



March 7, 2008

SENT VIA E-MAIL:  
[submissions@cftc.gov](mailto: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

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OFC. OF THE SECRETARIAT

**Re: Submission pursuant to Commission Regulation 40.5**

Dear Mr. Stawick:

- I. **Submission.** The Kansas City Board of Trade ("KCBT") hereby submits for Commission review and approval, pursuant to Commission Regulation Section 40.5, proposed amendments to the daily price limit provisions contained in Rule 2006.00. The Board of Directors, in a special meeting held on March 5, 2008, acting pursuant to authority granted them under Rules 233.01(o) and 2006.00, approved the amendments to Rule 2006.00. In the opinion of KCBT, the rights of open position holders are not significantly altered by these proposed rule amendments.
- II. **Date of Implementation.** Subject to CFTC approval, it is the intent of the KCBT to make the amendments to Rule 2006.00 effective with the trade date Friday, March 28, 2008. The proposed effective date was selected in coordination with the Chicago Mercantile Exchange implementing similar changes to its wheat price limits provisions.
- 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 the amendments.

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- IV. **Text of Proposed Rule.** The text of amended Rule 2006.00 is shown as follows, with additions underlined and deletions lined out:

### **Chapter 20 Wheat Futures**

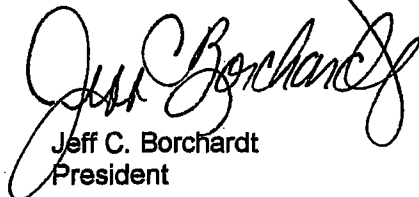
**2006.00 Limitation On Fluctuation Of Prices.** The Board of Directors may at any time, upon ten (10) hours' notice, by resolution, provide that there shall be no trading in any specified contract for delivery in any specified month at prices more than a fixed limit above or below the official closing price of the preceding business day. Any member who enters into any contracts under the rules of the Board of Trade in violation of such resolution shall be subject to disciplinary action pursuant to Chapter 14.

Note: Pursuant to a Resolution of the Board of Directors on ~~March 5, February 8,~~ 2008, there shall be no trading in wheat futures at a price more than \$0.60 per bushel (\$3,000 per contract) above or below the previous day's settlement price. Should two or more wheat futures contract months within the first five listed non-spot contracts a crop year (or the remaining contract month in a crop year) close at limit bid or limit offer, the daily price limits for all contract months shall increase to \$0.90 per bushel by 50 percent the next business day. Should two or more wheat futures contract months within the first five listed non-spot contracts (or the remaining contract month in a crop year) close at limit bid or limit offer while price limits are \$0.90 per bushel, daily price limits for all contract months shall increase to \$1.35 per bushel the next business day, and an additional 50 percent each subsequent day two or more contract months within a crop year (or the remaining contract month in a crop year) close at limit bid or limit offer. If price limits are \$1.35 per bushel and no wheat futures contract month closes limit bid or limit offer, daily price limits for all contract months shall revert back to \$0.90 per bushel the next business day. If price limits are \$0.90 per bushel and no wheat futures contract month closes limit bid or limit offer, daily price limits for all contract months shall revert back to \$0.60 per bushel the next business day. Daily price limits shall revert back to \$0.60 after no wheat futures contract month closes limit bid or limit offer for three consecutive business days. There shall be no price limits on the current month contract on or after the second business day preceding the first day of the delivery month.

- V. **Operation, Purpose & Effect of Proposed Rule.** While the expanded price limit provisions implemented effective (trade date) February 11 worked well to achieve trading equilibrium, allowing for price discovery and the movement of open interest from the March contract, there have been some suggestions offered (primarily by commercial market participants) for changes to the price limit provisions. Specifically, these market users want to see: price limit provisions that expand based on the activity of the front months where the majority of open interest resides; a maximum amount that the price limits can expand to, and; provisions that allow price limits to contract at the same rate that they expand. The aforementioned amendments to Rule 2006.00 specifically address all three of these concerns. These proposed price limit modifications are being implemented in coordination with the Chicago Mercantile Exchange so as not to distort the intermarket spread relationship between the two wheat markets.

- VI. **Closing.** Any questions regarding this submission should be directed to the undersigned at 816-753-7500.

Sincerely,



Jeff C. Borchardt  
President



March 7, 2008

**Circular No. 08-27**

To: All Members

**Board Amends Wheat Daily Price Limits**

The Board of Directors at a special meeting held on March 5, 2008 approved amendments to KCBT Rule 2006.00 pertaining to daily price limits in the wheat futures contract.

**EFFECTIVE DATE**

**Subject to Commodity Futures Trading Commission approval**, it is the intent of the KCBT to make the amendments to Rule 2006.00 **effective with the trade date Friday, March 28, 2008**. The proposed effective date was selected in coordination with the Chicago Mercantile Exchange implementing similar changes to its wheat price limits provisions.

**RATIONALE FOR RULE AMENDMENTS**

While the expanded price limit provisions implemented effective (trade date) February 11 worked well to achieve trading equilibrium, allowing for price discovery and the movement of open interest from the March contract, there have been some suggestions offered (primarily by commercial market participants) for changes to the price limit provisions. Specifically, these market users want to see: price limit provisions that expand based on the activity of the front months where the majority of open interest resides; a maximum amount that the price limits can expand to, and; provisions that allow price limits to contract at the same rate that they expand. The amendments to Rule 2006.00 approved by the Board on March 5 specifically address all three of these concerns. These proposed price limit modifications are being made in coordination with the Chicago Mercantile Exchange so as not to distort the intermarket spread relationship between the two wheat markets.

**TEXT OF RULE AMENDMENTS**

The text of the rule amendments are shown as follows, with additions underlined in bold type and deletions lined out:

(CONTINUED ON NEXT PAGE)

**2006.00 Limitation On Fluctuation Of Prices.** The Board of Directors may at any time, upon ten (10) hours' notice, by resolution, provide that there shall be no trading in any specified contract for delivery in any specified month at prices more than a fixed limit above or below the official closing price of the preceding business day. Any member who enters into any contracts under the rules of the Board of Trade in violation of such resolution shall be subject to disciplinary action pursuant to Chapter 14.

Note: Pursuant to a Resolution of the Board of Directors on March 5, February 8, 2008, there shall be no trading in wheat futures at a price more than \$0.60 per bushel (\$3,000 per contract) above or below the previous day's settlement price. Should two or more wheat futures contract months within the first five listed non-spot contracts a crop year (or the remaining contract month in a crop year) close at limit bid or limit offer, the daily price limits for all contract months shall increase to \$0.90 per bushel by ~~50 percent~~ the next business day. Should two or more wheat futures contract months within the first five listed non-spot contracts (or the remaining contract month in a crop year) close at limit bid or limit offer while price limits are \$0.90 per bushel, daily price limits for all contract months shall increase to \$1.35 per bushel the next business day. and an additional 50 percent each subsequent day two or more contract months within a crop year (or the remaining contract month in a crop year) close at limit bid or limit offer. If price limits are \$1.35 per bushel and no wheat futures contract month closes limit bid or limit offer, daily price limits for all contract months shall revert back to \$0.90 per bushel the next business day. If price limits are \$0.90 per bushel and no wheat futures contract month closes limit bid or limit offer, daily price limits for all contract months shall revert back to \$0.60 per bushel the next business day. Daily price limits shall revert back to \$0.60 after ~~no wheat futures contract month closes limit bid or limit offer for three consecutive business days.~~ There shall be no price limits on the current month contract on or after the second business day preceding the first day of the delivery month.

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Jeffrey C. Borchardt  
President