



**KANSAS CITY
BOARD OF TRADE**

June 27, 2006

SENT VIA E-MAIL

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

OFFICE OF THE SECRETARY

JUN 27 11:01

RECEIVED

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

Dear Ms. Donovan:

- I. **Certification.** The Kansas City Board of Trade ("KCBT") hereby gives notification to the Commission pursuant to Commission Regulation Section 40.6(a), of its intention to amend Rule 1160.01 pertaining to the types of instruments that may be accepted in satisfaction of initial margin requirements. The Board of Directors, in a regular meeting held on June 27, 2006, acting pursuant to authority granted them under Rule 233.01(o), approved the aforementioned amendments. KCBT certifies to the Commission that the amendments to Rule 1160.01 are in compliance with the Commodity Exchange Act and the regulations thereunder.
- II. **Date of Implementation.** Amended Rule 1160.01 shall become effective Thursday, June 29, 2006.
- 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 1160.01.
- IV. **Text of Amended Rule.** The text of the amended Rule 1160.01 is shown as follows, with additions underlined and deletions lined out:

1160.01† Initial Margin Deposits. Initial margin requirements must be met by one or more of the following:

- a. Cash
- b. The following government securities valued at market: U.S. Treasury bills, U.S. Treasury notes, and U.S. Treasury bonds.
- c. The following securities valued at 70% of their market price; Stocks listed in the Value Line Index, stocks listed on the New York or American Stock Exchange, and "OTC Margin Stock" as defined by Federal Reserve System Regulation G Section 207.2(k).
- d. Letters of credit; provided however, that such letters of credit may not be passed through to the Clearing Corporation by a clearing member for purposes of satisfying clearing margin requirements.

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- V. **Rationale for Action Taken.** The Board amended Rule 1160.01 in order to allow FCMs to accept bank-issued letters of credit from customers to meet margin requirements for KCBT contracts. The amended rule makes clear that such letters of credit may not be passed through to the KCBT Clearing Corporation by a clearing member for purposes of meeting clearing member margin requirements. The Board action was in response to a recommendation by the Finance Committee following a request from an FCM to allow letters of credit for meeting initial margin requirements under KCBT Rule 1160.01.

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