



Christopher Bowen
Managing Director and Chief Regulatory Counsel
Legal Department

May 14, 2013

VIA E-MAIL

Ms. Melissa Jurgens
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, DC 20581

**RE: Regulation § 40.4(a) Request for Approval: Remove Price
Limits on KCBT Wheat Options on Last Trade Day
KCBT Submission 13-180**

Dear Ms. Jurgens:

The Board of Trade of Kansas City, Missouri, Inc. ("KCBT" or the "Exchange"), pursuant to Commodity Futures Trading Commission ("Commission") Regulation 40.4(a), requests approval to remove price limits on KCBT Wheat options on their last trading day. Removing price limits on a KCBT Wheat option's last trading day would be consistent with Wheat options listed on the Board of Trade of the City of Chicago, Inc. ("CBOT"), which have price limits removed on their last trading day. Pending Commission approval, the Exchange plans to make these changes effective on **July 1, 2013**. Please note that no KCBT Wheat options will be scheduled to expire on that date.

The proposed revisions to Exchange Rule 2522.00 are listed in Exhibit 1, with additions underlined and deletions ~~overstruck~~.

In an ongoing effort to harmonize trading rules and practices between KCBT Wheat products and CBOT Wheat products where possible, the Exchange seeks to remove price limits on KCBT Wheat options on their last trading day. Currently, both CBOT and KCBT Wheat options share the same daily price limits as their corresponding futures contract except that these price limits are removed in CBOT Wheat options on their last trading day. The Exchange believes the CBOT practice is preferable because it allows a holder of open option positions the opportunity, if desired, to liquidate those positions on last trading day even if the option price has moved beyond the futures daily price limit. The imposition of daily price limits on KCBT Wheat options on the last trading day requires the holder of an in-the-money option to exercise in order to realize the option's full value rather than simply offsetting the position. Because options expire on Friday, new market developments could occur over the weekend that could affect opening futures prices on the next Monday trade date, increasing the risk and uncertainty an option holder faces when unable to simply liquidate a position.

KCBT business staff and the KCBT legal department collectively reviewed the designated contract market core principles ("Core Principles") as set forth in the Commodity Exchange Act

("CEA"). During the review, KCBT staff identified that the proposed changes may impact the following Core Principles:

- Prevention of Market Disruption – Trading on last trading day will be subject to Exchange rules that include prohibitions on manipulation, price distortion and disruptions of the delivery or cash-settlement process. As with all products listed for trading on one of CME Group Inc.'s ("CME Group") designated contract markets, activity will be subject to monitoring and surveillance by CME Group's Market Regulation Department.
- Execution of Transactions – Eliminating price limits on options last trading day does not impact the Exchange's order execution, which will continue as before.
- Protection of Market Participants – Exchange rules include prohibitions against fraudulent, non-competitive, unfair or abusive practices. These rules will continue to apply. Additionally, not limiting trade due to price limits on last trade day can reduce risk and uncertainty for holders of open positions because it will allow them to liquidate positions to recover premium value in addition to exercising the option.

The Exchange is not aware of any substantive opposing views to this proposed change.

The Exchange certifies that the revisions to the KCBT Rules comply with the CEA and regulations thereunder. The Exchange certifies that this submission has been concurrently posted on the Exchange's website at <http://www.cmegroup.com/market-regulation/rule-filings.html>.

If you require any additional information regarding this action, please contact me at 212-299-2200, or John McKinlay at 312-930-3028 or john.mckinlay@cmegroup.com and reference KCBT Submission No. 13-180 in any related correspondence.

Sincerely,

/s/ Christopher Bowen
Managing Director and Chief Regulatory Counsel

EXHIBIT 1

Proposed revisions to KCBT Rule 2522.00
(Additions are underlined, deletions are ~~everstruck~~).

2522.00 Options Premium ~~Daily Price~~ Limits.

~~Option daily price limits shall be identical to that of the underlying futures contract. Trading is prohibited during any day except for the last day of trading in a Wheat futures option at a premium of more than the trading limit for the Wheat futures contract above and below the previous day's settlement premium for that option.~~