

May 2, 2013

VIA E-MAIL

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

**RE: KCBT Hard Red Winter Wheat Options Market Maker Program
KCBT Submission No. 13-166**

Dear Ms. Jurgens:

The Kansas City Board of Trade (“KCBT” or “Exchange”) hereby notifies the Commodity Futures Trading Commission (“Commission”) that it plans on implementing a market maker program in support of hard red winter wheat options that are traded on Globex (“Program”). The proposed Program will become effective on May 17, 2013.

Exhibit 1 sets forth the terms of the Program.

KCBT business staff responsible for the Program and the KCBT legal department collectively reviewed the designated contract market core principles (“Core Principles”) as set forth in the Commodities Exchange Act (“CEA”). During the review, KCBT staff identified the following Core Principles as potentially being impacted; Prevention of Market Disruption, Execution of Transactions, Protection of Market Participants, Compliance with Rules and Recordkeeping.

The Program’s incentive structure as set forth in Exhibit 1 below is such that it does not incentivize manipulative trading or market abuse and will not impact the Exchange’s ability to perform its trade practice and market surveillance obligations under the CEA. The Exchange’s market regulation staff will continue to monitor trading in the Program’s products to prevent manipulative trading and market abuse. Additionally, the Exchange has implemented systems to track Program participants’ obligations and rankings to ensure proper distribution of earned incentives. The incentives in the Program do not impact the Exchange’s order execution. Participants in the Program will be selected by Exchange staff using criteria as further stated in Exhibit 1. The KCBT rules include prohibitions against fraudulent, non-competitive, unfair or abusive practices. All participants must execute a contractual agreement with the Exchange in which each participant will expressly agree to comply with and be subject to, applicable regulations and KCBT rules. The Program will be subject to the Exchange’s record retention policies which comply with the CEA.

KCBT certifies that the Program complies with the CEA and the regulations thereunder. There were no substantive opposing views to this Program.

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 require any additional information regarding this submission, please contact Robert Lev at 312-930-3019 or via e-mail at robert.lev@cmegroup.com, or contact me at 212-299-2200. Please reference our KCBT Submission No. 13-166 in any related correspondence.

Sincerely,

/s/ Christopher Bowen
Managing Director, Chief Regulatory Counsel

Attachments

EXHIBIT 1

KCBT Hard Red Winter Wheat Options Market Maker Program

Program Purpose

The purpose of this Program is to incent market makers to enhance liquidity in the products listed below. The resulting increase in central limit order book liquidity on the Globex Platform benefits all participants segments in the market.

Product Scope

KCBT Hard Red Winter Wheat Options traded on the Globex® Platform (“Products”).

Eligible Participants

Up to fifteen (15) participants may be selected into the Program. Participants must be Board of Trade of the City of Chicago, Inc. 106H, 106J, 106S, or 106R corporate members. Potential participants are required to submit an application/bid sheet to the Exchange which is used to determine eligibility. KCBT staff will use a variety of factors in determining whether or not a prospective market maker is selected to participate in the Program, including past performance and experience acting as a market maker in other market making programs, and the ability maintain high quality bid/ask spreads and book size in the Products. Notwithstanding the foregoing, KCBT may, from time to time, add to or subtract from the factors listed above as it deems necessary.

Program Term

Start date is May 17, 2013. End date is December 31, 2013.

Hours

RTH

Obligations

Market makers will be ranked against all other participants in the Program on a monthly basis using the metrics described below. Participants’ performance will be tracked by the Exchange via a ranking report (“Ranking Report”). The Ranking Report will be used to determine eligibility to receive applicable incentives as set forth below:

<u>Ranking Report metrics:</u>
<u>Market Maker’s Trading Activity.</u> Including: average daily volume (“ADV”) in the Products and ADV in back month contracts of the Products (4+).
<u>Market Maker’s Market Coverage.</u> Including: time in the market during regular trading hours in the Products; strikes quoted in the Products by participant during the applicable calendar month; strikes quoted by the participant in the Products each week.
<u>Market Maker’s Market Quality.</u> Including: average bid-ask spread in the Products; average book size in the Products and responses to requests-for-

quotes in the Products.

<u>Market Maker's Quote Efficiency</u> . Including: messages and message-to-volume ratio in the Products.

Program Incentives

Upon satisfying all Program obligations as determined by the Exchange, and subject to the ranking criteria set forth above, each Program participant shall be eligible for the following incentives:

1. Mass Quote Message. All participants will receive use of the CME Group mass quote functionality.
2. Quotes Per Seconds ("QPS"). All participants receive a designated amount of QPS for the Products. KCBT may allocate additional QPS based on improvement in ranking.
3. Fee Waivers.
 - a. Initial Ranking Period. Beginning on the start date of the Program through June 30, 2013 ("Initial Ranking Period"), each participant will be eligible for Globex execution fee waivers for all trades executed in the Products on Globex through the applicable participant's designated market making account(s) and will be eligible for clearing fee waivers for all spread trades executed in the Products on Globex through the applicable participant's designated market making accounts.
 - b. Remainder of the Program. After the Initial Ranking Period, and for the remainder of the Program, if a participant is one of the top seven (7) highly ranked participants in the Program during any given calendar quarter (including the Initial Ranking Period), KCBT, during the following calendar quarter, will waive all of the applicable participant's Globex execution fees for all trades executed in the Products on Globex through the applicable participant's designated market making account(s) and all clearing fees for all spread trades executed in the Products on Globex through the applicable participant's designated market making accounts.

Monitoring and Termination of Status

The Exchange shall monitor trading activity and participants' performance and shall retain the right to revoke Program participant status if it concludes from review that a Program participant no longer meets the eligibility requirements or fails to meet the obligations of the Program.