



Christopher Bowen
Managing Director and Chief Regulatory Counsel
Legal Department

December 3, 2012

VIA E-MAIL

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

RE: **Modification to CBOT Grain and Oilseed Options Market Maker Program
on Globex®
CBOT Submission No. 12-418**

Dear Ms. Warfield:

The Board of Trade of the City of Chicago, Inc. ("CBOT" or the "Exchange") hereby notifies the Commodity Futures Trading Commission ("Commission") of proposed modifications to the CBOT Grain and Oilseed Options Market Maker Program on Globex® ("Program"). The proposed modifications to the Program will become effective on January 2, 2013.

Exhibit 1 sets forth the terms of the Program. The modifications appear below with additions underscored and deletions ~~overstruck~~.

CBOT business staff responsible for the Program and the CBOT legal department collectively reviewed the designated contract market core principles ("Core Principles") as set forth in the Commodities Exchange Act ("CEA"). During the review, CBOT 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 and proposed modifications do not incentivize manipulative trading or market abuse or 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. The Program does not impact the Exchange's order execution. Participants in the Program will be selected by Exchange staff based on criteria set forth in Exhibit 1. Chapter 4 of the Exchange rules includes prohibitions against fraudulent, non-competitive, unfair or abusive practices. The Program is subject to these rules and the Exchange's record retention policies which comply with the CEA.

CBOT certifies that the Program and proposed modifications comply with the CEA and the regulations thereunder. There were no substantive opposing views to this Program or its proposed modifications.

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 CBOT Submission No. 12-418 in any related correspondence.

Sincerely,

/s/ Christopher Bowen
Managing Director, Chief Regulatory Counsel

Attachments

EXHIBIT 1

CBOT Grain and Oilseed Options Market Maker Program on Globex®

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 CME Globex® platform benefits all participants segments in the market.

Product Scope

The following CBOT grain and oilseed options products available for trading on the Globex® Platform (“Grain and Oilseed Products”):

Corn options
Wheat options
Soybean options
Soybean Oil options
Soybean Meal options
Rough Rice options
Oats options

Eligible Participants

Up to ~~fifteen (15)~~ sixteen (16) participants may be selected into the Program for ~~each of the Grain and Oilseed Products~~ Corn, Wheat, Soybean, Soybean Oil, and Soybean Meal options products, respectively, and up to ten (10) participants may be selected into the Program for Rough Rice and Oats options products, respectively. Participants can be CBOT members or non-members. Potential participants are required to submit an application/bid sheet to the Exchange which is used to determine eligibility. CBOT 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 in Grain and Oilseed Products, the prospective participants’ overall historical performance and experience acting as a market maker in other CME programs, and the ability to respond to request for quotes, maintain high quality bid/ask spreads, and book size in the Grain and Oilseed Products. Notwithstanding the foregoing, CBOT may, from time to time, add to or subtract from the factors listed above as it deems necessary.

Program Term

Start date is January 01, 2012. End date is ~~December 31, 2012~~ December 31, 2013.

Hours

Regular Trading Hours (“RTH”) ~~8am to 4pm Central Time.~~

Obligations

For each of the Grain and Oilseed Products, market makers will be ranked against all other participants in the Program on a quarterly 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 Grain & Oilseed Options products, Grain & Oilseed Spread products, <u>Grain & Oilseed Non-Standard Options products,</u>

and Grain & Oilseed Back Month Options products (3+).
<u>Market Maker's Market Coverage.</u> Including, with respect to the applicable Grain and Oilseed Products: Time in the market during regular trading hours; Strikes Quoted by participant during the calendar month; Strikes Quoted by the participant each week.
<u>Market Maker's Market Quality.</u> Including, with respect to the applicable Grain and Oilseed Products: Bid-Ask Spread; Book Size and Responses to requests-for-quotes.
<u>Market Maker's Quote Efficiency.</u> Including: Messages and message-to-volume ratio.

All Product activity shall be conducted through a proprietary account of the market maker.

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:

Mass Quote Message

All participants will receive use of the CME Group mass quote functionality.

Quotes Per Seconds ("QPS")

All participants receive a designated amount of QPS per Grain and Oilseed Product. CBOT may allocate additional QPS based on improvement in ranking.

Fee Waivers

- a. ~~Initial Ranking Period.~~ From January 01, 2012 through March 31, 2012 ("Initial Ranking Period"), all participants will be eligible for CME Globex® execution fee waivers for the Grain and Oilseed Products traded through the participant's designated market making account(s).
- b. ~~a. Remainder of the Program. Execution Fee Waiver.~~ After the Initial Ranking Period, and for the remainder of the Program, if a market maker is one of the top ten (10) five (5) highly ranked participants in the respective Grain and Oilseed Corn products or one of the top seven (7) highly ranked participants in each of the participating Wheat, Soybean, Soybean Oil, Soybean Meal, Rough Rice, or Oats options products (each a "Qualifying Product"), respectively, during any given calendar quarter ~~(including the Initial Ranking Period),~~ CBOT will waive all of the market maker's CME Globex® execution fees for the respective Grain and Oilseed Products Qualifying Product(s) traded through the participant's designated market making account(s) during the following calendar quarter ("Qualifying Quarter").
- e. ~~b. Clearing Fee Waiver for Spreads.~~ If a market maker is one of the top five (5) highly ranked participants in eligible Corn options products or one of the top seven (7) highly ranked participants in Wheat, Soybean, Soybean Oil, Soybean Meal, Rough Rice or Oats options products during any Qualifying Quarter, CBOT will waive the clearing fee for all spreads executed through market maker accounts in the Qualifying Product(s) for which the market maker is a highly ranked participant during the following Qualifying Quarter.

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.