



**KANSAS CITY
BOARD OF TRADE**

CLEARING CORPORATION

April 21, 2011

VIA ELECTRONIC SUBMISSION

Mr. David A. Stawick, Secretary
Commodity Futures Trading Commission
1155 21st Street, NW
Washington, D.C. 20581

Re: RIN 3038-AC98 - Risk Management Requirements for DCOs

Dear Mr. Stawick:

On January 11, 2011, the Commodity Futures Trading Commission (“Commission”) published a Notice of Proposed Rulemaking regarding Risk Management Requirements for Derivatives Clearing Organizations (“Proposed Rule”) pursuant to Section 725(c) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”). On March 24, 2011, the Commission reopened the comment period for RIN 3038-AC98 based on a correction to Proposed Rule §39.19(c)(1)(iv). The Kansas City Board of Trade (“KCBT”) and the Kansas City Board of Trade Clearing Corporation (“KCC”) appreciate the opportunity to submit these additional comments on the amended Proposed Rule.

Amended Proposed Rule §39.19(c)(1)(iv) would require derivatives clearing organizations (DCOs) on a daily basis to report to the Commission the end-of-day gross positions of each clearing member customer separately by beneficial owner. This amendment is being made in connection with Proposed Rule §39.13(g)(8)(i) requirement for DCOs to collect initial margin for customers on a gross basis.

KCC vehemently opposes the Proposed Rules referred to above, that ignore several crucial facts that should be given careful consideration in determining both the necessity and costs in implementing such Rules:

1. ***Customer Gross Position Reporting by Clearing Members*** – Requiring clearing members to report customer gross positions by beneficial owner to DCOs is not necessary in order to accomplish reasonable and adequate “modified gross margining” of clearing members. Further, since there is no process currently in place at KCC for clearing members to report such customer specific position information daily, or for KCC to report same to the Commission daily, the costs to both clearing members and DCOs involved in building out such a process would be immense. These unjustified costs would be further exaggerated if the Commission’s definition of “beneficial owner” extends beyond clearing members’ customer omnibus accounts to ultimate account owners further down the chain. Given the ability to perform reasonable modified gross margining of clearing members without such information, there can be no reasonable basis for justifying the costs involved in implementing such a regime.

2. ***Gross Margining*** – Clearing members file gross open positions reports each morning with KCC that forms the basis for reporting total exchange open interest. These gross open position reports could form the basis for the aforementioned modified gross margining regime that would require the posting of additional margin funds as compared to the current “net margining” procedure used by KCC. More importantly, it would result in a margining process that is much more straightforward and efficient compared with that proposed by the Commission, allowing each DCO the flexibility of implementing such a modified gross margining procedure in a manner that would both address risk and afford clearing members flexibility in posted margin amounts (i.e., allowing for intra and inter-market spread reductions, etc.). In addition, it would afford clearing members flexibility in the amount and types of margin collateral accepted from customers. Further supporting a more flexible modified gross margining regime is the fact that DCOs (including KCC) have been margining clearing members on a “net” customer position basis for nearly a century without any clearing member defaults or customer losses sustained.

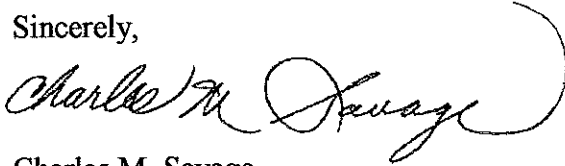
3. ***Cost/Benefit of DCO Reporting of Gross Customer Positions*** – As stated above, there currently is no process in place for KCC to collect and report to the Commission daily the gross positions of each clearing member customer. And as stated above, clearing member customer modified gross margining can be effectively and efficiently accomplished without the need to collect and report such information. In considering the tremendous costs associated with the proposed collection and reporting of customer position information, KCC questions the Commission’s need for such detailed position information of all customers. After all, the Commission currently has in place a large trader reporting system, whereby all FCMs are required to report customer large trader information daily to the Commission.

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If the Commission feels it necessary and crucial to gather all FCM customer position data daily, there is no need to create a redundant, burdensome and costly regime for accomplishing such (as proposed by §§39.13(g)(8)(i) & 39.19(c)(1)(iv)). The Commission could simply set the FCM daily reporting (reportable position) level for all futures and options to "1". FCMs would then report all customer positions daily to the Commission over the existing established process and infrastructure. There can be no justification for forcing the industry to duplicate what can be accomplished much more easily and cost-effectively over existing Commission systems and processes.

KCBT and KCC appreciate the opportunity to comment on amended Proposed Rule §39.19(c)(1)(iv) and we hope the comments we have offered will aid the Commission in considering (for revocation) amended Proposed Rule §39.19(c)(1)(iv), as well as other interrelated Proposed Rules. We are available to answer any additional questions you may have at your convenience. Please feel free to contact me at 816-931-8964 or 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 above the typed name and title.

Charles M. Savage
Assistant Vice President & Manager