



World Financial Center
One North End Avenue
New York, New York 10282

BY ELECTRONIC TRANSMISSION

05-32
July 14, 2005

Ms. Jean A. Webb
Secretary of the Commission
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

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Re: **Amendments to Rule 21.03 -
Submission Pursuant to Section 5c(c)(1) of the Act and Regulation 40.6**

Dear Ms. Webb:

Pursuant to Section 5c(c)(1) of the Commodity Exchange Act, as amended, and Commission Regulation 40.6, the Board of Trade of the City of New York, Inc. ("Exchange") submits, by written certification, amendments to Rule 21.03, attached as Exhibit A.

Currently, the Business Conduct Committee ("Committee") is comprised of a large roster of individuals from which either a probable cause or a hearing panel is selected by the Committee chairman. Due to the large size of the Committee roster, many of the members never get a chance to serve. As a consequence of this practice, there has been the risk of seriously inconsistent decisions for similar types of misconduct and little opportunity for Committee members to develop a working relationship with each other and institutional memory. The amendments establish two standing subcommittees, each of which will meet regularly as a group to review the reports prepared by the Compliance staff for the purpose of making probable cause determinations. Each subcommittee will be comprised of eight (8) members – four (4) floor traders, three (3) FCM or trade and one (1) non-member. If a matter goes to a hearing, the hearing panel will be comprised of members of the subcommittee that did not make the probable cause determination.

The Exchange certifies that the amendments comply with the requirements of the Commodity Exchange Act and the rules and regulations promulgated thereunder.

The amendments were adopted by the Exchange's Board of Governors on July 13, 2005. The amendments will become effective in September, when the annual appointments to the Exchange's committee are made. No substantive opposing views were expressed by members or others with respect to the amendments.

If you have any questions or need further information, please contact me at jfassler@nybot.com or 212-748-4084.

Sincerely,

Jill S. Fassler
Vice President
Associate General Counsel

cc: Riva Adriance
CFTC, Division of Market Oversight
Allen Cooper
CFTC, New York Regional Office

(In the text of the amendments below, additions are underlined and deletions are bracketed and lined out.)

Rule 21.03. The Business Conduct Committee

(a) The Business Conduct Committee shall have the power to direct that an investigation of any suspected violation of the Rules be conducted by the Compliance staff, pursuant to Rule 21.02, and shall have the authority to hear any matter referred to it by the Executive Floor Committee, provided, however, that any member of the Business Conduct Committee who is also a member of the Executive Floor Committee and participated in such matter pursuant to Rule 21.25, shall be disqualified from serving on any panel of the Business Conduct Committee hearing such matter.

(b) The Business Conduct Committee shall be divided into two (2) subcommittees. One subcommittee shall be chaired by the Chairman of the Business Conduct Committee, and the other shall be chaired by the Vice Chairman of such Committee. Each subcommittee shall be comprised of no less than eight (8) individuals, such that three (3) are identified with the FCM/Trade membership interest, four (4) are identified with the Floor membership interest and one is not a Member. Five (5) subcommittee members shall constitute a quorum so long as there are in attendance at least two (2) members identified with the Floor membership interest, two members from the FCM/Trade membership and one member who is not a Member.

~~[(b)c] The Business Conduct Committee shall periodically receive and review the written reports concerning possible Rule violations reported by the Compliance staff pursuant to Rule 21.02(b). A subcommittee of the Business Conduct Committee shall [be appointed by the Chairman of the Business Conduct Committee to] conduct any review of a possible violation under this Rule. [The subcommittee shall be comprised of no less than eight (8) individuals, such that three (3) are identified with the FCM/Trade membership interest, four (4) are identified with the Floor membership interest and one is not a Member. Five (5) subcommittee members shall constitute a quorum so long as there are in attendance at least two (2) members identified with the Floor membership interest and two members from the FCM/Trade membership or non-membership interests.]~~

~~[(e)d] If after initial review of an investigative report a subcommittee of the Business Conduct Committee concludes that a rule violation may have occurred, it shall allow the Member or non-member market participant an opportunity to present whatever evidence the Member or non-member market participant may have. Such a presentation shall be conducted informally with no transcript taken.~~

~~[(d)e] In any case where a subcommittee of the Business Conduct Committee concludes that a rule violation may have occurred, such subcommittee of the Business Conduct Committee shall advise the Member or non-member market participant of that fact and may:~~

~~(i) refer or return the matter to the Compliance staff with instructions for further action;~~

~~(ii) enter into or approve a settlement agreement with said Member or non-member market participant which may provide for a penalty other than that recommended by the Compliance staff, subject to the limitations set forth in subparagraph ([d]e)(iv) of this Rule;~~

~~(iii) refer the matter to a formal hearing; or~~

~~(iv) negotiate and enter into a written settlement agreement with the Member or non-member market participant, whereby the Member or non-member market participant, with or without admitting guilt, may agree to:~~

~~(1) a cease and desist order or a reprimand;~~

EXHIBIT A

(2) a fine of up to twenty-five thousand dollars (\$25,000) for each Rule violation alleged plus the monetary value of any benefit received as a result of the alleged violation;

(3) a voluntary suspension of up to one (1) year for each Rule violation alleged;

(4) expulsion;

(5) a prohibition against executing any Customer orders; and/or

(6) as part of a suspension or expulsion, the term or condition that the Member may not be employed by another Member as a floor employee, or any combination thereof; or

(7) in the case of a non-member market participant, an order denying future access, either directly or indirectly, to any or all of the Exchange's markets for a specified period of time and the issuance of a notice directing all Members to deny access to such non-member market participant to the Exchange's markets for such period of time;

provided, however, in any case in which it is concluded that the Member may have violated a Rule involving the execution of, or the failure to execute, a Customer transaction, the subcommittee of the Business Conduct Committee shall make a specific finding on whether the Customer may have incurred any financial harm as a result of said violation and may negotiate and enter into a written settlement agreement whereby the Member, with or without admitting guilt, agrees to make restitution to the Customer in an amount equal to the financial harm which may have been incurred by such Customer in addition to any combination of the foregoing penalties.