RECEIVED
CFTC

CME Group

2011 APR 27 AM 9:24

OFFICE OF THE
SECRETARIAT

April 26, 2011

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

Re: Amendments to CBOT Rulebook Chapter 10A on Options on Corn Futures, Chapter 11A on Options on Soybean Futures, Chapter 14A on Options on Wheat Futures to permit the listing of weekly options.
CBOT Submission No. 11-157

A. Proposed amendments.

The Chicago Board of Trade, Inc. ("CBOT" or "Exchange") hereby notifies the Commodity Futures Trading Commission ("Commission" or "CFTC") that it intends to amend CBOT Rulebook Chapter 10A on Options on Corn Futures, Chapter 11A on Options on Soybean Futures, and Chapter 14A on Options on Wheat Futures to permit the listing of weekly option expirations in these products.

CBOT currently lists standard and serial options on Corn, Soybeans, and Wheat futures. These options expire on the last Friday that proceeds by at least two business days the last business day of the month preceding the named option expiration month. Thus, these products currently experience one option expiration per month.

The Exchange intends to add weekly option expirations to the current line-up of standard and serial options on CBOT Corn, Soybeans, and Wheat futures on Monday, May 23, 2011.

B. Justification of the amendments.

1. The proposed new products will provide an additional tool to manage increased volatility.

The addition of weekly options complements the existing options complex by giving market participants increased trading flexibility in managing their existing option positions as well as increased trading opportunities due to the advantages offered by weekly options. First, market participants will be able to purchase options with less time value than longer-dated options, making option trading more affordable. Second, flexible options are not available on the trading floor for agricultural commodities. Flexible options allow market participants to customize option contract specifications such as strike price, expiration date, and expiration type to fit their specific trading requirements. The addition of weekly options can fill this need. Third, weekly options enable targeted trading based on high impact economic events occurring in specific time frames, such as USDA crop reports.

2. Market participants support the launch of weekly grain options.

Feedback from a large number of market participants, including floor traders, commercial hedgers, and proprietary trading firms has been predominantly positive. Most market participants believe weekly grain options would complement their current trading while offering additional risk management opportunities. Many market participants have indicated that there is demand for low premium, short dated options sensitive to volatility and time decay characteristics. Some commercial hedgers indicated that they have already traded similar options in the OTC market.

C. Conclusion

The Exchange certifies that these contract terms and conditions comply with the Commodity Exchange Act and regulations thereunder. There were no substantive opposing views to this proposal.

Attachments 1-6 summarize the rulebook changes that apply to the new weekly grain options.

Weekly grain options will have the same contract specifications as their related standard or serial options. They will exercise into an underlying futures contract. The Exchange will list weekly options that expire each Friday, except on those Fridays where standard or serial options are scheduled to expire. Three weekly options will be listed concurrently for the nearby and/or the next deferred Corn, Soybean, and Wheat futures expirations. The Exchange will list new weekly options, for expiration approximately 28 days hence, on the weekend following the latest expiration of weekly options.

If you require any additional information, please contact Randy Shao at 312-648-3795 or via e-mail at Renyuan.Shao@cmegroup.com; Fred Seamon at 312-634-1587 or via e-mail at Fred.Seamon@cmegroup.com; or contact me at 212-299-2207. Please reference CBOT Submission No. 11-157 in any related correspondence.

Sincerely,

/s/ Felix Khalatnikov
Director and Associate General Counsel

1174

The recommended rule book changes are attached with additions **<u>bold and underlined</u>** and deletions [~~bracketed with strikethrough~~].

Attachment 1

CBOT Rulebook
Chapter 10A. Options on Corn Futures
Rule 10A01. OPTIONS CHARACTERISTICS

10A01.I. Termination of Trading

[~~Subject to the provisions of Rule 10A01.D., no trades in Corn futures options expiring in the current month shall be made after the close of the open outcry trading session for the corresponding Corn futures contract on the last Friday which precedes by at least two business days, the last business day of the month preceding the option month. If such Friday is not a business day, the last day of trading shall be the business day prior to such Friday.~~]

<u>10A01.I.1. Standard and Serial Options</u>

<u>The last day of trading in any standard or serial option for expiry in a given month shall be the last Friday which precedes by at least two business days the last business day of the calendar month preceding such option's named expiry month. If such Friday is not a business day, then the last day of trading in such option shall be the business day prior to such Friday.</u>

<u>On their last day of trading, expiring standard or serial options shall cease trading at the close of the open outcry trading session for the corresponding Corn futures contract, subject to the provisions of Rule 10A01.D.</u>

<u>10A01.I.2. Weekly Options</u>

<u>Any weekly option shall be designated to expire on a given Friday, provided however that no weekly option shall be designated to expire on any Friday that is also the last day of trading in a standard or serial option (Rule 10A01.I.1.). Trading in any weekly option shall terminate on the Friday on which such option is designated to expire. If such Friday is not a business day, then trading in weekly options designated for expiration on such Friday shall terminate on the business day prior to such Friday.</u>

<u>On their last day of trading, expiring weekly options shall cease trading at the close of the open outcry trading session for the corresponding Corn futures contract, subject to the provisions of Rule 10A01.D.</u>

<u>10A01.I.3. Trading in Underlying Futures</u>

<u>In the event that the underlying futures market does not open on a day scheduled for option expiration, such option expiration shall occur on the next day on which the underlying futures market opens for trading.</u>

Attachment 2

CBOT Rulebook
Chapter 10A. Options on Corn Futures
Rule 10A01. OPTIONS CHARACTERISTICS

10A01.E. Exercise Prices

Trading shall be conducted for put and call options with striking prices in integral multiples of five (5) cents and ten (10) cents per bushel per Corn futures contract as follows:

1.

a. At the commencement of trading for each option contract, the Exchange shall list a strike closest to the previous day's settlement price of the underlying Corn futures contract (the at-the-money strike), and strikes in integral multiples of ten cents in a range of 50 percent above and below the at-the-money strike. If the previous day's settlement price is midway between two strikes, the at-the-money strike shall be the larger of the two.

b. Over time, new ten cent strikes will be added to ensure that all strikes within 50 percent of the previous day's settlement price in the underlying futures contract are listed.

2.

a. At the commencement of trading for **weekly options, and for** options that are traded in months in which Corn futures are not traded, and for standard option months the business day they become the third listed month, the Exchange shall list a strike closest to the previous day's settlement price of the underlying Corn futures contract (the at-the-money strike), and strikes in integral multiples of five cents in a range of 25 percent above and below the at-the-money strike. If the previous day's settlement price is midway between two strikes, the at-the-money strike shall be the larger of the two. For example, five-cent strike price intervals for the September contract would be added on the first business day after the expiration of the July options contract.

b. Over time, new five-cent strike prices will be added to ensure that all strikes within 25 percent of the previous day's settlement price in the underlying futures are listed.

3. All strikes will be listed prior to the opening of trading on the following business day. Upon demand and at the discretion of the Exchange, new out-of-current-range strike prices at regularly defined intervals may be added for trading on as soon as possible basis. The Exchange may modify the procedures for the introduction of strikes as it deems appropriate in order to respond to market conditions. As new 5 and 10 cent strikes are added, existing strikes outside the newly determined strike ranges without open interest may be de-listed.

Attachment 3

CBOT Rulebook
Chapter 11A. Options on Soybean Futures
Rule 11A01. OPTIONS CHARACTERISTICS

11A01.I. Termination of Trading

~~[Subject to the provisions of Rule 11A01.D., no trades in Soybean futures options expiring in the current month shall be made after the close of the open outcry trading session for the corresponding Soybean futures contract on the last Friday which precedes by at least two business days, the last business day of the month preceding the option month. If such Friday is not a business day, the last day of trading shall be the business day prior to such Friday.]~~

11A01.I.1. Standard and Serial Options

The last day of trading in any standard or serial option for expiry in a given month shall be the last Friday which precedes by at least two business days the last business day of the calendar month preceding such option's named expiry month. If such Friday is not a business day, then the last day of trading in such option shall be the business day prior to such Friday.

On their last day of trading, expiring standard or serial options shall cease trading at the close of the open outcry trading session for the corresponding Soybean futures contract, subject to the provisions of Rule 11A01.D.

11A01.I.2. Weekly Options

Any weekly option shall be designated to expire on a given Friday, provided however that no weekly option shall be designated to expire on any Friday that is also the last day of trading in a standard or serial option (Rule 11A01.I.1.). Trading in any weekly option shall terminate on the Friday on which such option is designated to expire. If such Friday is not a business day, then trading in weekly options designated for expiration on such Friday shall terminate on the business day prior to such Friday.

On their last day of trading, expiring weekly options shall cease trading at the close of the open outcry trading session for the corresponding Soybean futures contract, subject to the provisions of Rule 11A01.D.

11A01.I.3. Trading in Underlying Futures

In the event that the underlying futures market does not open on a day scheduled for option expiration, such option expiration shall occur on the next day on which the underlying futures market opens for trading.

Attachment 4

CBOT Rulebook
Chapter 11A. Options on Soybean Futures
Rule 11A01. OPTIONS CHARACTERISTICS

11A01.E. Exercise Prices

Trading shall be conducted for put and call options with striking prices in integral multiples of ten (10) cents and twenty (20) cents per bushel per Soybean futures contract as follows:

1.

a. At the commencement of trading for each option contract, the Exchange shall list a strike closest to the previous day's settlement price of the underlying Soybean futures contract (the at-the-money strike), and strikes in integral multiples of twenty cents in a range of 50 percent above and below the at-the-money strike. If the previous day's settlement price is midway between two strikes, the at-the-money strike shall be the larger of the two.

b. Over time, new twenty cent strikes will be added to ensure that all strikes within 50 percent of the previous day's settlement price in the underlying futures contract are listed.

2.

a. At the commencement of trading for **weekly options, and for** options that are traded in months in which Soybean futures are not traded, and for standard option months the business day they become the third listed month, the Exchange shall list a strike closest to the previous day's settlement price of the underlying Soybean futures contract (the at-the-money strike), and strikes in integral multiples of ten cents in a range of 25 percent above and below the at-the-money strike. If the previous day's settlement price is midway between two strikes, the at-the-money strike shall be the larger of the two. For example, ten-cent strike price intervals for the September contract would be added on the first business day after the expiration of the July options contract.

b. Over time, new ten-cent strike prices will be added to ensure that all strikes within 25 percent of the previous day's settlement price in the underlying futures are listed.

3. All strikes will be listed prior to the opening of trading on the following business day. Upon demand and at the discretion of the Exchange, new out-of-current-range strike prices at regularly defined intervals may be added for trading on as soon as possible basis. The Exchange may modify the procedures for the introduction of strikes as it deems appropriate in order to respond to market conditions. As new 10 and 20 cent strikes are added, existing strikes outside the newly determined strike ranges without open interest may be de-listed.

Attachment 5

CBOT Rulebook
Chapter 14A. Options on Wheat Futures
Rule 14A01. OPTIONS CHARACTERISTICS

14A01.I. Termination of Trading

~~[Subject to the provisions of Rule 14A01.D., no trades in Wheat futures options expiring in the current month shall be made after the close of the open outcry trading session for the corresponding Wheat futures contract on the last Friday which precedes by at least two business days, the last business day of the month preceding the option month. If such Friday is not a business day, the last day of trading shall be the business day prior to such Friday.]~~

<u>14A01.I.1. Standard and Serial Options</u>

<u>The last day of trading in any standard or serial option for expiry in a given month shall be the last Friday which precedes by at least two business days the last business day of the calendar month preceding such option's named expiry month. If such Friday is not a business day, then the last day of trading in such option shall be the business day prior to such Friday.</u>

<u>On their last day of trading, expiring standard or serial options shall cease trading at the close of the open outcry trading session for the corresponding Wheat futures contract, subject to the provisions of Rule 14A01.D.</u>

<u>14A01.I.2. Weekly Options</u>

<u>Any weekly option shall be designated to expire on a given Friday, provided however that no weekly option shall be designated to expire on any Friday that is also the last day of trading in a standard or serial option (Rule 14A01.I.1.). Trading in any weekly option shall terminate on the Friday on which such option is designated to expire. If such Friday is not a business day, then trading in weekly options designated for expiration on such Friday shall terminate on the business day prior to such Friday.</u>

<u>On their last day of trading, expiring weekly options shall cease trading at the close of the open outcry trading session for the corresponding Wheat futures contract, subject to the provisions of Rule 14A01.D.</u>

<u>14A01.I.3. Trading in Underlying Futures</u>

<u>In the event that the underlying futures market does not open on a day scheduled for option expiration, such option expiration shall occur on the next day on which the underlying futures market opens for trading.</u>

Attachment 6

CBOT Rulebook
Chapter 14A. Options on Wheat Futures
Rule 14A01. OPTIONS CHARACTERISTICS

14A01.E. Exercise Prices

Trading shall be conducted for put and call options with striking prices in integral multiples of five (5) cents and ten (10) cents per bushel per Wheat futures contract as follows:

1.

a. At the commencement of trading for each option contract, the Exchange shall list a strike closest to the previous day's settlement price of the underlying Wheat futures contract (the at-the-money strike), and strikes in integral multiples of ten cents in a range of 50 percent above and below the at-the-money strike. If the previous day's settlement price is midway between two strikes, the at-the-money strike shall be the larger of the two.

b. Over time, new ten cent strikes will be added to ensure that all strikes within 50 percent of the previous day's settlement price in the underlying futures contract are listed.

2.

a. At the commencement of trading for **weekly options, and for** options that are traded in months in which Wheat futures are not traded, and for standard option months the business day they become the second listed month, the Exchange shall list a strike closest to the previous day's settlement price of the underlying Wheat futures contract (the at-the-money strike), and strikes in integral multiples of five cents in a range of 25 percent above and below the at-the-money strike. If the previous day's settlement price is midway between two strikes, the at-the-money strike shall be the larger of the two. For example, five-cent strike price intervals for the September contract would be added on the first business day after the expiration of the July options contract.

b. Over time, new five-cent strike prices will be added to ensure that all strikes within 25 percent of the previous day's settlement price in the underlying futures are listed.

3. All strikes will be listed prior to the opening of trading on the following business day. Upon demand and at the discretion of the Exchange, new out-of-current-range strike prices at regularly defined intervals may be added for trading on as soon as possible basis. The Exchange may modify the procedures for the introduction of strikes as it deems appropriate in order to respond to market conditions. As new 5 and 10 cent strikes are added, existing strikes outside the newly determined strike ranges without open interest may be de-listed.