



KANSAS CITY BOARD OF TRADE

January 3, 2012

SENT VIA E-MAIL TO:

submissions@cftc.gov

Mr. 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 Section 5c(c) of the Act and Commission
Regulations 40.4 and 40.5 – “Request for Commission rule approval.”**

Dear Mr. Stawick:

I. REQUEST FOR COMMISSION APPROVAL

The Kansas City Board of Trade (“KCBT” or “exchange”) hereby submits, pursuant to Section 5c(c) of the Act and Commission Regulations 40.4 and 40.5, amended Rule 2008.00 pertaining to position limits.

II. TEXT OF AMENDED RULE 2008.00

The text of amended Rule 2008.00 is shown as follows, with additions underlined and deletions lined out.

2008.00 Position Limits.

a. Definitions:

1. **Spot Month** means the 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 futures contract month, other than the spot month contract.
3. **All Months** means the sum of all 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.

- 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 – ~~5,000~~ 12,000 contracts
 3. All Months – ~~6,500~~ 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 1.3(z)(1); provided however, that 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.
 2. Spread or arbitrage positions 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.
 3. Positions carried for eligible entities as set forth in Commodity Futures Trading Commission Regulation 150.3(a)(4).
 4. Enumerated Hedging Transactions as defined by CFTC Regulation 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.
 5. Non-enumerated Hedging Transactions as defined by CFTC Regulation 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.
- 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 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 150.4.
- 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

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

III. EXCHANGE ACTION TAKEN AND EFFECTIVE DATE

The Board of Directors, in a special meeting held on December 30, 2011 and acting pursuant to authority granted them under Rule 233.01(o), unanimously approved the amendments to Rule 2008.00. Subject to Commission approval, amended Rule 2008.00 shall become effective on Tuesday, January 17, 2012, concurrent with the effective date established for Federal limits on KCBT Hard Winter Wheat contracts. In order to maintain parity with the Federal limits, KCBT is requesting expedited approval by the Commission. The membership is being notified today by exchange circular of the proposed effective date.

IV. OPERATION, PURPOSE AND EFFECT OF RESOLUTION

The Commission published Final Rules in the Federal Register on November 18, 2011 regarding position limits for futures and swaps. Specifically, the Commission is increasing the single month and all-months position limits for KCBT Hard Winter Wheat to 12,000 contracts respectively effective January 17, 2012. Amended Rule 2008.00 is being submitted for Commission approval in order to maintain parity with the Federal limits.

V. POSTING OF PENDING RULE AMENDMENT ON WEBSITE

KCBT certifies that it has posted a copy of this submission on its website concurrent with the filing of such submission with the Commission, thereby providing public notice of pending amended Rule 2008.00.

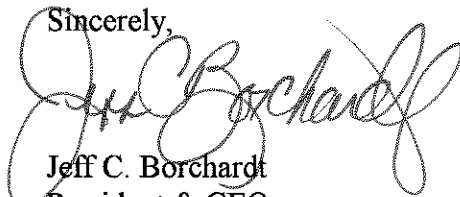
VI. SUBSTANTIVE OPPOSING VIEWS

To the knowledge of the Board of Directors and staff of the KCBT, no substantive opposing views were expressed by members or others regarding amended Rule 2008.00.

VII. CLOSING

The exchange is not aware of any Commission regulations that need amending or interpreting in order to approve amended Rule 2008.00.

Sincerely,



Jeff C. Borchardt
President & CEO