



**KANSAS CITY
BOARD OF TRADE**

**Received CFTC
Records Section**

8/17/09

09-8
5

2009 AUG 17 PM 5 40

OFFICE OF THE SECRETARIAT
C.F.T.C.

August 17, 2009

SENT VIA E-MAIL
secretary@cftc.gov

COMMENT

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

Re: Account Ownership and Control Report, 74 Fed. Reg. 31642 (July 2, 2009)

Dear Mr. Stawick:

In response to your request for public comment on the Ownership and Control Report, ("OCR") the Kansas City Board of Trade ("KCBT") offers the following:

KCBT agrees that the CFTC staff must have the information necessary to conduct effective oversight, ensure market integrity and protect customers from fraud and abuse. KCBT has found that the anonymity of the market participants in electronic trading has made it difficult to identify traders and trading accounts quickly. It has been our experience that some clearing members struggle with identifying the user and/or account number for a particular trade unless other information is given to them (e.g. session ID, firm ID, trader ID). Market transparency is a crucial element of any market surveillance system. The integration of large trader and trade register data into the OCR will exponentially increase market transparency. Once the implementation of the OCR takes place, both the CFTC and the Exchange Compliance staffs will benefit greatly from the wealth of information at their disposal regarding the identity of market participants and the relationships that exist among them.

However, KCBT believes that the most efficient way for the information to be submitted to the CFTC is for the futures commission merchants and clearing members ("reporting entities") to submit the information directly, just as they currently do with KCBT large trader reporting. The CFTC could use their existing large trader reporting system to accomplish the goals of the OCR by requiring each futures commission merchant and clearing member to report the required information for any account with an open position. The reporting entities would report the trading account number as reported in the Trade Capture Report and the special account number (if one has been assigned for large trader purposes).

Mr. David Stawick
August 17, 2009
Page 2 of 4

CFTC Form 102 (Identification of "Special Accounts") reflects many of the specific data points required by the OCR. Therefore, the CFTC is already in possession of much of the required information for large traders. Once a master file is established by the reporting entities for all accounts holding an open position, then the CFTC could require weekly changes to be submitted on a test basis. Depending on the volume of changes being submitted, the CFTC could adjust the reporting frequency accordingly. By having all open positions reported on a daily basis, the CFTC would be able to aggregate the positions across all reporting entities and have a more detailed report of each account's true position. As an example, the current reportable level for wheat futures is 150 contracts. If an account has 100 contracts open on each of three (3) different FCMs books, none of the FCMs would currently be required to report the account. However, if all open positions are required to be reported, then the CFTC could aggregate the positions and know the account had a position of 300 contracts.

Requiring each contract market to report the information for every active account would result in duplication as the same account number may trade in similar commodities across multiple exchanges. (e.g. the same account number trades KCBT, CME and MGE wheat contracts). Thus, the KCBT, CME and MGE would all be reporting the information for the same account. In addition, there are currently certain KCBT clearing members (for open interest reporting purposes) that have their home office (Chicago or New York) report their positions to their Kansas City branch office who in turn reports to the Clearing Corporation. If this same logic was used for the OCR then the information would have to be reported three times (home office to branch office to KCBT to CFTC) before reaching the CFTC.

Each reporting entity could incur significant programming costs to ensure their reporting systems are compatible with each contract market. This potential problem could be eliminated by having the reporting entities report directly to the CFTC large trader reporting system for which their systems are already compatible. It makes the most sense to require the reporting entities system be compatible with one entity (CFTC) versus requiring their system be compatible with multiple contract markets. If the CFTC requires each contract market to report the information, then each contract market could incur significant server storage and programming costs to ensure they have the ability to store the information received and to ensure that their reporting systems are compatible with the CFTC. Thus you would have programming and server storage costs at each level, whereas if the information was submitted by each reporting entity directly to the CFTC, you could eliminate one layer of these costs. It seems the

Mr. David Stawick
August 17, 2009
Page 3 of 4

best method for reporting would be for the information to be submitted by the futures commission merchants and clearing members directly to the CFTC.

If the CFTC mandates that the information be reported by the contract markets, then the most efficient way would be for the reporting entities to report the required information to their DSRO who would in turn report to the CFTC. This would ensure that no duplication of reporting would occur.

In response to your specific questions, we offer the following:

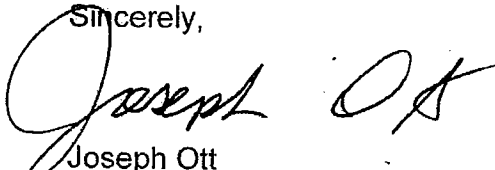
1. KCBT does not feel that any other information is necessary for inclusion into the OCR.
2. The life cycle of the information would start at the executing clearing firm and then be reported to either the exchange or the carrying FCM if the account is an omnibus account or a give-up account. The FCMs that carry the accounts on their books would possess the information at the root level. The KCBT would draw the information required by the OCR from futures commission merchants and clearing members. KCBT anticipates using a document request letter to obtain the information.
3. The OCR information will be difficult to obtain from omnibus accounts and give-up accounts because the underlying accounts are not carried on the clearing member's books.
4. KCBT believes that submitting the OCR via SFTP instead of FTP is the most efficient way to transmit the required information because of SFTP's built in security features. FIXML would make the most sense for consistency since the trade capture report is already submitted via FIXML.
5. Once the master file is established by each clearing member, the CFTC could require weekly changes to be submitted on a test basis. Depending on the volume of changes being submitted, the CFTC could adjust the reporting frequency accordingly. The initial master file will be a very time consuming exercise for the futures commission merchants and clearing members. Therefore a significant amount of lead time should be budgeted so as to give the futures commission merchants and clearing members sufficient time to produce the file.

Mr. David Stawick
August 17, 2009
Page 4 of 4

6. Futures commission merchants and clearing members will need to report the raw data. We are not in a position to state with any certainty what additional measures the firm's will have to take to transmit the information or what the dollar and staff-hour cost of those measures would be. If the firm's current system is not compatible with every exchange then this could cause dramatic programming costs. This question would best be answered by the reporting entities themselves.
7. We are currently not in a position to state with any certainty what the time frame and the costs would be for the exchange to provide the OCR. Part of the consideration would be the media type that the CFTC would require the Exchanges to submit the information on. If our systems are not compatible then this could dramatically increase the cost of the OCR. Once more details become available, we will be in a better position to estimate the time frame necessary for completion and the costs associated with such.
8. This question may best be answered by the small businesses themselves.

KCBT appreciates the opportunity to comment on the Ownership and Control Report. If you have any questions please feel free to contact me at 816-753-7500 or jott@kcbt.com.

Sincerely,



Joseph Ott
Vice President - Compliance