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OFFICE OF THE SECRETARIAT

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September 29, 2009

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

RE: CBOT Rules 14108 and 14B08
Implement Variable Storage Rate in Wheat
CBOT Submission No. 09-222

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 intends, with CFTC approval, to implement Variable Storage Rates (VSR) on CBOT Wheat futures contracts effective with the September 2010 contract.

The Exchange implemented significant changes to the Wheat futures contract in July, expanding the delivery territory, which resulted in a doubling of deliverable capacity, and implementing a seasonal storage rate. In addition to these changes, the vomitoxin standard for par delivery was decreased from 4 parts per million (ppm) to 3 ppm with the September 2009 delivery cycle and will decrease to 2 ppm with the September 2011 contract. These changes are beginning to result in significant convergence improvement. The Toledo basis at the end of the September 2009 expiration was about $0.65 per bushel under futures, compared to about $2.00 per bushel under futures one year earlier. However, many in the industry and many at the CFTC do not believe improvement is coming quickly enough.

The Research and Product Development ("RPD") Department at the Exchange developed the idea of variable storage rates to address convergence issues last August. However, the concept received little industry support at that time as the industry was more focused on changes to delivery locations, the seasonal storage and tighter vomitoxin standards to address convergence issues. However, as the convergence issue did not improve as quickly as some in the industry expected, this concept of variable storage was re-examined by the industry.

In August 2009, RPD conducted an industry survey to validate the variable storage rate concept and found broad support for the concept. Forty-two firms responded to the survey with 26 firms supporting variable storage rates, six firms supporting the concept but with some reservations, and ten firms opposed to the concept. Also, the CFTC Subcommittee on Convergence supports variable storage rates in wheat and will recommend implementation to the CFTC Agricultural Advisory Committee.

The adoption of the variable rate storage concept provides the following advantages:

1. Forces cash-futures convergence eventually at futures expiration;

2. Allows storage charges to dynamically increase or decrease based on market conditions;
3. Finds support among many commercial market participants;
4. Maintains the concept of financial full carry for individual contract months; and
5. Provides certainty to the marketplace on the design and stability of the CBOT Wheat market futures restoring liquidity and better fulfilling the needs of market participants.

The potential disadvantages of the introduction of variable storage rates:

1. Complicates the design of the contract;
2. Makes back-month contracts harder to value and could affect back-month and spread liquidity;
3. Adds more change to a contract that has already undergone significant changes; and
4. Changes being provided may be unnecessary as recent changes to the contract that have already been implemented have already provided significant improvements in convergence and the variable storage rate mechanism may not be necessary.

Since this change has the potential to impact pricing of calendar spreads, it is recommended that it be implemented for the first spread that is not currently at financial full carry. Based on settlement prices on September 25, 2009 and assuming an interest rate of the 3-Month LIBOR plus 200 basis points results in the following spreads as a percentage of full carry:

Dec09 / Mar10 – 106% of Full Carry
Mar10 / May10 – 120% of Full Carry
May10 / Jul10 – 140% of Full Carry
Jul10 / Sep10 – 93% of Full Carry
Sep10 / Dec10 – 97% of Full Carry

These figures indicate the market is already speculating on the implementation of the variable storage rate because no spreads were trading more than one or two percent above 100 percent full carry before the public CFTC Subcommittee on Convergence meeting on September 23. Further, the Exchange disagrees with the subcommittee recommendation for implementation on the December 2009 contract. Such implementation would materially affect prices on contracts with open interest and, because the variable storage concept would measure the Dec09 / Mar10 spread from September 21 until November 20, implementation on the December 2009 contract would result in making potential storage charge changes on spreads discovered prior to the rule being approved by CFTC.

The Exchange recommends implementation with the September 2010 contract. Under the current seasonal storage rate structure, the effective daily storage rate at that time will be 26.5/100's of one cent per bushel. The Sep10 / Dec10 spread will be measured relative to full carry from July 19 until August 27, 2010. Each day during this period, the Exchange will observe the spread based on daily settlement prices for the September and December futures and calculate the percentage of full carry based on the formula stated in Regulation 14108. The results of this calculation will be posted on the Exchange's web site at www.cmegroup.com. Should this spread average 85 percent of full carry or greater during this time, the daily storage rate will increase to 36.5/100's of one cent per bushel on September 18, 2010. Should this spread average 50 percent of full carry of less during this time, the daily storage rate will decrease to 16.5/100's of one cent per bushel on September 18, 2010. If this spread averages above 50 percent of full carry and below 85 percent of full carry, the daily storage charge will remain unchanged at 26.5/100's of one cent per bushel on September 18, 2010.

The rule amendments are attached with additions **bold and underscored** and deletions [~~bracketed with strikethrough~~].

CBOT certifies that these changes comply with the Commodity Exchange Act and regulations thereunder.

If you require any additional information, please contact David Lehman at 312-930-1875 or via e-mail at David.Lehman@cmegroup.com; Fred Seamon at 312-634-1587 or via e-mail at Fred.Seamon@cmegroup.com; or contact me at 312-648-5422. Please reference our CBOT Submission No. 09-222 in any related correspondence.

Sincerely,

/s/ Stephen M. Szarmack
Director and Associate General Counsel

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14108. PREMIUM CHARGES

To be valid for delivery on futures contracts, all certificates covering wheat under obligation for shipment must indicate the applicable premium charge. No certificate shall be valid for delivery on futures contracts unless the premium charges on such wheat shall have been paid up to and including the 18th calendar day of the preceding month, and such payment is endorsed on the certificate. Unpaid accumulated premium charges at the posted rate applicable to the facility shall be allowed and credited to the buyer by the seller up to and including date of delivery.

The premium charges on Wheat shall be determined prior to the nearby contract delivery period. The Exchange shall measure the nearby spread relative to financial full carry each business day from the 19th calendar day of the delivery month of the contract that expires prior to the nearby contract until the last Friday which precedes by at least two business days the last business day of the month preceding the nearby contract delivery month. For example, for a September expiration, the Exchange would measure the September – December spread relative to financial full carry each business day from July 19 until the last Friday in August which precedes by at least two business days the last business day in August. Financial full carry will be determined by the following formula:

$$N * [\left(\frac{i}{360}\right) * FP + P]$$

Where:

N = Number of calendar days from the first delivery day in the nearby contract to the first delivery day in the contract that follows the nearby contract

i = 3-Month LIBOR rate + 200 basis points

FP = Settlement price for the nearby futures contract

P = Current daily premium charge

The percentage of the nearby spread to financial full carry is calculated each business day during the calculation period and a running average of each of these daily values is calculated. At the end of the calculation period (the last Friday which precedes by at least two business days the last business day of the month preceding the nearby contract delivery month), should the running average carry be 85 percent of financial full carry or greater, then the daily premium charge shall increase 10/100's of one cent per bushel on the 18th calendar day of the nearby contract delivery month. Should the running average carry be 50 percent of financial full carry or less, then the daily premium charge shall decrease 10/100's of one cent per bushel on the 18th calendar day of the nearby contract delivery month.

Premium charges shall not be reduced below 16.5/100's of one cent per bushel per day.

[~~The premium charges on Wheat shall not exceed 26.5/100 of one cent per bushel per day~~

~~during the period from July 18 through December 17. The premium charges on Wheat shall not exceed 16.5/100 of one cent per bushel per day during the period from December 18 through July 17.]~~

14B08. PREMIUM CHARGES

To be valid for delivery on futures contracts, all certificates covering mini-sized wheat under obligation for shipment must indicate the applicable premium charge. No certificate shall be valid for delivery on futures contracts unless the premium charges on such wheat shall have been paid up to and including the 18th calendar day of the preceding month, and such payment is endorsed on the certificate. Unpaid accumulated premium charges at the posted rate applicable to the facility shall be allowed and credited to the buyer by the seller up to and including date of delivery.

The premium charges on mini-sized Wheat shall be determined prior to the nearby contract delivery period. The Exchange shall measure the nearby spread relative to financial full carry each business day from the 19th calendar day of the delivery month of the contract that expires prior to the nearby contract until the last Friday which precedes by at least two business days the last business day of the month preceding the nearby contract delivery month. For example, for a September expiration, the Exchange would measure the September – December spread relative to financial full carry each business day from July 19 until the last Friday in August which precedes by at least two business days the last business day in August. Financial full carry will be determined by the following formula:

$$N * [\left(\frac{i}{360}\right) * FP + P]$$

Where:

N = Number of calendar days from the first delivery day in the nearby contract to the first delivery day in the contract that follows the nearby contract

i = 3-Month LIBOR rate + 200 basis points

FP = Settlement price for the nearby futures contract

P = Current daily premium charge

The percentage of the nearby spread to financial full carry is calculated each business day during the calculation period and a running average of each of these daily values is calculated. At the end of the calculation period (the last Friday which precedes by at least two business days the last business day of the month preceding the nearby contract delivery month), should the running average carry be 85 percent of financial full carry or greater, then the daily premium charge shall increase 10/100's of one cent per bushel on the 18th calendar day of the nearby contract delivery month. Should the

running average carry be 50 percent of financial full carry or less, then the daily premium charge shall decrease 10/100's of one cent per bushel on the 18th calendar day of the nearby contract delivery month.

Premium charges shall not be reduced below 16.5/100's of one cent per bushel per day.

[~~The premium charges on mini-sized Wheat shall not exceed 26.5/100 of one cent per bushel per day during the period from July 18 through December 17. The premium charges on mini-sized Wheat shall not exceed 16.5/100 of one cent per bushel per day during the period from December 18 through July 17.~~]