



U.S. COMMODITY FUTURES TRADING COMMISSION

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May 26, 2006

Mr. C. Robert Paul
Executive Vice President
& General Counsel
Philadelphia Stock Exchange
1900 Market Street
Philadelphia, PA 19103

Re: Application of the Philadelphia Board of Trade Inc., for reinstatement of contract market designation

Dear Mr. Paul:

By letters dated March 2, 2006 through May 16, 2006, the Philadelphia Board of Trade Inc., ("PBOT" or "Exchange") applied to the Commodity Futures Trading Commission ("Commission"), pursuant to Section 5 of the Commodity Exchange Act and Part 38 of the Commission's regulations for reinstatement of its contract market designation. The Commission has reviewed the materials submitted and has determined to reinstate PBOT's contract market designation, pursuant to Sections 5 and 6(a) of the Act and Parts 38 of the Commission's regulations.

The Commission's designation reinstatement is based upon, among other things, written submissions, explanations, representations and demonstrations provided by the Exchange describing the manner in which PBOT will operate. The Commission's designation is further based upon written submissions provided by PBOT concerning how the Options Clearing Corporation ("OCC"), a Commission-registered derivatives clearing organization, will assist PBOT in meeting the Exchange's clearing and settlement obligations. The Commission's reinstatement is finally based upon written submissions provided by PBOT concerning how the National Futures Association ("NFA"), a registered futures association, will provide arbitration services for PBOT.

The Commission notes that PBOT must inform the Commission of any material modification to the operation of the Exchange, including the clearing and settlement arrangements provided by OCC, the arbitration services provided by the NFA or PBOT's self-regulatory program. The Commission also reminds PBOT that any change in the identity of regulatory service providers or the regulatory services they provide to the Exchange, or any modification to its trading system (including, for example, the implementation to an electronic trading platform) constitutes a rule change that must be submitted to the Commission pursuant to 5c(c) of the Act and Part 40 of the Commission's regulations. Moreover, the Commission reminds the Exchange that position limits or position accountability procedures must be included

with the Exchange's filing to the Commission in connection with the listing of each futures contract submitted under the Commission's certification or approval procedures.

In reinstating PBOT's contract market designation, the Commission is not approving the Clearing Services Agreement between PBOT and OCC or the Arbitration Agreement between PBOT and NFA. In this regard, PBOT itself remains directly responsible to the Commission for ensuring the performance of all self-regulatory functions required of it as a designated contract market under the Act and Commission Regulations, including enforcement of the terms of all PBOT rules. PBOT remains responsible for compliance with all designation criteria and core principles including those for which relevant functions have been contracted out.

The Commission further reminds PBOT that new and amended PBOT Rules 16, 60, 202, 208, 324, 367, 410, 1001-1014, 1101-1112, 1210 and 1300, provided for the staff's consideration as a result of the PBOT designation reinstatement process, must be submitted to the Commission pursuant to 5c(c) of the Act and Part 40 of the Commission's regulations upon reinstatement of PBOT's contract market designation prior to the onset of trading. The Commission finally reminds PBOT of its continuing obligation, under Core Principle 2, to devote sufficient resources, including consideration of increased PBOT staffing levels at the onset of electronic trading, to effectively enforce its rules whether through outsourcing or otherwise.

Sincerely,

Eileen A. Donovan
Acting Secretary of the Commission

cc: Kathryn M. Trkla, Foley & Lardner LLP