

May 24, 2004

Ms. Jean A. Webb
Secretary
Commodity Futures Trading Commission
Three Lafayette Center
1155 21st Street, N.W.
Washington, D.C. 20581

Reference File #2455.01
Non-Material Agricultural Rule Changes

Dear Ms. Webb:

Pursuant to Commission Regulation 40.4(b), the Chicago Board of Trade (CBOT[®]) hereby submits the following:

- Amendments to Regulation 1081.01(3) per the attached text (additions underlined).

Currently, Regulation 1081.01(3) requires that regular Warehousemen and Shippers execute letters of credit (or obtain a bond), naming the Exchange as the beneficiary, or deposit Treasury securities, for the collateral backing Corn and Soybean Shipping Certificates. Under the proposed amendments, Warehousemen and Shippers would have the additional option of collateralizing registered shipping certificates with USDA Corn or Soybean warehouse receipts. The enabling language in the amended regulation refers to this warehouse receipt collateral as "other collateral deemed acceptable to the Exchange".

Only those Warehousemen that are licensed by the USDA and for which the USDA performs a physical inspection of the CBOT-approved facility would be allowed to participate in this program. If the Warehouseman chose to deposit warehouse receipts as the collateral for Corn and Soybean Shipping Certificates, the following would occur prior to the registration of any Shipping Certificates:

- The parent company of the regular firm would execute a Parent Agreement whereby the parent firm guarantees all obligations of the regular firm to the Exchange. The Parent Agreement would allow the Exchange to seek payment for any shortfall of grain in the elevator from the guarantor without liquidating the warehouse receipts.
- The regular firm, its clearing firm and the Exchange would execute a Warehouse Receipt Security Agreement and Custodial Agreement. In fulfillment of this agreement, the clearing firm would hold the warehouse receipts on behalf of the Exchange during the time in which the receipts are held as collateral for Shipping Certificates.

Ms. Jean A. Webb

May 21, 2004

Page Two

- Provided the aforementioned agreements were in place, the regular firm would deposit with the clearing firm the endorsed warehouse receipts that it wishes to use as collateral for the registration of shipping certificates. The warehouse receipts would be delivered to the Registrar's Office for its review. The regular firm would submit its daily inventory of the entire elevator so that analysis may be performed by the Registrar's Office to determine whether or not the regular firm had appropriate levels of stock.
- The financial statements of the guarantor, rather than those of the regular firm, would be obtained for financial statement analysis. The Warehouseman would be permitted to deposit warehouse receipts for the registration of Corn and Soybean Shipping Certificates of up to 35% of the net worth of the guarantor.
- Once the registration is complete, the Registrar's Office would return the warehouse receipts to the clearing firm and the clearing firm would be responsible for the safe storage of the receipts. The regular firm would be required to submit its daily inventory to both the clearing firm and the Registrar's Office and the Registrar will verify that the level of stock reported does not fall below the level required by the warehouse receipts.
- The receipts would remain at the clearing firm until the electronic shipping certificates were either cancelled by the Warehouseman or the grain has been loaded out by the holder of the electronic certificate. At that point the clearing firm would return the warehouse receipts to the Registrar's Office and the Registrar's Office would endorse the receipts if all appropriate documentation had been submitted.
- The regular firm will be required to submit all USDA audit reports within 5 days of receiving the results. The results will document the levels of grain the USDA found within the elevator during its audit. This information will then be analyzed to ensure the elevator held enough grain for the warehouse receipts being held by the clearing firm on behalf of the Exchange.

The CBOT intends to implement these amendments no sooner than ten days after the Commission's receipt of this filing.

There were no opposing views among the CBOT Board of Directors concerning these amendments.

The CBOT certifies that these amendments comply with the Commodity Exchange Act and the rules thereunder.

Sincerely,

Paul J. Draths
Vice President and Secretary

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Additions underlined.

1081.01 Regularity of Warehouses and Issuers of Shipping Certificates

(3) The proprietor or manager of such warehouse or shipping station shall be in good financial standing and credit, and shall meet the minimum financial requirements and financial reporting requirements set forth in Appendix 4E. No warehouse or shipping station shall be declared regular until the person operating the same files a bond and/or designated letter of credit with sufficient sureties, or deposits with the Exchange, treasury securities, or other collateral deemed acceptable to the Exchange in such sum and subject to such conditions as the Exchange may require. Any such sums shall be reduced by SEC haircuts, as specified in SEC Rule 15c3-1(c)(2)(vi),(vii) and (viii). If the Warehouseman/Shipper deposits treasury securities or any other collateral with the Exchange, it must execute a security agreement on a form prescribed by the Exchange.