Code: CKZ). For consecutive combinations, when the first one expires, a new one will be listed on the following business day. For each non-consecutive combination, when the combination for the current cycle expires, the same combination for the next cycle will be listed on the following business day. Detailed contract specifications are attached (see Appendix B).

The Exchange is also notifying the CFTC that it is self-certifying the insertion of the terms and conditions for the new futures contracts into the Position Limit, Position Accountability and Reportable Level Table

and Header Notes located in the Interpretations and Special Notices Section of Chapter 5 of the CBOT Rulebook in relation to the listing of the contracts. (See Appendix D: Position Limit, Position Accountability, and Reportable Level Table in Chapter 5 of the CBOT Rulebook (attached under separate cover)).

In addition, the Exchange is self-certifying the insertion of the non-reviewable ranges (“NRR”) for the futures contracts into Rule 588.H. (See Appendix E: Rule 588.H – Non-reviewable Range Table).

The Exchange business staff and the legal department collectively reviewed the designated contract market core principles (“Core Principles”) as set forth in the Commodity Exchange Act (“CEA”). During the review, the Exchange staff identified that the proposed changes may impact the following Core Principles:

- Compliance with Rules – Trading in these contracts will be subject to the rules in Rulebook Chapter 4 which includes prohibitions against fraudulent, noncompetitive, unfair and abusive practices. Additionally, trading in these contracts will also be subject to the full range of trade practice rules, the majority of which are contained in Chapter 5 and Chapter 8 of the Rulebook. As with all products listed for trading on one of CME Group’s designated contract markets, activity in the new products will be subject to extensive monitoring and surveillance by CME Group’s Market Regulation Department. The Market Regulation Department has the authority to exercise its investigatory and enforcement power where potential rule violations are identified.
- Contracts not Readily Susceptible to Manipulation – The new products are not readily susceptible to manipulation due to the deep liquidity and robustness in the underlying futures market, which provides diverse participation and sufficient transactions to support the final settlement.
- Prevention of Market Disruption – Trading in these contracts will be subject to Rulebook Chapters 4 and 14H which include prohibitions on manipulation, price distortion and disruptions of the delivery or cash-settlement process. As with all products listed for trading on one of CME Group’s designated contract markets, activity in the new products will be subject to extensive monitoring and surveillance by CME Group’s Market Regulation Department.
- Position Limitations or Accountability – The contract specifications establish speculative position limits at the same level as specified for existing KC HRW options contracts. In addition, positions in this new product will be aggregated with positions in their respective existing options contracts and the underlying KC HRW Wheat futures contracts to ensure compliance with CFTC and/or Exchange speculative limits.
- Availability of General Information – The Exchange will publish information on the KC HRW Wheat Calendar Spread Options’ terms and conditions, trading rules and specifications on its website.
- Daily Publication of Trading Information – Trading volume, open interest, and price information for the KC HRW Calendar Spread Options will be published daily on the CME Group website.
- Execution of Transactions – This product will be listed on the CBOT trading floor and CME Globex and will meet CFTC Execution requirements. This product is also listed on CME ClearPort so any similar OTC products can be exchanged for Exchange positions. The CBOT trading floor is available as a venue to provide for competitive and open execution of transactions. The CME Globex electronic trading platform provides for a competitive and open execution of transactions due to its advanced functionality, high reliability and global connectivity. The CME ClearPort platform provides a competitive, open and efficient mechanism for novating transactions that are competitively executed by brokers.
- Trade Information – Trade information for this product will be collected and maintained in the same way as for other exchange-traded futures and options contracts. All required trade information is included in the audit trail and is sufficient for the Market Regulation Department to monitor for market abuse.
- Financial Integrity of Contracts – All contracts traded on the Exchange will be cleared by the CME Clearing House which is a registered derivatives clearing organization with the Commission and is subject to all Commission regulations related thereto.

- Protection of Market Participants – Rulebook Chapters 4 and 5 contain multiple prohibitions precluding intermediaries from disadvantaging their customers. These rules apply to trading on all of the Exchange's competitive trading venues and will be applicable to transactions in this product.
- Disciplinary Procedures – Chapter 4 of the Rulebook contains provisions that allow the Exchange to discipline, suspend or expel members or market participants that violate the rules. Trading in this contract will be subject to Chapter 4, and the Market Regulation Department has the authority to exercise its enforcement power in the event rule violations in this product are identified.
- Dispute Resolution – Disputes with respect to trading in this contract will be subject to the arbitration provisions set forth in Chapter 6 of the Rulebook. The rules in Chapter 6 allow all nonmembers to submit a claim for financial losses resulting from transactions on the Exchange to arbitration. A member named as a respondent in a claim submitted by a nonmember is required to participate in the arbitration pursuant to the rules in Chapter 6. Additionally, the Exchange requires that members resolve all disputes concerning transactions on the Exchange via arbitration.

Pursuant to Section 5c(c) of the Act and CFTC Regulation 40.2, the Exchange hereby certifies that the attached contracts comply with the Act, including regulations under the Act. There were no substantive opposing views to this proposal. A description of the cash markets for these new products is attached (See Appendix F: Cash Market Overview and Analysis of Deliverable Supply).

The Exchange certifies that these contract terms and conditions comply with the CEA and regulations thereunder. The Exchange certifies that this submission has been concurrently posted on the CME Group website at <http://www.cmegroup.com/market-regulation/rule-filings.html>. The Exchange is not aware of any substantive opposing views to this proposal.

If you require any additional information regarding this action, please contact me at 212-299-2200, or John McKinlay at 312-930-3028 or [JohnMcKinlay@cmegroup.com](mailto:JohnMcKinlay@cmegroup.com), and reference CBOT Submission 14-031 in any related correspondence.

Sincerely,

/s/ Christopher Bowen  
 Managing Director and Chief Regulatory Counsel

Attachments: Appendix A: CBOT Rulebook Chapter 14M  
 Appendix B: Contract Specifications  
 Appendix C: Fee Schedule  
 Appendix D: Position Limit, Position Accountability and Reportable Level Table at the end of CBOT Rule Chapter 5 (attached under separate cover)  
 Appendix E: Rule 588.H - Non-Reviewable Range Table  
 Appendix F: Cash Market Overview and Analysis of Deliverable Supply

## **Appendix A: Rulebook Chapter**

(The proposed rule changes are attached with additions underlined and deletions ~~overstruck~~)

### **Chapter 14M**

#### **KC HRW Wheat Calendar Spread Options**

##### **14M00. SCOPE OF CHAPTER**

This chapter is limited in application to put and call options on KC HRW Wheat Futures Calendar Spreads. In addition to the rules of this chapter, transactions in KC HRW Wheat Calendar Spread Options shall be subject to the general rules of the Exchange insofar as applicable.

##### **14M01. OPTIONS CHARACTERISTICS**

###### **14M01.A. Contract Months**

Trading in KC HRW Wheat Calendar Spread options may be scheduled in such months as determined by the Exchange.

###### **14M01.B. Trading Unit**

One KC HRW Wheat Calendar Spread Option reflects one (1) KC HRW Wheat futures contract of a specified nearby contract month, and one opposing KC HRW Wheat futures contract of a specified deferred contract month on the Board of Trade of the City of Chicago, Inc.

The Calendar Spread is calculated in cents/bushel as:

Nearby futures price in cents/bushel – Deferred futures price in cents/bushel.

###### **14M01.C. Minimum Fluctuations**

The premium for KC HRW Wheat Calendar Spread options shall be in multiples of one eighth (1/8) of one cent per bushel, or six dollars and twenty five cents (\$6.25) per contract.

However, a position may be initiated or liquidated in KC HRW Wheat Calendar Spread options at premiums ranging from \$1.00 to \$6.00, in \$1.00 increments per option contract.

###### **14M01.D. Trading Hours**

The hours for trading of KC HRW Wheat Calendar Spread options contracts shall be determined by the Exchange. KC HRW Wheat Calendar Spread options shall be opened and closed for all months and strike prices simultaneously.

On the last day of trading in an expiring option, the expiring Calendar Spread options shall be closed with a public call, made strike price by strike price, immediately following the close of the open outcry trading session for the corresponding futures contracts.

###### **14M01.E. Exercise Prices**

Trading shall be conducted for put and call options on futures calendar spreads consisting of the nearby futures month and the next available futures month with strike prices in integral multiples of one cent per bushel per Calendar Spread option contract. Trading shall be conducted for put and call options on futures calendar spreads consisting of the nearby futures month and a futures month beyond the next available futures month with strike prices in integral multiples of five cents per bushel per Calendar Spread option contract. At the commencement of trading for such option contracts, the following strike prices shall be listed: one with a strike price closest to the previous day's Calendar Spread price settlement; the next ten consecutive higher and the next ten consecutive lower strike prices closest to the previous day's Calendar Spread price settlement. If the previous day's settlement price is midway between two strike prices, the closest price shall be the larger of the two. When a sale in the underlying Calendar Spread occurs at a price greater than or equal to the tenth largest strike price, a new strike price one increment higher than the existing strike prices will be added. When a sale in the underlying Calendar Spread occurs at a price less than or equal to the tenth smallest strike price, a new strike price one increment lower than the existing strike prices will be added. When a new strike price is added for an

option contract month, the same strike price will be added to all option contract months for which that strike price is not already listed. All new strike prices will be added prior to the opening of trading on the following business day.

All strikes will be listed prior to the opening of trading on the following business day. Upon demand and at the discretion of the Exchange, new out-of-current-range strike prices at regularly defined intervals may be added for trading on as soon as possible basis. The Exchange may modify the procedures for the introduction of strikes as it deems appropriate in order to respond to market conditions.

#### **14M01.F. Position Limits, Exemptions, Position Accountability and Reportable Levels**

The applicable position limits and/or accountability levels, in addition to the reportable levels, are set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5. A Person seeking an exemption from position limits for bona fide commercial purposes shall apply to the Market Regulation Department on forms provided by the Exchange, and the Market Regulation Department may grant qualified exemptions in its sole discretion. Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.

#### **14M01.G. Reserved**

#### **14M01.H. Nature of Options on the Calendar Spreads**

The buyer of one KC HRW Wheat Calendar Spread put option may exercise his option only upon option expiration, (subject to Rule 14M02.A), to assume a short position of one futures contract of a nearby specified contract month, and a long position in one futures contract of a deferred specified contract month at a combination of prices such that the Calendar Spread equals the strike price set at the time the option was purchased.

The seller of one KC HRW Wheat Calendar Spread put option incurs the obligation of assuming a long position one futures contract of a nearby specified contract month, and a short position of one futures contract of a deferred specified contract month at a combination of prices such that the Calendar Spread equals the strike price set at the time the option was sold, upon exercise by a put option buyer.

The buyer of one KC HRW Wheat Calendar Spread call option may exercise his option only upon option expiration, (subject to Rule 14M02.A), to assume a long position of one futures contract of a nearby specified contract month, and a short position of one futures contract of a deferred specified contract month at a combination of prices such that the Calendar Spread equals the strike price set at the time the option was purchased.

The seller of one KC HRW Wheat Calendar Spread call option incurs the obligation of assuming a short position of one futures contract of a nearby specified contract month and a long position of one futures contract of a deferred specified contract month at a combination of prices such that the Calendar Spread equals the strike price set at the time the option was sold, upon exercise by a call option buyer.

#### **14M01.I. Termination of Trading**

Subject to the provisions of rule 14M01.D no trades in KC HRW Wheat Calendar Spread options expiring in the current month shall be made after the close of trading of the open outcry trading session on the day identical to the expiration of options corresponding to KC HRW Wheat Futures. Therefore, expiration will occur on the last Friday which precedes by at least two business days, the last business day of the month preceding that earliest expiring corresponding option month. If such Friday is not a business day, the last day of trading shall be the business day prior to such Friday. For example, the March-May KC HRW Wheat Calendar Spread Option (March Wheat minus May Wheat) will expire on the last Friday which precedes by at least two business days the last business day of February; the December-July KC HRW Wheat Calendar Spread Option (December Wheat minus July Wheat) will expire on the last Friday which precedes by at least two business days the last business day of November.

#### **14M01.J. Contract Modification**

Specifications shall be fixed as of the first day of trading of a contract except that all options must conform to government regulations in force at the time of exercise. If the U.S. government, an agency, or duly constituted body thereof issues an order, ruling, directive, or law inconsistent with these rules, such order,

ruling, directive, or law shall be construed to become part of the rules and all open and new options contracts shall be subject to such government orders.

#### **14M02. EXERCISE AND ASSIGNMENT**

In addition to the applicable procedures and requirements of Chapter 7 and Chapter 14H, the following shall apply to the exercise and assignment of KC HRW Wheat Calendar Spread Options.

##### **14M02.A. Exercise of Option**

The buyer of a KC HRW Wheat Calendar Spread option may exercise the option only on the business day such option expires by giving notice of exercise to the Clearing House by 6:00 p.m. Chicago time, or by such other time designated by the Exchange, on such day. In-the-money options that have not been liquidated or exercised on the last day of trading in such option shall be automatically exercised in the absence of contrary instructions delivered to the Clearing House by 6:00 p.m. Chicago time, or by such other time designated by the Exchange, on the last day of trading by the clearing member representing the option buyer.

The KC HRW Wheat Calendar Spread is calculated using final settlement values for the underlying contracts in the following formula: (Settlement Price of specified nearby KC HRW Wheat futures) – (Settlement Price of specified deferred KC HRW Wheat futures). An option is in-the-money if the settlement price of the underlying Calendar Spread is greater in the case of a call, or less in the case of a put, than the exercise price of the option.

##### **14M02.B. Assignment**

Exercise notices accepted by the Clearing House shall be assigned through a process of random selection to clearing members' open short positions in the same series. A clearing member to which an exercise notice is assigned shall be notified of the assignment as soon as practicable after such notice is assigned by the Clearing House.

Upon the exercise of a KC HRW Wheat Calendar Spread option the Clearing House assigns prices to the legs of the KC HRW Wheat Calendar Spread in the following manner:

- a. assigned nearby KC HRW Wheat Futures price equals the KC HRW Wheat Futures settlement price on the day of exercise,
- b. assigned deferred KC HRW Wheat Futures price equals the nearby KC HRW Wheat Futures settlement price on the day of exercise minus the strike value of the option,

All such futures positions shall be marked to market in accordance with Rule 814 on the trading day of acceptance by the Clearing House of the exercise notice.

#### **14M03. [RESERVED]**

#### **14M04. CORRECTIONS TO OPTIONS EXERCISES**

Corrections to option exercises, including automatic exercises, may be accepted by the Clearing House after the 6:00 p.m. deadline and up to the beginning of final option expiration processing provided that such corrections are necessary due to: (1) a bona fide clerical error, (2) an un-reconciled Exchange option transaction(s), or (3) an extraordinary circumstance where the clearing firm and customer are unable to communicate final option exercise instructions prior to the deadline. The decision as to whether a correction is acceptable will be made by the President of the Clearing House, or the President's designee, and such decision will be final.

#### **14M05. OPTION PREMIUM FLUCTUATION LIMITS**

Trading is prohibited during any day except for the last day of trading in a KC HRW Wheat Calendar Spread option at a premium of more than the sum of the trading limits for the underlying KC HRW Wheat futures contracts above and below the previous day's settlement premium for that option as determined by the Clearing House.

**14M06. PAYMENT OF OPTION PREMIUM**

The option premium must be paid in full by each clearing member to the Clearing House and by each option customer to his futures commission merchant at the time that the option is purchased, or within a reasonable time after the option is purchased.

**Appendix B: Contract Specifications**

**KC HRW Wheat Calendar Spread Options: Consecutive**

Contract Size

One long KC HRW Wheat futures contract (of a specified month) consisting of 5,000 bushels, and one short KC HRW Wheat futures contract (of a differing specified month) consisting of 5,000 Bushels.

Tick Size (Minimum Fluctuation)	1/8 of one cent per bushel (\$6.25 per contract)	
Pricing Basis	The price basis shall be defined as the specified nearby KC HRW Wheat futures contract month price minus the specified deferred KC HRW Wheat futures contract month price.	
Strike Price Intervals	Trading shall be conducted for put and call options on futures calendar spreads consisting of the nearby futures month and the next available futures month (nearby spreads) with strike prices in integral multiples of one cent per bushel per Calendar Spread option contract. Trading shall be conducted for put and call options on futures calendar spreads consisting of the nearby futures month and a futures month beyond the next available futures month (longer dated spreads) with strike prices in integral multiples of five cents per bushel per Calendar Spread option contract. More details on strike price intervals are outlined in Rule 14M01.E.	
Contract Months	The nearby five consecutive futures calendar spreads.	
Daily Price Limit	\$1.20 cents per bushel, expandable to \$1.80 and then to \$2.70 when the market closes at limit bid or limit offer. There shall be no price limits on the last trading day.	
Last Trade Date	The last Friday preceding the first notice day of the corresponding nearby KC HRW futures contract month by at least two business days.	
Exercise	The buyer of a futures calendar spread option may exercise the option only upon expiration by giving notice to the Clearing House by 6:00 p.m. Chicago time. Option exercise results in an underlying futures market position. Options in-the-money on the last day of trading are automatically exercised absent contrary instructions.	
Position Limits	12,000 futures-equivalent contracts net long or net short in any single contract month excluding the spot month; 12,000 futures-equivalent contracts net long or net short in all months combined.  Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.	
Trading Hours	CME Globex (Electronic Platform)	Sunday – Friday, 7:00 p.m. – 7:45 a.m. CT and Monday – Friday, 8:30 a.m. – 1:15 p.m. CT
	Open Outcry (Trading Floor)	Monday – Friday, 8:30 a.m. – 1:15 p.m. CT
Ticker Symbol	CME Globex: KZC for nearby and next 4 consecutive calendar spreads. Open Outcry: K7C for nearby and next 4 consecutive calendar spreads.	
Exchange Rule	These contracts are listed with, and subject to, the rules and regulations of CBOT.	

#### KC HRW Wheat Calendar Spread Options: March-July

Contract Size	One long KC HRW Wheat futures contract (of a specified month) consisting of 5,000 bushels, and one short KC HRW Wheat futures contract (of a differing specified month) consisting of 5,000 Bushels.
Tick Size (Minimum Fluctuation)	1/8 of one cent per bushel (\$6.25 per contract)
Pricing Basis	The price basis shall be defined as the specified nearby KC HRW Wheat futures contract month price minus the specified deferred KC HRW Wheat futures contract month price.



Strike Price Intervals	Trading shall be conducted for put and call options on futures calendar spreads consisting of the nearby futures month and the next available futures month (nearby spreads) with strike prices in integral multiples of one cent per bushel per Calendar Spread option contract. Trading shall be conducted for put and call options on futures calendar spreads consisting of the nearby futures month and a futures month beyond the next available futures month (longer dated spreads) with strike prices in integral multiples of five cents per bushel per Calendar Spread option contract. More details on strike price intervals are outlined in Rule 14M01.E.	
Contract Months	The nearest March-July KC HRW Wheat futures spread.	
Daily Price Limit	\$1.20 cents per bushel, expandable to \$1.80 and then to \$2.70 when the market closes at limit bid or limit offer. There shall be no price limits on the last trading day.	
Last Trade Date	The last Friday preceding the first notice day of the corresponding nearby KC HRW futures contract month by at least two business days.	
Exercise	The buyer of a futures calendar spread option may exercise the option only upon expiration by giving notice to the Clearing House by 6:00 p.m. Chicago time. Option exercise results in an underlying futures market position. Options in-the-money on the last day of trading are automatically exercised absent contrary instructions.	
Position Limits	12,000 futures-equivalent contracts net long or net short in any single contract month excluding the spot month; 12,000 futures-equivalent contracts net long or net short in all months combined.  Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.	
Trading Hours	CME Globex (Electronic Platform)	Sunday – Friday, 7:00 p.m. – 7:45 a.m. CT and Monday – Friday, 8:30 a.m. – 1:15 p.m. CT
	Open Outcry (Trading Floor)	Monday – Friday, 8:30 a.m. – 1:15 p.m. CT
Ticker Symbol	CME Globex: CK3 for the nearest March - July calendar spread. Open Outcry: KC3 for the nearest March - July calendar spread.	
Exchange Rule	These contracts are listed with, and subject to, the rules and regulations of CBOT.	

**KC HRW Wheat Calendar Spread Options: July-Dec**

Contract Size	One long KC HRW Wheat futures contract (of a specified month) consisting of 5,000 bushels, and one short KC HRW Wheat futures contract (of a differing specified month) consisting of 5,000 Bushels.
Tick Size (Minimum Fluctuation)	1/8 of one cent per bushel (\$6.25 per contract)
Pricing Basis	The price basis shall be defined as the specified nearby KC HRW Wheat futures contract month price minus the specified deferred KC HRW Wheat futures contract month price.

Strike Price Intervals	Trading shall be conducted for put and call options on futures calendar spreads consisting of the nearby futures month and the next available futures month (nearby spreads) with strike prices in integral multiples of one cent per bushel per Calendar Spread option contract. Trading shall be conducted for put and call options on futures calendar spreads consisting of the nearby futures month and a futures month beyond the next available futures month (longer dated spreads) with strike prices in integral multiples of five cents per bushel per Calendar Spread option contract. More details on strike price intervals are outlined in Rule 14M01.E.	
Contract Months	The nearest July-December KC HRW Wheat futures spread.	
Daily Price Limit	\$1.20 cents per bushel, expandable to \$1.80 and then to \$2.70 when the market closes at limit bid or limit offer. There shall be no price limits on the last trading day.	
Last Trade Date	The last Friday preceding the first notice day of the corresponding nearby KC HRW futures contract month by at least two business days.	
Exercise	The buyer of a futures calendar spread option may exercise the option only upon expiration by giving notice to the Clearing House by 6:00 p.m. Chicago time. Option exercise results in an underlying futures market position. Options in-the-money on the last day of trading are automatically exercised absent contrary instructions.	
Position Limits	12,000 futures-equivalent contracts net long or net short in any single contract month excluding the spot month; 12,000 futures-equivalent contracts net long or net short in all months combined.  Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.	
Trading Hours	CME Globex (Electronic Platform)	Sunday – Friday, 7:00 p.m. – 7:45 a.m. CT and Monday – Friday, 8:30 a.m. – 1:15 p.m. CT
	Open Outcry (Trading Floor)	Monday – Friday, 8:30 a.m. – 1:15 p.m. CT
Ticker Symbol	CME Globex: KCR for the nearest July - December calendar spread. Open Outcry: CKM for the nearest July - December calendar spread.	
Exchange Rule	These contracts are listed with, and subject to, the rules and regulations of CBOT.	

**KC HRW Wheat Calendar Spread Options: Dec-July**

Contract Size	One long KC HRW Wheat futures contract (of a specified month) consisting of 5,000 bushels, and one short KC HRW Wheat futures contract (of a differing specified month) consisting of 5,000 Bushels.
Tick Size (Minimum Fluctuation)	1/8 of one cent per bushel (\$6.25 per contract)
Pricing Basis	The price basis shall be defined as the specified nearby KC HRW Wheat futures contract month price minus the specified deferred KC HRW Wheat futures contract month price.

Strike Price Intervals	Trading shall be conducted for put and call options on futures calendar spreads consisting of the nearby futures month and the next available futures month (nearby spreads) with strike prices in integral multiples of one cent per bushel per Calendar Spread option contract. Trading shall be conducted for put and call options on futures calendar spreads consisting of the nearby futures month and a futures month beyond the next available futures month (longer dated spreads) with strike prices in integral multiples of five cents per bushel per Calendar Spread option contract. More details on strike price intervals are outlined in Rule 14M01.E.	
Contract Months	The nearest December-July KC HRW Wheat futures spread.	
Daily Price Limit	\$1.20 cents per bushel, expandable to \$1.80 and then to \$2.70 when the market closes at limit bid or limit offer. There shall be no price limits on the last trading day.	
Last Trade Date	The last Friday preceding the first notice day of the corresponding nearby KC HRW futures contract month by at least two business days.	
Exercise	The buyer of a futures calendar spread option may exercise the option only upon expiration by giving notice to the Clearing House by 6:00 p.m. Chicago time. Option exercise results in an underlying futures market position. Options in-the-money on the last day of trading are automatically exercised absent contrary instructions.	
Position Limits	12,000 futures-equivalent contracts net long or net short in any single contract month excluding the spot month; 12,000 futures-equivalent contracts net long or net short in all months combined.  Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.	
Trading Hours	CME Globex (Electronic Platform)	Sunday – Friday, 7:00 p.m. – 7:45 a.m. CT and Monday – Friday, 8:30 a.m. – 1:15 p.m. CT
	Open Outcry (Trading Floor)	Monday – Friday, 8:30 a.m. – 1:15 p.m. CT
Ticker Symbol	CME Globex: KC6 for the nearest December - July calendar spread.  Open Outcry: CK6 for the nearest December - July calendar spread.	
Exchange Rule	These contracts are listed with, and subject to, the rules and regulations of CBOT.	

**KC HRW Wheat Calendar Spread Options: July-July**

Contract Size	One long KC HRW Wheat futures contract (of a specified month) consisting of 5,000 bushels, and one short KC HRW Wheat futures contract (of a differing specified month) consisting of 5,000 Bushels.
Tick Size (Minimum Fluctuation)	1/8 of one cent per bushel (\$6.25 per contract)
Pricing Basis	The price basis shall be defined as the specified nearby KC HRW Wheat futures contract month price minus the specified deferred KC HRW Wheat futures contract month price.

Strike Price Intervals	Trading shall be conducted for put and call options on futures calendar spreads consisting of the nearby futures month and the next available futures month (nearby spreads) with strike prices in integral multiples of one cent per bushel per Calendar Spread option contract. Trading shall be conducted for put and call options on futures calendar spreads consisting of the nearby futures month and a futures month beyond the next available futures month (longer dated spreads) with strike prices in integral multiples of five cents per bushel per Calendar Spread option contract. More details on strike price intervals are outlined in Rule 14M01.E.	
Contract Months	The nearest July-July (1 year) KC HRW Wheat futures spread.	
Daily Price Limit	\$1.20 cents per bushel, expandable to \$1.80 and then to \$2.70 when the market closes at limit bid or limit offer. There shall be no price limits on the last trading day.	
Last Trade Date	The last Friday preceding the first notice day of the corresponding nearby KC HRW futures contract month by at least two business days.	
Exercise	The buyer of a futures calendar spread option may exercise the option only upon expiration by giving notice to the Clearing House by 6:00 p.m. Chicago time. Option exercise results in an underlying futures market position. Options in-the-money on the last day of trading are automatically exercised absent contrary instructions.	
Position Limits	12,000 futures-equivalent contracts net long or net short in any single contract month excluding the spot month; 12,000 futures-equivalent contracts net long or net short in all months combined.  Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.	
Trading Hours	CME Globex (Electronic Platform)	Sunday – Friday, 7:00 p.m. – 7:45 a.m. CT and Monday – Friday, 8:30 a.m. – 1:15 p.m. CT
	Open Outcry (Trading Floor)	Monday – Friday, 8:30 a.m. – 1:15 p.m. CT
Ticker Symbol	CME Globex: 12K for the nearest July - July (1 year) calendar spread. Open Outcry: CKN for the nearest July - July (1 year) calendar spread.	
Exchange Rule	These contracts are listed with, and subject to, the rules and regulations of CBOT.	

**KC HRW Wheat Calendar Spread Options: Dec-Dec**

Contract Size	One long KC HRW Wheat futures contract (of a specified month) consisting of 5,000 bushels, and one short KC HRW Wheat futures contract (of a differing specified month) consisting of 5,000 Bushels.
Tick Size (Minimum Fluctuation)	1/8 of one cent per bushel (\$6.25 per contract)
Pricing Basis	The price basis shall be defined as the specified nearby KC HRW Wheat futures contract month price minus the specified deferred KC HRW Wheat futures contract month price.

Strike Price Intervals	Trading shall be conducted for put and call options on futures calendar spreads consisting of the nearby futures month and the next available futures month (nearby spreads) with strike prices in integral multiples of one cent per bushel per Calendar Spread option contract. Trading shall be conducted for put and call options on futures calendar spreads consisting of the nearby futures month and a futures month beyond the next available futures month (longer dated spreads) with strike prices in integral multiples of five cents per bushel per Calendar Spread option contract. More details on strike price intervals are outlined in Rule 14M01.E.	
Contract Months	The nearest December-December (1 year) KC HRW Wheat futures spread.	
Daily Price Limit	\$1.20 cents per bushel, expandable to \$1.80 and then to \$2.70 when the market closes at limit bid or limit offer. There shall be no price limits on the last trading day.	
Last Trade Date	The last Friday preceding the first notice day of the corresponding nearby KC HRWt futures contract month by at least two business days.	
Exercise	The buyer of a futures calendar spread option may exercise the option only upon expiration by giving notice to the Clearing House by 6:00 p.m. Chicago time. Option exercise results in an underlying futures market position. Options in-the-money on the last day of trading are automatically exercised absent contrary instructions.	
Position Limits	12,000 futures-equivalent contracts net long or net short in any single contract month excluding the spot month; 12,000 futures-equivalent contracts net long or net short in all months combined.  Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.	
Trading Hours	CME Globex (Electronic Platform)	Sunday – Friday, 7:00 p.m. – 7:45 a.m. CT and Monday – Friday, 8:30 a.m. – 1:15 p.m. CT
	Open Outcry (Trading Floor)	Monday – Friday, 8:30 a.m. – 1:15 p.m. CT
Ticker Symbol	CME Globex: CKZ for the nearest December - December calendar spread. Open Outcry: KCZ for the nearest December - December calendar spread.	
Exchange Rule	These contracts are listed with, and subject to, the rules and regulations of CBOT.	

## Appendix C: Fee Schedule

### CBOT Member Firms and Individuals – KC HRW Wheat Calendar Spread Options – Exchange Fees

Level	CBOT Account Owner <sup>2</sup>	Execution Type	Platform	Exchange Fee
<b>Individual Member</b>				
<b>1</b>	Individual Members	Member Trading Own Account	Open Auction	\$0.18
			Electronic	\$0.28
	Individual Delegates	Delegate Trading Own Account	Open Auction	\$0.48
			Electronic	\$0.58
<b>Equity Members (Individual Equity members, Clearing Firms and Equity Firms)</b>				
<b>2</b>	Equity Members <sup>1</sup>	Member or Delegate	Open Auction	\$0.18
			Electronic	\$0.28
	(Exception) Rule 106.S. Family of Funds Equity Member Firms	Member, Delegate or Non Member	Open Auction	\$0.18
			Electronic	\$0.90

**1** - Clearing Closely Held Corporate Members & Sole Proprietors, Rule 106.J. Equity Closely Held Corporate Members & Rule 106.I. Affiliate Equity Member Firms, Individual Equity Members (other member/delegate executing), Clearing FCMs, Rule 106.J. Equity FCMs, Clearing Corporate Members, Rule 106.J. Equity Corporate Members & Rule 106.I. Affiliate Equity Member Firm (Affiliate of Clearing FCM, Clearing Corporate Member or Rule 106.J Equity FCM or Equity Corporate Member), Rule 106.I. Affiliate Membership Umbrella - Qualified Affiliate - Unlimited Number of Affiliates

Level	CBOT Account Owner <sup>2</sup>	Platform	Exchange Fee
<b>Trading Members (Individual Non-Equity Members and Non-Equity Member Firms)</b>			
<b>3</b>	Individual Non-Equity Members (other member/delegate executing); Rule 106.H. Corporate Trading Firms; Rule 106.H. Trading FCMs; & Rule 106.I. Affiliate Trading Member Firms	Open Auction	\$0.40
		Electronic	\$1.50
	Individual Delegates (Other Member or Delegate executing the trade) & Rule 106.I. Affiliate Trading Member Firms	Open Auction	\$0.70
		Electronic	\$1.80
	Rule 106.S. Family of Funds Equity Member Firms	Open Auction	\$0.40
		Electronic	\$1.50
<b>Electronic Corporate Member Firms</b>			
<b>4</b>	Electronic Corporate Members	Electronic	\$1.80
<b>Incentive Programs</b>			
<b>5</b>	Latin American Commercial Incentive Program; Asian Incentive Program; Latin American Bank Incentive, formerly know South American Incentive Program, Central Bank Incentive Program, & Latin American Fund Manager	Electronic	\$1.50

Level	CBOT Account Owner <sup>2</sup>	Platform	Exchange Fee
	Incentive Program, International Incentive Program		
<b>Non-Members</b>			
5	Non-Members	Open Auction	\$1.30
		Electronic	\$3.78

2— Product--Seat Division Eligibility - CBOT Full, AM, and COM's

### Clearing, EFR Surcharge and Non Trade Processing Fees

Other CBOT Processing Fees	Rate
Clearing Fee <sup>1</sup> (including give-up execution and EFPs, EFRs & blocks)	\$0.06
Ex-Pit Surcharge (EFP)	\$0.75
Ex-Pit Surcharge (EFR)	\$1.25
Exchange Fees for Non Trades <i>(Exercise, Assignment, Delivery, Future from Exercise and Future from Assignment)</i>	\$0.05 Member \$0.20 Delegate \$0.50 Non-Member
Exchange Fees for Non-Trade Expired Options	\$0.05
Expired Option Clearing Fee	\$0.05
Exercise or Assignment (Future From) Surcharge Clearing Fee	\$0.05
Brokerage (With or Without Discretion)	\$0.04/\$0.17
Futures Delivered or Cash Settled Clearing Fee	\$0.05
Position Adjustment and Position Transfers (transfers \$2500 min)	\$0.10

### Fee Program

Other CBOT Processing Fees	Include/Exclude
New Trader Incentive Program	Include

**Appendix D**  
**Position Limit Table**

(Attached under separate cover)



**Appendix E**  
**Rule 588.H – Non-reviewable Range Table**  
**(additions underlined)**

Instrument	Bid/Ask Reasonability	Non-Reviewable Range (NRR)
<u>KC HRW Wheat Calendar Spread Options</u>	<u>The greater of the delta times the underlying futures non-reviewable range or 20% of the fair value premium up to the underlying futures non-reviewable range with a minimum reasonability of \$.01</u>	<u>20% of premium up to ¼ of the underlying futures non-reviewable range with a minimum of 1 tick.</u>

## Appendix F: Cash Market Overview and Analysis of Deliverable Supply

### Background:

All wheat 2012/13 U.S. production was 2.27 billion bushels with hard red winter (HRW) wheat, the deliverable class on Kansas City Wheat futures, representing just over 1 billion bushels or just over 44 percent of total U.S. wheat production. HRW is high-protein wheat that is primarily milled into flour used in bread production. The USDA estimated 2012/13 U.S. HRW wheat crop of just over 1 billion bushels represents a 29 percent increase from the drought ravished 2011/12 HRW crop.

### KC HRW Wheat Futures Delivery Capacity (Updated Annually):

The following switching limits are defined for delivery in KC HRW Wheat futures:

- 1.) Kansas City, Missouri/Kansas,
- 2.) Hutchinson, Kansas,
- 3.) Salina/Abilene, Kansas, or
- 4.) Wichita, Kansas.

Below are the facilities regular for delivery on Wheat futures as of January 24, 2013 along with their storage capacity in bushels and maximum number of warehouse receipts they may issue, with each warehouse receipt equivalent to 5,000 bushels:

### KANSAS CITY

ADM Grain Company Milwaukee (KCS) 1,304,000 (260 receipts)  
ADM Grain Company Wolcott (UP) 2,526,000 (505 receipts)  
Bartlett Grain Company, LP River Rail (UP) 10,291,000 (2,058 receipts)  
Bartlett Grain Company, LP KCT #1 (BNSF) 4,307,000 (861 receipts)  
Bartlett Grain Company, LP Fairfax (UP) 10,039,000 (2,007 receipts)  
Cargill, Inc. Chouteau (BNSF) 927,000 (185 receipts)  
Cargill, Inc. Katy (UP) 4,332,000 (864 receipts)

**Storage Capacity - Kansas City 33,726,000 (6,740 receipts)**

### HUTCHINSON

ADM Grain Company Elevator A (UP) 4,071,000 (814 receipts)  
ADM Grain Company Elevator B (BNSF & UP) 1,869,000 (373 receipts)  
ADM Grain Company Elevator I (BNSF) 6,836,000 (1,367 receipts)  
ADM Grain Company Elevator J (BNSF & UP) 18,307,000 (3,661 receipts)  
Cargill, Inc. Hutchinson (BNSF & UP) 4,394,000 (878 receipts)  
Cargill, Inc. Hutchinson W (UP) 4,448,000 (889 receipts)

**Storage Capacity - Hutchinson 39,925,000 (7,982 receipts)**

### SALINA/ABILENE

ADM Grain Company Salina A (UP) 4,197,000 (839 receipts)  
Cargill, Inc. Salina (K&O) 31,669,000 (6,333 receipts)  
Gavilon Grain, LLC Abilene (BNSF & UP) 1,392,000 (278 receipts)  
The Scouler Company Salina (UP) 11,077,000 (2,215 receipts)

**Storage Capacity - Salina/Abilene 48,335,000 (9,665 receipts)**

### WICHITA

Bartlett Grain Company, LP Wichita (BNSF) 12,080,000 (2,416 receipts)  
Gavilon Grain, LLC Wichita (K&O) 30,542,000 (6,108 receipts)  
Horizon Milling, LLC Wichita (BNSF & UP) 5,682,000 (1,136 receipts)

**Storage Capacity - Wichita 48,304,000 (9,660 receipts)**

As of January 2013, firms regular for delivery on KC HRW Wheat futures had regular storage capacity of over 170 million bushels and the ability to issue up to 34,047 warehouse receipts.

**KC HRW Wheat Futures Deliverable Supply Procedures and Estimates (Updated Annually):**

Each Tuesday the Exchange publishes wheat meeting deliverable grades that are in-store as of the previous Friday at all regular delivery facilities. Deliverable supply is estimated as the stocks of grain in regular facilities on the Friday prior to First Notice Day. Although this measure does not distinguish stocks under long-term agreements, it is likely a very conservative estimate of deliverable supply because it does not count the significant amount of wheat that is likely near the delivery facilities and could easily be placed into delivery position very quickly.

Futures Contract Expiration	Stocks of Wheat in Regular Facilities on the Friday prior to FND (1M Bushels)
Mar-10	66.99
Mar-11	82.98
Mar-12	60.29
<b>MAR AVG</b>	<b>70.09</b>
May-10	59.13
May-11	77.22
May-12	49.93
<b>MAY AVG</b>	<b>62.09</b>
Jul-10	84.72
Jul-11	85.54
Jul-12	85.03
<b>JUL AVG</b>	<b>85.10</b>
Sep-10	106.44
Sep-11	96.80
Sep-12	100.32
<b>SEP AVG</b>	<b>101.19</b>
Dec-10	92.88
Dec-11	81.63
Dec-12	95.75
<b>DEC AVG</b>	<b>90.09</b>
<b>AVG ALL DELV MONTHS</b>	<b>81.71</b>

As the table above shows, estimated deliverable supply for all delivery months over the past three calendar years has been 81.71 million bushels or 16,342 contract equivalents. The delivery month with the largest estimated deliverable supply is the September expiration with average delivery stocks of

101.19 million bushels (20,238 contract equivalents) and the delivery month with the smallest estimated deliverable supply is the May expiration with average delivery stocks of 62.09 million bushels (12,418 contract equivalents).

Twenty-five percent of the average estimated deliverable supply (16,342 contracts) is 4,086 contracts and 25 percent of the smallest estimated monthly deliverable supply (12,418 contracts) is 3,105 contracts. The combined spot-month position limit in KC HRW Wheat futures and options is 600 contracts, which is much lower than the 25 percent threshold used by the CFTC.

The expiration of KC HRW Calendar Spread Options will occur on the last Friday which precedes by at least two business days, the last business day of the month preceding that earliest expiring corresponding option month. Therefore these options expire before the day on which the spot month position limit begins to apply to the earliest underlying futures. This significantly reduces the risk of price manipulation in the market for the underlying futures.

Based on the analysis above, we recommend the position limits for KC HRW Calendar Spread Options be aggregated with underlying KC HRW Wheat futures and standard/serial/weekly/short-dated new crop options for a net long or net short futures-equivalent position and be consistent with the current position limits for KC HRW Wheat:

Single Month Limit: 12,000; All Month Combined Limit: 12,000. There is no spot month limit as these options expire before spot month limit applies to the underlying futures contracts.

We also recommend the minimum reporting level for KC HRW Calendar Spread Options as 50, which is also consistent with current reporting level for KC HRW standard/serial/weekly/short-dated new crop options.

Contract Name	Rule Chapter	Commodity Code	Contract Size	Contract Units
<u>KC HRW Wheat Calendar Spread Options - Consecutive</u>	<u>14M</u>	<u>K7C</u>	<u>5,000</u>	<u>Bushels</u>
<u>KC HRW Wheat Calendar Spread Options - MAR-JUL</u>	<u>14M</u>	<u>KC3</u>	<u>5,000</u>	<u>Bushels</u>
<u>KC HRW Wheat Calendar Spread Options - JUL-DEC</u>	<u>14M</u>	<u>CKM</u>	<u>5,000</u>	<u>Bushels</u>
<u>KC HRW Wheat Calendar Spread Options - JUL-JUL</u>	<u>14M</u>	<u>CKN</u>	<u>5,000</u>	<u>Bushels</u>
<u>KC HRW Wheat Calendar Spread Options - DEC-JUL</u>	<u>14M</u>	<u>CK6</u>	<u>5,000</u>	<u>Bushels</u>
<u>KC HRW Wheat Calendar Spread Options - DEC-DEC</u>	<u>14M</u>	<u>KCZ</u>	<u>5,000</u>	<u>Bushels</u>



	<b>Spot-Month</b>				
Spot Month Position Comprised of Futures and Deliveries	Spot Month Aggregate Into Futures Equivalent Leg (1)	Spot Month Aggregate Into Futures Equivalent Leg (2)	Spot-Month Aggregate Into Ratio Leg (1)	Spot-Month Aggregate Into Ratio-Leg (2)	Spot-Month Accountability Level

			Second Spot-Month		
Initial Spot-Month Limit (In Net Futures Equivalents) Leg (1)/ Leg (2)	Initial Spot- Month Limit Effective Date	Spot-Month Limit (In Contract Units) Leg (1) / Leg (2)	Second Spot- Month Limit (In Net Futures Equivalents) Leg (1)/ Leg (2)	Second Spot- Month Limit Effective Date	Single Month Aggregate Into Futures Equivalent Leg (1)

KW

KW

KW

KW

KW

KW



Single Month					"Intra Crop Year Spread Allowance"
Single Month Aggregate Into Futures Equivalent Leg (2)	Single Month Aggregate Into Ratio Leg (1)	Single Month Aggregate Into Ratio Leg (2)	Single Month Accountability Level Leg (1) / Leg (2)	Single Month Limit (In Net Futures Equivalents) Leg (1) / Leg (2)	
<u>KW</u>	<u>1 K7C : 1 KW</u>			<u>12,000</u>	
<u>KW</u>	<u>1 KC3 : 1 KW</u>			<u>12,000</u>	
<u>KW</u>	<u>1 CKM : 1 KW</u>			<u>12,000</u>	
<u>KW</u>	<u>1 CKN : 1 KW</u>			<u>12,000</u>	
<u>KW</u>	<u>1 CK6 : 1 KW</u>			<u>12,000</u>	
<u>KW</u>	<u>1 KCZ : 1 KW</u>			<u>12,000</u>	

**All Month**

All Month Limit Aggregate Into Futures Equivalent Leg (1)	All Month Limit Aggregate Into Futures Equivalent Leg (2)	All Month Aggregate Into Ratio Leg (1)	All Month Aggregate Into Ratio Leg (2)	All Month Accountability Level Leg (1) / Leg (2)	All Month Limit (In Net Futures Equivalents) Leg (1) / Leg (2)
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<u>KW</u>	<u>KW</u>	<u>1 K7C : 1 KW</u>			<u>12,000</u>
<u>KW</u>	<u>KW</u>	<u>1 KC3 : 1 KW</u>			<u>12,000</u>
<u>KW</u>	<u>KW</u>	<u>1 CKM : 1 KW</u>			<u>12,000</u>
<u>KW</u>	<u>KW</u>	<u>1 CKN : 1 KW</u>			<u>12,000</u>
<u>KW</u>	<u>KW</u>	<u>1 CK6 : 1 KW</u>			<u>12,000</u>
<u>KW</u>	<u>KW</u>	<u>1 KCZ : 1 KW</u>			<u>12,000</u>