

The Kansas City Board of Trade (“KCBT”) would like to thank the Commodity Futures Trading Commission (“CFTC” or “Commission”) for hosting the public roundtable today to discuss the Ownership and Control Report (“OCR”) currently being proposed. We feel it is paramount to assemble an industry-wide committee (including the CFTC) to discuss the issues and how to implement the OCR in a manner that will both satisfy the CFTC’s regulatory needs and avoid being an undue burden to the root data sources and designated contract markets.

KCBT agrees that the account ownership and control information report will enhance market transparency, increase the Commission’s trade practice and market surveillance capabilities, leverage existing surveillance systems and data and facilitate the Commission’s enforcement and research programs. The unprecedented changes recently seen in the futures industry occurring as a result of the shift in the style of trading from pit trading to electronic trading has necessitated many changes in the manner in which our markets are regulated. 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 (Division of Market Oversight, Division of Enforcement and the Office of the Chief Economist) 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 (“root data sources”) to submit the information directly, just as they currently do with KCBT large trader reporting. The root data sources are in possession of the specific data points being proposed, therefore it makes the most sense for the root data sources to report this information directly to the Commission. Of the specific data points required by the proposed Ownership and Control Report, the only data point KCBT currently has in our possession is the trading account number as reported in our trade register (tags 448 and 452, Party Role 24 in the Trade Capture Report). The CFTC is already in possession of many of the specific data points required by the OCR thru large trader information (CFTC Form 102 “Identification of Special Accounts”) as well as exchange trade register information. Therefore the CFTC is in a better position

than the KCBT to integrate these existing resources and supplement them with ownership and control information for all active trading accounts. It seems unnecessary to put a third party in the middle to submit the information to the Commission.

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.

KCBT agrees that uniform reporting protocols are an absolute necessity. The CFTC has standardized the content and format of all trade registers submitted to them which are now required to be FIXML Trade Capture Reports. Therefore it would seem logical that the Commission and root data sources could develop a similar industry-wide standard for the OCR. It would seem to make the most sense to have the CFTC and the root data sources come up with an industry-wide reporting standard directly into the Commission versus all of the exchanges having to build a system for the root data sources to report into. The CFTC could use their existing large trader reporting system to accomplish the goals of the OCR by requiring that each root data source report the required information for all active accounts.

Regarding the specific data points required by the Ownership and Control Report, KCBT questions whether the date of birth for each active account is a necessary data point to collect. Neither current CFTC Regulations nor NFA Rules and Regulations require a futures commission merchant to collect the customer's date of birth. Currently, NFA Compliance Rule 2-30 only requires that an FCM record an approximate age of the customer. Effective January 3, 2011 NFA rules will require the FCM to record an approximate age or date of birth. Requiring a first, middle and last name as well as the address of their primary residence should be sufficient to achieve a unique identification for each active account.

The OCR information will be difficult to obtain from omnibus accounts because the underlying accounts are not carried on the clearing member's books. Furthermore, certain omnibus accounts may be non-members of the KCBT which raises a question as to the regulatory authority the KCBT would have over them. The CFTC would have regulatory authority over all futures commission

merchants and hence another reason why the root data sources should report directly to the Commission.

We are currently not in a position to state with any certainty what the costs (hardware, software, personnel, one-time start-up costs and on-going operational costs) would be for the exchange to provide the OCR until further details are forthcoming regarding an industry approved standard for the OCR's content, format and the time and manner of its transmission. 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. However, it is clear that each contract market will incur significant server storage and programming costs to ensure they have the ability to store the information received if the CFTC requires each contract market to receive, collate and correlate the data into a single record for active accounts in our market and to transmit the information to the CFTC. Thus you would have programming and server storage costs at each level, whereas if the information was submitted by each root data source directly to the CFTC, you could eliminate one layer of these costs. It seems the best method for reporting would be for the information to be submitted by the root data sources directly to the CFTC.

KCBT appreciates the opportunity to participate in the public roundtable today. Thank you.