



Sean M. Downey
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Legal Department

February 27, 2012

VIA E-MAIL

Mr. David Stawick
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, D.C. 20581

**RE: MGEX-CBOT Wheat Intercommodity Spread Options.
CBOT Submission # 12-057**

Dear Mr. Stawick:

The Board of Trade of the City of Chicago, Inc. ("CBOT" or "Exchange") hereby certifies to the Commodity Futures Trade Commission ("CFTC" or "Commission") its intention to list options on the spread between Minneapolis Grain Exchange (MGEX) Wheat and CBOT Wheat (i.e. MGEX-CBOT Wheat Intercommodity spread options) for trade date March 26, 2012.

This product was jointly developed with MGEX, but will trade exclusively as a CBOT product on the Exchange's Globex platform and open-outcry trading pits.

The MGEX-CBOT spread is a popular tool used to hedge and discover protein premiums between high protein hard red spring wheat traded at MGEX and lower protein soft red winter wheat traded at CBOT. Options on this spread will allow participants to manage their exposure to volatility in the underlying spread.

The contract will be a cash-settled European exercised option and will have strike values based on the price differential of MGEX Wheat minus CBOT Wheat. A European style cash-settled product lends itself to an option whose underlying components clear through two different clearing houses. Initial spread combinations listed for trading will be July:July, July:September and December:December, but this may be expanded based on customer demand.

Compliance with Core Principles

- A. **Compliance with rules:** This product will be monitored by Exchange market regulation staff like all other exchange-traded futures and options; however, MGEX market regulations staff will be responsible for aggregation and monitoring of MGEX position limits.
- B. **Contracts not readily subject to manipulation:** This contract will be cash settled to the price difference between the liquid MGEX Wheat futures contract and the liquid CBOT Wheat futures contract meeting the requirement that the Exchange not list contracts that are readily subject to manipulation.
- C. **Prevention of market disruption:** This contract will be monitored under the current procedures utilized to provide surveillance for all exchange-traded futures and options by the Exchange's market regulation department. MGEX will monitor for compliance to their respective position limits.

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- D. Position limitations or accountability: The contract specifications for position limits are the same level specified for the underlying futures contracts with all positions aggregated with their respective futures and options contracts to ensure compliance with Commission and/or Exchange futures equivalent speculative position limits. MGEX will monitor compliance of their respective futures and options position limits.
- E. Availability of general information: This product will be available for trade both electronically and in open outcry during regular daytime trading hours and will be available for trade electronically during extended nighttime trading hours.
- F. Daily publication of trading information: This product will be included in all Exchange and CME Clearing House reports and bulletins, which are published on the Exchange's website.
- G. Execution of transactions: This product meets all of the Commissions execution requirements and will be available for trade both electronically and on the floor.
- H. Trade information: All trade information for this contract will be collected and maintained in the same way as all other exchange-traded futures and options.

In addition, the Exchange is self-certifying the insertion of the bid/ask reasonability ("BAR") allowance for the MGEX-CBOT Wheat Intercommodity spread options in Rule 588.G. The BAR will be consistent with the BAR in the Grains (CBOT, KCBT, MGEX) section of Rule 588.G. Specifically, the BAR for this contract will be "[t]he 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" and the NRR for the options contracts will be "20% of premium up to ¼ of the underlying futures non-reviewable range."

Attached is a copy of the terms and conditions for MGEX-CBOT Wheat Intercommodity spread options.

Pursuant to Section 5c(c) of the Commodity Exchange Act ("Act") and CFTC Regulation 40.2, the Exchange hereby certifies that the attached complies with the Act, including regulations under the Act. There were no substantive opposing views to this proposal.

The Exchange certifies that this submission has been concurrently posted on the Exchange's website at <http://www.cmegroup.com/market-regulation/rule-filings.html>.

If you should require any additional information please contact me at 312-930-8167 or via e-mail at Sean.Downey@cmegroup.com. Please reference our CBOT Submission #12-057 in any related correspondence.

Sincerely,

/s/Sean M. Downey
Assoc Dir & Asst General Counsel

Attachment: Exhibit 1 – Chapter 14E MGEX-CBOT Wheat Intercommodity Spread Options
(Terms and Conditions)

EXHIBIT 1

Chapter 14E

MGEX-CBOT Wheat Intercommodity Spread Options (Terms and Conditions)

14E00. SCOPE OF CHAPTER

This chapter is limited in application to put and call options on MGEX-CBOT Wheat Intercommodity spreads. In addition to the rules of this chapter, transactions in MGEX-CBOT Wheat Intercommodity spread options shall be subject to the general rules of the Exchange insofar as applicable.

14E01. OPTIONS CHARACTERISTICS

14E01.A. Contract Months

Trading in MGEX-CBOT Wheat Intercommodity spread options may be scheduled in such months as determined by the Exchange.

14E01.B. Trading Unit

One MGEX-CBOT Wheat Intercommodity spread option reflects one (1) MGEX Wheat futures contract of a specified contract month on the Minneapolis Grain Exchange, Inc, and one (1) opposing CBOT Wheat futures contract of a specified contract month on the Board of Trade of the City of Chicago, Inc.

The MGEX-CBOT Wheat Intercommodity spread is calculated in cents/bushel as:

MGEX Wheat futures price in cents/bu – CBOT Wheat futures price in cents/bu.

14E01.C. Minimum Fluctuations

The premium for MGEX-CBOT Wheat Intercommodity spread options shall be in multiples of one-eighth (1/8) of one cent per bushel, or six dollars and twenty five cents (\$6.250) per contract.

However, a position may be initiated or liquidated in MGEX-CBOT Wheat Intercommodity spread options at premiums ranging from \$1.00 to \$6.00, in \$1.00 increments per option contract.

14E01.D. Trading Hours

The hours for trading of MGEX-CBOT Wheat Intercommodity spread options contracts shall be determined by the Exchange. MGEX-CBOT Wheat Intercommodity spread options shall be opened and closed for all months and strike prices simultaneously.

14E01.E. Exercise Prices

Trading shall be conducted for put and call options with strike prices in integral multiples of five cents per bushel per MGEX-CBOT Wheat Intercommodity spread option. 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 MGEX-CBOT Wheat Intercommodity spread settlement price; the next ten consecutive higher and the next ten consecutive lower strike prices closest to the previous day's MGEX-CBOT Wheat Intercommodity spread settlement price. If the previous day's settlement price is midway between two strike prices, the closest price shall be the larger of the two. New strike prices will be added through time to assure ten strikes above and below the at the money strike. 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 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.

14E01.F. Position Limits

For the purposes of this rule, positions in Wheat futures and options, mini-sized Wheat futures, Wheat Calendar Spread options, Wheat-Corn Intercommodity Spread options, and MGEX-CBOT Wheat Intercommodity spread options will be aggregated for the purpose of determining compliance with the contracts' position limit. In accordance with Rule 559, Position Limits and Exemptions, no person shall own or control Wheat futures and options positions in excess of:

1. 12,000 futures-equivalent contracts net long or net short in any single month or in all months combined. Reportable limits will be 150 contracts.

Refer to CBOT Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.

14E01.G. Reserved

14E01.H. Reserved

14E01.I. Termination of Trading

Subject to the provisions of rule 14x01.D no trades in MGEX-CBOT Wheat Intercommodity 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 standard CBOT Wheat options and standard MGEX wheat options. Therefore, expiration will occur on the last Friday which precedes by at least two business days, the last business day of the month preceding the 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 July MGEX-CBOT Wheat Intercommodity spread option (July MGEX wheat minus July CBOT wheat) will expire on the last Friday which precedes by at least two business days the last business day of June; the December-December MGEX-CBOT Wheat Intercommodity spread option (December MGEX wheat minus December CBOT wheat) will expire on the last Friday which precedes by at least two business days the last business day of November.

14E01.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.

14E02. EXERCISE

MGEX-CBOT Wheat Intercommodity spread options will be cash settled on expiration day.

MGEX-CBOT Wheat Intercommodity spread options cannot be exercised at any time during the life of the option.

14E03. ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES

(Refer to Rule 701.).

14E04. RESERVED

14E05. OPTION PREMIUM FLUCTUATION LIMITS

Trading is prohibited during any day except for the last day of trading in a MGEX-CBOT Wheat Intercommodity spread option at a premium of more than the sum of the trading limits for the CBOT Wheat futures contract and the MGEX Wheat futures contract, above and below the previous day's settlement premium for that option as determined by the Clearing House.

14E06. 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.