



September 27, 2012

SENT VIA E-MAIL

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

Re: Submission pursuant to CFTC Regulation 40.6(a)

Dear Mr. Stawick:

- 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 Rules 2008.00 & 2113.00 and Resolution 25-2521.01 pertaining to position limits. The KCBT Board of Directors, in a regular meeting held on September 25, 2012 and acting pursuant to authority granted them under Rule 233.01(o), unanimously approved the aforementioned amendments. KCBT certifies to the Commission that to the best of its knowledge, the amendments to Rules 2008.00 & 2113.00 and Resolution 25-2521.01 are in compliance with the Commodity Exchange Act and the regulations thereunder.
- II. **Date of Implementation.** KCBT intends to make amended Rules 2008.00 & 2113.00 and Resolution 25-2521.01 effective Friday, October 12, 2012, which is ten business days following Commission receipt of this submission.
- 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 Rules 2008.00 & 2113.00 and Resolution 25-2521.01.
- IV. **Text of Amended Rules.** The text of amended Rules 2008.00 & 2113.00 and Resolution 25-2521.01 are shown as follows, with additions underlined and deletions lined out.

2008.00 Position Limits.

- a. **Definitions:**
1. **Spot Month** means the referenced futures contract month next to expire during that period of time beginning at the close of trading on the second business day prior to the first delivery day of such contract month.
 2. **Single Month** means each separate referenced futures contract month, other than the spot month contract.
 3. **All Months** means the sum of all referenced futures contract months including the spot month contract.
 4. **Net Equivalent Futures Position** means the combined futures and options positions, adjusted by the prior day's delta factor for each option series as published by the KCBT Clearing Corporation. Long futures contracts have a delta of +1 and short futures contracts have a delta of -1. Long call options and short put options have positive delta factors and short call options and long put options have negative delta factors.
 5. **Referenced Contract** means, on a futures equivalent basis with respect to a particular Core Referenced Futures Contract, a Core Referenced Futures Contract listed in CFTC Regulation §151.2, or a futures contract, options contract, swap or swaption, other than a basis contract or commodity index contract, that is (a) directly or indirectly linked, including being partially or fully settled on, or priced at a fixed differential to, the price of that particular Core Referenced Futures Contract; or (b) directly or indirectly linked, including being partially or fully settled on, or priced at a fixed differential to, the price of the same commodity underlying that particular Core Referenced Futures Contract for delivery at the same location or locations as specified in that particular Core Referenced Futures Contract.
- b. **Position Limits** – No person may own or control positions, separately or in combination, net long or net short, ~~for the purchase or sale of commodity futures and options contracts, on a Net Equivalent Futures Position basis~~ in excess of the following:
1. Spot Month – 600 contracts
 2. Single Month – 12,000 contracts
 3. All Months – 12,000 contracts
- c. **Exemptions** -The Compliance Department may grant exemptions from the position limits set forth in Section (b) of this Rule to the extent such positions are exemption eligible as follows:
1. Bona fide hedging transactions as defined by Commodity Futures Trading Commission Regulation §151.5(a)(1)(i-iii).1.3(z)(1); ~~provided however, that~~

2. ~~positions established for purposes of hedging cash commodity index exposure, commodity swaps exposure or any other exposure not involving the production, merchandising or processing of the underlying cash commodity are not allowed to exceed the Spot Month limit.~~
 3. ~~Spread or arbitrage positions outside of the spot month pursuant to CFTC Regulations §151.11(f)(2) and §151.11(g)(2). between Single Months of a futures or options contract, on a Net Equivalent Futures Position basis, outside of the spot month, in the same crop year (for KCBT wheat, a crop year begins with the contract month of July and ends with the contract month of May); provided however, that such spread or arbitrage positions, when combined with any other net positions in the Single month, do not exceed the All Months limit set forth in Section (b) of this Rule.~~
 4. ~~Positions carried for eligible entities as set forth in Commodity Futures Trading Commission Regulation §151.7.150.3(a)(4).~~
 5. ~~Enumerated Hedging Transactions as defined by CFTC Regulation §151.5(a)(2) or any other risk-reducing practices commonly used in the market that are approved by the Commission at a later date. 1.3(z)(2). Any person who wishes to avail himself of the provisions of CFTC Regulation 1.3(z)(2)(i)(B) or (ii)(C) to make sales or purchases for future delivery in any commodity in excess of trading and position limits then in effect pursuant to section 4a of the Act for the purposes of bona fide hedging shall file statement with the Exchange in conformity with the requirements of CFTC Regulation 1.48.~~
 6. ~~Non-enumerated Hedging Transactions as defined by CFTC Regulation §151.5(a)(5).1.3(z)(3). Any person who wishes to avail himself of the provisions of CFTC Regulation 1.3(z)(3) and to make purchases or sales of any commodity for future delivery in any commodity in excess of trading and position limits then in effect pursuant to section 4a of the Act shall file statement with the Exchange in conformity with the requirements of CFTC Regulation 1.47.~~
 7. ~~Pass-through swaps as defined by CFTC Regulation §151.5(a)(3).~~
 8. ~~Pass-through swap offsets as defined by CFTC Regulation §151.5(a)(4).~~
- d. **Exemption Procedures** - Any person seeking a first-time or supplemental exemption or a continuation of a previously approved exemption from the position limits set forth in paragraph (b) of this Rule must apply to the Compliance Department using the Application to Exceed Speculative Position Limits in Referenced Contracts Futures form prescribed by the Exchange prior to exceeding such limits. However, a person who establishes an exemption-eligible position in excess of position limits and files the required application with the Compliance Department shall not be in violation of this rule provided the filing

occurs within one (1) business day after assuming the position. In the event the positions in excess of the limits are not deemed to be exemption-eligible, the applicant and clearing firm will be in violation of speculative limits for the period of time in which the excess positions remained open.

The Compliance Department shall, on the basis of the application and any requested supplemental information, determine whether an exemption from position limits shall be granted. The Compliance Department may approve, deny, condition or limit any exemption request based on factors deemed by the Department to be relevant, including, but not limited to, the applicant's business needs, financial status and whether the positions can be established and liquidated in an orderly manner in the market for which the exemption is being sought. Nothing in this Rule shall in any way limit the authority of the Exchange to take emergency action, or the Compliance Department to review at any time the positions owned or controlled by any person and to direct that such position be reduced to the position limit provided for in paragraph (b) of this Rule. Any person who has received written authorization from the Compliance Department to exceed position limits must file an annual updated application within 31 calendar days following the end of each calendar year using the form prescribed by the Exchange. Failure to file an updated application will result in expiration of the exemption.

- e. **Aggregation** – In determining whether any person has exceeded the position limits specified in Section (b) of this Rule, such person shall aggregate positions in accounts as set forth in Commodity Futures Trading Commission Regulation ~~§151.7.450.4.~~
- f. **Spot Month Position Accumulation Restriction** – In calculating a Spot Month position, the number of contracts against which delivery notices have been stopped (issued) during that delivery month minus the number of contracts against which delivery notices have been issued (stopped) during that delivery month shall be added to that Spot Month's long (short) futures position. As an example, if a person goes into a Spot Month with the maximum position of 600 net long contracts and takes delivery of warehouse receipts in satisfaction of 500 of such long contracts and does not establish a short position in that same Spot Month for purposes of redelivering such warehouse receipts, such person may not have a Spot Month futures position in excess of 100 net long contracts.
- g. **Orderly Liquidation of Spot Month Positions** – All persons carrying open positions into the Spot Month shall liquidate such positions in accordance with

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reasonable and sound economic commercial practices and be prepared to justify such to the exchange Compliance Department upon request.

2113.00 Position Limits

Wheat Calendar Swaps shall be subject to the same position limits prescribed for wheat futures contracts as set forth in Rule 2008.00. ~~except that spot month limits are not applicable since Wheat Calendar Swaps contracts expire prior to their corresponding futures contract delivery month.~~

RES 25-2521.01 Position Limits – Wheat Futures Options

Position limits for wheat futures options shall be those limits currently in effect pursuant to Part ~~151 150~~ of the Regulations of the Commodity Futures Trading Commission.

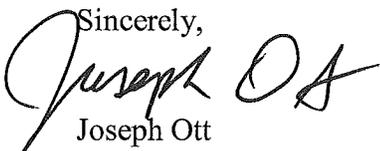
- V. **Rationale for Action Taken.** The CFTC published Final Rules in the Federal Register on November 18, 2011 regarding position limits for futures and swaps. The compliance date is 60 days after further definition of the term “swap” as adopted by the CFTC and SEC is published in the Federal Register. Further definition of the term “swap” was published in the Federal Register on August 13, 2012, with a compliance date of October 12, 2012. The proposed rule amendments are being implemented in order for KCBT to be in compliance with the Final Rules for position limits for futures and swaps that are effective October 12, 2012. Accordingly, any market participants currently exceeding KCBT wheat speculative position limits will be required to submit an application for an exemption (using the attached exchange-prescribed form) with the exchange prior to amended Rule 2008.00 becoming effective on Friday, October 12, 2012.
- VI. **Closing.** Any questions regarding this submission should be directed to the undersigned at 816-753-7500 or jott@kcbt.com.

KCBT certifies that it has posted a notice of pending certification with the Commission and a copy of the submission, concurrent with the filing of the submission with the Commission on our website, thereby providing public notice.

The link to the posting is:

http://www.kcbt.com/histdata/rule_book/KCBT_pending_certif.html

Sincerely,



Joseph Ott
Vice President – Compliance

KANSAS CITY BOARD OF TRADE

Application to Exceed Speculative Position Limits in Referenced Contracts ~~Futures~~

Section I – Account Information

- Initial Application Supplemental Application Annual Updated Application

Commodity Contract: _____
 Name on Account: _____
 Account #: _____
 Clearing Member: _____

- Nature of Applicant's Business* Hedging Physical Commodity Hedging Financial Risk

*If the applicant is a processor, feeder or miller, submit the firm's annual usage of the commodity in the preceding year and expected usage in the current year.

Section II – Potential Size & Purpose of Requested Limit

Types of Enumerated and/or Non-Enumerated Hedging Positions (refer to page 4 of this application, KCBT Rule 2008.00 & Regulation Section 151.5(a)1-3(z) of the Commodity Exchange Act):

	Long <u>Referenced Futures</u> Contracts	Short <u>Referenced Futures</u> Contracts
<u>Enumerated Hedging Positions (CFTC Regulation 151.5(a)(2) 1-3(z)(2)):</u>		
A. Ownership of the same cash commodity	N/A	<input type="checkbox"/>
B. The quantity equivalent of fixed price sales and/or purchases of the cash commodity products and by-products	<input type="checkbox"/>	<input type="checkbox"/>
C. Cross-hedging of cash commodity	<input type="checkbox"/>	<input type="checkbox"/>
D. Unfilled and/or unsold anticipated positions in the same cash commodity	<input type="checkbox"/>	<input type="checkbox"/>
E. Cross-hedging related to the value of anticipated cash positions	<input type="checkbox"/>	<input type="checkbox"/>
F. Other <u>Offsetting sales and purchases in referenced contracts that do not exceed in quantity the same cash commodity that has been bought and sold by the same person at unfixed prices basis different delivery months</u>	<input type="checkbox"/>	<input type="checkbox"/>
G. <u>Purchases or sales by an agent who does not own or has not contracted to sell or purchase the offsetting cash commodity at a fixed price, provided that the agent is responsible for the merchandising of the cash positions that is being offset in referenced contracts and the agent has a contractual arrangement with the person who owns the commodity or holds the cash market commitment being offset</u>	<input type="checkbox"/>	<input type="checkbox"/>
H. <u>Anticipated Merchandising Hedges</u>	<input type="checkbox"/>	<input type="checkbox"/>
I. <u>Anticipated Royalty Hedges</u>	<input type="checkbox"/>	<input type="checkbox"/>
J. <u>Service Hedges</u>	<input type="checkbox"/>	<input type="checkbox"/>
K. <u>Pass-through Swaps (CFTC Regulation 151.5(a)(3))</u>	<input type="checkbox"/>	<input type="checkbox"/>
L. <u>Pass-through Swap Offsets (CFTC Regulation 151.5(a)(4))</u>	<input type="checkbox"/>	<input type="checkbox"/>
<u>M. Non-Enumerated Hedging Positions (CFTC Regulation 151.5(a)(5) 1-3(z)(3))</u>		
Total potential size of hedging positions checked above (enter number of long & short market contracts)	_____ contracts	_____ contracts

If hedging transactions fall within categories A-~~L~~E of Section II above, provide a written representation of Hard Red Winter Wheat cash market positions being hedged.

CASH COMMODITY HEDGED IN <u>REFERENCED</u> <u>CONTRACTS</u> FUTURES	Long Cash			Short Cash
	(1) HRW STOCKS OWNED '000 Bushels	(2) HRW PURCHASE COMMITMENTS '000 Bushels	(3) HRW TOTAL LONG '000 Bushels	(4) HRW SALES COMMITMENTS '000 Bushels
Hard Red Winter Wheat				
HRW products ('000 bu. equiv.)				
Other*				
Total				

* Use "Other" to identify cash commodities other than HRW wheat you are cross hedging using KCBT referenced ~~wheat futures/options~~ contracts. Specify the type of commodity and reflect quantities in 1,000-bushel equivalents.

If hedging transactions fall within category M~~F~~ of Section II above, provide justification that the kinds of intended positions are consistent with the definition of bona fide hedging positions within the meaning of KCBT Rule 2008.00 or Regulation Section 151.5(a)(1)(i-iii)~~1.3(z)(1)~~ of the Commodity Exchange Act. For positions carried for eligible entities as set forth in CFTC Regulation 151.71-50.3(a)(4), provide justification that the kinds of intended positions are consistent with such regulation.

Section III – Acknowledgements & Certification

Applicant agrees to the following conditions in connection with this Application:

- A. To provide a complete and accurate explanation of the underlying exposure related to the exemption request.
- B. To promptly provide, upon request by the Compliance Department, information or documentation regarding the applicant's financial condition.
- C. The requested exemption complies with any applicable CFTC requirements, including, but not limited to submission of CFTC Form 404, 404A or 404S as appropriate ~~204~~, and that the exemption request has been approved by the CFTC for those contracts subject to federal position limits.
- D. To comply with all terms, conditions or limitations imposed by the Compliance Department with respect to the exemption.
- E. The Compliance Department may, for cause, modify or revoke the exemption at any time.
- F. The market positions taken pursuant to a requested exemption will not be used to distort or manipulate the market or otherwise impair the good name of the exchange.
- G. To initiate and liquidate positions in an orderly manner.

- H. To comply with all Exchange rules.
- I. To promptly submit a supplemental application to the Compliance Department whenever there is a material change (defined as the potential that positions could exceed the combination of previously exempted positions and speculative position limits) to the information provided in the most recent application.
- J. To file annually an updated application with the Compliance Department within 31 calendar days following the end of each calendar year.
- K. To provide the FCMs where the applicant's positions are carried with a copy of the Exchange approval letter indicating the size of exemption granted.

Certification:

By signing below, the applicant certifies that it has read the Exchange rules and CFTC regulations relating to hedging and position limits for referenced contracts ~~futures~~ and hereby affirms that it has made a diligent inquiry into the facts reported herein and has reason to believe that the intended positions or transactions are economically appropriate commercial positions or transactions.

Signature of Authorized Signer of Applicant

Printed Name and Title of Signer

Date Signed

Where to Submit This Application:

Submit the completed and signed application to:

Kansas City Board of Trade
Attn: Compliance Department
4800 Main Street, Suite 303
Kansas City, MO 64112
Fax: 816-931-1431

Inquiries:

Direct any questions relating to this application to the Compliance Department at 816-753-7500.

Explanation of Hedging Categories in Section II

- General The following information is intended to help the applicant complete the category portion of this application correctly. It is not necessary to indicate the potential size of intended hedging positions per category, only the total contract amount per side of the market (long/short) needs to be indicated on this form.
- A Under this category, bona fide hedging positions include short referenced futures contracts against ownership of the same cash commodity represented by the referenced futures contract. The basic purpose of this category is to allow the hedging of inventories. For example, cash wheat inventories hedged with short referenced contracts wheat futures positions. CFTC Form 404 shall be filed with the KCBT in the form and manner prescribed in CFTC Regulation 151.10.
- B This category allows hedging with long referenced contracts futures against fixed price sales of the same cash commodity, hedging with long referenced contracts futures against an equivalent quantity of fixed price sales of the cash products and ~~derivative by-~~ products of such commodity and ; hedging with short referenced contracts futures against fixed price purchases of the same commodity, ~~& hedging with short futures against an equivalent quantity of fixed price purchases of the cash products and derivative products of such commodity.~~ CFTC Form 404 shall be filed with the KCBT in the form and manner prescribed in CFTC Regulation 151.10.
- C A cross-hedge consists of a referenced contract futures position in one commodity against a cash position of a related commodity. In order to utilize this type of hedging, the fluctuations in the value of the positions in referenced contracts for future delivery must be substantially related to the fluctuations in the value of the cash position. Cross-hedging can be utilized to hedge fixed price sales and/or purchases of commodities related to referenced futures contracts or inventories of commodities related to referenced futures contracts. No such position may be maintained during the last five trading days of the core referenced futures contract. CFTC Form 404 or 404S, as appropriate shall be filed with the KCBT in the form and manner prescribed in CFTC Regulation 151.10.
- D If an applicant has an unfilled anticipated requirement of a the same cash commodity, this requirement can be hedged against cash price increases with long referenced contracts futures in the same commodity. Likewise, unsold anticipated positions of a commodity can be hedged with short referenced contracts futures in the same commodity. The unfilled anticipated requirements and unsold anticipated production may not exceed one year. No such position may be maintained during the last five trading days of the core referenced futures contract. CFTC Form 404A shall be filed with the KCBT in the form and manner prescribed in CFTC Regulation 151.10 at least 10 business days in advance of the date that transactions and positions would be established that would exceed the position limits established under KCBT Rule 2008.00(b).
- E This hedging category is a hybrid between categories C and D. It is for long or short cross-hedging positions provided that the fluctuations in the value of the positions in referenced contracts for future delivery are substantially related to the fluctuation in the value of the anticipated cash positions. No such position may be maintained during the last five trading days of the core referenced futures contract. CFTC Form 404A or 404S,

as appropriate shall be filed with the KCBT in the form and manner prescribed in CFTC Regulation 151.10.

- F Offsetting sales and purchases in referenced contracts that do not exceed in quantity that amount of the same cash commodity that has been bought and sold by the same person at unfixed prices basis different delivery months. No such position may be maintained during the last five trading days of the core referenced futures contract. CFTC Form 404 shall be filed with the KCBT in the form and manner prescribed in CFTC Regulation 151.10.
~~These types of hedging positions are evaluated on an individual basis. Analysis of the hedging activity must provide a reasonable economic basis on which to establish non-enumerated hedging positions.~~
- G Purchases or sales by an agent who does not own or has not contracted to sell or purchase the offsetting cash commodity at a fixed price, provided that the agent is responsible for the merchandising of the cash positions that is being offset in referenced contracts and the agent has a contractual arrangement with the person who owns the commodity or holds the cash market commitment being offset. CFTC Form 404 shall be filed with the KCBT in the form and manner prescribed by CFTC Regulation 151.10.
- H Offsetting sales and purchases in referenced contracts that do not exceed in quantity the amount of the same cash commodity that is anticipated to be merchandised. The quantity of offsetting sales and purchases may not be larger than the current or anticipated unfilled storage capacity owned or leased by the same person during the period of anticipated merchandising activity which may not exceed one year. The offsetting sales and purchases in referenced contracts must be in different contract months, which settle in not more than one year. No such position may be maintained during the last five trading days of the core referenced futures contract. CFTC Form 404 shall be filed with the KCBT in the form and manner prescribed in CFTC Regulation 151.10.
- I Sales or purchases in referenced contracts offset by the anticipated change in value of royalty rights that are owned by the same person. The royalty rights must arise out of the production, manufacturing, processing, use or transportation of the commodity underlying the referenced contract, which may not exceed one year. No such position may be maintained during the last five trading days of the core referenced futures contract. CFTC Form 404A shall be filed with the KCBT in the form and manner prescribed in CFTC Regulation 151.10 at least 10 business days in advance of the date that transactions and positions would be established that would exceed the position limits established under KCBT Rule 2008.00(b).
- J Sales or purchases in referenced contracts offset by the anticipated change in value of receipts or payments due or expected to be due under an executed contract for services held by the same person. The contract for services must arise out of the production, manufacturing, processing, use or transportation of the commodity underlying the referenced contract which may not exceed one year. No such position may be maintained during the last five trading days of the core referenced futures contract. CFTC Form 404A shall be filed with the KCBT in the form and manner prescribed in CFTC Regulation 151.10 at least 10 business days in advance of the date that transactions and positions would be established that would exceed the position limits established under KCBT Rule 2008.00(b).

- K Purchase or sales of referenced contracts that reduce the risks attendant to a position resulting from a swap that was executed opposite a counterparty for whom the swap transaction would qualify as a bona-fide hedging transaction. No such position may be maintained during the last five trading days of the core referenced futures contract unless such pass-through swap position continues to offset the cash market commodity price risk of the bona-fide hedging counterparty. CFTC Form 404S shall be filed with the KCBT in the form and manner prescribed in CFTC Regulation 151.10.
- L Non-hedging counterparty purchases or sells referenced contracts that reduce the risks attendant to such pass-through swaps. The pass-through swap shall constitute a bona-fide hedging transaction only to the extent the non-hedging counterparty purchases or sells referenced contracts that reduce the risks attendant to the pass-through swap. CFTC Form 404S shall be filed with the KCBT in the form and manner prescribed in CFTC Regulation 151.10.
- M Other risk-reducing practices commonly used in the market which are not specifically enumerated in §151.5(a)(2). Relief must be requested pursuant to CFTC Regulation 140.99 or section 4a(a)(7) of the Act concerning the applicability of the bona fide hedging transaction exemption. Evidence of such Commission-granted relief is required to be provided to KCBT.