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OFFICE OF THE SECRETARIAT

November 7, 2005

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

Reference File #2596.01
Rule Certification

Dear Ms. Webb:

Pursuant to Commission Regulation 40.6(a), the Chicago Board of Trade (CBOT[®]) hereby submits the following:

- **Clarification, via the attached Notice, concerning margin treatment afforded to members pursuant to CBOT Regulation 431.01.**

The Exchange intends to implement the referenced information no later than one day after the Commission's receipt of this filing.

There were no opposing views concerning this Notice.

The CBOT certifies that the provisions of this Notice comply with the Commodity Exchange Act and the rules thereunder.

Sincerely,

Paul J. Draths
Vice President and Secretary

November 4, 2005

Notice

RE: Non-Clearing Members - Margins

The Financial Compliance Committee issued a notice on May 19, 2005 clarifying the appropriate margin treatment for members and delegates. Since that time the Exchange has received requests for additional clarifications as follows:

- 1) **Is the value of CBOT Holdings Class A common stock included when calculating the value of an owned membership?**

Yes. In calculating the level of collateral in a member's account that is receiving *mark to market margin treatment*, the firm may consider the account's Net Liquidating Equity, the market value of securities in the account (less applicable SEC haircuts), and 50% of the current bid price of an owned Class B membership and any associated restricted Class A common stock, as quoted in the combination market.

- 2) **Can my CBOT Holdings Class A common stock be used to margin my account that is subject to margin due to option positions?**

No. Except as discussed in Question 1 above, Class A common stock may not be used to margin a member's account until such time as the transfer restrictions are lifted. *Once the transfer restrictions are lifted, the member will be allowed to deposit his shares with his FCM as margin collateral.* The Class A common stock's collateral value will be equal to its current market value, as quoted on the New York Stock Exchange, less a 15% haircut.

- 3) **If I own a Class B membership but have leased it to someone else, can I still use that membership as collateral?**

No. Once you lease your membership to another party the Class B membership and any associated restricted Class A common stock can not be used as collateral. Once the transfer restrictions are lifted, the member will be allowed to deposit his Class A common stock with his FCM as described in question #2.

4) **Will the CBOT adopt a collateral policy similar to the CME's for individual option traders?**

Yes. The Financial Compliance Committee has agreed to adopt the same policy as the CME for individual members trading options. This policy allows the *lesser* of 50% of the value of an owned Class B membership or \$100,000 as satisfactory margin collateral. The policy does not apply if the clearing member firm is guaranteeing a loan for the purchase of the membership and can only be used to margin products for which the trader has membership privileges.

5) **Can a member firm take an under-margin capital charge in lieu of making a bona-fide margin or risk call to a member?**

No. The Committee would like to stress that under-margin capital charges are not a substitute for prudent risk management policies, the most basic being the timely collection of margin or collateral to cover a member's risk. At a minimum, the Committee expects that member firms will follow the industry standard as set forth in the "Margins Handbook". This standard stipulates that after an account has been under-margined for 5 consecutive days, the firm may only accept orders that reduce the account's risk exposure through either liquidation or the addition of positions that result in an overall decrease in the account's risk exposure.

Any question regarding the treatment of member margins should be directed to OIA - Barbara Lorenzen at (312) 435-3683 or Lori Gialessas at (312) 435-7171.

Paul J. Draths
Vice President and Secretary