



Christopher Bowen
Managing Director and Chief Regulatory Counsel
Legal Department

May 16, 2013

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: Regulation § 40.4(b)(5) Non-Material Agricultural Rule
Change: Conversion from paper USDA warehouse receipts to
USDA electronic warehouse receipts (EWRs).
KCBT Submission 13-183**

Dear Ms. Jurgens:

The Board of Trade of Kansas City, Missouri, Inc. ("KCBT" or the "Exchange"), pursuant to Commodity Futures Trading Commission ("Commission") Regulation 40.4(b)(5), is hereby notifying the Commission of its plans to convert its current use of paper USDA warehouse receipts as the instrument for delivery to USDA electronic warehouse receipts ("EWRs"). The Exchange plans to implement these changes on **June 3, 2013**.

On January 23, 2007, the Commission certified a Board of Trade of the City of Chicago, Inc. ("CBOT") Non-Material Agricultural Rule Change permitting the conversion from paper warehouse receipts to ERWs for its rough rice futures. The proposed change is functionally identical to the CBOT conversion.

Currently the KCBT uses paper USDA warehouse receipts to facilitate the transfer of grain ownership during the delivery process. However, the process of using paper receipts is cumbersome, time consuming and a potential liability for regular firms and clearing firms involved in the delivery process. Under the current paper receipt system, the actual receipts are hand delivered or mailed to the exchange to be approved for delivery and then either held by the KCBT in safekeeping or returned to clearing firm representing the issuing warehouseman. During this process, receipts could be lost or damaged, which could lead to an indemnity bond needing to be issued. Additionally, it can be costly to insure and transfer paper receipts from the issuing warehouse to their clearing firm. By using a USDA-approved EWR provider, all of the above-mentioned concerns are eliminated: transfer of receipts happens in real time; all movement of the receipts can be monitored and tracked; and no receipts can be lost, eliminating the need for indemnity bonds.

In addition to making conforming amendments to warehouse receipt references throughout the KCBT rulebook, KCBT is further eliminating obsolete language in Rule 18-1800.00-3 (Reissue Fee, Upgrading #3 HRW to #2 HRW), and Rule 20-2005.00-1 (Maximum Moisture, Wheat).

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Each of these rules was applicable only during a limited period of time in the past and is no longer effective or material. As such, KCBT proposes to eliminate these rules from its rulebook.

Below you will find the proposed changes to KCBT Rule Book chapters 12, 17, 18 & 20 with additions underlined and deletions ~~overstruck~~.

The Exchange certifies that the revisions to the KCBT Rules comply with the CEA and regulations thereunder. 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 me at 212-299-2200, or John McKinlay at 312-930-3028 and reference CBOT Submission 13-183 in any related correspondence.

Sincerely,

/s/ Christopher Bowen
Managing Director and Chief Regulatory Counsel

Chapter 12

1200.03 Seller; Warehouse Receipts Delivered.

When electronic warehouse receipts are to be delivered, notice shall describe the electronic warehouse receipts by giving the name of the elevator, the serial number, the quantity, and the grade of grain.

ELECTRONIC WAREHOUSE RECEIPTS

1205.00 Delivery By Electronic Warehouse Receipts.

Except as otherwise provided, delivery of commodities shall be made by the delivery of registered electronic warehouse receipts issued by warehousemen against stocks in warehouses which have been declared regular by the Board.

1206.00 Deliverable Electronic Warehouse Receipts.

All electronic warehouse receipts deliverable on futures contracts shall be for quantities or parcels sold, accompanied by a memorandum of the property to be delivered, with the price of the same, together with the amount due therefore. All electronic warehouse receipts which are tendered on a contract shall be for 5,000 bushels of grain.

1207.00 Storage Allowance and Other Allowances.

Effective with the September 2011 wheat futures contract month, no electronic warehouse receipts covering grain in store shall be valid for delivery on futures contracts unless the storage and insurance charges set forth in Rule 17-1715.00-2 (but not load-out fee) on such grain have been paid up to the first calendar day of each contract delivery month (whether or not such receipts will be delivered in satisfaction of futures contracts) and such payment endorsed on the electronic warehouse receipt. Such endorsement may be made, at the option of the holder, by the regular warehouse issuing the receipt or Exchange staff upon payment to the Exchange Secretary as agent of the warehouse company. Unpaid accumulated storage and insurance charges and the load-out fee shall be assumed by the buyer. Failure to pay the storage and insurance charges by the business day preceding the first calendar day of each contract delivery month shall be deemed a violation subject to the disciplinary procedures set forth in Chapter 14 of the Rules.

1208.00 Charges.

On all deliveries by regular electronic warehouse receipts, the deliverer (seller) shall allow storage and insurance charges accrued to date of delivery.

1209.00 Loading Out; Documents Required.

Delivery of grain by regular warehouses when ordered loaded out by holders of regular electronic warehouse receipts shall be by tender of an Official Inspection Certificate and with a weight certificate supplied by a Federally licensed weigh master attached. All deliveries on

regular electronic warehouse receipts shall be settled on weights and grades of the respective market.

1209.01 No Freight Requirement.

The Warehouseman is not required to furnish transit billing on grain represented by electronic warehouse receipt deliveries. Delivery shall be flat.

1210.00 Inspection Governing.

Grain loaded against electronic warehouse receipts that have been delivered on futures contracts shall grade at the loading elevator according to the Official Inspection Certificate the same grade as specified on warehouse receipt surrendered.

DELIVERIES ON ELECTRONIC WAREHOUSE RECEIPTS; PROCEDURE

1215.00 Surrender Electronic Warehouse Receipts.

Permit Holders who hold electronic warehouse receipts and desire delivery of grain shall surrender the electronic warehouse receipts to the issuer thereof with written load-out instructions in duplicate, stating the grade and amount of grain called for by said receipts. The parties issuing said electronic warehouse receipts shall deliver the amount and kind of grain called for into covered hopper rail cars (hereinafter referred to as cars), or such other equipment mutually agreed upon by the parties. The duplicate order shall be signed by the issuer to acknowledge receipt thereof, and returned to the holder.

1216.00 Order Cars.

In accordance with trade practices, the issuer of electronic warehouse receipts shall be responsible for ordering, in writing, the cars necessary for the shipment ordered to be loaded against such receipts and shall give a copy thereof to the holder. However, the holder of the electronic warehouse receipts may elect, in writing, to furnish cars to the elevator of the electronic warehouse receipts issuer to expedite shipment and shall give notice to the loading elevator accordingly. Cars furnished by the taker on delivery shall apply against the delivering elevator's empty car order. Any charges incurred for the ordering or cancellation of car orders made at the request of the holder by written instructions shall be for the account of the holder.

1219.00 Storage Charges.

Storage charges for account of the holder of the electronic warehouse receipts will cease on any amount on the date that amount is loaded. Furthermore, provided cars are actually or constructively placed, storage charges for the account of the holder will also cease on any bushels not meeting the minimum weekly load-out requirements on the final day that loading is due. In the event loading orders are subsequently cancelled before completion, storage charges will accrue on the total remaining balance.

INTERPRETATION OF CHAPTER 12 RULES

Note: Any examples used in this Interpretation are based on the minimum load-out rate of 30 cars per day or 150 cars per week. Any elevator subject to a higher load-out rate pursuant to

Rule 1218.00 must take such higher rate of load-out into consideration and adjust such examples accordingly

The delivery rules charge the loading elevator to begin loading requested delivery wheat within five (5) business days, which is on day six (6) following receipt of the taker's load-out instructions on day one. Business days do not count Saturdays, Sundays or holidays. Rules include loading requirements per day or per week because some elevators may have to load on a daily basis rather than on a weekly basis. However, an elevator may choose to consolidate his loadings to even once a week. The stop storage rule is to be figured on a weekly basis. Under these rules neither prior business nor new business is of any consequence and does not affect loading requirements or applicable stop of storage. However, an elevator may choose to delay loading, for whatever reason, and allow storage to stop, but must load at a rate adequate to avoid default. Therefore, storage would stop with day ten (10) on 495,000 bushels if no wheat has been loaded or on any portion of this amount that has not been previously loaded. Storage charges would include day ten (10). Loadings made prior to a stop storage deadline would have charges due through the actual day of loading. Storage would stop in a like manner on additional 495,000 bushels at five (5) business day increments thereafter.

Because communications between parties is encouraged, any amendments to the loading request would continue to have time count for stop storage requirements. However, if the order is cancelled and reinstated at a later date, the time begins again at the reinstatement date. Also, if the order is cancelled, then storage charges will accrue from day one on the total remaining balance, whether or not any of the bushels had previously passed a stop storage date. Subsequent amendments or modifications of an existing load-out request do not constitute cancellation of a loading order. A taker may request any railroad covered rail hopper cars or elect to provide private car equipment. Any charges that may be incurred for the ordering or cancellation of car orders shall be paid by the taker. The intent is for the taker to be responsible for reasonable costs of placing and canceling car orders. If cars are not available, as requested in load-out instructions, then the obligation to load is suspended and time does not count until cars are available.

While an elevator may choose to load the required amount after a stop storage date, the intent is not to delay loading unreasonably. The intent of the default rule is therefore intended as only a serious extreme limit. An elevator would be in default on the entire remaining delivery obligation on day 31 if it has not loaded at least 495,000 bushels by day 30. Default on the entire remaining delivery obligation would also be deemed to have occurred after each following five day increment if the elevator becomes more than 20 business days delinquent in maintaining the minimum load-out schedule.

While communication is encouraged, throughout the delivery rules there are various requirements that communication be confirmed in writing. This is intended to provide a clear audit trail of the delivery process. 12-1215.00-1 Deliveries on Warehouse Receipts; Requirements

Deoxynivalenol (also known as Vomitoxin) Restriction

When electronic warehouse receipts are surrendered to the issuer for load-out pursuant to Rule 1215.00, the taker of delivery shall have the option to, at taker's expense, request in such written load-out instructions that the wheat contain no more than 2 ppm (two parts per million) of deoxynivalenol (vomitoxin). A determination of the level of deoxynivalenol shall be made at the

point of origin by the Federal Grain Inspection Service or such other third party inspection service mutually agreeable to the maker and taker of delivery. The determination of the level of deoxynivalenol shall be based on the average test results of the wheat loaded in a single day from a single warehouse for each taker of delivery. As of the effective date of this rule (September 1, 2011), any electronic warehouse receipts previously issued and outstanding shall be subject to the provisions of this Rule.

INTRP 12-1209.00-1 Charges To Move Or Transport Grain

Electronic warehouse receipts delivered to fulfill a futures contract obligation shall be interpreted as "in store" a regular elevator and that any and all charges to move or transport the grain from the elevator is for the account of the warehouse receipt holder. This includes elevation, weight certificates, grade certificates and other charges known or unknown at this time.

Chapter 17

1706.07 Load-Out Capacity.

The warehouse or elevator must be equipped to load covered hopper rail cars. The warehouse or elevator shall file with the Exchange, stating in bushels, the eight (8) hour load-out capacity of the facility for a five (5) day work week. This load-out capacity must at least meet the minimum load-out required for deliveries on electronic warehouse receipts. (See Rule 1218.00). Further, the warehouse or elevator shall notify the Exchange of any change in such load-out capacity.

Chapter 18

1800.00 Requirements

Electronic warehouse receipts shall be eligible for delivery in satisfaction of futures contracts only if the electronic warehouse receipts comply with the following requirements:

- a. Are freely negotiable;
- b. Have been issued by a regular warehouse or elevator;
- c. Designate the warehouse or elevator in which the grain is stored; and
- d. Have been registered by the Registrar of the Exchange.
- e. All electronic fields which are required to be completed in connection with an electronic warehouse receipt have been properly completed.

REGISTRATION

1805.00 Registration.

The owner or holder of an electronic warehouse receipt desiring to have such receipt registered for delivery in satisfaction of a futures contract shall present such receipt to the Registrar via the approved electronic warehouse receipt provider.

1805.01 Time.

Registration must be effected by the owner or holder of the electronic warehouse receipt during the business day in which such person or entity files notice of intention of delivery with the Clearing House or during the next following business day.

1806.00 Duties Of Registrar On Presentation.

The Registrar shall register the electronic warehouse receipts if the warehouse or elevator on which the receipt is issued is currently regular. The electronic warehouse receipt shall be ~~stamped~~ approved by the Registrar within the official stamp system of the approved electronic warehouse receipt provider of the Exchange and shall be recorded in the proper books of the Exchange.

1810.01 Cancellation Procedure.

Immediately following such loading out, the operator of the warehouse or elevator shall deliver such receipt to the Registrar for cancellation. The Registrar is directed to hold such receipt until receipt of a certified report from the taker of the grain accepting the grain as delivered. Upon receipt of such report, the Registrar shall ~~plainly stamp across the face of such receipt the word "Cancelled", together with the name of the person canceling the same~~ send the electronic warehouse receipt back to the issuer by the approved electronic warehouse provider, shall cancel such registration on the Registrar's books, and the registration of said electronic warehouse receipt shall thereafter be void.

Rule 18-1800.00-1 Warehouse Receipts; Requirements

MOISTURE REQUIREMENTS

Electronic warehouse receipts delivered in satisfaction of futures contracts to the Clearing House and registered with the Exchange, must indicate thereon, if wheat, maximum of thirteen and one-half percent (13.5%) moisture.

Rule 18-1800.00-2 Electronic Warehouse Receipts; Requirements

INSECT DAMAGED KERNELS ("IDK") RESTRICTION

Electronic warehouse receipts delivered in satisfaction of futures contracts to the Clearing House and registered with the Exchange must indicate thereon, for wheat, a maximum of ten (10) IDK (indicating no more than 10 insect damaged kernels per 100 grams). As of the effective date of this rule, any electronic warehouse receipts previously issued and outstanding (that do not indicate thereon a maximum of 10 IDK) shall be subject to the 10 IDK restriction of this rule.

~~Rule 18-1800.00-3 Warehouse Receipts; Requirements~~

~~REISSUE FEE — UPGRADE #3 HRW TO #2 HRW~~

~~From one business day prior to the first intention day of the July 2008 wheat futures contract month (June 26, 2008) to three (3) business days following the first intention day (July 3, 2008), #3 HRW wheat warehouse receipts issued and registered with the Exchange prior to such time may be presented to the issuing warehouse by the holder and replacement receipts requested reflecting a grade of #2 HRW wheat. The issuing warehouse must comply with such request and may charge the receipt holder a maximum of five cents (5¢) per bushel to issue such replacement receipts.~~

PROCEDURAL GUIDELINES

PROC GUIDE 18 -1810.01-1 Cancellation Of Electronic Warehouse Receipts On Load-Out

Rule 1810.01 contemplates the records necessary in connection with the loading out of a delivery. The Registrar must receive from the loading elevator a "load-out" sheet showing the party for whom the load-out was made and the receipts covered thereby, and the load-out elevator shall deliver registered receipts to the Registrar for cancellation. The rule also requires that the "taker" of such grain furnish the Registrar a certified acceptance of the grain as delivered which shows that the delivery has been satisfactorily completed and the electronic warehouse receipts previously registered must be cancelled. Therefore, satisfaction of delivery of a futures contract on the Exchange is evidenced by a load-out report by the delivering elevator accompanied by the warehouse receipts applicable thereto and an acknowledgment of accepted delivery by the taker.

PROC GUIDE 18-1811.00-1 Cancellation Of Electronic Warehouse Receipts On Proof Of Purchase

Should electronic warehouse receipts originally registered for delivery purposes be repurchased by the issuing elevator, the Registrar must be furnished with proof of such purchase

accompanied by the registered electronic warehouse receipts whereupon the Registrar will cancel them from the records.

Chapter 20

~~Rule 20-2005.00-1 Futures Trading; Change Of Grades~~

~~MAXIMUM MOISTURE; WHEAT~~

~~Effective July 9, 1976, as to futures contracts for wheat for delivery in July, 1977, and thereafter, the maximum allowable moisture will be thirteen and one half percent (13.5%).~~