

COMMENT

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September 6, 2006

11405 Manor Rd  
Leawood, KS 66211

Ms. Eileen A. Donovan  
Secretary of the Commission  
3 Lafayette Centre  
1155 21<sup>st</sup> Street N.W.  
Washington, D.C. 20581

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Dear Ms. Donovan;

In regards to the proposed Rule for the Conflict of Interest in Self-Regulation and Self-Regulatory Organizations I can say as a Member and Director of the Kansas City Board of Trade (KCBT) that these proposed rules would be disastrous to an organization that has successfully weathered 150 years of change. The KCBT is not a large publicly traded institution like the Chicago Mercantile Exchange or Chicago Board of Trade and to require the same degree of governance guidelines is extremely unfair and would be very burdensome in terms of cost, administration and efficiency to the KCBT.

Many changes are currently happening within the commodity exchanges including increased competition among exchanges, electronic trading platforms and competition from off exchange derivatives. These changes are forcing exchanges like the KCBT to continue to seek ways to keep transaction costs competitive and provide ever efficient service to the users of our products. The proposed regulatory governance rules will not enhance the ability of the KCBT to improve the degree of service but would encumber the exchange's ability change with the users demand and make the governance of the exchange extremely cumbersome.

The proposed rule that 50% of the exchanges Directors and Executive Committee should be constituted of "Public" representatives is uncalled for. For one thing the proposed definition of a "Public" representative is so strict that the these Directors and Executive Committee members would doubtfully have a working knowledge of the Futures Industry or the systematic issue prevalent in this industry. The KCBT has a Director composition which is well balanced and is represented broadly by every segment with a vested interest in the health and well being of the exchange for years to come including Independent Traders, Commercial Merchants, FCM's as well as outside directors who have a working knowledge of the exchange and the difficulties the KCBT faces in an increasingly competitive environment.

A Regulatory Oversight Committee comprised exclusively of "Public" directors would sever the ability of the KCBT management to maintain any control and focus over the compliance and regulatory areas of the KCBT. While the KCBT has had an exemplary track record in compliance and regulatory functions with the CFTC such a change is indeed frightening for members and users of the exchange both from a continuation of

regulatory and compliance excellence but also from losing control over a major cost component for the KCBT.

I do agree that having a "Public" director or representative, although not under the proposed definition of "Public" representative, on all exchange disciplinary and appellate panels is a sound proposition.

In closing I have to say as a Member, Director and Independent Trader of the Kansas City Board of Trade the health of the exchange is a critical factor for me to maintain my livelihood. We are under continually strengthening competition from other exchanges and off exchange instruments which is making every person on the exchange provide better service at lower costs no matter what market segment they are in. I see the proposed Regulatory Governance Rules as instruments which would weaken the Kansas City Board of Trade and with a weakened exchange it will be more difficult for every competing segment at the exchange to excel the integrity of the KCBT jeopardizing not only the livelihood of members but also those that need these products for their own risk management.

Best regards,

Colby Moss  
Member and Director  
Kansas City Board of Trade