



April 26, 2011

Mr. David Stawick
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, D.C. 20581

**Re: Proposal to Amend CBOT Rule 10102.D. to Increase Daily Price Limits in
Corn Futures and Options
CBOT Submission No. 11-161**

A. Proposed amendments.

Chicago Board of Trade, Inc. ("CBOT" or "Exchange") hereby notifies the Commodity Futures Trading Commission ("Commission" or "CFTC") that it intends, with CFTC approval, to amend CBOT Rule 10102.D. to increase daily price limits in Corn futures.

Daily price limits in CBOT Corn futures and options contracts represent the largest price movement allowed from the previous trading day's settlement price. The current price limit is \$0.30 per bushel per day for Corn futures and option contracts, expandable to \$0.45 and then to \$0.70 when at least two contracts close at limit bid or limit offer on the previous trading day. Price limits are removed before the delivery period on first position day. Options on CBOT Corn futures follow the same daily price limits.

B. Justification of the amendments.

1. The proposed increase will meet market needs to manage increased volatility in Corn prices in light of current tight supply and demand fundamentals and high price levels.

Limit price moves can present significant problems for the Corn market. When a futures contract is locked at its price limit, the price discovery function of that futures contract is lost. Confidence in the value of cash corn that underlies the futures markets is lost because futures trade is suspended. Firms may look to the futures price implied by the option market in such locked limit situations, but that method can be cumbersome and non-exact. Some market participants may move business to foreign futures markets or to the over-the-counter market during locked limit situations, negatively affecting Exchange volume and reducing price transparency.

In recent months, corn price volatility has increased significantly. In 2010, 37 Corn futures contracts settled at their daily price limits. In the first quarter of 2011, 36 Corn futures contracts have already settled at their daily price limits. Assuming the same level of volatility and no change in the daily price limit, at least 144 Corn futures contracts are projected to settle at their daily price limits in 2011.

Corn futures prices have also increased dramatically and recently set new record highs. In calendar years 2009 and 2010, nearby Corn futures averaged \$3.74 and \$4.28 per bushel, respectively. In the first quarter of 2011, that average increased to \$6.83. Thus, comparing with the previous two years, Corn futures prices are 60-80% higher while the price limit has remained the same. Current price limits were 7-8 percent of average Corn futures prices in 2009 and 2010. Similar percentages today would suggest a price limit of \$0.48 - \$0.55. Based on this analysis, a price limit of \$0.50 per bushel per day will enhance price discovery and risk management in light of current levels of price and volatility.

2. Market participants support the increase of daily price limits in CBOT Corn futures.

Feedback from a large number of market participants, including commercials hedgers and index dealers has been mostly positive. Most commercial hedgers view a price limit of \$0.50 as appropriate in light of current price levels. Most index dealers support the proposed price limit increase and believe a larger permitted price move would give them more flexibility and would reduce the chances for Market Disruption Events which have an adverse impact on index settlements.

C. Conclusion.

The Exchange requests that the Commission approve the amendments to CBOT Rule 10102.D. to increase daily price limits in CBOT Corn futures for the reasons discussed herein.

It is recommended that, pending approval by CFTC, the daily price limit in Corn futures be increased from \$0.30 per bushel per day to \$0.50 per bushel per day, which is expandable by 50% to \$0.75 and then another 50%, rounded to the nearest 10 cents, to \$1.10, when at least two contracts close at limit bid or limit offer on the previous trading days. It is also recommended that the same price limits applies to options on Corn futures contracts.

The Exchange intends to implement these amendments shortly after commission approval, and requests that CFTC expedite the normal 45-day approval process.

The Exchange certifies that these contract terms and conditions comply with the Commodity Exchange Act and regulations thereunder. There were no substantive opposing views to this proposal.

If you require any additional information, please contact Randy Shao at 312-648-3795 or via e-mail at Renyuan.Shao@cmegroup.com; Fred Seamon at 312-634-1587 or via e-mail at Fred.Seamon@cmegroup.com; or contact me at 212-299-2207. Please reference submission No. 11-161 in any related correspondence.

Sincerely,

/s/ Felix Khalatnikov
Director and Associate General Counsel

The recommended rule book changes are attached with additions **bold and underlined** and deletions ~~[bracketed with strikethrough]~~.

Attachment

CBOT Rulebook
Chapter 10. Corn Futures
Rule 10102. TRADING SPECIFICATIONS

10102.D. Daily Price Limits

There shall be no trading in corn futures at a price more than ~~[\$0.30]~~ **\$0.50** per bushel (~~[\$1,500]~~ **\$2,500** per contract) above or below the previous day's settlement price. Should two or more corn futures contract months within the first five listed non-spot contracts (or the remaining contract month in a crop year) close at limit bid or limit offer, the daily price limits for all contract months shall increase to ~~[\$0.45]~~ **\$0.75** per bushel the next business day. Should two or more corn futures contract months within the first five listed non-spot contracts (or the remaining contract month in a crop year) close at limit bid or limit offer while price limits are ~~[\$0.45]~~ **\$0.75** per bushel, daily price limits for all contract months shall increase to ~~[\$0.70]~~ **\$1.10** per bushel the next business day. If price limits are ~~[\$0.70]~~ **\$1.10** per bushel and no corn futures contract month closes limit bid or limit offer, daily price limits for all contract months shall revert back to ~~[\$0.45]~~ **\$0.75** per bushel the next business day. If price limits are ~~[\$0.45]~~ **\$0.75** per bushel and no corn futures contract month closes limit bid or limit offer, daily price limits for all contract months shall revert back to ~~[\$0.30]~~ **\$0.50** per bushel the next business day. There shall be no price limits on the current month contract on or after the second business day preceding the first day of the delivery month.