

June 14, 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 40.6(a) Self Certification: Harmonize KCBT-CBOT Listing Cycles and KCBT-CBOT Option Strike Generation Rules
KCBT Submission No. 13-246**

Dear Ms. Jurgens:

The Board of Trade of Kansas City, Missouri, Inc. ("KCBT" or the "Exchange"), pursuant to Commodity Futures Trading Commission ("Commission") Regulation 40.6(a), hereby notifies the Commission that it is self-certifying changes to KCBT Wheat option strike price listing rules and the established listing cycle of trading months for KCBT Wheat futures and options. Pending CFTC review, the Exchange plans to make these changes effective on **July 1, 2013**.

The proposed changes are part of KCBT's ongoing efforts to harmonize its Wheat trading rules and practices with those of Board of Trade of the City of Chicago, Inc. ("CBOT") in anticipation of the markets sharing the same trading floor beginning July 1, 2013. As such, KCBT proposes to amend its options strike price generation rules and listing cycles for KCBT Wheat futures and options products to be consistent with the rules and listing cycles in effect for CBOT Wheat products.

Strike Generation

KCBT Wheat options strike prices are generated daily to assure that there are 30 strikes above and below the at-the-money strike price in increments of \$0.10 per bushel. CBOT Wheat options have a two-tiered strike generation rule. When standard options are listed for trade, strike prices are generated daily to assure that there are strike prices in increments of \$0.10 per bushel within 50 percent above and below the at-the-money strike (e.g., for \$6.00 per bushel at-the-money strike, all strikes in increments of \$0.10 are included between \$3.00 and \$9.00 per bushel). Additionally, when CBOT Wheat standard options become the third-listed option month and when serial options are listed, strike price generation changes to increments of \$0.05 per bushel within 25 percent above and below the at-the-money strike.

CBOT Rules also allow for new strike prices outside the generated range of strikes to be listed and traded dynamically on the trading floor with availability electronically on the next trading day. This allows for strike prices that have customer demand to be listed and traded on an as-needed basis, typically on days when the price of the underlying futures has moved significantly.

The planned harmonization of KCBT and CBOT Wheat option strike generation rules will not result in the same strike prices across KCBT and CBOT Wheat options markets because normally there is a different at-the-money strike price in each market. However, harmonizing strike price generation rules between both markets that will share the same trading floor beginning July 1, 2013 will likely result in less confusion and facilitate better coordination and spread trade opportunities across the two markets.

Listing Cycle

KCBT Wheat futures and options do not currently follow a standardized listing cycle and contract expirations are certified on an as-needed basis. CBOT Wheat futures and options, however, do follow standardized listing cycles; in CBOT Wheat futures the Exchange lists three July expirations and all preceding expirations, and in CBOT Wheat options the Exchange lists at all times three consecutive and six standard expirations. The table attached at Exhibit 3 illustrates the current and new listing cycle for the KCBT Wheat Futures and Options contracts.

With both markets trading on the same trading floor beginning July 1, 2013, the Exchange believes there will be less confusion and better coordination across the two markets if the same contract expirations are available.

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

- Prevention of Market Disruption – Harmonizing strike listing rules and listing cycles will result in more KCBT instruments and strike prices being listed than in the past. However, additional instruments and strike prices will not affect the Exchange's monitoring and surveillance. As with all products listed for trading on one of CME Group's designated contract markets, activity will be subject to extensive monitoring and surveillance by CME Group's Market Regulation Department.
- Daily Publication of Trading Information – The Exchange will report in a manner consistent with how activity is currently reported all relevant information on newly traded strike prices and newly listed contract expirations.
- Execution of Transactions – Any additional strike prices or listed contract expirations will not impact the Exchange's order execution, which will continue as before.
- Trade Information – Any additional strike prices or listed contract expirations will be included in the Exchange's Trade Information.
- Protection of Market Participants – Exchange Rules include prohibitions against fraudulent, non-competitive, unfair or abusive practices. These rules will continue to apply. Additionally, harmonization of strike price generation rules and listing cycles can reduce confusion for market participants.

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KCBT is not aware of any substantive opposing views to this proposal. KCBT certifies that the revisions to these rules comply with the CEA and regulations thereunder. KCBT certifies that this submission has been concurrently posted on its website at http://www.kcbt.com/KCBT_pending_certif.html.

If you require any additional information regarding this action, please contact me at 212-299-2200 or Christopher.Bowen@cmegroup.com, or John McKinlay at John.McKinlay@cmegroup.com and reference KCBT Submission 13-246 in any related correspondence.

Sincerely,

/s/ Christopher Bowen
Managing Director and Chief Regulatory Counsel

Exhibit 1: Rule Changes to Harmonize Strike Listing Rules
Exhibit 2: Rule Change to Harmonize Listing Cycles
Exhibit 3: Planned KCBT Wheat Futures and Options Listing Cycles

Exhibit 1

Additions are **underlined and bold**; deletions are [~~bracketed with strikethrough~~].

CHAPTER 25 OPTIONS ON CONTRACTS OF SALE ON HARD WINTER WHEAT FUTURES CONTRACTS

2511.01 Strike Price Interval.

[Trading shall be conducted for options with strike prices in interval multiples of ten cents (10¢) per bushel.]

At the commencement of trading a new **standard** option month, the following strike prices shall be listed: the strike price closest to the previous day's settlement price of the underlying futures contract (**the at-the-money strike**), [~~the next thirty (30) higher and the next thirty (30) lower strike prices~~] **and strikes in integral multiples of ten cents (10¢) per bushel in a range 50 percent above and below the at-the-money strike.** [~~; provided, however, that no strike price shall be listed below the \$1.00 strike price level.~~]

At the commencement of trading serial month options and for standard option months the business day they become the third listed month, the following strike prices shall be listed: the strike price closest to the previous day's settlement price of the underlying futures contract (the at-the-money strike), and strikes in integral multiples of five cents (5¢) per bushel in a range 25 percent above and below the at-the-money strike.

If the previous day's settlement price is midway between two strike prices, the closest price shall be the larger of the two. (For example – if a new futures month contract closes at \$3.75, the closest price is \$3.80.) The Exchange may modify the procedures for the introduction of strikes as it deems appropriate in order to respond to market conditions.

2511.02 New Options.

[A new option based on a futures month within the ordinary cycle will be introduced the day after trading has commenced in the underlying futures contract for that contract month, (for example – if on February 1, the December futures contract had traded for the first time, then on February 2, an option month for the December futures contract is listed, having strike prices as specified in Rule 2511.01). A new option based on a serial month

~~(a month outside of the ordinary cycle) will automatically be introduced the day following the expiration of a serial month, so as to at all times have available for trading the number of serial months established by the Exchange for trading, (for example, if the Exchange has authorized the listing of three serial months, and those months currently traded are January, February and April, then the serial contract month of June will automatically be listed for trading the day following the expiration of the January contract month).]~~

The number of months open for trading at a given time shall be determined by the Exchange.

2511.03 New Strike Price.

Any close which causes there to be less than the [number] **range** of strike prices prescribed by Rule 2511.01 will cause new strike prices to be added the next day in order to have at least the [number] **range** of strike prices pursuant to Rule 2511.01 available for trading. **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.**

2511.04 Horizontal Option Strike Price. Reserved.

2511.05 Limit On New Strike Prices. Reserved.

~~[No new strike prices may be introduced during the last six (6) trading days of the expiring option.]~~

2511.06 Delisting.

An option having a particular strike price **outside the latest strike ranges prescribed by Rule 2511.01 and without open interest may** [shall] be delisted, ~~[if for ten (10) consecutive trading days no transaction is made, and there is no open position in such strike price; provided, however, that no option shall be delisted if it has a strike price which is required by Rules 2511.01, 2511.03, or 2511.04.]~~

2511.07 Relisting.

Any strike price which has been delisted under Rule 2511.06 shall thereafter be relisted at any time any such option has a strike price required by Rules 2511.01, 2511.03 or 2511.04.

Exhibit 2

Additions are **underlined and bold**; deletions are [~~bracketed with strikethrough~~].

CHAPTER 20 WHEAT

NOTE: TRADING MONTHS

By custom and usage, the delivery/trading months for grain futures are March, May, July, September, and December. **The number of months open for trading at a given time shall be determined by the Exchange.** [~~These have not been set by Board action or the By-laws insofar as existing records indicate. It is assumed that they could be changed by action of the Exchange. Also by custom, until recently the Permit Holders could trade in any distant month without any official Exchange approval or action to "open" such months. However, since late 1978, due to concern about changing freight rates and laws, the Exchange has adopted the policy of permitting trade only in specifically authorized months (generally one year ahead). This serves to focus the Exchange's attention to such matters and also prevents trades in months in which contract terms could be changed, if required by changed conditions.]~~]

Exhibit 3

The column headings represent the first day of the month. The cells show the contract months authorized for trading as of the first day of the month. The **bold and underlined** contract months indicate futures contracts that have been added to the list of contracts authorized for trading in the prior month. New contracts are authorized for trading the day after a spot futures contract has expired.

For the options cycle guide, months listed in SMALL CAPS indicate reduced strike price intervals, from \$0.10/bu. to \$0.05/bu.

Planned KCBT Wheat Futures Cycle Guide												
COMMODITY	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
KCBT WHEAT FUTURES 3 Jul and all preceding Expirations	Mar	Mar	Mar	May	May	Jul	Jul	Sep	Sep	Dec	Dec	Dec
	May	May	May	Jul	Jul	Sep	Sep	Dec	Dec	Mar	Mar	Mar
	Jul	Jul	Jul	Sep	Sep	Dec	Dec	Mar	Mar	May	May	May
	Sep	Sep	Sep	Dec	Dec	Mar	Mar	May	May	Jul	Jul	Jul
	Dec	Dec	Dec	Mar	Mar	May	May	Jul	Jul	Sep	Sep	Sep
	Mar	Mar	Mar	May	May	Jul	Jul	Sep	Sep	Dec	Dec	Dec
	May	May	May	Jul	Jul	Sep	Sep	Dec	Dec	Mar	Mar	Mar
	Jul	Jul	Jul	Sep	Sep	Dec	Dec	Mar	Mar	May	May	May
	Sep	Sep	Sep	Dec	Dec	Mar	Mar	May	May	Jul	Jul	Jul
	Dec	Dec	Dec	Mar	Mar	May	May	Jul	Jul	Sep	Sep	Sep
	Mar	Mar	Mar	May	May	Jul	Jul	<u>Sep</u>	Sep	Dec	Dec	Dec
	May	May	May	Jul	Jul	<u>Dec</u>	<u>Dec</u>	Dec	Dec	Mar	Mar	Mar
	Jul	Jul	Jul	<u>Mar</u>	<u>Mar</u>	May	May	May	Jul	Jul	Jul	Jul
								<u>May</u>	May	Jul	Jul	Jul
							<u>Jul</u>	Jul				

Planned KCBT Wheat Options Cycle Guide												
COMMODITY	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
KCBT WHEAT OPTIONS First 3 consecutive months and First 6 standard option contracts	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN
	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB
	APR	MAY	JUN	Jul	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR
	May	Jul	Jul	Sep	Sep	Dec	Dec	Dec	Mar	Mar	Mar	May
	Jul	Sep	Sep	Dec	Dec	Mar	Mar	Mar	May	May	May	Jul
	Sep	Dec	Dec	Mar	Mar	May	May	May	Jul	Jul	Jul	Sep
	Dec	Mar	Mar	May	May	Jul	Jul	Jul	Sep	Sep	Sep	Dec
	Mar		May		Jul		Sep	Sep	Dec	Dec	Dec	Mar