

February 11, 2011

SENT VIA AGENCY WEBSITE

Mr. David Stawick  
Secretary of the Commission  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21<sup>st</sup> Street, N.W.  
Washington, D.C. 20581

Re: General Regulations and Derivatives Clearing Organizations RIN 3038-AC98

Dear Mr. Stawick:

In response to your request for public comment on General Regulations and Derivatives Clearing Organizations, the Kansas City Board of Trade Clearing Corporation ("KCC") offers the following:

KCC has always strived to maintain a high level of compliance with the applicable laws, rules, regulations and core principles of the Commodity Futures Trading Commission ("CFTC" or "Commission") and KCC. An effective compliance program is a critical component of a DCO's overall business plan. KCC agrees that the designation of a chief compliance officer ("CCO") currently being proposed by the CFTC will strengthen the DCOs compliance policies and procedures. However, KCC does have concern over certain requirements being proposed as detailed below.

KCC is a 100% wholly-owned subsidiary of the Kansas City Board of Trade ("KCBT"). Certain financial surveillance programs are performed by the KCBT Compliance Department staff on behalf of KCC, which has given the compliance department experience in understanding the KCC compliance systems. KCC anticipates designating the Chief Regulatory Officer ("CRO") of the KCBT as our CCO. The KCBT CRO reports directly to the KCBT Regulatory Oversight Committee, thus he would maintain his independence from the DCO. The Commission requested comment on whether additional limitations should be placed on the person who may be designated the CCO. KCC is of the opinion that additional limitations will only impede the process of designating a CCO. The proposed standards of an individual with the background and skills appropriate for fulfilling the responsibilities of the position appears to be sufficient and the CCO choice should be left up to the discretion of the DCO as to the

person they designate. A CCO should not be precluded from performing other duties so long as they are able to effectively discharge their responsibilities.

Under proposed regulation 39.10(c)(2)(ii) in consultation with the board of directors or the senior officer, the CCO would be required to resolve any conflicts of interest that may arise. KCC is of the opinion that the board of directors or senior officer (KCC Assistant Vice President/Manager) should resolve any conflict of interest with the consultation of the CCO. KCC Rule 3.15 – Voting by Interested Members of Board and Committees provides for conflicts of interest determination procedures to be followed. The CCO would ensure that KCC is following Rule 3.15 in any matters pertaining to a possible conflict of interest.

Under proposed regulation 39.10(c)(2)(iii) and (iv) the CCO would be required to administer each policy and procedure that is required under Section 5b of the CEA. KCC is of the opinion that the policies and procedures should be administered by the KCC staff. It is the KCC staff that is most familiar with the day-to-day operations of the DCO and therefore in the best position to manage the policies and procedures. Furthermore, it is the KCC senior staff (not the CCO) that would ultimately be responsible for enforcing and supervising compliance policies and procedures. The CCO's role will be that of oversight of the DCO's compliance program and filing an annual compliance report.

Regarding the annual report requirements proposed in regulation 39.10(c)(3)(i), KCC is of the opinion that the requirement for the DCO to show compliance with respect to the Act and the Commission regulations is ambiguous and overreaching. The scope of the annual report should not go beyond reviewing the DCO core principles and identifying the compliance policies and procedures that are in place to satisfy the core principles. The CCO's annual report should not have to be certified "under penalty of law" that it is accurate and complete. A more reasonable approach would be for the CCO to certify that to the best of his or her knowledge and belief, the annual report is accurate and complete.

Regarding the Commission's request for comment as to the degree of flexibility in the reporting structure for CCOs, KCC is of the opinion that each DCO should be granted the flexibility to determine when the CCO reports to the senior officer (KCC Assistant Vice President/Manager) and when the CCO reports to the board of directors, depending on the circumstances involved on a case by case basis. For routine matters it may be appropriate to report solely to the senior officer. If the matter involves more complex or controversial issues it may be more appropriate to report to the board of directors.

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The proposed effective date for the CCO requirements of 180 days from the date the final rules are published in the Federal Register is unreasonable and would be burdensome for DCOs to meet. When taken into account with the numerous other DCO proposed rules deadlines, the proposed CCO effective date becomes even more problematic to meet. KCC is of the opinion that the proposed rules should have an effective date of at least 1 year from the date the final rules are published in the Federal Register.

Kansas City Board of Trade Clearing Corporation appreciates the opportunity to comment on the General Regulations and Derivatives Clearing Organizations regulations currently being proposed. If you have any questions please feel free to contact me at 816-931-8964 or [csavage@kcbt.com](mailto:csavage@kcbt.com).

Sincerely,

A handwritten signature in cursive script that reads "Charles M. Savage". The signature is written in black ink and is positioned below the word "Sincerely,". A large, sweeping flourish extends from the end of the signature, looping back up and to the left, partially overlapping the text "csavage@kcbt.com" in the paragraph above.

Charles M. Savage  
Assistant Vice President and Manager