May 16, 2006

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

Reference File #2655.02
Rule Certification

Dear Ms. Webb:

Pursuant to Commission Regulations 40.6 and 41.49(b)(2), the Chicago Board of Trade (CBOT®) hereby submits the following:

- **New Regulations 431.07 and 431.08 and a new Policy and new Procedures for Chicago Board of Trade Security Futures Market Maker Registration per the attached texts.**

New Regulations 431.07 and 431.08 address customer margins for CBOT Security Futures positions held in futures accounts. The new Policy and Procedures address the Exchange's security futures market-maker program for CBOT Security Futures.

As the Commission was notified by submission dated March 20, 2006 (CBOT Reference File #2655.01), the CBOT filed the referenced provisions with the SEC in March 2006 for approval in accordance with Section 19(b)(2) of the Securities and Exchange Act of 1934. The SEC approved these provisions on April 14, 2006.

The CBOT intends to implement these provisions one day after the Commission's receipt of this submission.

There were no opposing views concerning these provisions.

The CBOT certifies that these provisions comply with the Commodity Exchange Act and the rules thereunder.

Sincerely,

Paul J. Draths
Vice President and Secretary

New Regulation 431.07 Customer Margins for Security Futures Positions Held in Futures Accounts

Margin requirements associated with Security Futures positions, which result from transactions made on the Exchange on behalf of Customers, and which are held in a futures account, shall be determined and administered in accordance with the Rules and Regulations of the Exchange, and in compliance with CFTC Regulations 41.42 through 41.49 and SEC Regulations 242.400 through 242.406. With regard to such Security Futures positions, if Exchange Rules or Regulations are inconsistent with CFTC Regulations 41.42 through 41.49 and SEC Regulations 242.400 through 242.406, including any successor Regulations, the CFTC and SEC Regulations shall prevail.

(a) Initial and maintenance margin rates used in determining Exchange margin requirements applicable to Security Futures that are held on behalf of Customers in a futures account, shall be established at levels no lower than those prescribed by CFTC Regulation 41.45 and SEC Regulation 242.403, including any successor Regulations.

(b) As used in this Regulation, the term "Customer" does not include (a) an "exempted person" as defined in CFTC Regulation 41.43(a)(9) and SEC Regulation 242.401(a)(9); or (b) Market Makers as defined below.

(c) A Person shall be a "Market Maker" for purposes of this Rule, and shall be excluded from the requirements set forth in CFTC Regulations 41.42 through 41.49 and SEC Regulations 242.400 through 242.406, as applicable, in accordance with CFTC Regulation 41.42(c)(2)(v) and SEC Regulation 242.400(c)(2)(v), with respect to all trading in Security Futures for its own account, if such Person is an Exchange Member that is registered with the Exchange as a "Security Futures Dealer."

Each such Market Maker shall: (a) be a member of the Exchange and be registered as a floor trader or a floor broker with the CFTC under Section 4f(a)(1) of the CEA or be registered as a dealer with the SEC under Section 15(b) of the Exchange Act; (b) maintain records sufficient to prove compliance with the requirements set forth in this Regulation and CFTC Regulation 41.42(c)(2)(v) or SEC Regulation 242.400(c)(2)(v), as applicable, including without limitation, trading account statements and other financial records sufficient to detail activity; and (c) hold itself out as being willing to buy and sell Security Futures for its own account on a regular or continuous basis.

A Market Maker satisfies condition (c) above if any of the following three requirements are fulfilled:

(1) The Market Maker:

(i) Provides continuous two-sided quotations throughout the trading day for all delivery months of Security Futures Contracts representing a meaningful proportion of the total trading volume of Security Futures Contracts on the Exchange, subject to relaxation during unusual market conditions as determined by the Exchange (such as a fast market in either a Security Futures Contract or a security underlying a Security Futures Contract) at which times the Market Maker must use its best efforts to quote continuously and competitively; and

(ii) When providing quotations, quotes with a maximum bid/ask spread of no more than the greater of $0.20 or 150% of the bid/ask spread in the primary market for the security underlying each Security Futures Contract.

(2) The Market Maker:

(i) Responds to at least 75% of the requests for quotation for all delivery months of Security Futures Contracts representing a meaningful proportion of the total trading volume of Security Futures Contracts on the Exchange, subject to relaxation during unusual market conditions as determined by the Exchange (such as a fast market in either a Security Futures Contract or a security underlying a Security Futures Contract) at which times the Market Maker must use its best efforts to quote competitively; and

(ii) When responding to requests for quotation, quotes within five seconds with a maximum bid/ask spread of no more than the greater of $0.20 or 150% of the bid/ask spread in the primary market for the security underlying each Security Futures Contract.

(3) The Market Maker:

(i) Is assigned to a group of Security Futures Contracts listed on the Exchange that is either unlimited in nature ("Unlimited Assignment") or is assigned to no more that 20% of the Security Futures Contracts listed on the Exchange ("Limited Assignment"); and

(ii) At least 75% of the Market Maker's total trading activity in Exchange Security Futures Contracts is in its assigned Security Futures Contracts, measured on a quarterly basis; and

(iii) During at least 50% of the trading day, the Market Maker has bids or offers in the market that are at or near the best market, except in unusual market conditions as determined by the Exchange (such as a fast market in either a Security Futures Contract or a security underlying a Security Futures Contract), with respect to at least 25% (in the case of an Unlimited Assignment) or at least one (in the case of a Limited Assignment) of its assigned Security Futures Contracts; and

(iv) The requirements in (ii) and (iii) are satisfied on (a) at least 90% of the trading days in each calendar quarter by Market Makers who have undertaken an Unlimited Assignment; or (b) at least 80% of the trading days in each calendar quarter by Market Makers who have undertaken a Limited Assignment; or (c) on at least 80% of the trading days in each calendar quarter by Market Makers who have undertaken either an Unlimited Assignment or Limited Assignment but where the Exchange is listing four (4) or fewer Security Futures Contracts.

For purposes of clauses (1) and (2) above, beginning on the 181st calendar day after the commencement of trading of Security Futures Contracts on the Exchange, a "meaningful proportion of the total trading volume of Security Futures Contracts on the Exchange" shall mean a minimum of 20% of such trading volume.

Any Market Maker that fails to comply with the applicable Rules of the Exchange, CFTC Regulations 41.42 through 41.49 or SEC Regulations 242.400 through 242.406, as applicable, shall be subject to disciplinary action in accordance with Chapter 5. Appropriate sanctions in the case of any such failure shall include, without limitation, a revocation of such Market Maker's registration with the Exchange as a Security Futures Dealer.

(d) The Exchange shall establish initial and maintenance margin requirements applicable to Security Futures that are held in a futures account, provided that the margin requirement for any long or short position held by a member firm on behalf of a Customer shall not be less than 20% of the current market value of the relevant Security Futures Contract, or such other requirement as may be established by the CFTC and SEC for purposes of CFTC Regulation 41.45(b)(1) and SEC Regulation 242.403(b)(1), unless a lower margin level is available for such position pursuant to paragraph (e) below.

(e) Initial and maintenance margin requirements for offsetting positions involving Security Futures and related positions are provided in the schedule below, for purposes of CFTC Regulation 41.45(b)(2) and SEC Regulation 242.403(b)(2).

MARGIN REQUIREMENTS FOR OFFSETTING POSITIONS

1	**Long security future (or basket of security futures representing each component of a narrow-based securities index[1]) and long put option[2] on the same underlying security (or index)**	Individual stock or narrow-based security index	20% of the current market value of the long security future, plus pay for the long put in full.	The lower of: (1) 10% of the aggregate exercise price[3] of the put plus the aggregate put out-of-the-money[4] amount, if any; or (2) 20% of the current market value of the long security future.

[1] Baskets of securities or security futures contracts must replicate the securities that comprise the index, and in the same proportion.

[2] Generally, for the purposes of these regulations, unless otherwise specified, stock index warrants shall be treated as if they were index options.

[3] "Aggregate exercise price," with respect to an option or warrant based on an underlying security, means the exercise price of an option or warrant contract multiplied by the numbers of units of the underlying security covered by the option contract or warrant. "Aggregate exercise price" with respect to an index option, means the exercise price multiplied by the index multiplier. See, e.g., Amex Rules 900 and 900C; CBOE Rule 12.3; and NASD Rule 2522.

[4] "Out-of-the-money" amounts shall be determined as follows:

(1) for stock call options and warrants, any excess of the aggregate exercise price of the option or warrant over its current market value (as determined in accordance with Regulation T of the Board of Governors of the Federal Reserve System);

(2) for stock put options or warrants, any excess of the current market value (as determined in accordance with Regulation T of the Board of Governors of the Federal Reserve System) of the option or warrant over its aggregate exercise price;

(3) for stock index call options and warrants, any excess of the aggregate exercise price of the option or warrant over the product of the current index value and the applicable index multiplier; and

(4) for stock index put options and warrants, any excess of the product of the current index value and the applicable index multiplier over the aggregate exercise price of the option or warrant. See, e.g., NYSE Rule 431 (Exchange Act Release No. 42011 (October 14, 1999), 64 FR 57172 (October 22, 1999) (order approving SR-NYSE-99-03)); Amex Rule 462 (Exchange Act Release No. 43582 (November 17, 2000), 65 FR 71151 (November 29, 2000) (order approving SR-Amex-99-27)); CBOE Rule 12.3 (Exchange Act Release No. 41658 (July 27, 1999), 64 FR 42736 (August 5, 1999) (order approving SR-CBOE-97-67)); or NASD Rule 2520 (Exchange Act Release No. 43581 (November 17, 2000), 65 FR 70854 (November 28, 2000) (order approving SR-NASD-00-15)).

2	**Short security future (or basket of security futures representing each component of a narrow-based securities index) and short put option on the same underlying security (or index)**	Individual stock or narrow-based security index	20% of the current market value of the short security future, plus the aggregate put in-the-money amount, if any. Proceeds from the put sale may be applied.	20% of the current market value of the short security future, plus the aggregate put in-the-money amount, if any.[5]
3	**Long security future and short position in the same security (or securities basket) underlying the security future**	Individual stock or narrow-based security index	The initial margin required under Regulation T for the short stock or stocks.	5% of the current market value as defined in Regulation T of the stock or stocks underlying the security future.
4	**Long security future (or basket of security futures representing each component of a narrow-based securities index) and short call option on the same underlying security (or index)**	Individual stock or narrow-based security index	20% of the current market value of the long security future, plus the aggregate call in-the-money amount, if any. Proceeds from the call sale may be applied.	20% of the current market value of the long security future, plus the aggregate call in-the-money amount, if any.

[5] "In-the-money" amounts must be determined as follows:

(1) for stock call options and warrants, any excess of the current market value (as determined in accordance with Regulation T of the Board of Governors of the Federal Reserve System) of the option or warrant over its aggregate exercise price;

(2) for stock put options or warrants, any excess of the aggregate exercise price of the option or warrant over its current market value (as determined in accordance with Regulation T of the Board of Governors of the Federal Reserve System);

(3) for stock index call options and warrants, any excess of the product of the current index value and the applicable index multiplier over the aggregate exercise price of the option or warrant; and

(4) for stock index put options and warrants, any excess of the aggregate exercise price of the option or warrant over the product of the current index value and the applicable index multiplier.

5	**Long a basket of narrow-based security futures that together tracks a broad-based index and short a broad-based security index call option contract on the same index**	Narrow-based security index	20% of the current market value of the long basket of narrow-based security futures, plus the aggregate call in-the-money amount, if any. Proceeds from the call sale may be applied.	20% of the current market value of the long basket of narrow-based security futures, plus the aggregate call in-the-money amount, if any.
6	**Short a basket of narrow-based security futures that together tracks a broad-based security index and short a broad-based security index put option contract on the same index**	Narrow-based security index	20% of the current market value of the short basket of narrow-based security futures, plus the aggregate put in-the-money amount, if any. Proceeds from the put sale may be applied.	20% of the current market value of the short basket of narrow-based security futures, plus the aggregate put in-the-money amount, if any.
7	**Long a basket of narrow-based security futures that together tracks a broad-based security index and long a broad-based security index put option contract on the same index**	Narrow-based security index	20% of the current market value of the long basket of narrow-based security futures, plus pay for the long put in full.	The lower of: (1) 10% of the aggregate exercise price of the put, plus the aggregate put out-of-the-money amount, if any; or (2) 20% of the current market value of the long basket of security futures.
8	**Short a basket of narrow-based security futures that together tracks a broad-based security index and long a broad-based security index call option contract on the same index**	Narrow-based security index	20% of the current market value of the short basket of narrow-based security futures, plus pay for the long call in full.	The lower of: (1) 10% of the aggregate exercise price of the call, plus the aggregate call out-of-the-money amount, if any; or (2) 20% of the current market value of the short basket of security futures.

9	**Long security future and short security future on the same underlying security (or index)**	Individual stock or narrow-based security index	The greater of: 5% of the current market value of the long security future; or (2) 5% of the current market value of the short security future.	The greater of: 5% of the current market value of the long security future; or (2) 5% of the current market value of the short security future.
10	**Long security future, long put option and short call option. The long security future, long put and short call must be on the same underlying security and the put and call must have the same exercise price. (Conversion)**	Individual stock or narrow-based security index	20% of the current market value of the long security future, plus the aggregate call in-the-money amount, if any, plus pay for the put in full. Proceeds from the call sale may be applied.	10% of the aggregate exercise price, plus the aggregate call in-the-money amount, if any.
11	**Long security future, long put option and short call option. The long security future, long put and short call must be on the same underlying security and the put exercise price must be below the call exercise price (Collar)**	Individual stock or narrow-based security index	20% of the current market value of the long security future, plus the aggregate call in-the-money amount, if any, plus pay for the put in full. Proceeds from call sale may be applied.	The lower of: (1) 10% of the aggregate exercise price of the put plus the aggregate put out-of-the money amount, if any; or (2) 20% of the aggregate exercise price of the call, plus the aggregate call in-the-money amount, if any.
12	**Short security future and long position in the same security (or securities basket) underlying the security future**	Individual stock or narrow-based security index	The initial margin required under Regulation T for the long stock or stocks.	5% of the current market value, as defined in Regulation T, of the long stock or stocks.

13	**Short security future and long position in a security immediately convertible into the same security underlying the security future, without restriction, including the payment of money**	Individual stock or narrow-based security index	The initial margin required under Regulation T for the long security.	10% of the current market value, as defined in Regulation T, of the long security.
14	**Short security future (or basket of security futures representing each component of a narrow-based securities index) and long call option or warrant on the same underlying security (or index)**	Individual stock or narrow-based security index	20% of the current market value of the short security future, plus pay for the call in full.	The lower of: (1) 10% of the aggregate exercise price of the call, plus the aggregate call out-of-the-money amount, if any; or (2) 20% of the current market value of the short security future.
15	**Short security future, short put option and long call option. The short security future, short put and long call must be on the same underlying security and the put and call must have the same exercise price. (Reverse Conversion)**	Individual stock or narrow-based security index	20% of the current market value of the short security future, plus the aggregate put in-the-money amount, if any, plus pay for the call in full. Proceeds from put sale may be applied.	10% of the aggregate exercise price, plus the aggregate put in-the-money amount, if any.
16	**Long (short) a basket of security futures, each based on a narrow-based security index that together tracks the broad-based index and short (long) a broad-based index future**	Narrow-based security index	5% of the current market value for the long (short) basket of security futures.	5% of the current market value of the long (short) basket of security futures.

17	**Long (short) a basket of security futures that together tracks a narrow-based index and short (long) a narrow-based index future**	Individual stock or narrow-based security index	The greater of: (1) 5% of the current market value of the long security future(s); or (2) 5% of the current market value of the short security future(s).	The greater of: (1) 5% of the current market value of the long security future(s); or (2) 5% of the current market value of the short security future(s).
18	**Long (short) a security future and short (long) an identical security future traded on a different market.[6]**	Individual stock or narrow-based security index	The greater of: (1) 3% of the current market value of the long security future(s); or (2) 3% of the current market value of the short security future(s).	The greater of: (1) 3% of the current market value of the long security future(s); or (2) 3% of the current market value of the short security future(s).

New Regulation 431.08 Acceptable Margin for Security Futures and Treatment of Undermargined Accounts

Notwithstanding any other Exchange Rules or Regulations, the following provisions shall establish the acceptable margin for Security Futures Positions that are held on behalf of Customers in a futures account, and the treatment of undermargined futures accounts containing Security Futures Contracts.

(a) Member firms may accept from their Customers as margin for Security Futures held in a futures account, deposits of cash, margin securities (subject to the limitations set forth in the following sentence), exempted securities, any other assets permitted under Regulation T of the Board of Governors of the Federal Reserve System (as in effect from time to time) to satisfy a margin deficiency in a securities margin account, and any combination of the foregoing, each as valued in accordance with CFTC Regulations 41.46(c) and 41.46(e) or SEC Regulations 242.404(c) and 242.404(e), as applicable. Shares of a money market mutual fund that meet the requirements of CFTC Regulation 1.25 may be accepted as a margin deposit from a Customer for purposes of this Rule.

(b) A member firm shall not accept as margin from any Customer securities that have been issued by such Customer or an Affiliate of such Customer unless such member firm files a petition with and receives permission from the Exchange for such purpose.

(c) All assets deposited by a Customer to meet margin requirements must be and remain unencumbered by third party claims against the depositing Customer.

[6] Two security futures will be considered "identical" for this purpose if they are issued by the same clearing agency or cleared and guaranteed by the same derivatives clearing organization, have identical contract specifications, and would offset each other at the clearing level.

(d) If a Customer fails to comply with a margin call within a reasonable period of time (the member firm may deem one hour to be a reasonable period of time), the relevant member firm shall take the deduction required with respect to an undermargined account in computing its net capital under applicable CFTC and SEC Regulations.

(e) If at any time there is a liquidating deficit in an account in which Security Futures are held, the member firm shall take steps to liquidate positions in the account promptly and in an orderly manner.

Chicago Board of Trade Security Futures Market Maker Registration Policy and Procedures

Security Futures Market Maker Program

Pursuant to CBOT® Rule 225.00, the Exchange has adopted a security futures market maker program under which an individual member or member firm (each referred to as a "member" herein) may be registered with the CBOT as a "Security Futures Dealer" with respect to one or more security futures contracts traded on the Exchange, to provide liquidity and orderliness in the market for such contracts. In order to be registered as a Security Futures Dealer, the member must complete and file with the Exchange, a CBOT Security Futures Dealer Registration Form (attached below). The member will be required to identify all CBOT security futures contracts for which it seeks to be registered as a Security Futures Dealer and to elect one of the categories of market maker obligations set forth in CBOT Regulation 431.07(c), which are described below. By signing the Registration Form, the member will confirm that it meets and will continue to meet the requirements to act as a security futures market maker under CBOT Rules and Regulations.

Market Maker Exclusion from

Security Futures Customer Margin Requirements

A member that is a security futures market maker will be excluded from the security futures customer margin requirements set forth in CBOT Regulation 431.07, if the member meets all of the following qualifications:

(i) *The member must be registered with the Exchange as a dealer in security futures as defined in Section 3(a)(5) of the Securities Exchange Act of 1934 ("Exchange Act"); and*

(ii) *The member must be registered as a floor broker or a floor trader under Section 4f(a)(1) of the Commodity Exchange Act ("CEA"), or be registered as a dealer with the Securities and Exchange Commission ("SEC") under Section 15(b) of the Exchange Act; and*

(iii) *The member must maintain records sufficient to prove compliance with the requirements set forth in CBOT Regulation 431.07 and Commodity Futures Trading Commission ("CFTC") Regulation 41.42(c)(2)(v) or SEC Regulation 242.400(c)(2)(v), as applicable, including without limitation, trading account statements and other financial records sufficient to detail activity; and*

(iv) *The member must hold itself out as being willing to buy and sell security futures for its own account on a regular or continuous basis.*

CBOT Regulation 431.07 also provides that any market maker that fails to comply with applicable CBOT, CFTC, or SEC Rules or Regulations, shall be subject to disciplinary action in accordance with Chapter 5 of the CBOT Rulebook. Appropriate sanctions in the case of any such failure shall include, without limitation, a revocation of the market maker's registration with the Exchange as a Security Futures Dealer.

Market Maker Categories

CBOT Regulation 431.07(c) specifies three alternative ways for a member to satisfy the requirement that a market maker hold itself out as being willing to buy and sell security futures for its own account on a regular or continuous basis. Each member seeking market maker designation must register for one of the following three market maker categories and will undertake to perform all of the obligations set forth in the elected category:

Category 1 (CBOT Regulation 431.07(c)(1))

> *The market maker will provide continuous two-sided quotations throughout the trading day for all delivery months of security futures contracts representing a meaningful proportion of the total trading volume of security futures contracts on the Exchange,* subject to relaxation during unusual market conditions as determined by the Exchange (such as a fast market in either a security futures contract or a security underlying a security futures contract) at which times the market maker must use its best efforts to quote continuously and competitively. The market maker must provide quotations for a minimum quantity of one (1) contract with a maximum bid/ask spread of no more than the greater of $0.20 or 150% of the bid/ask spread in the primary market for the underlying security.*

Category 2 (CBOT Regulation 431.07(c)(2))

> *The market maker will respond to at least 75% of the requests for quotation for all delivery months of security futures contracts representing a meaningful proportion of the total trading volume of security futures contracts on the Exchange,* subject to relaxation during unusual market conditions as determined by the Exchange (such as a fast market in either a security futures contract or a security underlying a security futures contract) at which times the market maker must use its best efforts to quote competitively. When responding to requests for quotation, the market maker must quote within five seconds for a minimum quantity of one (1) contract with a maximum bid/ask spread of no more than the greater of $0.20 or 150% of the bid/ask spread in the primary market for the underlying security.*

Category 3 (CBOT Regulation 431.07(c)(3))

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* *Beginning on the 181st calendar day after the commencement of trading of security futures contracts on the Exchange, a "meaningful proportion of the total trading volume of security futures contracts on the Exchange" will mean a minimum of 20% of such trading volume.*

(i) *The market maker will be assigned to a group of security futures contracts listed on the Exchange that is either unlimited in nature ("Unlimited Assignment") or will be assigned to no more than 20% of the security futures contracts listed on the Exchange ("Limited Assignment"); and*

(ii) *At least 75% of the market maker's total trading activity in CBOT security futures contracts must be in its assigned security futures contracts, measured on a quarterly basis; and*

(iii) *During at least 50% of the trading day, the market maker must have bids or offers in the market that are at or near the best market, except in unusual market conditions as determined by the Exchange (such as a fast market in either a security futures contract or a security underlying a security futures contract), with respect to at least 25% (in the case of an Unlimited Assignment) or at least one (1) (in the case of a Limited Assignment) of its assigned security futures contracts; and*

(iv) *The requirements in (ii) and (iii) must be satisfied on at least the following percentages of trading days in each calendar quarter:*

(a) *90% (in the case of an Unlimited Assignment);*

(b) *80% (in the case of a Limited Assignment); or*

(c) *80% (in the case of either an Unlimited Assignment or a Limited Assignment if the Exchange is listing four or fewer security futures contracts).*

Qualification for "60/40" Tax Treatment

To qualify as a "dealer" in security futures contracts within the meaning of Section 1256(g)(9) of the Internal Revenue Code of 1986, as amended ("Code"), a member is required to:

(i) *register as a Security Futures Dealer for purposes of the Exchange's security futures margin rules under Category 1 or Category 2 above; and*

(ii) *undertake in its registration form to provide quotations for all products specified for the market maker exclusion from the CBOT security futures margin rules; and*

(iii) *quote a minimum size of:*

(a) *ten (10) contracts for each security futures product not covered by (b) or (c) below;*

(b) five (5) contracts for each security futures product specified by the member to the extent such quotations are provided for delivery months other than the next two delivery months then trading; and

(c) one (1) contract for any single stock futures contract where the average market price for the underlying security was $100 or higher for the preceding calendar month or for any futures contract on a narrow-based security index, as defined by Section 1a(25) of the CEA.

Products

As noted above, in completing the CBOT Security Futures Dealer Registration Form, a member must specify all CBOT security futures contracts for which it intends to act as a market maker. The Exchange will assign to the member all of the security futures contracts listed, unless the CBOT provides written notice to the member identifying any security futures contracts for which such assignment is not being granted. A member may change the list of contracts for which it undertakes to act as a market maker

for any calendar quarter by filing a revised CBOT Security Futures Dealer Registration Form with the Exchange on any business day prior to the last trading day of the quarter, and the change shall be effective retroactive to the first trading day of the quarter. Each market maker shall be responsible for maintaining books and records that confirm that it has fulfilled its quarterly obligations under the market maker category specified on its Registration Form with respect to all CBOT security futures contracts assigned for that calendar quarter.