

August 21, 2012

VIA E-MAIL

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

**RE: Regulation § 40.4(b)(5) Non-Material Agricultural Rule Change:
Notification of Amendments to Allow for a 5:1 Offset of CBOT Mini-
Sized Agricultural Contracts with Full-Sized Contracts
CBOT Submission 12-261**

Dear Mr. Stawick:

The Chicago Board of Trade of the City of Chicago, Inc. ("CBOT" or "Exchange") pursuant to Commodity Futures Trading Commission ("Commission") Regulation 40.4(b)(5) hereby notifies the Commission of amendments to CBOT Rule 855 ("Offsetting Mini-Sized And Full-Sized Futures Positions") and CBOT Rules 10B07.A, 11B07.A, and 14B07.A ("Deliveries by Mini-Sized Certificates") in order to allow for a 5:1 offset of Mini-Sized Corn, Soybean, and Wheat futures and Full-Sized Corn, Soybean, and Wheat futures contracts. Additionally, the Exchange plans to extend the closing time for CBOT Mini-Sized Corn, Soybeans, and Wheat futures to re-establish the traditional closing time relationships between Mini- and Full-Sized products. These amendments, as attached hereto as Exhibit 1, will go into effect on September 17, 2012.

Background and Purpose

CBOT Mini-Sized Corn, Soybean, and Wheat futures are much smaller in terms of volume and open interest compared to their Full-Sized counterparts, but are still actively traded each day. Average daily volume so far in 2012 is 1,189 contracts in Mini-Sized Corn; 1,633 contracts in Mini-Sized Soybeans; and 429 contracts in Mini-Sized Wheat futures. As of August 6, 2012, open interest stood at 10,663, 13,485, and 2,442 contracts respectively for CBOT Mini-Sized Corn, Soybean, and Wheat futures. The delivery instrument in Mini-Sized Corn, Soybean, and Wheat futures contracts is a 1,000 bushel shipping certificate created when a full-sized 5,000 bushel shipping certificate is converted from one 5,000 bushel certificate into five 1,000 bushel certificates. The Mini-Sized markets are not fully fungible with the Full-Sized markets. However, the Exchange does allow directed fungibility between the Mini- and Full-Sized contracts where an offset is granted when two market participants request opposite offsets between the Mini- and Full-Sized markets. Thus directed fungibility is rarely used; so far in 2012, 40 Mini-Sized Corn futures have been offset with eight Full-Sized Corn futures in this manner. Recently, an enhanced fungibility procedure was implemented in COMEX E-Micro Gold and full size Gold futures which provides market participants with a more efficient mechanism to offset spread positions in Mini- and Full-Sized contracts. Market makers and industry participants in the grain markets have requested that the Exchange offer fungibility

between the Mini- and the Full-Sized futures contracts in order to improve Mini-Sized contract performance, particular during the delivery period, and allow for additional trading opportunities.

Requirement to Offer Offsets

In order to allow the Mini-Sized futures contracts to be fungible with the Full-Sized futures contracts, the current delivery specifications need to be modified such that on any day during the delivery period until the last intent day, only deliveries in five (5) contract multiples would be allowed for delivery. On the last intent day, any quantity of Mini-Sized futures can be delivered. This modification in the delivery mechanism ensures that the Mini-Sized and Full-Sized futures contracts' delivery processes are not impacted because it allows CME Clearing to facilitate deliveries between the Mini- and Full-Sized markets. For example, should a holder of five long Mini-Sized Corn futures contracts offset those positions with one short Full-Sized Corn futures contract, and the original holder of the five short Mini-Sized Corn futures contracts decides to deliver, CME Clearing maintains balance between the Mini- and Full-Sized markets by taking delivery of the five Mini-Sized Corn shipping certificates, converting them to one Full-Sized Corn shipping certificate, and delivering it in the Full-Sized Corn market.

Explanation of Non-Materiality

The implementation of offsets between the Mini- and Full-Sized contracts is planned for September 17, 2012, so that they will be effective for the November 2012 Mini-Sized Soybean futures contract delivery and the December 2012 Mini-Sized Corn and Wheat futures contracts' deliveries. The Exchange does not believe there will be any material valuation change due to this implementation schedule.

CBOT Mini-Sized agricultural futures contracts are settled daily to their corresponding Full-Sized futures contract settlement prices. Thus, Mini-Sized settlements are determined in the much more liquid Full-Sized markets. Implementation of offsets between the two markets is very unlikely to result in any material changes in prices. Volume in Mini-Sized Corn futures so far in 2012 represents 36/100's of one percent (0.0036) of the volume in Full-Sized Corn futures. Similarly, Mini-Sized Soybean futures volume represents 76/100s of one percent (0.0076) of the volume in Full-Sized Soybean futures and volume in Mini-Sized Wheat futures represents 36/100s of one percent (0.0036) of the volume in Full-Sized Wheat futures. These percentages are based on actual contracts traded. Mini-Sized contracts are only 1/5th the size of Full-Sized contracts, so comparing the amount of underlying corn, soybeans, and wheat traded, then the Mini-Sized volume compared to the Full-Sized volume falls to 7/100s of one percent (0.0007), 15/100s of one percent (0.0015), and 7/100s of one percent (0.0007) respectively for Corn, Soybean, and Wheat futures.

In order to implement Mini – Full offsets, delivery in the Mini-Sized contract will be restricted to increments of five (5) contracts until last delivery day when any number of contracts may be delivered. As of August 16, there are 5 Mini-Sized Soybean shipping certificates outstanding ((equivalent to one (1) Soybean shipping certificate)) and 5 Mini-Sized Wheat shipping certificates outstanding ((equivalent to one (1) Wheat shipping certificate)). Should a participant hold 4 of these Mini-Sized Soybean or Wheat shipping certificates and had to carry them until the end of the November (Soybean) or December (Wheat) delivery periods rather than deliver them on the first delivery day, the participant would incur a cost-of-carry of approximately \$163 for the Mini-Sized Soybean shipping certificates and \$255 for the Mini-Sized Wheat shipping certificates. One participant holding 4 shipping certificates is the worst case scenario from a cost-of-carry standpoint, while the impact is likely much smaller, the largest possible impact to a market participant is \$163 in the Mini-Sized Soybean market and \$255 in the Mini-Sized Wheat market compared to a notional value of \$21,550,650 in the Mini-Sized Wheat market and \$219,164,962 in the Mini-Sized Soybean market. Additionally, these impacts can easily be

avoided by simply delivering these shipping certificates on the September contract; the Exchange plans to announce its plans to implement offsets through a Special Executive Report concurrently with this submission, giving market participants ample time to liquidate in the September contract if so desired.

Mini-Size Contract Trading Hours

In addition to implementing offsets between Mini- and Full-Sized contracts, the Exchange plans to extend the closing time for CBOT Mini-Sized futures contracts to 2:30 pm CT. Since the closing time for the CBOT open outcry venue in Full-Sized agricultural products was extended to 2:00 pm in June, there has been strong interest from floor participants in both the Mini- and Full-Sized pits for an extension of hours for the Mini grains on the floor. This community believes extending Mini-Sized contract closing times beyond Full-Sized contract closing times provides an important outlet that allows Full-Sized market participants an additional opportunity to offset positions. Historically, Mini-Sized contracts have remained open 30 minutes beyond their respective Full-Sized counterparts.

Core Principle Analysis

CBOT business staff responsible for these changes and the CBOT legal department collectively reviewed the designated contract market core principles (“Core Principles”). During the review, CBOT staff identified the following Core Principles as potentially being impacted:

Monitoring of Trading – Allowance of Mini- and Full-Sized offsets and extended open-auction trading hours will not impact the Exchange’s ability to perform its trade practice and market surveillance obligations under the Commodity Exchange Act (“CEA”).

Prevention of Market Disruption - Current Exchange surveillance and enforcement practices will continue to apply; Mini-Sized markets will be much less subject to disruptions due to the ability to use the liquidity present in the Full-Sized markets to liquidate positions.

Availability of General Information - Contract rules and regulations will be updated and disseminated to assure all market participants have information concerning offset capabilities between mini- and full-sized contracts.

Compliance with Rules – Chapter 4 of the Exchange Rules includes prohibitions against fraudulent, non-competitive, unfair or abusive practices. These rules continue to apply with Mini-Full offsets and during the additional trading hours.

Protection of Market Participants – The Exchange’s market regulation staff will continue to monitor all market participants that request Mini- Full-Sized offsets or trade during the extended hours to prevent manipulative trading and market abuse.

Recordkeeping – Offset requests and trading that occurs during the additional hours will continue to be subject to the Exchange’s record retention policies which comply with the CEA.

Substantive Opposing Views

The Exchange has discussed these proposed changes with its members and other market participants and considered the substantive opposing views expressed during those conversations.

Most market participants believe implementing fungibility between the Mini- and Full-Sized contracts is necessary to improve the performance of the Mini-Sized contracts. Some participants favor converting the Mini-Sized contracts to cash-settlement. While this change is theoretically feasible, it would be a major structural change to the Mini-Sized market. In contrast, the Exchange believes the current plan to implement fungibility, which was successfully implemented between the E-micro Gold futures contract and the Gold futures contract, accomplishes improved performance without major structural change in the Mini-Sized contracts.

The commercial market participants polled are generally supportive of the implementation of fungibility through offsets and have no opposition to extended Mini-Sized trading hours. Conversations with the key Mini-Sized brokers and larger commercials indicated they use Minis to execute hedges for smaller customers or to hedge smaller outstanding forward contracts (e.g., smaller hedge-to-arrive contracts).

Conclusion

Pursuant to Section 5c(c) of the CEA and CFTC Regulation 40.4(b)(5), the Exchange hereby certifies that these amendments comply with the CEA, including regulations under the CEA.

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 (312) 930-8167 and reference CBOT Submission 12-261 in any related correspondence.

Sincerely,

/s/ Sean Downey
Director and Associate General Counsel

Attachments: Exhibit 1

EXHIBIT 1

(additions underlined; deletions stricken-through)

855. OFFSETTING MINI-SIZED AND FULL-SIZED FUTURES POSITIONS

A. DJIASM Futures - With the consent of the account controller, a clearing member may offset and liquidate long futures positions against short futures positions, or short futures positions against long futures positions, held in the same account in the following ratios:

Mini-sized Dow (\$5 Multiplier) to DJIA Index 2:1
Mini-sized Dow (\$5 Multiplier) to DJIA Index (\$25 Multiplier) 5:1
DJIA Index to DJIA Index (\$25 Multiplier) 5:2

The clearing member shall notify the Clearing House of offsetting positions by submitting reports to the Clearing House in such form and manner as the Clearing House shall specify. The positions shall be offset at the previous day's settlement price.

The positions being offset shall be transferred to a Clearing House holding account. Long and short positions in the same contract and contract month held in the holding account shall be netted, thus reducing the number of open positions in such contract.

B. Physically delivered futures contracts - With the consent of the account controller, a clearing member may ~~[request to]~~ offset and liquidate long mini-sized futures positions against short full-sized futures positions, or short mini-sized futures positions against long full-sized futures positions, held in the same account in the following ratios of mini-sized to full-sized futures contracts:

Mini-sized (1000 bu.)Corn to Full-sized (5000 bu.) Corn 5:1
Mini-sized (1000 bu.)Soybean to Full-sized (5000 bu.) Soybean 5:1
Mini-sized (1000 bu.)Wheat to Full-sized (5000 bu.) Wheat 5:1

The clearing member shall notify the Clearing House of ~~[its request to offset]~~ **offsetting** positions by submitting reports to the Clearing House in such form and manner as the Clearing House shall specify. **The positions shall be offset at the previous day's settlement price.**

~~[If accepted, the]~~**The** positions being offset shall be transferred to a holding account at the Clearing House. **Long and short positions in the same contract and contract month held in the holding account shall be netted, thus reducing the number of open positions in such contract.** ~~[The Clearing House shall accept such request or fraction of such request upon receiving an opposite offset request for another account with different beneficial ownership. Allowable requests shall be processed in the order of oldest request date first.]~~

~~[No offset requests pursuant to this Section shall be accepted for any accounts during the last two trading days.]~~

10B07. DELIVERIES BY MINI-SIZED CORN CERTIFICATES AND DELIVERY PAYMENT

10B07.A. Deliveries by Mini-Sized Corn Certificates

Deliveries of CBOT mini-sized corn shall be made by delivery of mini-sized Corn Certificates created by the Exchange from Corn Shipping Certificates issued by Shippers designated by the Exchange as regular to issue Shipping Certificates for Corn, utilizing the Clearing House electronic delivery system. In order to effect a valid delivery, each Certificate must be endorsed by the holder making the delivery, and transfer as specified above constitutes endorsement. Such endorsement shall constitute a warranty of the genuineness of the Certificate and of good title thereto, but shall not constitute a guaranty, by an endorser, of performance by the shipper. Such endorsement shall also constitute a representation that all premium charges have been paid on the commodity covered by the Certificate, in accordance with Rule 10B08.

Deliveries for Mini-Sized Corn futures contracts, commencing with the December 2012 contract, will be restricted to multiples of 5 Mini-Sized Corn futures contracts on all days on which deliveries may take place with the exception of the last intent day. On the last intent day there will be no restriction on the delivery Quantity.

Mini-sized Corn Certificates may not be cancelled for load-out. Upon the return of five (5) minisized Corn Certificates to the Exchange, a registered Corn Shipping Certificate will be delivered by the Exchange to the holder of the five (5) mini-sized Corn Certificates, utilizing the Clearing House electronic delivery system.

(Refer to Rule 713., Delivery Procedures.)

11B07. DELIVERIES BY MINI-SIZED SOYBEAN CERTIFICATES AND DELIVERY PAYMENT

11B07.A. Deliveries by Mini-Sized Soybean Certificates

Deliveries of CBOT mini-sized soybeans shall be made by delivery of mini-sized Soybean Certificates created by the Exchange from Soybean Shipping Certificates issued by Shippers designated by the Exchange as regular to issue Shipping Certificates for Soybeans, utilizing the Clearing House electronic delivery system. In order to effect a valid delivery, each Certificate must be endorsed by the holder making the delivery, and transfer as specified above constitutes endorsement. Such endorsement shall constitute a warranty of the genuineness of the Certificate and of good title thereto, but shall not constitute a guaranty, by an endorser, of performance by the shipper. Such endorsement shall also constitute a representation that all premium charges have been paid on the commodity covered by the Certificate, in accordance with Regulation 11B08.

Deliveries for Mini-Sized Soybean futures contracts, commencing with the November 2012 contract, will be restricted to multiples of 5 Mini-Sized Soybean futures contracts on all days on which deliveries may take place with the exception of the last intent day. On the last intent day, there will be no restriction on the delivery Quantity.

Mini-sized Soybean Certificates may not be cancelled for load-out. Upon the return of five (5) mini-sized Soybean Certificates to the Exchange, a registered Soybean Shipping Certificate will be delivered by the Exchange to the holder of the five (5) mini-sized Soybean Certificates, utilizing the Clearing House electronic delivery system.

(Refer to Rule 713., Delivery Procedures.)

14B07. DELIVERIES BY MINI-SIZED WHEAT CERTIFICATES AND DELIVERY PAYMENT

14B07.A. Deliveries by Mini-Sized Wheat Certificates

Deliveries of CBOT mini-sized Wheat shall be made by delivery of mini-sized Wheat Certificates created by the Exchange from Wheat Shipping Certificates issued by facilities designated by the Exchange as regular to issue shipping certificates for Wheat, utilizing the Clearing House electronic delivery system. In order to effect a valid delivery, each Certificate must be properly endorsed by the holder making the delivery, and transfer as specified above constitutes endorsement. Such endorsement shall constitute a warranty of the genuineness of the Certificate and of good title thereto, but shall not constitute a guaranty, by an endorser, of performance by the warehouseman. Such endorsement shall also constitute a representation that all storage charges have been paid on the commodity covered by the Certificate, in accordance with Rule 14B08.

Deliveries for Mini-Sized Wheat futures contracts, commencing with the December 2012 contract, will be restricted to multiples of 5 Mini-Sized Wheat futures contracts on all days on which deliveries may take place with the exception of the last intent day. On the last intent day, there will be no restriction on the delivery Quantity.

Mini-sized Wheat Certificates may not be cancelled for load-out. Upon the return of five (5) mini-sized Wheat Certificates to the Exchange, a registered Wheat Shipping Certificate will be delivered by the Exchange to the holder of the five (5) mini-sized Wheat Certificates, utilizing the Clearing House electronic delivery system.

(Refer to Rule 713., Delivery Procedures.)