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Christopher Bowen
Managing Director and Chief Regulatory Counsel
Legal Department

July 22, 2011

VIA E-MAIL

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

Re: Update on Proposal to amend CBOT Rule 10102.D. Increasing Daily Price Limits in Corn Futures

CBOT Submission # 11-161SS

Dear Mr. Stawick:

The Chicago Board of Trade ("CBOT" or "Exchange") submitted for approval on April 26, 2011 a proposal to increase the CBOT Corn futures daily price limit to $0.50 per bushel expandable to $0.75 then to $1.10. On May 10, 2011, the Exchange amended the proposal, requesting approval to increase the daily price limit to $0.40 per bushel expandable one-time to $0.60 per bushel. On June 16, 2011, the Exchange extended the approval period an additional 45 days in order to hold an industry meeting to discuss the proposal with the industry. The industry meeting was held on July 19, 2011 and this supplement provides a synopsis of the meeting and a discussion of opposing views expressed in the meeting.

Fifty-four people attended the industry meeting in-person, and an additional 116 registered to attend the meeting on-line, although the Exchange is unable to confirm the actual number who linked into the simulcast. The attendees represented a broad cross-section of the industry including commercial hedgers, proprietary futures and options traders, trade associations, and members of the press. The meeting agenda included an Exchange presentation (attached with this submission), a briefing on the relationship between price limits and margins by CME Clearing, and a question and answer session.

The Exchange presentation noted that Corn price limits as a percentage of nearby futures prices are around historical lows. Data show limit moves become frequent when price limits are less than 5 percent of nearby prices. The CBOT Soybean and Wheat price limits, at over 5 and 8 percent of nearby prices respectively, have experienced very few contracts settling at their price limit. The presentation also examined the past three increases in Corn price limits, and noted that any margin increases around implementation were short lived; typically around one calendar month.

CME Clearing explained the SPAN margining process and how margin requirements are based on volatility and not price limits. At any given time, margins may be above or below the daily price limit.

Discussion during the Q&A session was lively, with opinions varying, but mostly in opposition. Per CFTC Regulation 40.2, this supplement will discuss major opposing views expressed at the meeting and the Exchange's responses.

One Futures Commission Merchant voiced concern around financing customer positions, which could adversely affect their ability to maintain current credit limits for commercial participants and could reduce the amount of hedging in the contract.

Another attendee representing a major bank stated that they are providing capital to the grain industry through repo transactions involving warehouse receipts that addresses this issue. The Exchange will reach out to this firm to discuss the specifics of these repo transactions and ask if they will meet with clearing firms and/or trade associations to discuss this service. We will also work to identify additional banks that engage in similar transactions and encourage them to meet with market participants who may need this service.

The Exchange presentation noted that a contract's ability to provide price discovery and price risk management is lost when it is locked limit. Several attendees argued that the futures option and OTC markets continue to provide these services when a futures contract is at its limit, and therefore, that price limits do not need to be increased.

A grain elevator manager in attendance who supports increased price limits indicated many of his customers do not understand the implied prices resulting from the options market when futures are at their daily price limit, and thus do not understand his bids during these times. This suggests that cash markets are adversely affected when futures prices are at their limit. Also, the OTC market is not available to all market participants; they must be an Eligible Swap Participant to participate in the OTC market.

Some meeting participants believe increased daily price limits will result in additional market volatility and higher margin requirements.

Historical data does not support this concern. Volatility decreased sharply following the implementation of higher daily price limits in 1993 and 2008. Volatility increased following an increase in the daily price limit in 2000, but overall volatility level was low at that time, and margins were not affected.

Another concern voiced at the meeting is that price limits are not reduced when price levels decline.

The Exchange is supportive of price limits based on a percentage of nearby prices. However, past feedback on this idea has generally been unfavorable due to the complexity and inconvenience of price limits that change frequently. However, some level of support for this concept was voiced during the meeting because it would allow price limits to increase during times of high prices, but move back down as prices fall. A similar idea, with price limits updated quarterly, also appeared to be positively received.

The Exchange plans to work with the industry to further investigate developing a percentage based price limit process across all grain and oilseed products. For now, the Exchange does not intend to modify its current proposal to increase Corn price limits to $0.40 per bushel expandable to $0.60 per bushel.

If you require any additional information, please contact Fred Seamon at 312-634-1587 or via e-mail at Fred.Seamon@cmegroup.com; or contact me. Please reference our submission # 11-161SS in any related correspondence.

Sincerely,

/s/ Christopher K. Bowen
Managing Director, Chief Regulatory Counsel

Enclosure

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CBOT Corn Industry Meeting

July 19, 2011

Daily Price Limits

- Daily price limits control how much the price in futures and each option strike can change in a single trading day
- CFTC doesn't require price limits
  - Most futures contracts don't have any price limits
  - Limits mostly found in agricultural futures
- If a contract has price limits, the CFTC requires them to be set at a level that is not overly restrictive relative to price movements observed in the underlying cash market (CFTC Regulation Appendix A to Part 40 – Guideline No. 1)

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Corn Daily Price Limit History

Date	Price Limit	Expandable Limit
11/15/1946	$0.08/bu	$0.12/bu
6/1/1973	$0.10/bu	$0.15/bu
7/15/1993	$0.12/bu	$0.18/bu
8/27/2000	$0.20/bu	Not Expandable
3/28/2008	$0.30/bu	$0.45/bu and $0.70/bu

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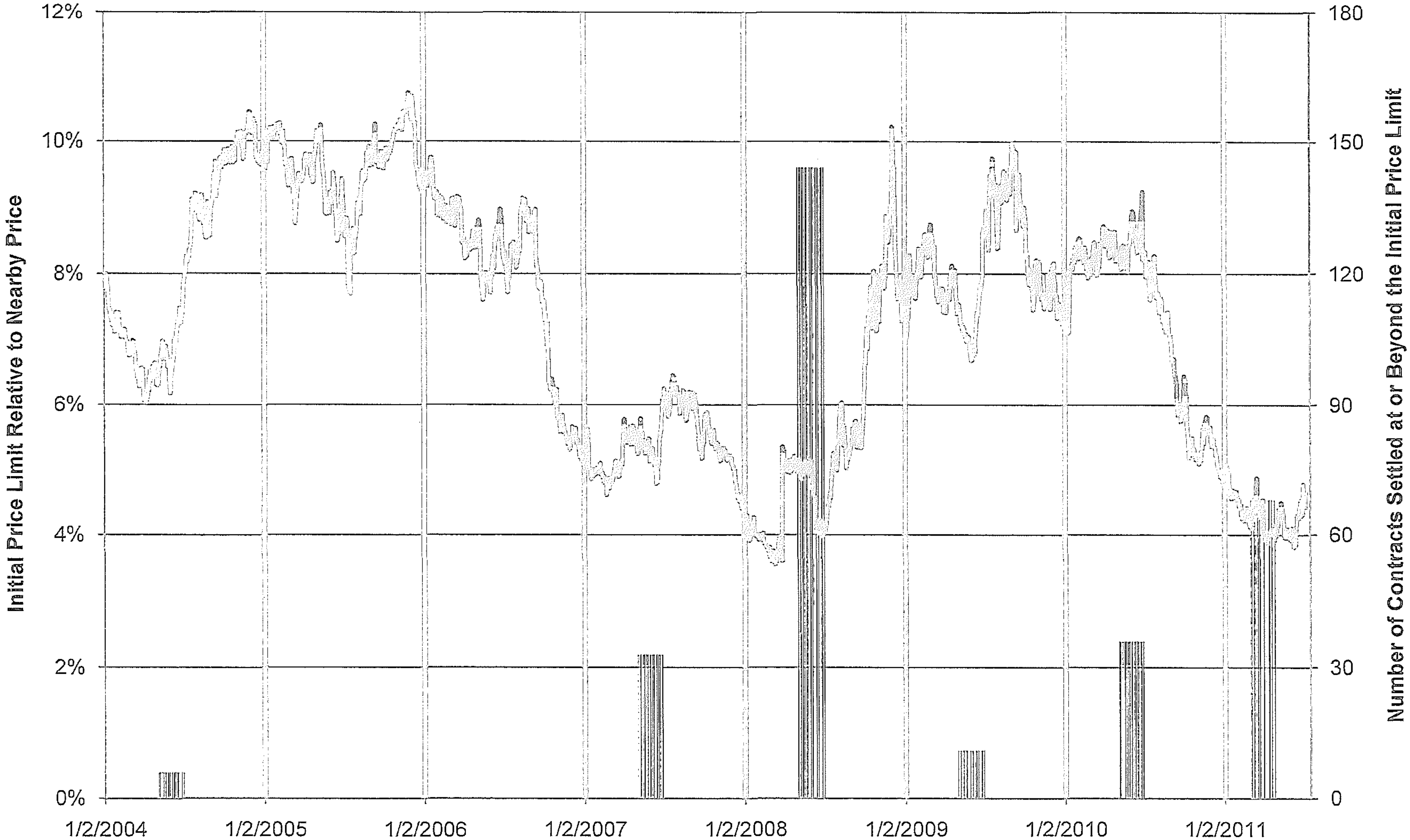
Corn Initial Daily Price Limit as a Percentage of Price and the Number of Contract Expirations that Settled at or Beyond the Initial Price Limit



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Corn Limits are Low Relative to Beans and Wheat

Commodity	Initial Price Limit	Expandable Price Limits	Initial Price Limit Relative to Current Prices	Number of Contract Settlements at or above Initial Price Limit in 2011
Corn	$0.30/bu	$0.45 & $0.70	4.23%	68
Soybeans	$0.70/bu	$1.05 & $1.60	5.03%	9
Wheat	$0.60/bu	$0.90 & $1.35	8.44%	5

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CBOT Corn Price Limit Proposal

- On 4/26/11 submitted for approval a proposal to increase the Corn daily price limit to $0.50 expandable to $0.75 then to $1.10
- On 5/10/11 amended the proposal to increase the daily price limit to $0.40 expandable to $0.60
- On 6/16/11 extended the approval period for an additional 45 days
- Current approval period scheduled to end on 8/8/11
- CFTC comment letters largely opposed to increased price limits

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Customer Concern: "Higher price limits will result in higher margins"

- SPAN – based margins are based on the volatility of the underlying market, not the daily price limit
- If the Corn market is volatile, margins will be higher, regardless of the daily price limit
- At any point in time, margins may be higher or lower than the daily price limit

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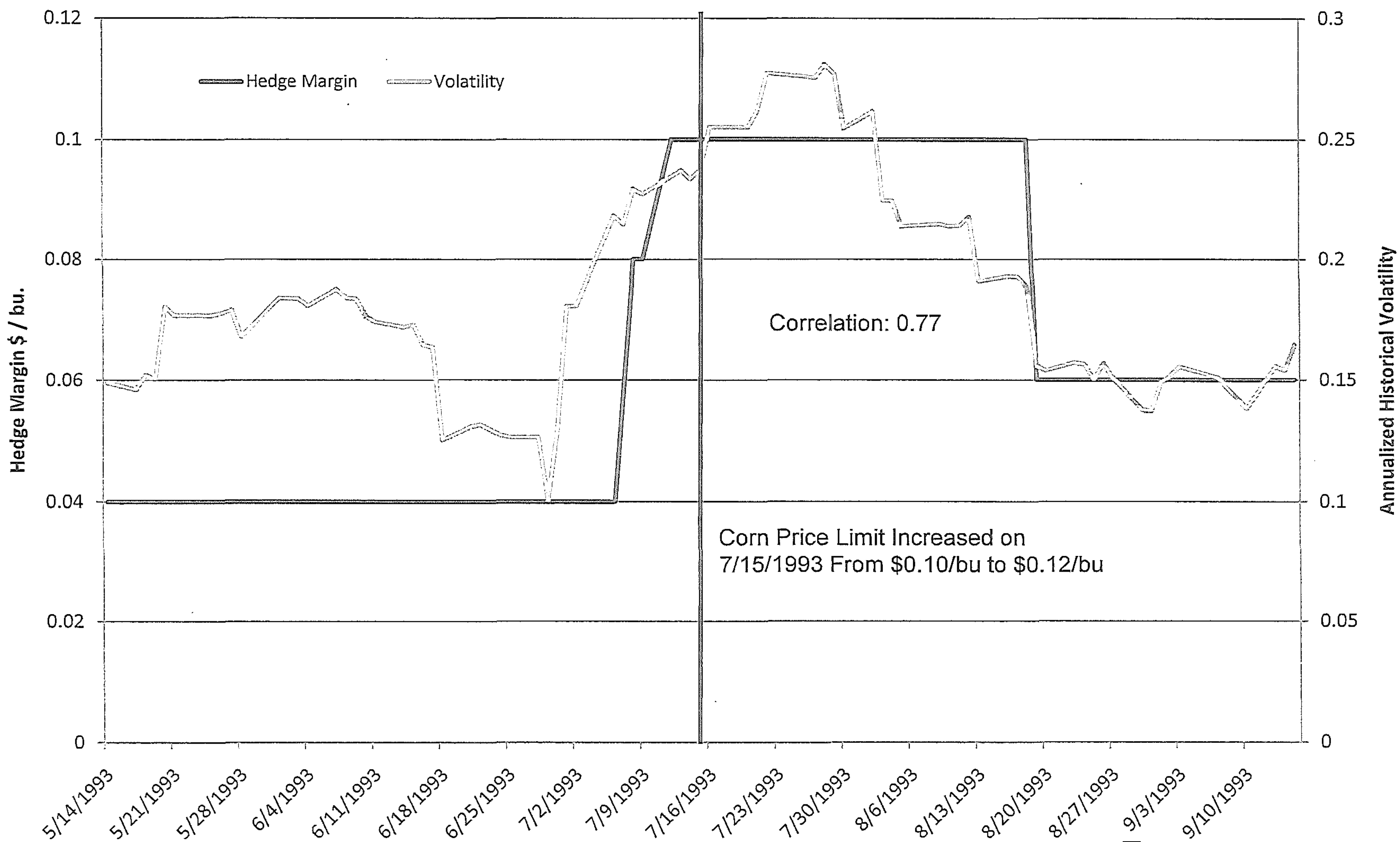
Annualized Volatility and Hedge Margin Requirements Around 1993 Increase in Corn Price Limits



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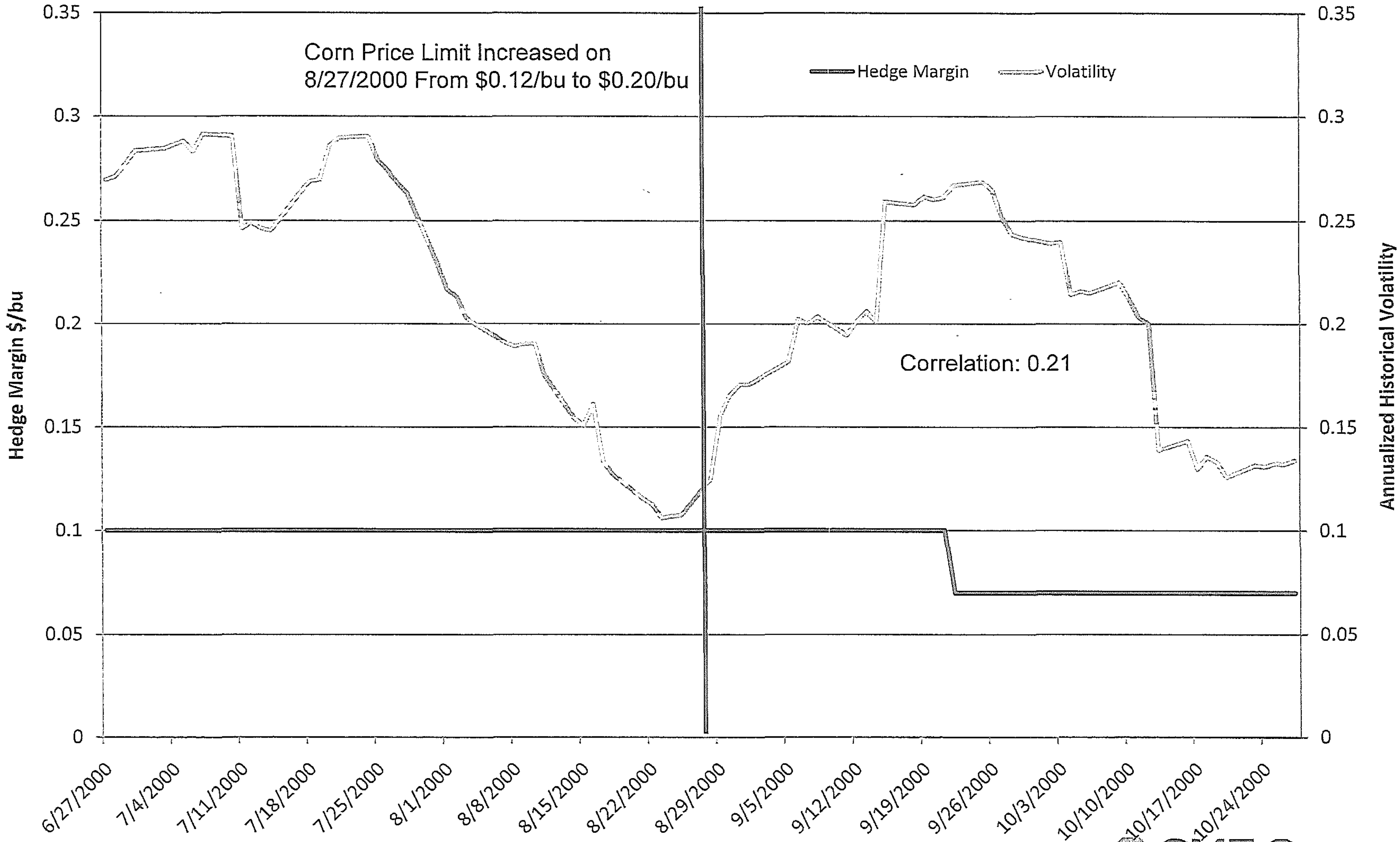
Annualized Volatility and Hedge Margin Requirements Around 2000 Increase in Corn Price Limits



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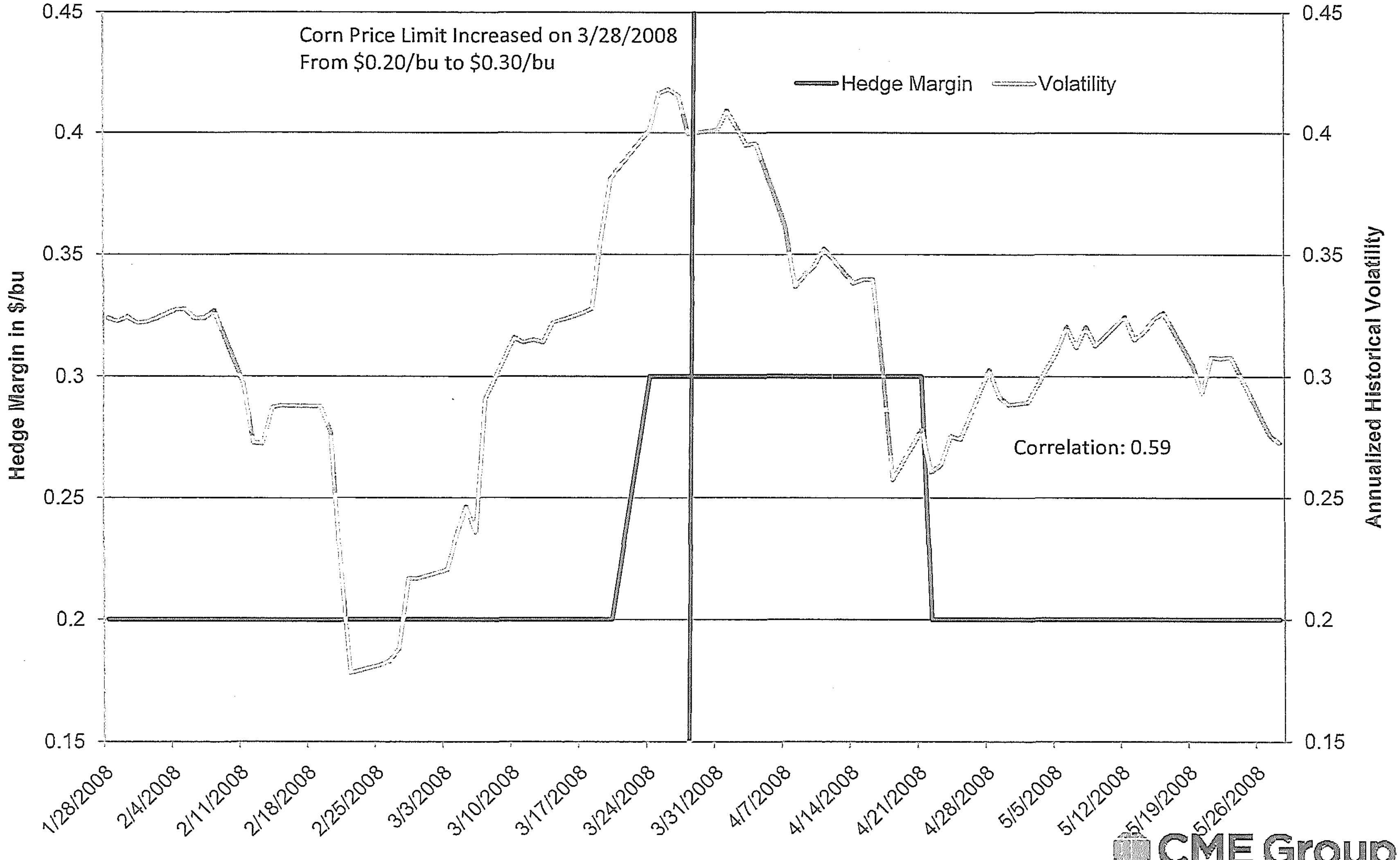
Annualized Volatility and Hedge Margin Requirements Around 2008 Increase in Corn Price Limits



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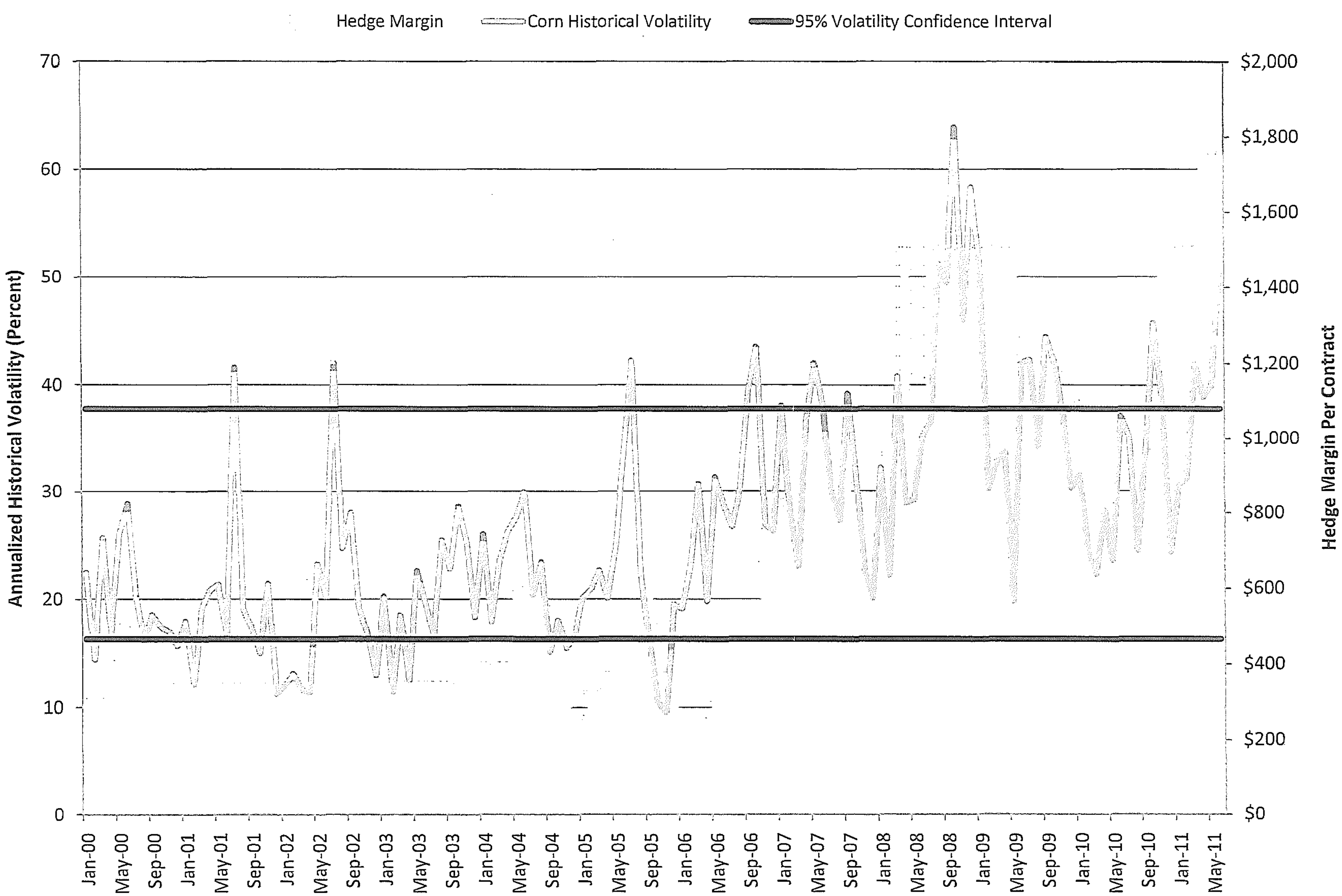
Corn Historical Volatility and Hedge Margin Requirements



Customer Concern: "Volatility is temporary, so there is no need to change the daily limit"

- A market that doesn't trade, or can't trade, can't perform its risk management and price discovery functions
- As a regulated marketplace, the CBOT is required to maintain orderly markets and provide orderly liquidations
- For contracts with price limits, the CBOT is obligated to set those limits at levels that do not disrupt either the futures market or the cash market.
- Through 7/7/11, futures prices in listed months settled at least ±$0.30 in 68 instances
- Through 7/7/11 and 129 trading days, 8 days have had at least one futures contract settlement at the daily price limit.

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Possible Courses of Action

- No Change – Maintain Current Price Limits
- Adopt Current Proposal
- Set Limits Each Day – For example, set daily limits at a percent of the previous day's spot month settlement
- Set Limits Quarterly – For example, set daily limits for the next quarter as a percent of the spot month's settlement at the end of the current quarter
- Invoke Circuit Breakers – Hitting a price limit requires a trading halt of some specified period, with trading to continue after the stop at expanded limits

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Futures trading is not suitable for all investors, and involves the risk of loss. Futures are a leveraged investment, and because only a percentage of a contract's value is required to trade, it is possible to lose more than the amount of money deposited for a futures position. Therefore, traders should only use funds that they can afford to lose without affecting their lifestyles. And only a portion of those funds should be devoted to any one trade because they cannot expect to profit on every trade.

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