



C.F.T.C.  
OFFICE OF THE SECRETARIAT  
2010 MAY 28 AM 11 32

May 28, 2010

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

**RE: CBOT Rule 703.D. and Letter of Credit and Bond Standards  
Interpretation  
CBOT Submission No. 10-142**

Dear Mr. Stawick:

The Board of Trade of the City of Chicago, Inc. ("CBOT" or "Exchange") hereby notifies the Commodity Futures Trading Commission that it is adopting new Section D. ("Failure to Load Out") in Rule 703 ("Regular Warehouses and Shipping Stations") and amending the Letters of Credit and Bond Standards interpretation ("Interpretation") in the Interpretations & Special Notices section of Chapter 7.

Given that the issuance of a shipping certificate does not require the issuer to have the physical commodity in storage, issuers of such certificates must post collateral with the Exchange before a shipping certificate is considered deliverable. While the value of shipping certificates can be used for margin purposes, the CFTC does not currently consider shipping certificates good collateral for the purpose of securing receivables in an FCM's capital computation and a change in the CFTC's position is necessary to allow this.

In discussing the issue with the CFTC, the Exchange agreed to make changes to its rules to provide for the return of liquid collateral to the affected party in the event of a shipper's default. In the circumstance where letters of credit were on deposit with the Exchange to collateralize the shipping certificate, the Exchange would call in the letters of credit and subsequently distribute the resulting cash to the affected party.

As a result of the change to rule 703, the Exchange will also amend the Interpretation which currently allows for collateral to fall to 80% of full value. Under the amended collateral requirements, the Exchange will require initial collateral of at least 110% of the value of the certificate at the time it is registered. Thereafter, the value would be allowed to fall to 100% before the shipper was required to provide additional capital to return the deposit to 110% of the current value of the shipping certificate.

In order to ensure that the modification to the Interpretation does not create unnecessary disturbances for regular facilities, the Exchange will allow facilities that have posted collateral below 100% of full value to continue to maintain the current amount on deposit. These facilities will be required to increase the collateral deposit to 110% of the full value if 1) the current

deposit falls below 80% of market value or 2) the facility registers a new certificate. In either event, the facility would be required to increase the collateral on deposit with the Exchange to 110% of the full value. Notwithstanding the above, the Exchange will guarantee the return of liquid collateral to the affected party at then current full market value in the event of a default by a shipper.

New Rule 703.D. and the revised Interpretation appear below, with additions underscored and deletions overstruck. The changes will be effective on June 7, 2010.

**703.D. Failure to Load Out**

In the event a regular facility fails to fulfill its specific load out requirements pursuant to Rule 703 C. the Exchange shall guarantee that the affected party receives the full current market value of the failed load out in the form of cash or USDA Warehouse receipts. In the event the failed party receives cash, full market value will be defined by the front future contract month settlement price on the day of failure of load out. In the event the failed party receives USDA warehouse receipts, the party will receive equivalent quantity of grain

Notwithstanding any provision of the rules, the Exchange has no obligation to any party relating to a failure to fulfill a delivery obligation unless it is notified by the party that a failure occurred, as soon as possible, but in no event later than the business day following the day the delivery obligation was to have been fulfilled according to the rules of the CBOT.

**LETTER OF CREDIT AND BOND STANDARDS**

**1. LETTER OF CREDIT STANDARDS FOR CORN, OATS, WHEAT, SOYBEANS, DISTILLERS' DRIED GRAINS AND ETHANOL**

CBOT Rule 703 and other CBOT rules require, as a condition for regularity, that issuers of shipping certificates for certain commodities must file a bond and/or designated letter of credit with sufficient sureties in such sum and subject to such conditions as the Exchange may require. The Exchange has determined that the following requirements shall apply to such letters of credit.

- a. The regular firm is required to secure a letter of credit, naming the Board of Trade of the City of Chicago, Inc. as its beneficiary, for ~~10~~10% of the current market value of the shipping certificates issued. The address of the primary office for the presentation of demand must be located in the United States.
- b. The regular firm is required to monitor the value of the outstanding certificates issued using the futures front month settlement price. Whenever the amount of the letter of credit falls below ~~8~~100% of the current market value for certificates issued, the regular firm must increase the amount of the letter of credit, or obtain a new letter of credit, for an amount equal to ~~10~~10% of the current market value of outstanding certificates, by 5:00 p.m. (Chicago Time) on the first business day following the relevant futures settlement.

The Exchange certifies that the revisions comply with the Commodity Exchange Act and regulations thereunder.

If you have any questions regarding the changes, please contact Joe Hawrysz, Market Regulation, at 212.299.2920, Anne Bagan, Audit Department, at 312.930.3140 or me at 312.648.5422. Please reference CBOT Submission No. 10-142 in any related correspondence.

Sincerely,

/s/ Stephen M. Szarmack  
Regulatory Counsel