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Date August 31, 2004

SENT VIA E-MAIL

Ms. Jean A. Webb
Secretary of the Commission
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, D.C. 20581

Re: Submission pursuant to Commission Regulation Section 40.6(a)

Dear Ms. Webb:

- I. **Rule Certification.** The Kansas City Board of Trade ("KCBT") hereby gives notification to the Commission pursuant to Commission Regulation Section 40.6(a), of its intent to amend Rule 2413.00 pertaining to Value Line® stock index contract daily price limits and trading halts. The Board of Directors, in a regular meeting held on August 31, 2004, acting pursuant to authority granted them under Rule 2403.00, approved the amendments to the daily price limit and trading halt provisions as set forth in Rule 2413. KCBT certifies to the Commission that the provisions of Rule 2413.00 are in compliance with the Commodity Exchange Act and the regulations thereunder.
- II. **Date of Implementation.** Amended Rule 2413.00 shall become effective as of Friday, October 1, 2004 (the first business day of the fourth calendar quarter).
- III. **Substantive Opposing Views.** To the knowledge of the Board of Directors and staff, no substantive opposing views were expressed by members or others regarding amended Rule 2413.00.
- IV. **Text of Amended Rule 2413.00.** The text of amended Rule 2413.00 is shown as follows, with additions underlined and deletions lined out:

2413.00 Daily Price Limits and Trading Halts. Daily price limits and trading halts of the Value Line Average Stock Index Futures Contract shall be coordinated with trading halts in the securities markets.

Price Limits: There shall be Price Limits corresponding to a market move of 5.0%, 10%, 15% and 20% decline **above or below** the previous day's settlement price calculated as provided below.

The 5.0%, 10%, 15% and 20% Price Limits shall be determined at the beginning of each calendar quarter, each morning based upon on the average settlement price of the index during the calendar month immediately preceding the beginning of such calendar quarter. The resulting value shall be referred to as the Quarterly Value. previous day's settlement price. The Quarterly Value previous day's settlement price shall be multiplied by the applicable Price Limit, then rounded to the nearest integral multiple of 1.00 index point. For example, if the Quarterly Value previous settlement was 1505.00 950.00, then the 5% Price limit would be 48, the 10% Price Limit would be 151.00 95, the 15% Price Limit would be 143.00 and the 20% Price Limit would be 301.00 499.

Rising Market Provisions (Market above previous day's settlement price)

During trading times beginning when the primary securities market opens (8:30 a.m. Central time) and continuing until the close of the contract (3:15 p.m. Central time), the 10% Price Limit shall be in effect until either of the two nearest contract months is limit bid at such Price Limit, at which time trading shall be halted for a period of five (5) minutes. The 20% Price Limit shall apply to such reopening and shall be in effect until either of the two nearest contract months is limit bid at such Price Limit, at which time trading shall be halted for a period of five (5) minutes. There shall be no Price Limit above the previous day's settlement price in effect upon reopening.

During trading times other than 8:30 a.m. to 3:15 p.m. Central time, the 10% Price Limit shall apply.

Declining Market Provisions (Market below previous day's settlement price)

~~Once either of the two nearest contract months is limit offered at the 5% Price Limit, a 10 minute period shall commence after which that limit shall not apply. These price limits shall cease to be in effect during the 45 minute period which precedes the close of trading. If either of the two nearest contract months is limit offered at the end of the 10 minute period, or 45 minutes before the close of trading, trading shall terminate for a period of two minutes, at which time the market shall reopen. The next applicable Price Limit shall apply to such reopening.~~

~~Prior to 1:30 p.m. Central time, the 10% Price Limit shall be in effect until a trading halt has been declared at the primary securities market, trading has resumed at the primary securities market following such a trading halt, and trading has resumed in the S&P 500 stock index futures contract. The 15% Price Limit shall apply to such reopening.~~

After 1:30 p.m. Central time, if a trading halt has not yet been declared in the primary securities market, the 10% Price Limit shall be in effect until such time as ~~once~~ either of the two nearest contract months is limit offered at the 10% Price Limit, at which time trading shall be halted for a period of five (5) minutes. The 20% Price Limit shall apply to such reopening. a 10 minute period shall commence after which that limit shall not apply. If either of the two nearest contract months is limit offered at the end of the 10 minute period, trading shall terminate for a period of two minutes, at which time the market shall reopen. The next applicable Price Limit shall apply to such reopening.

~~Once either of the two nearest contract months is limit offered at the 15% Price Limit, a 10 minute period shall commence after which that limit shall not apply. If either of the two nearest contract months is limit offered at the end of the 10 minute period, trading shall terminate for a period of two minutes, at which time the market shall reopen. The 20% Price Limit shall apply to such reopening and represent the Total Daily Price Limit.~~

If during the time the 10% Price Limit is in effect there is a trading halt declared in the primary securities market, trading shall be halted. Trading shall resume once trading has resumed at the primary securities market following such a trading halt, ~~and trading has resumed in the S&P 500 stock index futures contract.~~ The 20% next applicable Price Limit shall apply to such reopening.

If during the time the 20% Price Limit is in effect there is a trading halt declared in the primary securities market, trading shall be halted. Trading shall resume once trading has resumed at the primary securities market following such a trading halt, ~~and trading has resumed in the S&P 500 stock index futures contract.~~ The 20% Price Limit shall continue to apply subsequent to such reopening.

~~Second Day Limits:~~ ~~If either of the two nearest contract months are limit offered at the 20% Price Limit as of the close of trading, the Price Limits for the next subsequent business day shall be modified as follows:~~

~~If either of the two nearest contract months is limit offered at the 5%, 10% or 15% Price Limit, a 10 minute period shall commence after which that limit shall not apply. These price limits shall cease to be in effect during the 45 minute period which precedes the close of trading. If either of the two nearest contract months is limit offered at the 5%, 10% or 15% Price Limit at the end of the 10 minute period, or 45 minutes before the close of trading, trading shall terminate for a period of two minutes, at which time the market shall reopen. The next applicable Price Limit shall apply to such reopening.~~

~~If during the time the 10% Price Limit is in effect there is a trading halt declared in the primary securities market, trading shall be halted. Trading shall resume once trading has resumed at the primary securities market following such a trading halt, and trading has resumed in the S&P 500 stock index futures contract. The 20% Price Limit shall apply to the reopening and shall represent the Total Daily Price Limit.~~

~~If during the time the 20% Price Limit is in effect there is a trading halt declared in the primary securities market, trading shall be halted. Trading shall resume once trading has resumed at the primary securities market following such a trading halt, and trading has resumed in the S&P 500 stock index futures contract. The 20% Price Limit shall continue to apply subsequent to such reopening.~~

V. **Rationale for Action Taken.** As previously announced, the KCBT has entered into a hosting agreement with the Chicago Board of Trade whereby KCBT products will be made available for trading on the CBOT's e-cbot® electronic trading system powered by LIFFE CONNECT®. As a result, in order to take full advantage of the price limit functionality of the system, modifications were necessary to Rule 2413.00 pertaining to the Value Line® stock index futures price limit and trading halt provisions. Due to the confidential nature of the system functionality, we will elaborate as to how the modifications relate to the system functionality.

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Another change made to Rule 2413.00 relates to the determination of the numeric price limits. Currently, these limits are established each day based on the previous day's settlement price. The amended rule provides for these price limits to be established at the beginning of each calendar quarter (similar to other stock index contracts), based on the average settlement price of the index during the preceding calendar month. This will allow for much more efficient management of the price limits and be easier for market participants to understand and track.

VI. **Closing.** Any questions regarding this submission should be directed to the undersigned at 816-753-7500.

Sincerely,

Jeff C. Borchardt
President

Cc: Rick Shilts – CFTC Washington
Tom Bloom – CFTC Kansas City
Robin Hagedorn – CFTC Kansas City