



November 15, 2012

VIA E-MAIL

Ms. Sauntia Warfield
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, DC 20581

**RE: Regulation 40.6(a). Board of Trade of Kansas City, Missouri, Inc. Submission #12-01:
Revisions to Exchange Rules.**

Dear Ms. Warfield:

The Board of Trade of Kansas City, Missouri, Inc. ("KCBT") is self-certifying to the Commodity Futures Trading Commission (the "Commission") revisions to Exchange Rule Chapter 1 ("Trading Permits Privileges and Obligations"), Chapter 2 ("Government"), Chapter 3 ("Committees"), Chapter 14 ("Discipline Investigations"), and removal of Chapters 24, 26, 30, 31, and 32 (collectively, the "Exchange Rules"). The KCBT Board of Directors, in a special meeting held on October 16, 2012 and acting pursuant to authority granted them under KCBT Rule 233.01(o), unanimously approved the aforementioned revisions and removals. We plan to make these revisions and removals effective on December 3, 2012, which is the day following the anticipated closing of the transaction whereby the KCBT will be acquired by CME Group Inc. ("CMEG").

As previously discussed with the Commission, the updates to the Exchange Rules are designed to ensure compliance with designated contract market ("DCM") Core Principles and conformity with current practices and procedures of the exchanges owned by CMEG. The material changes to the Exchange Rules are set out below.

- Revising stock classes, stock ownership requirements for exchange membership, membership transfer rules, and shareholder voting rights to reflect ownership by a single shareholder
- Eliminating Board and Board-level Committee hearings for membership lease approvals and appeals for reinstatement of suspended Permit Holders, reflecting the approach taken by exchanges owned by CMEG
- Changing the KCBT governance structure, officer selection procedure, and number of Board members to conform to the governance structure of CMEG and its subsidiary exchanges
- Dissolving the Appeals, Finance, Products, Membership, Nominating, Regulatory and Oversight, Marketing Education and Public Relations; Planning and Project; Rules; Elevator, Warehouse, Weight and Inspection, and Executive standing Committees to eliminate unnecessary or redundant activities
- Establishing Emergency Financial Committee ("EFC") powers aligned with the powers, policies, and procedures of the CMEG EFC.
- Revising conflict-of-interest and emergency authority provisions to conform with recently implemented DCM Core Principles and the regulations promulgated thereunder
- Removing rulebook chapters related to cash products (Chapter 24 ("Value Line"), Chapter 26 ("Options on VLA"), Chapter 30 ("Cash Trading"), Chapter 31 ("Cash Arbitration"), and Chapter 32 ("Financial Requirements; Cash Grain")) since KCBT will no longer list cash market products
- Conforming amendments to align KCBT rules with the rulebooks of other CMEG subsidiary exchanges

The Market Regulation Department and the Legal Department collectively reviewed the designated contract market core principles ("Core Principles") as set forth in the Commodity Exchange Act ("Act"). During the review, we have identified that the revisions to the Exchange Rules and conforming amendments may have some bearing on the following Core Principles:

Availability of General Information: The revised rules make available to the public the operating rules and other matters relevant to the activities, procedures, requirements, and governance of the DCM. Standardizing the language of the Exchange Rules with the rulebook language of other exchanges owned by CMEG provides clarity and consistency to market participants.

Emergency Authority: The revised rules establish general policies and procedures for the Board's exercise of emergency authority to suspend or curtail trading, order liquidation or transfer of accounts and contracts, modify trading hours, establish price fluctuation limits, fix settlement prices, and generally take actions to prevent harm to the financial integrity of the Exchange or to the market. The revised rules also establish an Emergency Financial Committee ("EFC") which provides a backstop to the Clearing House Risk Committee ("CHRC") in the event that emergency action is necessary and the CHRC is unavailable to take such action. Establishing the EFC provides an additional layer of operational security and emergency powers. These revisions establish emergency authority and clear standards for its exercise pursuant to this Core Principle.

Disciplinary Procedures: The revised rules establish procedures for KCBT to issue charges, warnings, orders for further investigation, or no-action decisions. The rule also imposes confidentiality and fitness standards upon Exchange staff or directors conducting discipline proceedings; establishes discovery, notice and recordkeeping requirements; and outlines settlement and appeal procedures. These revisions ensure due process at every stage of a fair and transparent disciplinary proceeding.

Protection of Markets and Market Participants. The revised rules eliminate the requirement for Board or Membership Committee approval prior to leasing trading permits to non-members, and for BCC approval prior to Trading Permit reinstatement after suspension. Reducing the number of procedural obstacles to market access implicates Core Principle 14—Dispute Resolution, but primarily promotes fair trading and market access consistent with this Core Principle

Conflicts of Interest: The revised rules adopt CMEG policies and practices for mitigating conflicts of interest. Board or Committee members deliberating certain actions must disclose interests that might be germane to the Exchange's decision, and abstain from deliberation and voting where Exchange staff independently determines a conflict exists. The revised rules required written documentation of conflicts determinations and procedures. These revisions ensure conflicts of interest are adequately mitigated at every stage of the Board's decision making process.

Composition of Governing Boards of Contract Markets; Diversity of Boards of Directors: The revised rules adopt the CMEG Board as the governing body of the DCM and thereby increase the number and diversity of directors overseeing the KCBT. CMEG's Board composition and practices adhere to the Core Principle's governance requirements for input from market participants and diversity on the Board of Directors.

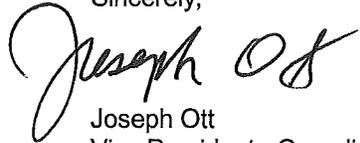
The Exchange certifies that the revisions to the Exchange Rules comply with the Act and regulations thereunder. There were no substantive opposing views to this proposal.

The Exchange certifies that this submission has been concurrently posted on the Exchange's website at http://www.kcbot.com/histdata/rule_book/kcbot_pending_certif.html.

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If you have any questions regarding this submission, please contact me at 816-753-7500 or via email at jott@kcbt.com. Alternatively, you may contact Jeff Borchardt at 816-753-7500 or via email at jeffb@kcbt.com. Please reference KCBT Submission No. 12-01 in any related correspondence.

Sincerely,

A handwritten signature in black ink that reads "Joseph Ott". The signature is written in a cursive style with a large initial "J" and a stylized "O".

Joseph Ott
Vice President - Compliance

Attachments: Exhibit A – Amended Exchange Rules

Proposed Amendments to the Rules of the Kansas City Board of Trade
(underlining indicates additions; strikeouts indicate deletions)

DEFINITIONS

BOARD

The Board of Directors of the Exchange or any other body acting in lieu of and with the authority of the Board.

BY-LAWS

The By-Laws of the Exchange currently in effect as may be amended from time to time, unless otherwise specified.

CERTIFICATE OF INCORPORATION

The Certificate of Incorporation of the Exchange currently in effect as may be amended from time to time, unless otherwise specified.

CFTC OR COMMISSION

The U.S. Commodity Futures Trading Commission.

CLEARING HOUSE

Kansas City Board of Trade Clearing Corporation.

CLEARING PARTICIPANT

A Permit Holder firm meeting the requirements of, and approved for, Clearing Participant status at the Exchange.

EMERGENCY

Any occurrence or circumstance which, in the opinion of the Exchange, requires immediate action and threatens or may threaten fair and orderly trading, clearing, delivery or liquidation of any contracts on the Exchange. Occurrences and circumstances which the Exchange may deem emergencies are set forth in the Rules.

EXECUTIVE OFFICER

Any person elected by the board of directors of a corporation to a position established pursuant to and having duties prescribed by the charter or by-laws of the corporation and which duties pertain to the management of the corporation, or any division thereof

EXCHANGE

The Board of Trade of Kansas City, Missouri, Inc.

FUTURES COMMISSION MERCHANT OR FCM

A futures commission merchant as defined under the provisions of the Commodity Exchange Act, as amended.

GLOBEX®

Globex refers to CME Globex, an electronic trading platform.

LESSEE

The term “Lessee” shall mean an individual who leases a Trading Permit from the owner thereof pursuant to the Rules.

LESSOR

The term “Lessor” shall mean an individual who leases a Trading Permit of which he is the owner.

NON-PERMIT HOLDER

Unless otherwise specified in the rules, any Person who is not a Permit Holder of the Exchange or any firm that is not represented by a duly qualified Permit Holder.

NOTICE

Except as otherwise specifically provided, a notice in writing emailed to or personally served upon the person to be notified, left at his usual place of business during business hours or mailed by U.S. First Class Mail, Certified Mail, Registered Mail or by overnight delivery to his last known place of business or residence.

PANELIST

An individual appointed to an Exchange committee who is entitled to participate in a decision on any matter under consideration by the committee or panel thereof.

PERSON

It shall include the singular or plural, and individuals, associations, partnerships, corporations and trusts.

PERMIT HOLDER

An individual who owns a Trading Permit on the Exchange in his own individual name or who leases a Trading Permit in accordance with the Rules and has been qualified for Permit Holder status in accordance with Rules and/or any partnership, corporation, limited liability company, sole proprietorship or other entity to which Exchange privileges have been conferred by a Permit Holder who is affiliated with such firm accordance with the Rules (also referred to as “Permit Holder firms”).

REGISTERED USER

Any person accessing the Electronic Trading System for purposes of trading Exchange contracts in accordance with the Rules.

RULES

The Certificate of Incorporation, By-Laws, rules, interpretations, orders, resolutions, advisories, notices, manuals and similar directives of the Exchange, and all amendments thereto. The trading and clearing of all Exchange contracts shall be subject to the Rules.

TRADING PERMIT

The right to Exchange privileges granted pursuant to the Rules.

CHAPTER 1
TRADING PERMITS –Membership

Privileges and Obligations

100.00 Personal Privilege.

Trading Permits are a personal privilege not subject to transfer or sale; provided Trading Permits may be subject to lease in accordance with the Rules.

~~100.00 Personal Privilege.~~ Membership in this Corporation is a personal privilege not subject to transfer, delegation or sale except as authorized herein. This Corporation incorporated as the Board of Trade of Kansas City, Missouri, Inc. which has been and is also referred to as the Corporation, the exchange, the Board of Trade, the Kansas City Board of Trade and KCBOT will hereinafter be referred to as the KCBT and at times the Board of Trade.

~~Note:~~ A member, a firm, or a corporation represented by a member is entitled to apply to the Kansas City Board of Trade Clearing Corporation to be a clearing member.

100.01 Permit Holder Membership Rights.

A Permit Holder is eligible to engage in activities as set out in ~~these rules~~the Rules.

~~a. A Class AA or Full Membership~~these rules

100.02 Former Class B Members

Until the earlier of the death of the former Class B Member and the date on which the exchange no longer maintains open-outcry trading on the trading floor in Kansas City Missouri, Holders of Class B memberships in the Exchange as of [¹, 2013] (“Former Class B Members”) will be provided admission to the trading floor without Exchange trading privileges subject to the provisions of these Rules. Access to the floor by Former Class B Members is a personal privilege not subject to transfer or sale.

101.00 Admission.

Permit Holders ~~Members~~ shall be entitled to admission to the rooms of the ~~Board of Trade~~Exchange as long as they remain a ~~member~~Permit Holder, and no longer, and subject to the restrictions set forth in the Rules.

102.00 Responsibility Of ~~Members.~~ Permit Holders.

~~Any person approved as qualified for membership~~Person who has been issued a Trading Permit shall become and be subject to all the provisions of the ~~Certificate of Incorporation, the By laws, rules and regulations of the KCBT and before being entitled to the privileges of membership shall sign an agreement~~Rules and by continuing to utilize such Trading Permit, agrees to abide by and comply with

¹ Insert date of close.

the ~~provisions of the Certificate of Incorporation, By laws, rules and regulations of the KCBT or the Board of Directors, and with all orders and resolutions of the Board of Directors and the Business Conduct Committee~~Rules.

102.01 Defense Expenses.

Any current or former ~~member or member firm~~Permit Holder who fails to prevail in a lawsuit or any other type of legal proceeding instituted by that current or former ~~member or member firm~~Permit Holder against the ~~KCBT~~Exchange or any of its officers, ~~Directors~~directors, committee members, employees or agents must pay to the ~~KCBT~~Exchange all reasonable expenses, including attorney's fees, incurred by the ~~KCBT~~Exchange in the defense of such proceeding. Any ~~current or former member or member firm~~Permit Holder required to compensate the ~~KCBT~~Exchange pursuant to this section shall be assessed interest on such amount at the ~~rate of Prime~~prime rate charged by major Kansas City banks plus ~~1%, one percent (1%),~~ which interest shall accrue from the date such amount was demanded in writing after the ~~member or member firm~~Permit Holder failed to prevail in a lawsuit or any other type of legal proceeding against the ~~KCBT~~Exchange.

103.00 Obligations Of ~~Members.~~ Permit Holders.

Every ~~member~~Permit Holder of the ~~Board of Trade~~Exchange shall promptly and faithfully comply with and fulfill all business obligations, whether with other ~~members~~Permit Holders or with other parties, and shall equitably and satisfactorily adjust and settle the same.

104.00 Firms Represented By ~~Members.~~ Permit Holders.

All provisions of the ~~Certificate of Incorporation, By laws, rules, regulations and resolutions of the Board of Trade~~Rules shall apply to firms and corporations represented by a ~~membership~~Permit Holder in ~~said Board of Trade~~the Exchange, and each ~~member~~Permit Holder of the ~~Board of Trade~~Exchange who is a ~~member~~Permit Holder of a partnership, or an officer, director, or stockholder of a corporation, shall be responsible ~~(to the extent of the value of the membership only)~~ for the acts, default, or misconduct of such firm or corporation the same as though committed by the ~~member.~~Permit Holder. The ~~membership~~Permit Holder shall be subject to the payment of such claims, fines, suspensions, expulsions, and penalties for the acts, default, or misconduct of the firm or corporation, as it would be for the ~~member's~~Permit Holder's individual acts.

105.00 Term.

All Trading Permits shall expire and all rights attendant to such Trading Permits shall terminate upon the earlier of the death of the Permit Holder and [●]² or such later date as may be determined by the Board.

Note:- Approved

Who May Apply For Membership

In the case of the death of a Permit Holder who is registered as representing a firm under Rule 110, the Trading Permit rights may be transferred to another partner or executive of the firm upon their approval under these Rules as a Permit Holder.

106.00 Qualifications.

² Date to be two years from the date of the closing.

Any person of good moral character, reputation and business integrity, and financial resources and credit, and of legal age, on presenting a written application, endorsed by two (2) members and stating is eligible to become a Permit Holder in accordance with the Rules name and business vocation of the applicant, may be approved as qualified.

107.00 Membership Permit Holder Status; Kansas City Board of Trade Clearing House Corporation (hereinafter referred to as the Clearing Corporation).

The officers of the Clearing CorporationHouse shall, by virtue of their membership in the KCBT Trading Permits, be deemed to confer on said Clearing CorporationHouse all the privileges of membership Permit Holders incident to any firm or corporation represented by membership a Permit Holder, but such officers shall not by reason of such representation be liable in any manner under any rules of the KCBT Exchange for any of the debts of said Clearing CorporationHouse.

Note: Name change by action of Board of Directors, December 17, 1985, see page 1062 of Board minutes.

Representation

110.00 Membership Permit Holder Privileges To Firms, Partnerships, and Corporations; Registration.

No firm, partnership, or corporation shall be permitted the privileges of trading accorded to members Permit Holders of the KCBT Exchange unless one (1) of the general partners, or an executive officer of the corporation, has been approved as a member Permit Holder in good standing and is registered as representing such firm, partnership firm's, partnership's, or corporation's activities on the Exchange, satisfactory to Exchange staff. corporation.

111.00 Executive Officer Defined. For the purpose of Rule 110.00, an "executive officer" shall mean any person elected by the board of directors of a corporation to a position established pursuant to and having duties prescribed by the charter or by laws of the corporation and which duties pertain to the management of the corporation, or any division thereof.

Note: See OPIN 1-111.00-1.

111.01 Certification. Certification of the foregoing authority shall accompany the application of the executive officer applying for membership Permit Holder status and shall be deemed to be continuously in full force and effect until notice to the contrary has been duly filed with the Office of the Secretary. Exchange staff.

111.02 Not bona fide.

If any corporation, partnership or firm shall, upon investigation, be found not to be represented by a real, bona fide, and responsible executive officer, or if it shall be found as to any member Permit Holder that the position of executive officer has been created by the corporation represented solely for the purpose of obtaining membership Exchange privileges for such corporation, such member's Permit Holder's right to use the name of the corporation as the principal on any trade or contract shall then immediately cease.

112.00 Representation Registration.

Every ~~member~~Permit Holder shall register with ~~the Secretary~~Exchange staff the name of the person, partnership, ~~or~~ corporation ~~or firm~~ such ~~member~~Permit Holder represents. Such representation shall not be changed to any other person, partnership, or corporation except upon application made to and with the approval of ~~the Board of Directors~~ Exchange staff.

112.01 ~~Membership~~Permit Holder Representation – Qualified Categories.

Representations registered with the ~~exchange~~Exchange pursuant to Rule 112.00 are limited to the following qualified categories:

1. **Individual** – A ~~member~~Permit Holder may only register as representing themselves as an individual if such ~~member~~Permit Holder owns the ~~membership (share of stock)~~Trading Permit or is a ~~delegate~~bona fide Lessee pursuant to Rule 199.00.
2. **Owner** – A ~~member~~Permit Holder may register as representing an entity if such ~~member~~Permit Holder has a significant bona fide ownership interest or controlling authority in the entity, ~~satisfactory to Exchange staff.~~
3. **Employee** – A ~~member~~Permit Holder may register as representing an entity if such ~~member~~Permit Holder is a bona fide employee of the entity.

If any ~~member~~Permit Holder shall, upon investigation, be found not to be a bona fide owner or employee of the entity such ~~member~~Permit Holder is registered with the ~~exchange~~Exchange as representing, such ~~member's~~Permit Holder's rights and privileges ~~of memberships~~as a Permit Holder shall ~~immediately~~ cease.

114.00 May Not Represent Two Firms.

No ~~member can~~Permit Holder may represent ~~two (2) corporations or two (2) firms, or a firm and more than one (1) partnership,~~ corporation, ~~or firm~~ for the purpose of giving ~~both membership~~more than one ~~entity~~Permit Holder privileges.

Limitations.

120.00 ~~[Reserved]~~

~~**Limit on Ownership of Shares.** No person (i.e., individual, corporation, partnership, association, joint stock company, trust, or unincorporated association) or associate of any person as defined herein, may own directly, indirectly, or through an affiliate (i.e., a person that directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with such person) more than twenty percent (20%) of all then issued and outstanding Class AA shares of common stock in the Corporation, provided however, that any person owning more than 15 shares of Class AA common stock shall, by proxy, assign their voting rights in all such excess shares (up to the maximum 20%) to the Board of Directors to vote with the Board on any matters put to a shareholder vote. The term "associate" used to indicate a relationship with any person means:~~

~~a. Any corporation or organization (other than the corporation or a majority-owned subsidiary of the corporation) of which such person is an officer or partner, or is directly or indirectly the beneficial owner of ten percent (10%) or more of any class of equity securities;~~

- ~~b. Any trust or other estate in which such person has a substantial beneficial interest or as to which such person serves as trustee or in a similar fiduciary capacity; and~~
- ~~c. Any relative or spouse of such person, or any relative of such spouse, who has the same residence as such person, or who is a director or officer of the corporation or any of its parents or subsidiaries.~~

~~Any shares acquired in violation of this rule must be sold in the same manner as provided for in these rules in the case of any expelled member.~~

~~Notes: 1. "Indirect ownership" normally will include the situation where a firm has provided the funds for the purchase of a share of stock, and such share of stock is held in the name of an individual who is an officer, partner employee. "Indirect ownership" does not cover a normal guaranty by otherwise unrelated parties such as is often the case of pit traders, even if the guaranteed member clears through the guarantor.~~

~~2. See also Rule 188.00, Mandatory Sale of Share; Priority of Claims.~~

122.00 Change In Status; Unapproved Partners Or Corporations.

Whenever it shall appear that any memberPermit Holder has formed a partnership with one (1) or more persons, who are not membersPermit Holders, or has become an officer of a corporation that was not previously represented by membershipPermit Holder, and that thereby the interest and good repute of the KCBTExchange may suffer, the Business Conduct Committee may, after an investigation of the facts in the case, require the memberPermit Holder to withdraw from such partnership or corporation, and if the memberPermit Holder fails to do so within a reasonable time to be fixed by the Business Conduct Committee, such memberPermit Holder shall be suspended from all privileges of the KCBTExchange until the memberPermit Holder shall have severed their connection with such partnership or corporation.

Approval for Permit Holder Membership

130.00 Approval Procedure-; Permit Holder Committee Duties.

An applicant may be approved ~~as qualified for membership in the KCBT~~by Exchange staff as a Permit Holder after notice of such application has been posted on the bulletin board of the KCBTExchange, and after submitting, if requested, to a personal examination ~~by the Board of Directors or a committee designated by them~~, as to such applicant's personal, moral, and financial responsibility. ~~A majority of affirmative ballot votes of the Board of Directors, there being not less than a quorum of Directors present and voting, shall be required to approve such applicant as qualified for membership in the KCBT.~~ An applicant not approved for Permit Holder status by Exchange staff shall be referred to a subpanel of the Permit Holder Committee for approval. The subpanel shall consist of at least two committee members and a chairman, who shall have a vote. A unanimous vote of the subpanel is required for approval of the applicant. An applicant not approved by the subpanel shall be afforded the opportunity to appear with counsel before the full Permit Holder Committee for review. The Permit Holder Committee shall decide, by majority vote, whether the applicant is qualified to be a Permit Holder. The decision of the Permit Holder Committee shall be final. An applicant rejected by the Permit Holder Committee may be reconsidered for Permit Holder status if new or additional information is subsequently brought to the attention of the Permit Holder Committee. A membershipTrading Permit application not approved is an "access denial" subject to CFTC review, and the notice provisions of ChaptersChapter 14 or 33 apply thereto.

131.00 [Reserved].

131.00 Membership Committee; Duties. It shall be the duty of the Membership Committee to review each membership application and to recommend that the Board of Directors approve or disapprove the applicant. Prior to recommending disapproval, the Committee shall advise the applicant as to the reason(s) the Committee is considering such recommendation and afford the applicant an opportunity for a hearing with counsel. A final denial recommendation shall be in writing, stating the reason(s) therefore. Such report will be given to each Director for the Board vote. If the Board of Directors votes to deny the application, that denial will be deemed to be based on the Membership Committee's written report, which shall thereafter be submitted to the CFTC and the applicant.

132.00 Misrepresentation By Applicant.

If any applicant shall intentionally or willfully misstate or suppress any material fact or be guilty of any other fraudulent or dishonest act to secure approval as a ~~member~~ Permit Holder, and thereafter and thereby becomes a ~~member~~ Permit Holder, such fact shall be immediately reported to the Exchange staff for investigation. Such matters shall be handled as a ~~rule~~ Rule violation.

133.00 Stock Purchase Required. Upon being approved for membership, such person shall be entitled to, and shall be required to purchase one (1) share of the common stock of the KCBT at a price determined in accordance with these rules.

134.00 Shareholder of Record: Issued. Upon approval of an applicant as a member, the share of stock purchased shall be issued in the member's name. The true owner thereof shall give its instructions to the Secretary as to whom such certificate shall be delivered or endorsed. However, the member in whose name the share has been issued shall be the stockholder of record for all purposes so far as the KCBT is concerned.

Purchase And Sale

140.00 Procedure. Any purchase and sale of a share of common stock shall be effected through the Secretary of the KCBT who will handle the transaction for the account of the buyer and seller.

Notes: 1. All purchases and sales of shares of common stock must be submitted to the Secretary's Office on a fully executed Bid to Purchase/Offer to Sell Form available at the Secretary's Office. All withdrawals of a bid or offer similarly must be fully executed on this form and filed with the Secretary

2. See RES 1-140.00-1, Exception.

140.01 Offer. An owner of a share wishing to sell such share must offer it through the Secretary's Office. The offer must be accompanied by surrender of the share being sold, duly endorsed.

140.02 Bid. Anyone intending to buy a share must file a bid with the secretary. The bid shall contain an agreement by such individual to take no recourse against the KCBT in the event he is not elected by the Board to membership, except as may be permitted under Section 8c of the Commodity Exchange Act as amended, and a release of the exchange of any claim or right that such individual would otherwise have had by reason of such failure to be so elected. If any purchase of a share of stock is being financed by a person other than the buyer, such buyer shall file satisfactory proof as required by the KCBT that the financing party is aware of the provisions of this Rule and Rule 140.06.

Note: Approved by The Board of Directors March 29, 1988, see page 1165 of the Board's minutes.

140.03 Price Posted. All registered bids and offers shall be in accordance with the price requirements of these rules and shall be posted promptly on the bulletin board of the KCBT.

140.05 Transfer of Share and Distribution of Sales Proceeds. Upon the match of the bid and offer for the share of common stock as provided in Rule 140.02, the secretary may give a written notice to all share holders of such purchase and sale, and the share shall be transferred to the buyer promptly and, unless a claim has been filed as provided in Rule 183.00 and other applicable rules, the proceeds from

the sale shall be distributed to the seller following the tenth (10th) business day after the first day of the posting as required by the rules.

Note: Approved by the Board of Directors March 29, 1988, see page 1165 of the Board's minutes.

140.06 Application for Membership Permit Holder Status — Failure to Obtain a Membership Permit Holder Status.

The buyer of a share of common stock shall A Lessee, if he does not already have membership Permit Holder status, shall apply for membership Permit Holder status within five (5) business days after purchasing a share of common stock. The buyer obtaining the lease for the Trading Permit. The Lessee shall properly complete an application for membership Permit Holder status and file the same with the secretary-Exchange staff. If the buyer of the share applicant is denied access to membership Permit Holder status, or if for any reason his application is withdrawn, the KCBT Exchange shall retain the transfer fee and the KCBT Trading Permit lease will be cancelled and the Trading Permit reinstated to the Lessor.

Note: Approved by the Board of Directors March 29, 1988, see page 1165 of the Board's minutes.

141.00 Minimum Price. The minimum price at which a share of the common stock of the KCBT purchased before December 31, 1982, may be sold or accepted for transfer through the Secretary's Office, and the maximum price at which the same may be purchased by the KCBT shall be determined by the Board of Directors each year promptly after completion of the annual audit by independent certified public accountants employed by the KCBT and shall be computed by the combination of the following factors:

- a. The book value of the KCBT as of the last certified audited period in accordance with sound accounting principles consistently followed by the KCBT;
- b. Such book value adjusted by including therein the market value of investments, the book value of the capital stock of the Clearing Corporation determined in the same manner as the book value in paragraph a but adjusted to reflect the appraised value of any real property owned by the Clearing Corporation or any subsidiary of it;
- c. Such book value further adjusted by including the KCBT's proportion of the book value of the Board of Trade Investment Company determined in the same manner as the book value in paragraph a but adjusted to reflect the appraised value of the real property owned by the Board of Trade Investment Company;
- d. Such appraised values shall be determined once each year as of the end of the fiscal year of the Board of Trade Investment Company by an appraiser selected by the KCBT Board of Directors and whose appraisal shall be final when approved by such Board of Directors; and
- e. Such total book value as adjusted divided by the number of shares then issued and outstanding and not in the treasury of the KCBT multiplied by a factor of seventy-five percent (75%) shall be the minimum price per share.

142.00 Purchase From The KCBT. No person shall be approved as qualified for membership as provided for herein except upon transfer of a membership so provided for elsewhere or except upon the payment in cash to the KCBT of such sum as may be fixed by the Board of Directors, there being not less than ten (10) Directors present and voting, but in no event less than the greater of \$15,000 or 125% of the share price as fixed in Rule 141.00 disregarding paragraph (e) thereof.

142.01 Sale by Members First. In order to afford members the opportunity to sell their shares of stock before the KCBT sells shares of stock itself, any share(s) of stock available for sale at the same or a lesser price shall be sold before the KCBT itself sells shares of stock; however, no sale shall be made by the

KCBT until the applicant has posted a bid for ten (10) days at the price at which the Directors propose to sell such individual a share of stock.

143.00 Buy Back By The KCBT. If the owner of a share purchased before December 31, 1982 is unable to sell the same in the manner permitted by these rules within thirty (30) days from the date of posting, the KCBT, upon demand by such stockholder, shall be obligated to purchase the same at the price fixed from time to time by these rules. For shares sold after January 1, 1983, this rule does not apply. the KCBT shall be obligated to purchase upon demand at least ten (10) memberships in each calendar year, any membership for which demand for purchase is made under Rules 188.00 or 190.00, and may purchase shares if authorized by the Board of Directors by an affirmative vote of at least ten (10) members thereof. Such shares shall be purchased in the order in which written demand to purchase has been received by the KCBT. If the KCBT is unable or is unwilling (after the purchase of ten (10) shares) to purchase any share within thirty (30) days after demand has been received the owner thereof shall be free to sell the same at any bid price acceptable to the owner, such sale to be effected in the manner, and subject to the provisions and restrictions contained in these rules.

143.01 Sale of Class AA Common Stock, Series 1. Recapitalization of the Board of Trade, as approved by the CFTC on July 16, 1987, resulted in the issuance of two replacement types of Class A common Stock. One, called Class AA Common Stock, Series 1, covers stock purchased prior to December 31, 1982. The other, called Class AA Common Stock, Series 2, covers stock purchased subsequent to December 31, 1982.

The purchase and sale of a share of Class AA Common Stock, Series 2 shall be as set out elsewhere in these rules.

Upon the sale of a share of Class AA Common Stock, Series 1, the owner of such share shall have the right to receive from the KCBT in partial redemption of such Class AA share an amount equal to the lesser of (a) 75% of the adjusted net asset value of such share at the time of sale minus the gross sales price of such Class AA share, or (b) \$10,000.00, and the purchaser of such share shall receive a Class AA Common Stock, Series 2 share for each Class AA Common Stock, Series 1 share purchased.

In no event shall the KCBT be liable under such share of Class AA Common Stock, Series 1 for the payment of more than ten thousand and no/100 (\$10,000.00). The limited right of partial redemption may be exercised only in the event of the first sale following the effectiveness of the amendment creating Class AA Common Stock to a third party of said Class AA Common Stock, Series 1 share. Any Series 1 shareholder who exercises ones limited right of partial redemption shall thereafter be ineligible for a period of two (2) years to purchase a share of stock of any class or character of the KCBT or to be a delegate under a delegation agreement as defined in the rules of the KCBT.

144.00 Sale of Stock; Non Member Applicant. In the event of a sale where the buyer of a share of common stock is not a member, the buyer shall become and be subject to all the provisions of the by-laws, rules, regulations, all orders, and resolutions of the Board of Directors or any committee.

Note: Approved by the Board of Directors March 29, 1988, see page 1165 of the Board's minutes.

145.00 Restriction On Certificate. The form of certificate for the common stock of the KCBT shall be as adopted by the Board of Directors. Each share of the common stock issued by the KCBT shall contain, on the face thereof, the following legend:

"The purchase, ownership, sale, pledge, transfer or registration of the share of the capital stock of this Corporation represented by this certificate, and of the membership rights and privileges relating to such share are restricted by the Certificate of Incorporation and by the Rules of the Corporation, all as may be amended from time to time. No sale, transfer or registration may be made except in accordance with the same, and any attempted sale, transfer or registration of such share or membership not in strict accordance with the provisions of such Certificate of Incorporation and Rules shall be void."

"Each share is subject to a lien for charges and claims in favor of the Corporation as issuer as provided for in the Certificate of Incorporation or Rules."

"The Certificate of Incorporation and Rules are available for inspection during regular business hours in the business office of the Corporation in Kansas City, Missouri."

Membership Transfer

150.00 Transfer Of Membership. The membership of any member who has paid all assessments due and who has no outstanding unadjusted or unsettled claims or contracts held by members of the KCBT and which membership is in no way impaired or cancelled, shall upon payment of the applicable transfer fee, be transferable upon the books of the KCBT to any person eligible to membership who may be approved by at least eight (8) affirmative votes of the Board of Directors, there being not less than ten (10) Directors present and voting.

150.01 Application For Transfer. Application for such transfer shall be posted on the bulletin board of the KCBT as required in Rule 130.00. If no objection is filed, it shall be presumed that there are no outstanding claims against the member.

150.02 Endorsement Of Stock Certificate. Prior to the transfer of any membership, the certificate of stock relating thereto shall be endorsed and delivered to the Secretary.

150.03 Transferee Receive Stock Certificate. The transferee of any membership shall be entitled to receive one (1) share of the common stock of the KCBT in accordance with these rules.

150.04 Executive Officer Transfer. A corporation in good standing that owns a share of stock and is represented by one (1) of its executive officers may transfer such representation to another bona fide executive officer.

150.05 Partner Transfer. A partnership in good standing, which owns a share of stock and is represented by one (1) of its partners, may transfer such representation to another partner (unlimited).

150.06 Deceased Member Transfer. The membership of a deceased member, if owned personally, shall be transferable by the legal representative. If owned by a firm, which the deceased member represented, the membership shall be transferable by such firm. In either event, such transfer shall be in accordance with all provisions of these rules, including the payment of the appropriate transfer fee.

151.00 Military Service. Whenever any member of the KCBT shall have transferred a membership to another person during the continuance of any war to which the United States shall be a party and such member shall have engaged in the military or naval service of the United States during such war and thereafter within one (1) year from the conclusion of such war again applies for membership, such person shall be admitted to membership without charge for transfer.

Posting Periods

160.00 Posting Period; Time Off Floor. In the event of a sale of a share or transfer of a membership, the time period for posting, and the time period when the applicant, and seller, if an ownership transfer is occurring must be off the floor shall be:

- a. One (1) business day for change of an executive officer; change of a partner; change of membership from one (1) employee of a firm in good standing to another employee of such firm; change where the applicant is a known applicant with a known guarantor; and change of status where there is no significant change in the financial condition of the entity, such as change of name, formation, or changes in a partnership, incorporation, corporate merger, or reorganization (the latter as defined in Section 368 of the Internal Revenue Code, as amended).
- b. Ten (10) business days for an unknown applicant with a known guarantor; for any applicant and unknown guarantor or firm; or where there is a significant change in the financial condition of the entity.
- c. One (1) business day where the membership is owned in a no-name or inactive status by a known member or firm, or ten (10) business days where to be held in a no-name or inactive status by an unknown person or firm. When a natural person is subsequently submitted for approval to hold such membership and thus have floor and trading rights, one (1) or ten (10) days will apply as applicable to the facts.

d. If there is a change of firm representation by a member, one (1) or ten (10) business days will apply as applicable to the facts.

e. This Rule 160.00 is intended to be applicable only so long as the financial requirements in effect May 23, 1979, including FCM financial requirements, are in effect.

161.00 Minimum Posting Period. The posting periods are minimum, and may be extended by the staff, Membership Committee, or the Board of Directors in order to obtain additional information necessary for approval, to get a quorum, etc.

162.00 Definitions. As used in these rules, the following terms shall be defined as follows:

a. **Known Applicant.** Known applicant shall mean a person who at some time during part or all of the three (3) year period prior to the current application has been a member of the KCBT in good standing and who was in good standing at the time such person ceased to be a member.

b. **Known Firm Or Known Guarantor.** Known firm or known guarantor shall mean a person or firm who has on file with the Board of Trade a current approved financial statement, including a 100% affiliated corporation, where the approved entity guaranties the trades of the affiliated or related corporation, and is in good standing and in compliance with all financial and other requirements.

c. **Good Standing.** Good standing shall mean not having been fined, warned, suspended, expelled, or under suspension or expulsion, as a result of a disciplinary hearing for violation of KCBT rules, within the three (3) years ending with the time the person or firm ceased to be a member.

d. **Unknown Applicant.** Unknown applicant, member, or firm shall mean all other persons or firms, including a "new" business entity resulting from a change of status where there is a significant change in the financial condition. **FEES**

170.00 Fees Assessed. The following fees shall be assessed:

a. **Ownership Change.** A fee of \$500.00 shall be paid to the KCBT by the buyer when ownership of a share is changed. Upon payment thereof, no additional fee shall be required when application is made for a person to be assigned the membership privileges attached thereto (i.e., a sale).

b. **Membership Change.** A fee of \$300.00 shall be paid to the KCBT when the ownership of a share does not change, but application is made for a different person to be accorded the membership privileges attached thereto (i.e., a transfer).

c. **Subsequent Ownership Change.** If a fee of \$300.00 has been paid for the change of membership privileges of a share and that person subsequently acquires the ownership of that share, an additional fee of \$200.00 is to be paid to the KCBT.

d. **Ownership in Deceased Member.** The foregoing fees are applicable to a share owned by a deceased member under the same circumstances.

e. **Change Of Representation.** Every application by a member to change representation shall be subject to the payment of a fee of \$100.00.

Note: Examples would include change of name of corporation, representation by the same member/owner of a different firm, merger of two corporations, etc.

Claims Against Members And/Or Memberships

180.00 Liens Against Shares. No claim against any member shall constitute a lien against the share of that member unless the claim is filed with the Secretary within sixty (60) days from the date of the transaction giving rise to the claim and the claim is submitted to arbitration pursuant to Chapter 15, Chapter 16, or Chapter 31 within sixty (60) days from the date of the transaction giving rise to the claim unless the member against whom the claim is made acknowledges the same to be correct and due.

Note: As amended by the Board May 26, 1981, see page 742 of the Board's minutes.

Voluntary Sale

181.00 Settlement of Claims. Where a purchase and sale of a share of stock occurs, the share may be transferred to the buyer but the proceeds shall be held by the KCBT for the payment of claims until all

claims have been paid, withdrawn, or disposed of in accordance with Rule 185.00 and other applicable Rules.

Note: Effective April 3, 1986, as amended by the Board of Directors January 28, 1986, see page 1067 of the Board's minutes.

182.00 Unmatured Debts. All unmatured debts or other obligations of the member shall become due and payable immediately prior to distribution of the proceeds from the sale of the share of stock to the transferor of the share, and all claims filed with the Secretary shall, and if, to the extent that the same are allowed by the Board of Directors, be liquidated and paid pro rata out of the proceeds of sale share before distribution of the proceeds to the seller.

Note: 1. As amended by the Board May 26, 1981, see page 742 of the Board's minutes.

2. Effective April 3, 1986, as amended by the Board of Directors January 28, 1986, see page 1067 of the Board's minutes.

183.00 Failure to File Claim. A shareholder shall forfeit all rights to share in the proceeds from the sale of the share unless a statement of claim is filed with the Secretary within 10 business days of the first day of posting as required by Rule 160.00; but such claim, as allowed by the Board of Directors, may be paid out of any surplus remaining after all other claims allowed by the Board of Directors have been paid in full.

Note: Effective April 3, 1986, as amended by the Board January 28, 1986, see page 1067 of the Board minutes.

184.00 Claims Of Partners. Claims growing out of transactions between partners who are members of the KCBT shall not share in the proceeds of the share of one (1) of such partner until all other claims, as allowed by the Board of Directors, have been paid in full.

185.00 Proceeds; Priority Of Claims. If the transferor within ten (10) days from the date of posting shall not have paid all claims found valid by the Board of Directors as in this Chapter provided, then the proceeds of the share shall be paid over to the Secretary and upon the order of the Board of Directors shall be applied by the Secretary in the following order of priority:

a. **First Priority.** The payment of all fines, dues, assessments, and charges of the KCBT or the Clearing Corporation against a member whose share is transferred.

b. **Second Priority.** The payment to creditors who are members of the KCBT or firms registered therein, of all filed claims arising from exchange business, if and to the extent that the same shall be allowed by the Board of Directors. If said proceeds shall be insufficient to pay said claims, as so allowed, in full, the same shall be applied to the payment thereof pro rata.

c. **Third Priority.** The payment to non-members of judgments of the Committees of Arbitration or Appeals and of all filed claims arising from contracts subject to the rules and regulations of the KCBT, if and to the extent that the same shall be allowed by the Board of Directors. If the proceeds shall be insufficient to pay said judgments and claims in full, the same shall be applied to the payment thereof pro rata.

d. **Fourth Priority.** The surplus, if any, of said proceeds shall be paid to the person whose share is transferred, or to the legal representatives of such person upon the execution by such persons of a release(s) satisfactory to the Board of Directors.

Note: As amended by the Board May 26, 1981.

Compulsory Sale

187.00 Expulsion Or ~~Ineligible~~Ineligibility For Reinstatement.

When a memberPermit Holder is expelled or becomes ineligible for reinstatement, the memberPermit Holder shall be deemed to have surrendered ~~and resigned from membership in the KCBT~~This Trading Permit, and all rights, privileges ~~and property interest~~, if any, pertaining thereto and resulting therefrom,

and all privileges ~~and property interests~~, if any, in said membershipTrading Permit shall be thereby terminated, ~~and the share of stock owned by such member shall be sold in accordance with these rules.~~

REINSTATEMENT

~~**188.00 Mandatory Sale Of Share; Priority Of Claims.** When a member is expelled or becomes ineligible for reinstatement, and all investments and property rights under the membership are terminated, as provided in Rule 187.00, the share of common stock of the KCBT issued in the name of the member, shall have no voting rights, the owner of record shall be obligated to sell such share or demand its purchase by the KCBT within ninety (90) days after such final termination, and the proceeds derived from the sale thereof shall be retained by the Secretary and applied in the following order of priority:~~

~~a. **First Priority.** The payment of an amount equal to the usual transfer fee, all fines, dues, assessments, and charges of the KCBT or the Clearing Corporation against the person whose membership has been terminated.~~

~~b. **Second Priority.** The payment to creditors who are members of the KCBT, or firms registered therein, of all filed claims arising from exchange business, if and to the extent that the same shall be allowed by the Board of Directors against the person whose membership has been terminated. If such proceeds shall be insufficient to pay said claims as so allowed, in full, the same shall be applied to the payment thereof pro rata.~~

~~c. **Third Priority.** The payment of judgments of the Committees of Arbitration or Appeals and of all filed claims arising from contracts subject to the rules and regulations of the KCBT, if and to the extent that the same shall be allowed by the Board of Directors. If the proceeds shall be insufficient to pay said judgments and claims in full, the same shall be applied to the payment thereof pro rata.~~

~~d. **Fourth Priority.** The surplus, if any, of said proceeds shall belong to and become the property of the true owner of such share.~~

~~Note: As amended by the Board May 26, 1981.~~

~~**189.00 Deposit.** In lieu of such mandatory sale, the true owner of such share may deposit with the KCBT the amount which would have been received by a sale to the KCBT to be applied in the manner provided for in Rule 188.00 and may thereupon retain ownership of such share.~~

~~**190.00 Failure To Comply.** On failure of the record owner to comply with Rule 188.00 or 189.00, the KCBT may declare the certificate representing such share to be surrendered and cancelled and thereafter sell the share represented thereby and apply the proceeds in the manner provided in Rule 188.00 except that the surplus referred to in Rule 188.00(d) shall become the property of the KCBT.~~

Reinstatement

192.00 Application For Reinstatement.

When a memberPermit Holder has been suspended under the ~~rules and regulations of the KCBTRules~~, such memberPermit Holder shall not be readmitted to the privileges of the KCBTExchange until all outstanding claims with all of such member'sPermit Holder's creditors, including all obligations owed the KCBTExchange, have been adjusted and satisfactorily settled. All such applications for reinstatement shall be made in writing and shall include a list of such member'sPermit Holder's creditors, a statement of the amounts originally owing, and the nature of the settlement in each case. All such applications shall be filed with the SecretaryExchange staff, who shall ~~notify each member of such application directly, and who shall~~timely post notice thereof on the bulletin board ~~at least fifteen (15) business days prior to the consideration of the application by the Business Conduct Committee.~~ If the applicant furnishes satisfactory proof of settlement with all creditors and if no objections to reinstatement are made, the application may be approved by ~~the Business Conduct Committee, and its written decision~~

and the application shall be immediately forwarded to the Board of Directors for balloting. The Business Conduct Committee shall issue a written decision on all applications for reinstatement within fifteen (15) business days. The written decision shall include: Exchange staff pursuant to Rule 130.

a. Identification of the applicant;

b. Brief summary of any evidence submitted; and

c. Brief summary of findings and conclusions and the reasons therefore.

~~193.00 Appeal From Business Conduct Committee.~~ If after consideration, the Business Conduct Committee disapproves the application for reinstatement, the applicant may appeal such decision to the Board of Directors. Such appeal must be filed with the Secretary within the time and in the form prescribed by Chapter 14 or Chapter 33 as applicable. The appeal procedures of Chapter 14 or Chapter 33 shall apply.

~~194.00 Subsequent Votes.~~ If the application, after having been approved by the Business Conduct Committee, fails to receive the approving vote of two-thirds (2/3) of the members of the Board of Directors, the applicant shall be entitled to be balloted for at least two (2) subsequent regular meetings of the Board of Directors to be designated by the applicant; provided however, that the three (3) ballots to which the applicant shall be entitled, shall be within one (1) year from the date of suspension, or within such further extended time for settlement as may have been granted by the Business Conduct Committee. Prior to each consideration by the Board of Directors, the application must be considered and approved by the Business Conduct Committee.

~~195.00 One Year Grace.~~ A member suspended under the rules and regulations of the Board of Trade shall have one (1) year to make application for reinstatement unless the Business Conduct Committee, by two-thirds (2/3) vote of the members present, extends the time for making such application, but each such extension of time shall not exceed one (1) year. If the suspended member:

a. Fails to settle the claims of creditors, including obligations owed the Board of Trade, and fails to apply for reinstatement within one (1) year from the date of suspension;

b. Fails to settle the claims of creditors, including obligations owed the Board of Trade, and fails to apply for reinstatement within such further time as the Business Conduct Committee may have granted; or

c. Fails to obtain reinstatement as provided herein, the membership held by such member may be disposed of by the Board of Directors.

~~196.00 Irregularities By Suspended Member.~~ Whenever it shall be determined that a member suspended under the rules and regulations of the KCBT has engaged in irregularities or unbusinesslike dealings, prior to or subsequent to such suspension, upon approval of the Business Conduct Committee and on two-thirds (2/3) vote of all the members of the Board of Directors, said member shall be declared ineligible for reinstatement.

~~197.00 Reinstatement Not Permitted.~~ Any person expelled from or deemed to have resigned the privileges of membership in the KCBT shall not again be admitted to membership except as a new applicant. ~~199.00 Delegation. Trading Permit Lease.~~

The rights and privileges of a ~~Class AA share of stock and a Class B share of stock and the attendant membership rights and privileges may be delegated~~ Trading Permit may be leased to an individual (a "delegateLessee") upon the following terms and conditions:

- a. The DelegateLessee shall be approved by Exchange staff or the MembershipPermit Holder Committee ~~and the Board~~ under the standards of Rule 106.00, and shall sign a written agreement^{*} to observe and be bound by the Charter, Rules and Regulations of the KCBT, and all amendments subsequently made thereto.

~~*This agreement is in the Delegate application form~~

- b. The ~~delegation~~lease agreement, any amendment thereto, and any termination, revocation, or renewal thereof, shall be in writing in such form as the ~~Board~~Exchange may prescribe~~**~~, and a copy thereof shall be filed by the ~~member~~Permit Holder with the ~~Secretary of the KCBT~~Exchange as a pre-condition to its effectiveness: provided, however, the ~~delegation~~lease agreement shall be automatically null and void upon the happening of any of the following events:

(1) Loss of any of the qualifications for entering into a ~~delegation~~lease agreement, such as ~~sale of the membership of the member or~~expulsion of the ~~member~~Lessor or the ~~Lessee~~; or the ~~delegate~~; or

(2) Bankruptcy of either the ~~member or the delegate~~Lessee.

~~**The Board has adopted a Standard Delegation Agreement which must be used, and which may be obtained from the KCBT office.~~

- c. ~~(1) The member shall remain liable for the debts, acts and delinquencies of the delegate arising from the delegate's exercise of rights and privileges of membership, but only to the extent of the value of the share of stock so delegated. The share of stock so delegated may be sold to satisfy any such liability in accordance with the Rules and Regulations of the KCBT. In no event shall the member be liable for the debts, acts and delinquencies of the delegate in excess of the total value of the share of stock delegated. Delegating shall not relieve the member of any of the obligations or liabilities which might otherwise exist by virtue of being the owner of a share of stock and a member of the KCBT to other members of the KCBT; and~~
~~(2) Upon the termination or expiration of the delegation agreement, the Secretary shall give written notice thereof to all members and delegates. Thereafter, all members and delegates who may have claims against the delegate may file claims in the same manner as provided in the Rules of the KCBT for filing of claims. The member entering into a delegation agreement shall be responsible for payment of those claims allowed by the Board and not satisfied promptly by the delegate, but only to the extent of the value of the share of stock so delegated.~~
- d. ~~A delegate shall not be entitled to register under the rules of the KCBT to represent a partnership or corporation.~~
- e. ~~The Board, in its discretion, may impose fees, charges and assessments upon members and delegates under this Rule.~~
- f. ~~Upon the filing of a delegation agreement or renewal notice with the Secretary of the KCBT, notice thereof shall be posted promptly on the bulletin board, shall be communicated to the Membership and shall be sent to the primary clearing member for the member party to the delegation agreement.~~
- g. ~~Delegating by Deceased Member's Estate—The legal representative of a deceased member's estate, during the pendency of probate of the deceased member's estate, may delegate such deceased member's trading privileges.~~
- h. ~~Floor Access of Delegating Members—A member who has delegated the share of stock and attendant membership rights and privileges~~Lessor Permit Holders — A Lessor shall not have physical access to the floor of the ~~KCBT~~Exchange during the effective period of such ~~delegation~~lease.

d. i Rights of Owner After Delegation Lease — Notwithstanding other provisions of this rule, ~~an owner of a share of stock who has delegated the share of stock and attendant membership rights and privileges~~ a Lessor shall continue to have all of the obligations as provided in ~~the certificate and the rules of the KCBT, but, Rules, but~~ during the time of such delegation lease, the rights and privileges of the ~~delegating member shall be limited as follows~~ Lessor:

(1) The ~~delegating member~~ Lessor shall not have physical access to the floor of the ~~KCBT, nor the right to serve as an officer, director, or on any committee, nor any other rights and privileges of membership, except the right to vote the share of stock so delegated as provided in the certificate~~ Exchange, during the effective period of such delegation lease except that said ~~delegating member~~ Lessor may nonetheless thereafter enter on the trading floor, but only under one of three conditions:

(a) As a visitor subject to the usual rules and restrictions for a visitor, ~~such as they may conduct no~~ including the prohibition on visitors conducting business, or

(b) As a floor clerk, if properly registered, subject to the usual rules and restrictions for a floor clerk, or

(c) If such person is fully retired, and no longer active in business, and has been issued a card in recognition thereof.

(2) Notwithstanding other provisions of this paragraph (i) and subparagraphs thereof, ~~an owner of a share of stock who has delegated the share of stock and attendant membership rights and privileges~~ Lessor may have all ~~membership~~ Exchange rights and privileges associated with ownership of another ~~share of stock~~ Trading Permit owned by such ~~member~~ Lessor and may have such ~~membership~~ Exchange privileges attendant to another ~~share of stock~~ Trading Permit owned by someone else such as a corporation or partnership leased ~~or assigned~~ to such person as an officer, employee or partner of such corporation or partnership, provided there has been a separate application, full disclosure, and ~~approval by Exchange staff. approval by the Membership Committee and the Board of Directors.~~

e. Minimum Delegation Lease Term — No delegation lease agreement shall have a term of less than three (3) months.

f. k Maximum Delegation Lease Term — ~~None~~ No lease agreement shall have a term beyond ~~3~~ ³; however, all delegation lease agreements are subject to any subsequent rule amendments adopted after execution of said agreement.

g. l Applications for Delegation Lease — Notwithstanding any other Rules, each applicant for ~~delegation~~ Permit Holder status must demonstrate a positive personal net worth and

³ Insert date that is two years from the closing date.

positive personal net liquid assets in order to qualify for ~~Membership Committee~~ approval.

~~h. m~~ Financial Standards — ~~Delegates/Lessees~~ must meet the same financial standards as do ~~members/Permit Holders~~, or secure the same type of guarantee in lieu thereof

~~n. Voting Rights — the delegate shall not have voting rights.~~

~~i. e~~ A firm or corporation may delegate a ~~share of stock/Trading Permit~~ that it owns with attendant ~~membership/Trading Permit~~ rights and privileges.

NOTE 1 — SUPPLEMENTARY INFORMATION:

~~(a) What types of memberships can be delegated?~~

~~Regular (AA) Memberships and Limited (B) Memberships.~~

~~(b) Who may enter into a delegation agreement?~~

~~A delegation agreement may be made between an individual Regular (or limited) member and a delegate subject to satisfactory financial status of the delegate, or a guarantee in lieu thereof and approval from the Membership Committee and the Board of Directors.~~

~~(c) What is the approval procedure for a prospective delegate?~~

~~The prospective delegate and the member owner must sign the Standard Delegation Agreement, and file it and the application with the KCBT executive office. Prospective delegates are subject to the KCBT's standard procedures for the processing and approval of applications. As a prerequisite for approval, each prospective delegate also must file a Primary Clearing Member Authorization with the KCBT. (An authorization form is included with this package.)~~

~~(d) What does the delegate receive from the member under a delegation agreement?~~

~~The use of the delegated membership for trading privileges of such membership on the KCBT floor. (Note: only one individual may have the use of a particular membership at any given time.)~~

~~(e) Will the KCBT provide a Standard Delegation Agreement?~~

~~Yes. The Standard Agreement is included with this package.~~

~~(f) Will the KCBT accept modification in the Standard Delegation Agreement?~~

~~The KCBT will review modified Delegation Agreements on a case-by-case basis. The KCBT must find such agreements acceptable before they can be put into effect.~~

~~(g) Can a member delegating his membership be indemnified by the delegate's Primary Clearing Member?~~

~~Yes. Such arrangements may be negotiated entirely between the member and the delegate's Primary Clearing Member. A notice in this regard is included with this package.~~

~~(h) Who is responsible for dues and assessments?~~

~~The owner member is ultimately responsible; however, the member and delegate may agree that the delegate is primarily responsible (see Paragraph 5 of the Standard Delegation Agreement) and should the delegate fail to pay the dues or assessments after having agreed to in the Agreement, the member may cancel the Agreement for such non-payment.~~

~~(i) Where should further questions concerning delegations be directed?~~

~~Executive Offices — Suite 303~~

~~Department of Membership Services~~

~~Kansas City Board of Trade~~

~~4800 Main~~

~~Kansas City, Missouri 64112~~

~~Telephone: (816) 753-7500~~

~~(j) Will there be a fee payable to the Kansas City Board of Trade?~~

Yes. A \$300 transfer fee will be due to the Kansas City Board of Trade. (That is the fee now for a change of a firm representative.)

Forms For Rule 199.00

Kansas City Board of Trade Membership Delegation Agreement

THIS AGREEMENT is made this _____ day of _____, 19____, by and between _____ (hereinafter referred to as "Member" and _____ (hereinafter referred to as "Delegate").

WHEREAS, Member is the owner of a membership of the Board of Trade of Kansas City, Missouri, Inc., ("KCBT") and desires to delegate such membership to Delegate in accordance with the terms specified below: and

WHEREAS, Delegate desires to use the rights and privileges of the foregoing membership from Member in accordance with the terms specified below:

NOW, THEREFORE, in consideration of the mutual covenants hereinafter set forth, Member and Delegate hereby agree as follows:

1. Delegation of Membership. (a) The Member delegates to the Delegate the rights and privileges of the Member's KCBT membership, subject to the Rules and Regulations of the KCBT, and Delegate accepts from the Member the rights and privileges of the KCBT membership, subject to the Rules and Regulations of the

KCBT, (hereinafter referred to as the "KCBT membership" for a term of _____ *(months, years) commencing _____, and ending at 4:00 p.m. Central Time

on _____. By mutual written agreement of the Delegate and Member, this Delegation Agreement may be renewed for an identical time period at the end of the term specified herein, provided that written notice thereof is given to the Secretary of the KCBT by the Member and Delegate thirty days prior to the date of expiration of the original delegation.

(b) Notwithstanding the foregoing, this Delegation Agreement may be terminated by either party hereto at any time, with or without cause, upon the giving of written notice by one party to the other party at least _____ day (_____) prior to the effective date of termination. A copy of such notice must be filed concurrently with the Secretary of the KCBT by the party giving notice of termination. This Delegation Agreement will terminate automatically, without notice, upon the effective date of any exchange action which expels or suspends Delegate from Exchange membership or trading privileges or upon the sale by the Member of the membership so delegated or upon violation of this Lease Agreement by the Delegate.

2. Rental. The Delegate shall pay to the Member as consideration for the use of the KCBT membership during the term hereof _____ dollars (\$ _____) per (month,

year) payable in equal monthly installments of _____ dollars (\$ _____) on the

_____ (_____) day of each month. Upon any extension or renewal of this Lease Agreement the parties hereto may provide for an increase or decrease in any consideration to be paid to the Member. The obligation to pay any consideration shall continue until the expiration or termination of this Delegation Agreement.

*Must be at least three (3) months, and no longer than three (3) years.

3. Ownership and Use. (a) The KCBT membership shall at all times remain the sole and exclusive property of the Member, and the Delegate shall have no right or property interest therein except the right to use said membership pursuant to this Delegation Agreement. The Delegate by executing this Agreement expressly agrees to be bound by all the Rules and Regulations of the KCBT and agrees to conduct his affairs in accordance with such Rules and Regulations.

4. Non-Assignment by Delegate. The Delegate may not assign, transfer or sub-lease the rights, privileges, or obligations under this Delegation Agreement. Any attempted assignment, transfer or sub-lease will be deemed null and void.

5. Obligations for Dues, Fees and Other KCBT Charges. The (member, Delegate*) shall be responsible to the (Delegate, Member*) for satisfying all KCBT obligations regarding dues, fees, assessments or other charges imposed with respect to the KCBT membership in accordance with the Rules of the KCBT. Both parties shall be jointly and severally liable to the KCBT for such obligations.

6. Exercise of Voting Rights of KCBT Membership. The Member, acting on his own behalf but in lieu of the Delegate, shall during the term of this Delegation Agreement exercise all of the voting rights with respect to the KCBT membership.

7. Member's indemnified. (a) The Delegate shall indemnify, protect, and hold harmless the Member, its agents, servants, employees, officers, directors, successors and assigns from and against all losses, damages, injuries, claims, demands, and expenses, including legal expenses, of whatsoever nature, arising out of the use by Delegate of the KCBT Membership.

(b) The Delegate shall assume the settlement of, and the defense of any suit or suits or other legal proceedings brought to enforce, all such losses, damages, injuries, claims, demands and expenses, and shall pay all judgments entered in any such suit or other legal proceeding.

(c) The indemnities and assumptions of liabilities and obligations herein provided for shall continue in full force and effect notwithstanding the termination or expiration of this Delegation Agreement, whether by expiration of time, by operation of law, or otherwise; provided, however, nothing herein shall exonerate or excuse the Member from his liability to the KCBT and to others for the obligations of the Delegate arising out of the use of the KCBT membership, but only to the same extent as if the Member had not leased the membership.

8. Arbitration. Any dispute or difference of interpretation respecting this Delegation Agreement or matters relating to members or other Delegates of the Exchange or trades with members of the Exchange shall be submitted to arbitration pursuant to the Rules of the KCBT, and Delegate agrees to arbitrate such matters under the Rules of the KCBT.

9. Articles of Incorporation and Rules of the KCBT. The parties hereto hereby agree to be bound by the provisions of the Articles of Incorporation, Rules and Regulations of the KCBT and all applicable interpretations thereof. Whenever any provision of this Delegation Agreement is inconsistent with the foregoing, such provisions of the Articles of Incorporation, Rules and Regulations and interpretations thereof shall be controlling.

10. Entire Agreement. This Agreement constitutes the entire Agreement between the parties hereto and may not be modified except by a written instrument signed by the parties hereto and filed with the Office of the Secretary of the KCBT.

*The dues obligation may be primarily assumed by **either** party. The Agreement should indicate which is primarily responsible.

11. Governing Law. This Agreement is deemed to be entered into and shall be entered into and shall be construed in accordance with the laws of the State of Missouri.

12. Bankruptcy. The Delegation Agreement shall be nullified by the bankruptcy of the delegate or the member.

IN WITNESS WHEREOF, this Delegation Agreement has been executed by the parties hereto as of the date first above written.

Dated: _____

Member

the Delegate's possession or exercise of the Member's rights or privileges of membership during the period of time when the account or accounts are open with this Firm.

AGREED TO AND ACCEPTED BY:

Title: _____

For: _____

{Firm}

AGREED TO AND ACCEPTED BY:

{Member}

Dated _____

NOTICE: "A" Members (or B Members) who intend to delegate their membership may wish to arrange a "Waiver of Claims" agreement with the Delegate's Primary Clearing Member. A draft form of such an agreement is attached for informational purposes.

The terms of such agreements are entirely negotiable between the member and the delegate's Primary Clearing Member.

Such agreements are separate from the Delegation Agreement and are not subject to filing with the Kansas City Board of Trade.

Members may wish to consult their own attorneys in this regard.

Resolutions

RES 1-140.00-1 Membership; Procedure (Purchase and Sale)

Exception To Purchase And Sale Procedure;

Transfer Between Affiliated Corporations

RESOLVED, that in recognition of the widespread use of wholly owned corporations in today's complex world, it is the interpretation of the Board of Directors that a transfer of a Board of Trade membership between affiliated corporations (being defined as a parent corporation and any of its fifty-one percent (51%) or more owned subsidiary corporations) without presenting written bids and offers to the Secretary's Office, and without depositing the purchase price with the Secretary's Office, is not a violation of Rules 140.00 through 140.04; and that such transfer shall be treated as if it were an employee transfer under Rule 160.00 a.

PROVIDED FURTHER, that all of the other rules of the Board of Trade would continue to apply, so that, for example, the new firm must submit its financial statement for approval (or the parent corporation must guaranty its trades), the Board of Directors must approve the transfer and the individual who will hold the new membership; claims, if any, may be filed against the membership being transferred, etc. Such transfers would not be shown as sales, since they are not arm's length and do not necessarily reflect current market value at the time of the transfer (July 22, 1975).

RES 1-160.00-1 Membership; Minimum Posting Period

Posting Requirement

RESOLVED, that although the rules as written technically would appear to require a one (1) business day posting, and thus one (1) day off the floor in lost trading privileges where there is a change of representation, such as a transfer of membership between employees or a change in a name of a firm, in view of the intention of the Board of Directors, when these rules were passed, to simplify the membership process and shorten the waiting periods, the staff will post such notices following the 3:15 P.M. cessation of trading so that if the Board of Directors meets that afternoon or in a special meeting the morning before the next business day's trade begins, the member will not actually lose floor privileges during any trading time (January 15, 1980).

Interpretations

INTRP 1-185.00-1 Proceeds; Priority Of Claims

Question: Is a bank or other lender making a loan to a member which is secured by a share of stock of this Corporation entitled to third priority under Rules 185.00 and 188.00 on the voluntary or compulsory sale of a membership?

Discussion: A discussion was held concerning the interpretation of the rules relating to whether a bank or other lender making a loan to a member which is secured by a share of stock of this Corporation has any priority with respect to the payment of proceeds from the sale of such share. Rules 1100.00 and 3000.00 define the phrase "contracts subject to the rules of the Board of Trade" as including transactions incident to the grain business proper. Rules 180.00, 182.00, 185.00, and 188.00 provide for a lien for the payment of all filed claims arising from contracts subject to the rules and regulations of the Corporation, if and to the extent allowed by the Board of Directors. The Application To Become A Qualified Member And Stockholder Of Record provides for disclosure of a claimed financial interest in the membership to be held in the name of the applicant.

Answer: Rules 180.00, 182.00, 185.00, 188.00, 1100.00, and 3000.00 are interpreted as to include within the creditors entitled to third class priority, a member's creditor to whom the member has pledged the share of stock of this Corporation as collateral for a loan as a claim "arising from contracts subject to the rules and regulations of the Corporation," provided, such creditor timely filed its claim with the Corporation (December 30, 1980).

RES 1-199.00-1 Transfer Fee.

RESOLVED, that the transfer fee for delegating memberships under Rule 199.00 continues to be \$300.00 and the investigation fee (if applicable) continues to be \$300.00. This resolution is being adopted pursuant to Rule 199.00(e), which grants the Board, in its discretion, the right to impose fees, charges and assessments upon members and delegates under this Rule. The Board reserves the right to exercise its discretion in modifying these fees, charges and assessments upon members and delegates pursuant to Rule 199.00(e).

INTRP 1-199.00(d) Membership, Delegation — Representation

The Board of Directors interprets Rule 199.00(d) to mean a delegate may not represent in any manner a partnership or corporation associated with the grain or futures industry. (July 1985)

Opinions**OPIN 1-111.00-1 Membership; Membership Privileges To Firms, Partnerships, And Corporations; Registration Elected Officers**

The term "elected," as used in Rule 111.00 shall be construed in accordance with the law of the state of incorporation of the corporation represented for membership by an executive officer. The Delaware Corporation Code, Section 142, provides that "officers shall be chosen in such manner...as are prescribed by the by-laws or determined by the board of directors or other governing body."* The Board of Trade, therefore, will consider officers selected in the manner set forth by the laws of the state of incorporation as being in conformity with the term "elected by the board of directors" provided the other requirements of Rule 111.00 and Rule 111.01 are met (April 29, 1974).

*Officers may be appointed and not elected.

OPIN 1-111.00-2 Membership; Executive Officer Defined Executive Officer

The Board of Directors has traditionally interpreted Rule 111.00 (Executive Officer Defined) and will in the future interpret Rule 111.00 as requiring by the term "Executive Officer" an individual having a corporate office of Chairman; Vice-Chairman; Treasurer; Assistant Treasurer; Vice-President; Senior Vice-President; Assistant Vice-President; or Executive Vice-President. This opinion was specifically approved by the Board of Directors in their meeting held on June 26, 1984.

OPIN 1-111.00-3 Membership; Executive Officer Defined — Management Duties

Executive Officer—Management Duties

The Board of Directors has traditionally interpreted Rule 111.00 (Executive Officer Defined) and will in the future interpret Rule 111.00 as requiring by the phrase "which duties pertain to the management of the corporation" the corporate authority to act on behalf of the corporation on any and all matters required by the rules and by laws of the Board of Trade. This opinion was specifically approved by the Board of Directors in their meeting held on June 26, 1984.

CHAPTER 2
GOVERNMENT

Rules 200-229. [RESERVED]

Rule 230. GENERAL

The Board shall, subject to applicable provisions in the Certificate of Incorporation and By-laws:

- a. Be the governing body of the Exchange;
- b. Have charge and control of all property of the Exchange;
- c. Provide, acquire and maintain suitable Exchange quarters and facilities;
- d. [Reserved];
- e. [Reserved];
- f. Designate and authorize specific appointed officers to act on behalf of the Board to execute contracts within specified budgetary limits;
- g. Fix, determine and levy all fees and assessments when necessary;
- h. Act in a judicial capacity in the conduct of hearings with respect to any charges proffered against Permit Holders and, after such hearings, determine what disciplinary action, if any, should be taken by the Exchange with respect to those charges;
- i. Determine the commodities traded, the delivery months, hours of trading, the days of the contract month on which delivery may be made, and performance bond requirements;
- j. Make and amend the Rules; provided, the Board has also delegated such authority to make and amend the Rules to the Executive Chairman of the Board and Chief Executive Officer acting together; and
- k. Have power to act in emergencies. In the event that the Board or a hearing panel of the Board determines that an emergency situation exists in which the free and orderly market in a commodity is likely to be disrupted, or the financial integrity of the Exchange is threatened, or the normal functioning of the Exchange has been or is likely to be disrupted, it may take such action as may in the Board's sole discretion appear necessary to prevent, correct or alleviate the emergency condition. Board members who abstain from voting on a Significant Action as defined in Rule 234 shall not be counted in determining whether such action was approved by a majority vote, but such members can be counted for the purpose of determining whether a quorum exists. Without limiting the foregoing, the Board may: (1) suspend, curtail or terminate trading in any or all contracts, (2) limit trading to liquidation of contracts only, (3) order liquidation or transfer of all or a portion of a member's proprietary and/or customers' accounts, (4) order liquidation of positions of which the holder is unable or unwilling to make or take delivery, (5) confine trading to a specific price range, (6) modify the trading days or hours, (7)

alter conditions of delivery, (8) fix the settlement price at which contracts are to be liquidated, and (9) require additional performance bonds to be deposited with the Clearing House. All Exchange contracts shall be subject to the Board's emergency powers and the specifications of each shall be deemed subject to this rule.

Any authority or discretion by these rules vested in the Executive Chairman & President, Chief Executive Officer, or other officer or delegated to any committee shall not be construed to deprive the Board of such authority or discretion and in the event of a conflict, the determination of the matter by the Board shall prevail.

Rule 231. [RESERVED]

Rule 232. EXCHANGE FACILITIES

The Exchange shall provide trading facilities which shall be open for trading on such days and at such hours as the Exchange shall determine, except during emergency situations as provided by the Rules.

Rule 233. [RESERVED]

Rule 234. AVOIDING CONFLICTS OF INTEREST

234. A. Definitions

For purposes of this rule:

1. "Significant Action" means (a) an Exchange action or Rule change which addresses an "emergency" as defined in CFTC Regulation 40.1(h); or (b) any change in Exchange performance bond levels that is designed to respond to extraordinary market conditions such as an actual or attempted corner, squeeze, congestion or undue concentration of positions, or that otherwise is likely to have a substantial effect on prices in any contract traded or cleared at the Exchange.
2. "Committee" means the Board or any body that is authorized to take a Significant Action.
3. "Member's Affiliated Firm" means a firm in which the Permit Holder is a "principal," as defined in CFTC Regulation 3.1(a), or an employee.

234.B. Review of Position Information

1. Prior to the consideration of any Significant Action, each member of the Committee must disclose to the appropriate Exchange staff the following position information to the extent known to him:

- a. Gross positions held at the Exchange in the member's personal accounts or "controlled accounts," as defined in CFTC Regulation 1.3(j);
- b. Gross positions held at the Exchange in proprietary accounts of the Member's Affiliated Firm;
- c. Gross positions held at the Exchange in accounts in which the member is a principal;

d. Net positions held at the Exchange in customer accounts at the Member's Affiliated Firm; and

e. Any other types of positions, at the Exchange or elsewhere, held in the member's personal accounts or the proprietary accounts of the Member's Affiliated Firm that could reasonably be expected to be affected by the Significant Action.

2. Exchange staff will independently determine what positions are held in each of the above categories based on a review of the most recent large trader reports and clearing records available to the Exchange and any other source of information that is held by and reasonably available to the Exchange, taking into consideration the exigency of the Significant Action.

3. The requirements of sections B.1. and B.2. apply only to members who participate in either the deliberations or voting on the Significant Action in question.

234.C. Determination Whether Abstention -Required

1. A member of a Committee must abstain from both the deliberations and voting by such Committee on any Significant Action if the member knowingly has a direct and substantial financial interest in the result of the vote based upon either Exchange or non-Exchange positions that could reasonably be expected to be affected by the action or is otherwise conflicted based on existing Exchange policy. Exchange staff will independently require a member of a Committee to abstain from both the deliberations and voting by such Committee on any Significant Action if, based upon the information reviewed in sections B.1. and B.2. above, Exchange staff determines that the member has a direct and substantial financial interest in the result of the vote.

2. The Exchange will prepare written records to document that the conflicts determination procedures required by this rule have been followed. Such records will include (a) the names of all members who attended the meeting in person or who otherwise were present by electronic means; (b) the name of any member who voluntarily recused himself or was required to abstain from both the deliberations and voting on a matter and the reason for the recusal or abstention, if stated; and (c) information on the position information that was reviewed for each member.

Rules 235-248. [RESERVED]

249.00 Market Reports Committee. There shall be appointed each year by the Chairman, with the approval of the Board of Directors, a standing committee of seven (7) members to be known as the Market Reports Committee, whose duty it shall be to place upon the board at the close of the market each day, cash prices of the different varieties of grain, as evidenced by actual purchases and sales.

Rules 250-255. [RESERVED]

Rule 256. INDEMNIFICATION OF CERTAIN PERSONS

The Exchange shall indemnify its directors, officers, committee members, employees, and other persons as specified in Article 4 of the Exchange's Bylaws.

Rule 257. EXCHANGE PHYSICAL EMERGENCIES

In the event that the functions of the Exchange are, or are threatened to be, severely and adversely affected by a physical emergency such as fire or other casualty, bomb threats, substantial inclement weather, power failures, communications breakdowns, computer system breakdowns, screen-based trading system breakdowns, malfunctions of plumbing, heating, ventilation, and air conditioning systems or transportation breakdowns, the Executive Chairman & President, Chief Executive Officer or Chief Operating Officer or their delegate may take any action necessary to deal with the emergency, including but not limited to, a suspension of trading. In the absence of the aforementioned Exchange officers or delegates, any member of the Executive Committee may act instead of the Executive Chairman & President, Chief Executive Officer or Chief Operating Officer.

Upon a determination by the Executive Chairman & President, Chief Executive Officer or Chief Operating Officer or their delegate that the physical emergency has sufficiently abated to permit the orderly functioning of the Exchange, that officer shall order restoration of trading or the removal of other restrictions imposed.

The Exchange shall notify the CFTC of the implementation, modification or termination of a physical emergency action as soon as possible after taking the action.

Nothing in this rule shall in any way limit the authority of the Board to act in an emergency situation pursuant to Rule 230.k.

Governing Authority

200.00 Government; Officers And Directors. The government of the Board of Trade shall be vested in a Chairman, a First Vice Chairman, a Second Vice Chairman, a Board of Directors consisting of four (4) members of the KCBT and four (4) persons from the public (Rule 230.05), one (1) person each from the Board of Directors of the Kansas City Board of Trade Clearing Corporation (KCCC) and the Kansas City Board of Trade Investment Company (KCIC) who are also members of the KCBT, a President, a Secretary, and a Treasurer. The President, Secretary, Treasurer and members from KCCC and KCIC shall be non-voting ex officio members of the Board of Directors.

Note: The restructure of the Board of Directors composition (reducing the member directors from twelve to four) shall be phased in over the two election cycles of 2008-2009, meaning that in each of those election cycles, the Nominating Committee shall propose two member director candidates instead of six. (Amended by a membership vote on September 20, 2007)

200.01 President. The Board of Directors shall elect a non-member as President and Chief Executive Officer. The President who shall serve at the pleasure of the Board of Directors shall be an ex officio member of the KCBT. Said membership shall not be transferable, shall not be vested with any voting and/or property rights and shall not be subject to any assessments.

200.02 Appointed Officers. The Board of Directors shall elect a Secretary and a Treasurer who shall serve as non-voting ex officio members of the Board of Directors, and may also elect assistants to these positions as well as non-member officers.

⁴ Include appropriate reference to the revised bylaws per the Merger Agreement.

200.03 Directors from KCCC and KCIC. The members of the Boards of Directors of KCCC and KCIC to serve as ex officio members of the Board of Directors of the KCBT shall be the President of KCCC or a substitute designated by him who is also a member of the KCBT and the President of KCIC if he is a KCBT member or the KCBT member of the Board of Directors of KCIC who has been a member of the KCBT for the greatest period of time if the President of KCBT Investment is not a KCBT member, or a substitute so designated by the member of the Board of Directors of KCIC designated above to serve thereunder, provided such substitute is also a member of the KCBT. Directors from KCCC and KCIC shall serve as non-voting ex officio members of the Board of Directors of the KCBT.

201.00 Selection Of Member Directors And Officers. The Chairman, Second Vice Chairman and member Directors shall be chosen by the members of the KCBT by ballot. On the expiration of the official term of the First Vice Chairman, the Second Vice Chairman shall become First Vice Chairman and hold the office for one (1) year.

Meetings

205.00 Annual Meeting; Date. The annual meeting of this Corporation shall be held on the first Tuesday after the first Monday in January.

206.00 Other Meetings. The Board of Trade shall hold meetings of members as may be provided for by rule, or by resolution of the Board of Directors, or such as may be called by the Chairman. No business shall be transacted in any meeting unless the substance thereof is set forth in the notice of meeting and unless a ballot relating thereto has been mailed to the members as provided for in these rules.

207.00 Amendments. These By-laws may be altered or amended as follows:

a. **Two Thirds Vote.** These By-laws or rules may be altered or amended, at any special meeting of the Board of Trade called for that purpose, by a two-thirds (2/3) vote of those present, in person, or by proxy and voting. Such proposed alteration or amendment must, however, be first approved by the Board of Directors and shall, together with a notice stating the hour at which the vote shall be taken, be conspicuously posted on the trading floor for at least ten (10) days prior to the day on which it is to be considered.

b. **Petition.** It shall be the duty of the Board of Directors, upon receipt of a petition in writing, signed by at least a majority of the members, to submit any proposed alteration or amendment in the same manner as though it had been approved by the Board of Directors.

208.00 Quorum. Forty percent (40%) of the members entitled to vote present in person or by proxy shall constitute a quorum at any meeting of members for the transaction of business.

Elections

209.00 Annual Election. The following shall be elected at the annual meeting:

a. **Elective Officers.** At the annual meeting there shall be elected by the members a Chairman, a Second Vice Chairman, two (2) member Directors, ten (10) members of the Committee of Arbitration, five (5) of whom shall basically be futures oriented, and five (5) of whom shall basically be cash oriented, one (1) member of the Business Conduct Committee, and two (2) members of the Nominating Committee, all of whom shall be members and are referred to in these rules as the "elective officers".

b. **Board of Directors.** Two (2) member Directors shall be elected annually. No person shall be eligible to the office of member Director who has not been a member in good standing in the KCBT for at least one (1) year preceding the annual meeting.

210.00 Nominations. Each year during the month of November immediately preceding the annual meeting, the Nominating Committee shall hold a meeting, due notice of which shall be posted on the bulletin board. All members may attend such meeting and suggest nominees for the offices to be filled. Thereafter, the Nominating Committee shall prepare a list of candidates for the elective offices.

210.01 Selection of Candidates. In selecting candidates, the Nominating Committee shall ensure that the Board of Directors reflects market participants.

210.02 Candidates. It shall be the duty of the Nominating Committee to propose one (1) candidate for Chairman, one (1) candidate for Second Vice Chairman, two (2) candidates for member Directors, one (1) candidate for the Business Conduct Committee, ten (10) candidates for the Arbitration Committee, five (5) of whom shall basically be futures oriented and five (5) of whom shall basically be cash oriented, and two (2) candidates for the Nominating Committee, which list shall constitute the only candidates for such offices except as otherwise provided in Rule 210.03 or 210.04.

210.03 List Of Nominees. Prior to December tenth of each year, the Committee shall furnish the Secretary with a list of its nominations. In case any nominee withdraws or becomes ineligible, it shall become the duty of the Nominating Committee to nominate another candidate. Promptly upon its submission, the list shall be posted by the Secretary on the bulletin board.

210.04 Other Nominees. Other nominations may be made by petition, signed by not less than fifteen (15) members in good standing and filed with the Secretary at least fifteen (15) business days prior to the annual meeting. Promptly upon submission of any such petition the names of such candidates shall be posted by the Secretary on the bulletin board. Nominations under this Rule shall take into consideration the diversity of membership interests to be considered under Rule 210.01.

211.00 Election; Time. At the annual meeting of the KCBT for election of the elective officers and directors, the polls shall be opened at 10:00 A.M. and close at 12:00 noon.

211.01 Members Entitled To Vote. Members in good and regular standing and who have paid all dues and assessments outstanding to the KCBT on the record date shall be entitled to vote.

211.02 Judges. It shall be the duty of the Chairman, prior to any meeting to be held by the KCBT, to appoint or cause to be appointed five (5) judges who shall have charge of the ballot box, the poll list of the KCBT, and who shall receive the ballots and place the same in the ballot box. The judges shall keep a record in consecutive order, of the members voting. The ballot box shall not be opened nor shall any of the votes be counted except in the exclusive presence of the five (5) judges. The judges shall make all returns in writing to the Chairman of the KCBT, duly signed by each of said judges. The Secretary shall preserve the ballots for a period of at least one (1) month for further examination, if so ordered by the Board of Directors, to verify the correctness of the returns of said judges.

Notice

212.00 Membership Meeting Notice. Written notice of each annual or other meeting of members shall be mailed to each member and posted on the bulletin board of the KCBT. The notice shall state the place, date, and hour of the meeting and the purpose(s) for which the meeting is called. Unless otherwise provided by law, the written notice of any meeting shall be mailed to each member entitled to vote at such meeting not less than ten (10) nor more than fifty (50) days before the date of the meeting. Notice by mail is deemed given when deposited in the United States mail, first class, postage prepaid, directed to the member at the address appearing on the records of the KCBT unless the member shall have filed with the Secretary a written request that notices be mailed to some other address. In that event, notice shall be directed to such other address. An affidavit of the Secretary, an Assistant Secretary, or of the transfer agent of the KCBT that the notice has been given shall, in the absence of fraud, be prima facie evidence of the facts therein stated.

212.01 Waiver Of Notice. Notice of a meeting need not be given to any member who submits a signed waiver of notice, whether before or after the meeting. The attendance of any member in person at a meeting without protesting the lack of notice of such meeting prior to the conclusion of the meeting or prior to the submission of a ballot on a ballot vote by any member, shall constitute a waiver of notice.

212.02 No Notice Required. Notice of a meeting need not be given to any stockholder not entitled to vote as a member, unless required by law.

212.03 Adjourned Meeting. When a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting any business may be transacted that might have been

transacted at the original meeting. However, if after the adjournment the Board of Directors fixes a new record date for the adjourned meeting, a notice of the adjourned meeting shall be given to each member entitled to notice under Rule 212.00.

212.04 Documents To Accompany Notice. In addition to the notice of any meeting, the member shall receive, in the same manner as provided in Rule 212.00, the following:

- a. A ballot;
- b. A copy of the question(s) on which a vote is to be taken;
- c. A small envelope having printed thereon "for ballot only";
- d. A proxy addressed to the Secretary which instructs the Secretary to cast the ballot and contains a line for the signature of the member;
- e. The proxy form may provide that the Secretary will cast the vote represented thereby for the nominees of the Nominating Committee and for the proposition(s) on the ballot if a signed proxy is returned without a marked ballot; and
- f. A larger envelope addressed to the Secretary, with the name of the member set forth thereon.

Voting

213.00 In Person Or By Proxy. At all balloting, members may vote in person or by proxy in the manner and to the extent provided in this Chapter.

213.01 By Proxy. A member wishing to vote by proxy shall mark the ballot and place the same in the small envelope, seal, and enclose the small envelope together with the signed proxy in the larger envelope which shall be mailed to the Secretary. The Secretary shall hand all such envelopes containing proxies to the judges. The judges shall retain all ballots and attached envelopes until the polls are closed. At that time the ballots will be deposited unless the same member voted in person. In that event, the proxy ballot will be destroyed. As the proxy ballots are deposited, the name of the voting member will be noted on the judges' books. Members may vote by mail, as authorized herein, at all balloting for elected officers, directors, and elected members of the committees, and may also vote by mail upon all proposals to amend rules.

213.02 In Person. Any member may vote in person.

214.00 Votes Necessary. A majority of all the votes cast shall be necessary to elect the Chairman and Second Vice Chairman, but for all other elective positions a plurality shall elect.

215.00 Failure To Elect. In the event of a failure to elect any position by the vote required by Rules 214.00, another meeting of members for election shall be called and any officer whose successor has not been elected shall continue in office until the successor is duly elected.

Officers; Term Of Office

220.00 Term. The Chairman, the Vice Chairmen, the Secretary, the Treasurer, any assistant Secretary or Treasurer and non-member officers shall hold their offices for one (1) year.

220.01 Elective Officers. The term of all elective officers shall begin on the second Tuesday after the first Monday in January; provided that in case of a failure to hold an annual meeting and the holding of a special meeting, the term of officers elected at such special meeting shall begin on the next Monday after their election.

220.02 Appointive Officers. The term of office of all appointive officers shall begin on the Tuesday next after their appointment and shall continue until their successors are appointed.

Duties

221.00 Chairman. It shall be the duty of the Chairman to act as general executive officer of the Board of Trade; preside at meetings of the Board of Directors; call special meetings of the Board of Directors and of the Board of Trade when, in the Chairman's judgment, the interests of the Board of Trade require it, or when so requested in writing by three (3) Directors or five (5) other members; nominate to the Board of Directors the appointive officers, employees, and standing committees; and appoint special committees provided for by resolutions of the Board of Directors.

222.00 Vice Chairmen. It shall be the duty of the Vice Chairmen, respectively in their order, to perform the duties of the Chairman in case of the Chairman's absence or disability. In addition, the First Vice Chairman shall be a member and serve as Chairman of the Business Conduct Committee. The Second Vice Chairman shall be a member and serve as Chairman of the Finance Committee.

223.00 President. The duties of the President shall include responsibility for the implementation of Board of Trade rules and policies, responsibility for the direction and administration of the Board of Trade staff, responsibility for budgeting, public relations, legislation, and transportation, together with such other duties as may be assigned by the Board of Directors. The President may also be the Secretary of the Board of Trade.

224.00 Treasurer. It shall be the duty of the Treasurer to receive from the Secretary all funds belonging to the KCBT, to disburse the same upon the order of the Secretary countersigned by the Chairman, to make a quarterly report to the Board of Directors in April, July, and October, and an annual report ending with December. The accounts of the Treasurer shall be kept in books belonging to the Board of Trade.

225.00 Assistant Treasurer. The Assistant Treasurer shall perform the duties of the Treasurer in case of the absence or disability of the Treasurer.

226.00 Registrar. There shall be appointed by the Board of Directors a Registrar who shall receive and register all warehouse receipts before the same shall be deliverable in satisfaction of futures contracts. It shall also be the duty of the Registrar to keep a copy of all reports filed by regular warehouses or elevators with the Commodity Futures Trading Commission as to kind, grade, and amount of grain contained in any regular warehouse or elevator, and such other information as may be required by the Board of Directors in the performance of these duties.

Vacancies

227.00 Chairman. In the case of a permanent vacancy from any cause in the office of Chairman, the First Vice Chairman shall immediately succeed to the office of Chairman.

227.01 First Vice Chairman. If the First Vice Chairman shall succeed to the office of Chairman prior to the ending of the term of office, or if from any other cause a permanent vacancy shall occur in the office of First Vice Chairman, the Second Vice Chairman shall immediately succeed to the office of First Vice Chairman.

227.02 Second Vice Chairman. In case of a permanent vacancy from any cause in the office of Second Vice chairman, the Board of Directors at their next regular meeting shall elect one (1) of their number as Second Vice Chairman, who shall hold said office for the unexpired term. In any such event, there shall be elected at the next annual meeting a First Vice Chairman and a Second Vice Chairman, and the Nominating Committee shall present the name of one (1) member for the office of First Vice Chairman in addition to the names proposed for the other elective offices.

Secretary

228.00 Duties. It shall be the duty of the Secretary under the direction and control of the Board of Directors to:

a. **Oath Of Office.** At the first meeting of the Board of Directors after any annual or special meeting, administer the oath of office to the newly elected officers and directors.

b. **Certificates Of Election.** Issue certificates of election to the Chairman, Second Vice Chairman, Directors, members of the Arbitration, Business Conduct, and Nominating Committees; and to issue certificates of appointment to all appointees of the Board of Directors, such certificates bearing the signatures of the Chairman and Secretary and the seal of the KCBT.

c. **Committee Chairmen.** Furnish the chairman of every special committee a copy of the resolution whereby such committee shall have been created.

d. **Notice; Meetings.** Give notice of meetings of the Board of Directors and of the stockholders; read such records and papers as the presiding officer may direct.

e. **Committee Meetings.** Attend meetings of the Committee of Arbitration and any other committees of the KCBT when requested to do so by the acting chairman thereof, keep a record of their proceedings, and give notice when their services are required.

f. **Journal.** Keep a journal of the proceedings of said Board of Directors and of the stockholders.

g. **Books And Accounts.** Keep the books and accounts of the KCBT.

h. **Collection Of Money.** Collect and pay over to the Treasurer all money due the KCBT.

i. **Seal; Books; Papers.** Take charge of the seal, books, papers, and personal property belonging to the KCBT.

j. **Statistical Information.** Collect and record valuable statistical and other information pertaining to the commercial, mercantile, and manufacturing interests of the city.

k. **Annual Report Of Grain Business.** On or about the first of January in each year, make a full report of the grain business of the city for the year ending December 31, which report shall contain such commercial information in possession of the Secretary as may be of interest to the members.

l. **Correspondence.** Conduct the correspondence of the KCBT.

m. **Office Hours.** Keep the office open during usual hours of business; see that the facilities and property of the KCBT are kept in good order; and perform such other duties as may be provided by the rules, regulations, or resolutions of the Board of Directors.

Board Of Directors; Term

230.00 Term Of Office. Directors shall hold office for a term of two (2) years. The term of Directors shall begin on the second Tuesday after the first Monday in January; provided that in case of a failure to hold an annual meeting and the holding of a special meeting, the term of Directors elected at such special meeting shall begin the next Monday after their election.

230.05 Public Directors. In November of each year, upon nomination by the Chairman, and with the approval of the Board of Directors, two (2) public directors shall be appointed to serve for a two-year term to coincide with the terms of the directors to be elected in January of the following year.

A. To qualify as a public director, an individual must be found by the Board of Directors, on the record, to have no material relationship with the Board of Trade. A "material relationship" is one that reasonably could affect the independent judgment or decision making of the director.

B. In addition, a director shall be considered to have a "material relationship" with the Board of Trade if any of the following circumstances exist:

(1) The director is an officer or employee of the Board of Trade or an officer or employee of its affiliate. In this context, "affiliate" includes parents or subsidiaries of the Board of Trade or entities that share a common parent with the Board of Trade;

(2) The director is a member of the Board of Trade, or an officer or director of the member;

(3) The director, or a firm with which the director is an officer, director or partner receives more than \$100,000 in combined annual payments from the Board of Trade or any affiliate of the Board of Trade, for legal, accounting or consulting services. Compensation for services as a director of the Board of Trade or as a director of an affiliate of the Board of Trade does not count toward the \$100,000 payment limit, nor does deferred compensation for services prior to becoming a director, so long as such compensation is in no way contingent, conditioned or revocable;

(4) Any of the relationships above apply to a member of the director's "immediate family". In this context, "immediate family" includes the director's spouse, parents, children and siblings.

C. All of the disqualifying circumstances described in Section (B) above shall be subject to a one-year look-back period.

Public directors are covered under the indemnification agreement contained in the Articles of Incorporation, are covered under any Director's and Officer's Liability Insurance, and will be reimbursed normal expenses of attending meetings.

Public directors may serve on Board committees, shall be counted in computing a quorum, shall have full rights to debate and vote upon any matter before the Board, and shall receive copies of all documents presented to Board members.

Public directors may resign, and they may be removed for good cause or for:

(1) Failure to attend two (2) or more consecutive regular meetings; or

(2) Failure to attend any three (3) regular meetings in one twelve-month period.

Meetings

231.00 Meetings; Regular And Special. The Board of Directors shall hold regular meetings on the last Tuesday of every other month, the hour for such meetings to be determined by the Chairman. The meetings shall be held in the offices of the KCBT, or such other place as the Directors may direct. The Board of Directors may adjourn such meetings from time to time and it may also hold special meetings upon call and notice to all Directors. At such adjourned or special meetings the Board of Directors may transact any business under the rules that might be transacted at any regular stated meeting.

231.01 Chairman To Preside. The Chairman shall preside at regular and special meetings of the Board of Directors.

231.02 Quorum. Six (6) members of the Board of Directors shall constitute a quorum, but in the absence of a quorum a lesser number may adjourn a meeting until another time.

231.03 Notice; Excuse. Any Member Director having two (2) unexcused absences for meetings during that Director's two-year term, will be automatically dismissed from the Board.

Note: Approved by Board of Directors June 25, 1985, see page 1041 of Board's minutes.

231.04 Non director. No person not a Director shall address the Board of Directors on any subject except by permission.

231.05 Not Retire. Directors shall not retire from meetings of the Board of Directors except by consent of the Board.

231.06 Procedure. Meetings of the Board of Directors shall be conducted according to the established practices of parliamentary law. In case of dispute, Robert's Rules of Order shall govern.

231.07 Order Of Business. The following shall be the order of business before the Board of Directors:

a. Call to order.

b. Call the roll and noting absentees.

c. Excuses of absentees from former meetings.

d. Reading of minutes.

* Membership applications and applications for regular elevators.

e. Reports of officers, committees, and petitions.

f. Unfinished business.

g. New business.

h. Adjournment.

* By tradition these matters are usually considered at this point, although not officially so specified in the By laws.

Note: Under rules of parliamentary procedure, a deliberative body may alter the normal order of business, either by order of the Chair, if there are no objections, or by vote.

Duties

232.00 Enforce Rules. It shall be the duty of the Board of Directors to generally see to the enforcement of the By laws, rules, and regulations of the Board of Trade in an oversight role and to require obedience thereto from all persons and parties under the jurisdiction thereof.

232.01 Announcements. It shall be the duty of the Board of Directors to announce to the members of the KCBT all appointments of a public nature; and in like manner, the Board of Directors shall give notice of any elevator or warehouse, the receipts or contracts of which have been made legal tender in

deliveries among members, or which are no longer legal tender, and any other action taken affecting warehouse receipts, contracts, inspections, or otherwise affecting the business of members.

~~**232.02 Fiscal.** It shall be the duty of the Board of Directors to provide for the collection of the revenues of the KCBT and for the payment of its legitimate ordinary expenses including the cost of such measures as they may deem requisite for fostering and promoting the purposes of the KCBT and the commerce of Kansas City.~~

~~**232.03 Employees.** The Board of Directors shall, at their first meeting after the annual meeting, or as soon thereafter as practicable, appoint such employees as they may deem needful for the purposes of the KCBT, and determine the character and duration of their services, the compensation therefore, and make all needful regulations for their government. They may require of all such appointees an oath to well and faithfully perform all and singular the duties assigned them, and a good and sufficient bond to secure such performance. Said appointments shall be revocable at the pleasure of said Board of Directors.~~

~~Note: The Board of Directors has an established policy severely restricting futures trading activities of employees of the Board of Trade as well as a strict confidentiality standard concerning any and all financial and trading information relating to members and member firms becoming known to the employees of the Board of Trade. Disclosure of such information to third parties or private use for the benefit of the employee is prohibited and constitutes grounds for immediate discharge. Note: Approved at Board of Directors meeting February 23, 1988, see page 1162 of the Board's minutes.~~

~~**233.00 Powers.** The Board of Directors shall have all powers specifically vested in the Board by the Certificate of Incorporation, the By-laws, and all powers permitted by law (see note) which shall include but shall not be limited to the powers enumerated in Rule 233.01.~~

~~Note: Including Delaware law, the laws of the state of domicile, and all applicable state and federal laws and regulations, including the Commodity Exchange Act as amended.~~

~~**233.01 Enumerate Powers.** The Board of Directors shall have all powers hereinafter enumerated in addition to all other powers granted by law.~~

~~a. **Presiding Officer.** Elect a presiding officer in the absence of the Chairman and elected member Vice Chairmen, who shall discharge the duties of Chairman during such absence.~~

~~b. **Legal Assistance.** Employ such legal assistance as they may deem needful.~~

~~c. **Property Regulations.** Establish all necessary regulations for the inspection, weighing, and warehousing of any property dealt in by members.~~

~~d. **Elevators; Warehouses; Rules.** Determine terms and conditions not inconsistent with the Commodity Exchange Act, as amended, nor the rules of the KCBT to which elevators and warehouses must submit in order to have their receipts or contracts made legal tender in deliveries in satisfaction of futures contracts among members, and to require their assent thereto.~~

~~e. **Warehouse Receipts.** Designate warehouses and elevators, the receipts or contracts of which shall be legal tender in delivering property in satisfaction of futures contracts, and to declare such receipts or contracts no longer legal tender; provided that no elevator or warehouse shall be thus made regular or irregular by less than eight (8) affirmative ballot votes.~~

~~f. **Trading Time And Place.** Establish the time and place of trading among members, the manner in which said trading shall be conducted, and provide regulations therefore.~~

~~g. **Admission To Facilities.** Establish regulations for admission to the KCBT and charge a fee therefore.~~

~~h. **Bonds.** Require of the Secretary and Treasurer such bonds as they may determine, conditioned for the safekeeping and proper disbursement of the funds of the KCBT.~~

~~i. **Property.** Become the owner, lessee of, or acquire an interest in any property whenever it shall be determined by the Board of Directors to be in the interest of the KCBT. The Board of Directors shall have full power to frame, adopt, and put into effect such plans as they may deem advisable, by which~~

property shall be held or leased for the use and benefit of those who may from time to time be members of the KCBT in good standing, but shall not vest in any person now or hereafter a party thereto, any interest in said property independent of or distinct from such membership.

~~j. **Quotations.** Control absolutely any and all quotations of transactions made between members under the rules of the KCBT, and to make all regulations and contracts necessary to govern the sale and collection, transmission, distribution, and use of all such quotations.~~

~~k. **Weights And Grades.** Designate by resolution what shall constitute Kansas City Official Weights and Kansas City Official Grades, except as specifically provided in the rules of the KCBT.~~

~~l. **Memberships.** Purchase and retire memberships as provided for in these By-laws.~~

~~m. **Holidays.** Declare by resolution any day to be a holiday, and on such days the KCBT shall be closed.~~

~~n. **Vacancies.** To fill any vacancy that may occur in the Board of Directors or in any of the elective or appointive committees by majority vote of the remaining members of the Board of Directors.~~

~~o. **Regulations.** Adopt regulations not in conflict with the rules which shall have the binding effect of rules unless and until superseded by a rule.~~

~~**234.00 War Powers.** The Board of Directors, during the continuance of any war to which the United States shall be a party, shall have power from time to time thereafter to prohibit, until further action of the Board of Directors and notice thereof, trading for present or future delivery in any or all of the commodities traded on the KCBT, or such trading for delivery in any particular month, including trading in settlement of any then existing futures contracts.~~

~~**234.01 Settlement Of Contracts.** Whenever such trading for future delivery shall have been prohibited under Rule 234.00, the Board of Directors shall appoint a committee of three (3) from the membership at large, which committee shall fix, as of the day immediately preceding the first day on which said futures trading shall have been prohibited, a fair and reasonable price at which existing contracts shall be settled, and the price so established shall, without the payment of any penalty, be the basis on which such settlements of such contracts for future delivery shall be made.~~

~~**234.02 Suspend Rules.** Subject to the provisions of the Commodity Exchange Act, as amended, the Board of Directors, whenever the public welfare, or the best interests of the KCBT in its judgment seem so to require, shall have power to suspend, during the continuance of any war to which the United States shall be a party, the operation of any rule of the KCBT, and also to fix a maximum price for any commodity dealt in at the KCBT, above which price no member shall thereafter and during the maintenance of said maximum price be permitted to make a trade in such commodity.~~

~~**234.03 Action Binding.** Any action of the Board of Directors under the emergency power rules shall be binding on all members, from and after the hour when the same shall be posted on the bulletin board in the KCBT facilities.~~

~~**234.04 Violation.** Any member making a trade, or refusing to make a settlement, or doing any act in violation of emergency power rules, shall be deemed to have been guilty of a grave offense involving the good name of the KCBT, and shall be subject to disciplinary action as provided in Chapter 14 or 33.~~

~~**235.00 Other Emergency Powers.** The Board of Directors, at a regular or special meeting with a quorum present, may by resolution declare the existence of an emergency on a two-thirds (2/3) vote of the Directors present and voting giving the reason(s) therefore; and subject to applicable laws and regulations, shall have the power to take all necessary and appropriate action to properly respond to such emergency. An emergency resolution and related actions shall continue in effect until terminated by resolution of the Board of Directors; however, in no event shall an emergency resolution and related actions continue more than thirty (30) days without submitting to the members the question of whether the emergency resolution should continue for a time specified. These emergency powers are in addition to, and not in limitation of, the powers of the Board of Directors, and nothing contained in this rule shall be deemed exclusive of any other provision for emergency powers provided for pursuant to law.~~

235.01 Action Binding. Any action of the Board of Directors under the emergency power rules shall be binding on both members and non-members from and after the hour when the same shall be posted on the bulletin board and publicly announced on the trading floor.

236.00 Non liability. Without limiting any other right given pursuant to the Certificate of Incorporation, the rules and regulations, or pursuant to law, no Officer, Director, member, or employee acting in accordance with the emergency power rules (Rules 234.00, 235.00, and 237.00†) shall be liable except for willful misconduct.

237.00† Physical Emergency. In the event the physical functions of the KCBT are, or are threatened to be, severely and/or adversely affected by a "physical emergency", such as, but not limited to: fire or other casualty; bomb threats; substantial inclement weather or other natural disasters; power failures; communications and/or transportation breakdowns; the Chairman, the First or Second Vice Chairman, the President, and/or the Chairman of the Pit Committee(s) involved, collectively or individually as available, are duly authorized to deal with the emergency as necessary or appropriate, for and on behalf of the market, including but not limited to suspension of trading on the market. The same individual(s) are also authorized to take action to suspend trading in a stock index futures contract when trading in the primary market for the underlying stocks has not opened or has been halted because of a physical emergency (as adopted by Board of Directors' Resolutions, October 26, 1976 and February 27, 1990).

237.01† Duration. In no event, however, shall suspension of trading on the market by such a designated official continue in effect for more than five (5) days (as adopted by Board of Directors' Resolution, October 26, 1976).

237.02† Termination Of Emergency. In the event suspension of trading is ordered by any of the officials designated in Rule 237.00†, any such official may also order restoration of trading on the market, or removal of such other emergency restrictions imposed by the official, as necessary, upon a determination by any such official that the "physical emergency" has sufficiently abated to permit the physical functions of the market to continue (as adopted by Board of Directors' Resolution, October 26, 1976).

237.03† Notice. As soon as practicable and feasible, the Officers, Board of Directors, and CFTC will be advised and consulted regarding the problem, action taken, and anticipated resumption of trading if it has not already occurred, etc. (as adopted by Board of Directors' Resolution, October 26, 1976).

Committees

240.00 Committees; Chairman To Nominate. Except as otherwise provided, the Chairman, at the first meeting of the Board of Directors after the annual meeting, shall nominate the members of the standing committees and shall designate the chairmen thereof. All such nominations shall be subject to the approval of the Board of Directors. The Chairman with the approval of the Board of Directors shall fill any vacancy in the membership of any such committee.

241.00 General; Standing Committees. In addition to the standing committees specifically provided by the rules, the Board of Directors shall provide such standing committees as they may deem necessary for the purposes of the Board of Trade. Such standing committees may be selected in whole or in part from members other than Directors, but they shall at all times be subject to the control of the Board of Directors, unless otherwise provided.

241.01 Rules Committee. There shall be appointed annually by the Chairman, with the approval of the Board of Directors, a standing Rules Committee, which shall review, draft and recommend to the Board of Directors rules and amendments thereto. The Rules Committee shall also respond to inquiries of members concerning the construction of the rules of the KCBT. Interpretations rendered by the Rules committee may be submitted to the Board of Directors, and, if approved by the Board of Directors, shall become official interpretations. Official interpretations are not necessarily binding on other committees, but they are persuasive.

~~**241.02 Executive Committee.** The Executive Committee shall consist of the Chairman, First Vice Chairman, Second Vice Chairman, two (2) public directors appointed annually by the Chairman with the approval of the Board of Directors, and the President of the Board of Trade who shall be a non-voting member of said Committee. The Executive Committee shall convene to discuss issues of a general nature, matters of interest to the President, approval or disapproval of expenditures exceeding a specific line item by more than ten percent (10%), the use of contingency funds, and other matters as directed by the Board of Directors from time to time.~~

~~**241.03 Elevator, Warehouse, Weight and Inspection Committee.** There shall be appointed each year by the Chairman, with the approval of the Board of Directors, a standing Elevator, Warehouse, Weight and Inspection Committee. This Committee will consider all applications filed by elevator or warehouse owners or operators seeking to become regular for delivery on futures contract trades at the KCBT. This Committee shall:~~

- ~~(a) keep informed of and report to the Board of Directors on matters concerning elevator and warehouse trade, and will have general supervision concerning the weighing, inspection and sampling of grain;~~
- ~~(b) represent the Board of Trade in connection with matters of weighing, inspection or samplings;~~
- ~~(c) supervise the inspection of scales, elevators, warehouses and mills;~~
- ~~(d) investigate all of the regularities of scales or of weights on the commodities dealt with at the KCBT;~~
- ~~(e) handle all matters involving inspection or sampling of grain including complaints relative thereto, proposed changes in grades, the adequacy and accuracy of inspection sampling, and other matters of a similar character; and~~
- ~~(f) supervise over matters relating to protein analysis of wheat.~~

~~**241.04 Planning and Project Committee.** There shall be appointed each year by the Chairman, with the approval by the Board of the Directors, a standing committee to be known the Planning and Project Committee. The Planning and Project Committee shall review and recommend to the Board of Directors products or physical proposals that would benefit the Board of Trade. The Committee shall further pursue all submissions for cost and effectiveness relative to existing physicals and products and shall recommend acceptable items to the Board of Directors for its review and approval.~~

Rule 258. DISCLOSURE AND TRADING BY EMPLOYEES

a. An employee of the Exchange shall not disclose to a non-employee of the Exchange any material, non-public information which such employee obtains as a result of his employment at the KCBTExchange if such employee has or should have a reasonable expectation that such information could assist another person in trading any commodity interest; provided, however, that this provision does not prohibit disclosures made in the course of an employee's duties or to another self-regulatory organization, court of competent jurisdiction, or person who the employee reasonably believes to be a representative of a governmental agency acting in his official capacity.

b. ~~**Trading Prohibition.**~~ An employee of the KCBTExchange shall not trade, directly or indirectly any commodity interest, without regard to where a commodity interest is cleared.

~~c. **Definitions.** Terms used in this Resolution shall have the same meanings as in Commodity Futures Trading Commission Regulation 1.59 (as from time to time amended), unless the context of this clearly requires otherwise.~~

~~Note: Approved at Board of Directors meeting, February 26, 1987, see page 1122 of the Board minutes.~~

~~**232.04 Rule 259. Trading Floor.** The Board of Directors shall, on all business days, cause the facilities to be opened for the admission of members Permit Holders and former Class B Members during the hours set apart for business therein. ~~They~~The Board shall have power to make all needful rules and regulations in regard to such facilities and to enforce the same by the necessary penalties and discipline.~~

Rule 260. SUMMARY ACCESS DENIAL ACTIONS

260.A. Authority to Deny Access

The Chief Regulatory Officer or his delegate, upon a good faith determination that there are substantial reasons to believe that such immediate action is necessary to protect the best interests of the Exchange, may order that Permit Holders be: 1) denied access to any or all Exchange markets; 2) denied access to the Globex platform; 3) denied access to any other electronic trading or clearing platform owned or controlled by CME Group; or (4) immediately removed from any trading floor owned or controlled by the Exchange.

Non-Permit Holders may be denied access to any or all Exchange markets or be denied access to the Globex platform or any other electronic trading or clearing platform owned or controlled by CME Group by the Chief Regulatory Officer or his delegate upon a good faith determination that there are substantial reasons to believe that such immediate action is necessary to protect the best interests of the Exchange.

260.B. Notice

Promptly after an action is taken pursuant to Rule 260.A., the party shall be informed of the action taken, the reasons for the action, and the effective date, time and the duration of the action taken ("Notice"). The party shall be advised of his right to a hearing before the Business Conduct Committee by filing notice of intent with Exchange staff within ten (10) business days of the Notice date.

260.C. Hearing

Permit Holders shall have the right to representation, at their own cost, by legal counsel or anyone other than a Permit Holder of any Exchange disciplinary committee, a Permit Holder of the Board, an employee of CME Group or a person related to the investigation. The Panel shall conduct a de novo hearing solely on the issue of the denial of access in accordance with procedures set forth by the Board for hearings before the Business Conduct Committee. Filing of a notice of intent pursuant to Rule 260.B. shall not stay the Chief Regulatory Officer's decision to deny access.

260.D. Duration of Access Denial

Any decision to deny access pursuant to Rule 260.A. or Rule 260.C. shall not remain in effect for more than 60 days unless the Chief Regulatory Officer or his delegate, upon further consideration of the circumstances that resulted in a prior access denial action, provides written Notice to the party that his access will be denied for an additional period of time not to exceed 60 days and the Notice comports with the provisions of Rule 260.B. Any subsequent extension of the access denial pursuant to this Rule must be mutually agreed to by the party and the Chief Regulatory Officer or his delegate. In the absence of such mutual agreement, Exchange staff may petition the Business Conduct Committee to take emergency action pursuant to Rule 301.01. At any time, a Permit Holder may petition the Business Conduct Committee to reconsider an access denial pursuant to this Rule based upon materially changed circumstances.

10. The Grain Market Review report shall include to the extent practicable the quantity and prices of all spot transactions.

Supplemental Information To Guidelines

Effective July 10, 1976

To convert the basis, as compiled by the Committee, to nominals which are carried in the Grain Market Review, a Kansas City Board of Trade clerk proceeds as follows:

1. **Hard Winter Wheat:** Add the low of nearby KC wheat futures* at that point (usually around 12:45 P.M.) in the day, to the low side of the ordinary wheat protein scale to get the low side of the nominal range; add the high of the nearby KC wheat futures* to the high side of the top of the wheat protein scale to get the top of the nominal range.
2. **Yellow Corn:** Same as wheat, except add low side of cash basis to low point of Chicago corn future for nearby month,* and high side of cash basis plus high point of Chicago corn future for nearby month* (high and low as of time computed).
3. **Sorghum:** To construct the high side of the nominal range, proceed as follows:
 - (1) From the Chicago corn future — high for the day, subtract the KC basis. Divide by 0.56 to convert to hundred weights, subtract forty cents (40¢) freight and then multiply by 0.56.
 - (2) To get the low side, reduce the KC price by the quality-freight differential and multiply by 0.56. The quality-freight differential is made up of a poor quality grain discount and a less desirable proportional rail-billing discount.**
4. **White Corn:** The nominal does not follow the futures directly. The Committee merely expresses the range of its basis based on sales, and bids and offers. In other words, this is a flat price commodity, and it is also a very low volume item, relatively speaking.

* The "trade" prices on the nearby futures until about ten (10) to twenty (20) trading days before expiration, when they move to the next futures month. The exact time varies from commodity to commodity, and from delivery month to delivery month, and is based on various factors: Volume of trade, open interest, whether there is an old-crop/new-crop difference, and other market factors.

** The quality and freight differential is currently forty cents (40¢) per cwt., but could change as marketing conditions change.

Note: These operational guidelines represent the reduction to writing of the system used for many years by the Market Reporting Committees. Since they represent existing rules, they continue to be followed as they were before formalized. However, the CFTC felt the guidelines should nonetheless be approved by them. Therefore, these guidelines have been pending informally and formally before the Commission since mid-November, 1977.

Chapter 3

Committees

Assessments

Rule 300. COMMITTEES

300.A. General Provisions

The Board shall establish from time to time Board level committees and non-Board level committees necessary to conduct the business of the Exchange.

Every committee of the Exchange must have a chairman or co-chairmen. For purposes of these Rules, each co-chairman shall have the powers and duties of a chairman if acting in the capacity of a chairman.

The chairman or co-chairmen may either be members of the Board, if required by the Rules or applicable committee charter, Permit Holders or employees of Permit Holder firms, or non-Permit Holders. The Chairman of the Board may appoint vice-chairmen or alternate chairmen to each committee. All meetings shall be called upon request of the chairman of the committee. In the absence of the chairman or a co-chairman, the function of that office shall be performed by a vice-chairman or an alternate chairman and may be performed by the Chairman of the Board.

Meetings shall be conducted according to established procedures of the Exchange, the By-Laws or committee charter, as applicable. In the absence of established procedures, or in the case of a dispute, Robert's Rules of Order may be consulted as a guide. Voting by proxy at committee meetings shall not be permitted.

300.B. Board Level Committees

The duties of Board level committees are to establish plans for the strategic direction of the Exchange, develop regulatory policy, advise and assist the Board and perform the specific duties assigned to them elsewhere in these Rules and/or in their charters. The Board may refer to a committee any matter within the committee's jurisdiction, and it shall be the duty of the committee to meet, consider the matter and make a complete report to the Board.

A quorum of a Board level committee shall consist of a majority of the members of the committee. All members of a Board level committee shall be entitled to vote, unless otherwise provided in these Rules.

300.C. Non-Board Level Committees

The duties of non-Board level committees are to review investigation reports prepared by Exchange staff, conduct hearings and/or advise and assist the Board and perform the specific duties assigned to them elsewhere in these Rules, in their charters or by the Board. The Board may refer to a committee any matter within the committee's jurisdiction and it shall be the duty of the committee to meet, consider the matter and make a complete report to the Board.

The Board may appoint market participants, Permit Holders or employees of Permit Holder firms and non-Permit Holders to all non-Board level committees to serve at the Board's discretion or until new

committees are appointed. The Board may at any time remove any member of a committee, with or without cause, and all vacancies shall be filled as in the case of an original appointment.

Unless otherwise provided in the Rules, a quorum of a non-Board level committee shall consist of a majority of the members of a committee or a committee panel, excluding the vice-chairman, if any. The chairman of a non-Board level committee, or another individual acting in the capacity of the chairman, may vote only to make or break a tie vote unless otherwise provided in the Rules. No more than one member of a single broker association may serve on a panel of an adjudicatory committee.

300.D. Disqualification from Certain Committees and Governing Boards

No person shall serve on the Board or any Board level committee; the Clearing House Risk Committee; the Emergency Financial Committee, the Business Conduct Committee; the Complaint Committee; any Pit Committee; or the Arbitration Committee

- 1) who is found by a final decision or settlement agreement (or absent a finding of guilt, and in the settlement agreement if any acts charged included a disciplinary offense) to have committed a disciplinary offense, as defined in Section E. below; or
- 2) whose CFTC registration in any capacity has been revoked or suspended; or
- 3) who is subject to an agreement with the CFTC or any self-regulatory organization not to apply for registration or trading privileges; or
- 4) who is subject to a denial, suspension or disqualification from serving on a disciplinary committee, oversight committee, arbitration panel or governing board of any self-regulatory organization as that term is defined in Section 3(a)(26) of the Securities Exchange Act of 1934; or
- 5) who has been convicted of any felony listed in Section 8a(2)(D)(ii) through (iv) of the Commodity Exchange Act

for a period of three (3) years from the date of such final decision or for such a time as the person remains subject to any suspension, expulsion or has failed to pay any portion of a fine imposed for committing a disciplinary offense, whichever is longer.

300.E. Disciplinary Offenses Defined

"Disciplinary offense" is defined as a:

- 1) Violation of any Exchange rule or the rules of a self-regulatory organization (as defined in CFTC Regulation 1.63(a)(1)), except those violations that are related to (a) decorum or attire, (b) financial requirements, or (c) reporting or recordkeeping violations which receive cumulative fines of \$5,000 or less within any calendar year;

2) Notwithstanding paragraph (1) above, a “disciplinary offense” shall include a violation of any Rule or rule of another self-regulatory organization which: (a) involves fraud, deceit or conversion; or (b) results in an access denial, suspension or expulsion;

3) Violation of the Commodity Exchange Act or CFTC regulations; or

4) Failure to exercise supervisory responsibility in violation of the Rules, the rules of other self-regulatory organizations, the Commodity Exchange Act or CFTC regulations with respect to activities that involved fraud, deceit or conversion.

A ~~Permit Holder~~Person who serves on any of the committees listed in Rule 300.D. shall inform the Exchange if he is currently ineligible, and shall immediately inform the Exchange if he later becomes ineligible, to serve on such committees under the standards set forth above with respect to disciplinary offenses. Violation of this rule shall be an act detrimental to the interest or welfare of the Exchange.

300.F. Use or Disclosure of Material, Non-Public Information

No member of any committee shall use or disclose, for any purpose other than the performance of such person’s official duties as a member of a committee member, any material non-public information obtained by such person as a result of such person’s participation on any such committee; provided, however, that if any such person who effects any transactions after having received any such material, non-public information so obtained can show that such transaction was effected in the ordinary course of such person’s business, such person shall not be deemed to have used such information in violation of this rule, unless it can be shown that such person would not have effected such transaction in the absence of such information. For the purposes of this rule, the terms “material” and “non-public information” shall have the meaning set forth in CFTC Regulation 1.59(a).

Rule 301. The Business Conduct Committee

The Business Conduct Committee (sometimes referred to herein as “BCC”) shall be appointed by the Board and consist of (a) Permit Holders, and (b) public directors or persons who would qualify as a public director under Core Principle 15 for Designated Contract Markets. Whenever the BCC is convened under these Rules, it shall do so through a panel of its participants. A panel of the BCC shall consist of the following: four (4) Permit Holders; and either a public director or someone who would qualify as a public director under Core Principle 15 for Designated Contract Markets. One of the panelists shall be appointed the chairman by the Chairman of the Exchange. The BCC shall consist of Panelists who possess sufficiently diverse interests so as to ensure fairness and to prevent special treatment or preference for any person in the conduct of the BCC’s responsibilities. In order that BCC business can be handled, a quorum shall be three (3) Panelists, at least one of whom shall be either a public director or someone who would qualify as a public director under Core Principle 15 for Designated Contract Markets. Should any member of the BCC be unable to serve on a particular matter and a quorum cannot be reached as a result, the Board shall appoint a substitute. Should an appointed member of the BCC resign or become permanently unable to serve, the Board shall appoint a replacement.

301.01 Emergency Actions

The BCC is authorized to determine whether an emergency exists and whether emergency action is warranted. The following events and/or conditions may constitute emergencies:

1. Any actual, attempted, or threatened market manipulation;
2. Any actual, attempted, or threatened corner, squeeze, congestion, or undue concentration of positions;
3. Any action taken by the United States or any foreign government or any state or local government body, any other contract market, board or a committee of trade, or any other exchange or trade association (foreign or domestic), which may have a direct impact on trading on the Exchange;
4. The actual or threatened bankruptcy or insolvency of any Member or the imposition of any injunction or other restraint by any government agency, self-regulatory organization, court or arbitrator upon a Member which may affect the ability of that Member to perform on its contracts;
5. Any circumstance in which it appears that a Member or any other person or entity has failed to perform contracts or is in such financial or operational condition or is conducting business in such a manner that such person or entity cannot be permitted to continue in business without jeopardizing the safety of customer funds, Members, or the Exchange; and/or
6. Any other circumstance which may have a severe, adverse effect upon the functioning of the Exchange.

In the event that the BCC determines, in the good faith exercise of its sole discretion, that an emergency exists, it may take any of the following emergency actions or any other action that may be appropriate to respond to the emergency:

1. ⚠Suspend, curtail or terminate trading in any and all contracts;
2. Limit or deny access to any CME Group trading or clearing platform or trading floor owned or controlled by CME Group;
3. Limit trading to liquidation of contracts only;
4. Impose or modify position limits and/or order liquidation of all or a portion of a Member or non-member's account;
5. Order liquidation or transfer of positions as to which the holder is unable or unwilling to make or take delivery;
6. Confine trading to a specific price range;
7. Modify price limits;
8. Modify the trading days or hours;
9. Modify conditions of delivery;
10. Establish the settlement price at which contracts are to be liquidated;
11. Require additional performance bond to be deposited with the Clearing House; and/or
12. Order any other action or undertaking to address or relieve the emergency.

Powers

In accordance with the provisions of Chapter 14, all actions taken pursuant to this subsection shall be by a majority vote of the panel of the BCC members present. Exchange staff shall give appropriate notice of such action. As soon as practicable, the Board and the CFTC shall be notified of the emergency action in accordance with CFTC regulations. Nothing in this section shall in any way limit the authority of the Board, other committees, or other appropriate officials to act in an emergency situation as defined by these Rules.

Rule 302. Complaint Committee

There shall be appointed by the Board, a standing Complaint Committee. The Complaint Committee shall consist of five (5) Panelists who possess sufficiently diverse interests so as to ensure fairness and to prevent special treatment or preference for any person in the conduct of the Complaint Committee's responsibilities. One (1) of the five (5) Panelists of the Complaint Committee shall be either a public director or someone who would qualify as a public director under Core Principle 15 for Designated Contract Markets. The other four (4) Panelists shall be Permit Holders.

The Complaint Committee shall review Exchange staff reports of investigations into possible rule violations, to see if formal disciplinary proceedings appear necessary, and if so, approve and issue the notice of charges, accept settlement of terms, and make recommendations to the Business Conduct Committee.

In order that the business of the Complaint Committee can be handled, a quorum shall be three (3) Panelists, at least one (1) of whom shall be either a public director or someone who would qualify as a public director under Core Principle 15 for Designated Contract Markets. Should any member of the Complaint Committee be unable to serve on a particular matter and a quorum cannot be reached as a result, the Board shall appoint a substitute. Should an appointed member of the Complaint Committee resign or become permanently unable to serve, the Board shall appoint a replacement.

Rule 303. Arbitration Committee

The Arbitration Committee shall consist of ten (10) participants who shall be Permit Holders, and they shall be appointed by the Board and serve at its discretion or until a new Arbitration Committee is appointed. In order that the business of the Arbitration Committee can be handled, a quorum shall be three (3) panelists. Should any member of the Arbitration Committee be unable to serve on a particular matter and a quorum cannot be reached as a result, the Board shall appoint a substitute. Should an appointed member of the Arbitration Committee resign or become permanently unable to serve, the Board shall appoint a replacement.

Rule 304. Pit Committee

There shall be a Pit Committee for each trading pit that exists on the trading floor. Each Pit Committee shall consist of five (5) Panelists who shall be Permit Holders, and they shall be appointed by the Board and serve at its discretion or until a new Pit Committee is appointed. Should any member of the Pit Committee be unable to serve on a particular matter and a quorum cannot be reached as a result, the Board shall appoint a substitute. A quorum shall be established where a majority of the Pit Committee panelists are present whenever the Pit Committee convenes pursuant to the Rules. Should an appointed member of the Pit Committee resign or become permanently unable to serve, the Board shall appoint a replacement.

A Pit Committee member shall not exercise his authority if he or any person, firm, or entity with which he is affiliated has a personal, financial, or other direct interest in the matter under consideration. A Pit Committee member shall be deemed to have a financial interest if the decision is likely to have an

immediate financial impact on a transaction for his account or an account in which he has an interest or if the decision is likely to impact on liability for filling an order for which he or a person with whom he has a financial or business relationship was responsible.

Rule 305. Clearing House Risk Committee

The Clearing House Risk Committee shall have at least two co-chairmen, who shall be members of the Board, and at least seven additional individuals, five who shall be Clearing Permit Holder representatives and at least one who shall be a non-Permit Holder.

Rule 306. Emergency Financial Committee

The Emergency Financial Committee shall consist of Chief Executive Officer, the President of the Exchange, Chairman of the Board, the Chairman of the Clearing House Risk Committee and the President of the Clearing House.

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Chapter 3

Exchange Funds

Assessments

~~**300.00 Assessments.** The Board of Directors, prior to the first day of February in each year, shall levy assessments on the shares to meet the financial requirements of the KCBT for the ensuing year and any deficit of the preceding year, and shall designate the dates upon which installments thereof shall be due and payable. They may also levy any additional assessment that may be deemed necessary in furtherance of the interests of the KCBT provided such assessment be authorized by a vote of members passed at a meeting called for that purpose.~~

~~**301.00 Failure To Pay.** Any member neglecting or refusing to pay any installment or any assessment within thirty (30) days from the date upon which it is due and payable as provided by Rule 300.00 may, by resolution of the Board of Directors, be excluded from the trading floor until such installment or assessment is paid. Failure to pay the same for a term of one (1) year from the date it becomes due shall of itself operate as a forfeiture and cancellation of the membership of such member and of all property and other rights and privileges thereunder.~~

~~**302.00 Suspended Members.** Suspended members are not relieved of the payment of any assessment, and the payment of any assessment or any installment thereof by a member while under suspension shall not be construed as in any way affecting such suspension.~~

Fees

310.00 through 319.00 Reserved.

**CHAPTER 4
ADMISSION TO BOARD OF TRADE FLOOR**

CHAPTER 4

ADMISSION TO EXCHANGE FLOOR ~~Board Of Trade~~

400.00 Permit Holders ~~Members~~

~~Members~~Permit Holders shall be entitled to admission to the facilities of the ~~Board of Trade Exchange~~ as long as they remain a ~~member~~Permit Holder, and no longer.

400.01~~±~~ Identification.

In order to have adequate identification of floor trading personnel and floor traders and uniform information regarding trades executed every ~~member~~Permit Holder is required to wear an identification badge approved by the ~~KCBT Exchange~~ in a prominent position and in proper fashion to be admitted to the trading floor. The badge must be worn at all times while on the trading floor. Failure to wear a badge shall be considered an act detrimental to the welfare of the ~~KCBT (as adopted by Board of Director's Resolution, April 11, 1967) Exchange. The Visitor Cards are non-transferable and must be renewed every six (6) months.~~

Note: All personnel on the floor should wear some identifying badge except:

- a. Tradesmen servicing equipment;
- b. Regular messengers who are in and out quickly; and
- c. Regular ~~KCBT Exchange~~ staff ~~people and board markers. (July 21, 1980).~~

401.00~~±~~ Former ~~Members. Permit Holders.~~

~~Exchange staff~~ ~~The Secretary~~ is authorized and directed to issue Permanent Visitor Cards to former ~~members~~Permit Holders of the ~~KCBT Exchange~~ no longer active in business, which shall entitle ~~them~~such visitors to access to the trading floor; provided, however, that the holders shall observe the usual rules of decorum, shall not transact any business on the trading floor; and provided further, that such cards may be canceled if the holder shall thereafter engage in the grain or futures business ~~(as adopted by Board of Directors' Resolution, October 19, 1977).~~

402.00 Non-~~Members. Permit Holders.~~

Besides ~~members~~Permit Holders and ~~Former Class B Members pursuant to Rule 100.02~~, no ~~person~~Person shall be admitted to the trading floor of the ~~KCBT Exchange~~ during business hours, except those granted complimentary admission by ~~the Board of Directors~~Exchange staff, visitors introduced by ~~members~~Permit Holders in good standing, or a ~~KCBT officer~~Exchange officers, employees, messengers, and service personnel. No ~~person~~Person, unless a ~~member~~Permit Holder, shall transact any business with any visitor ~~except in the capacity of a commission man for such visitor.~~

402.01~~±~~ Non-~~Members~~Permit Holders; When May Enter Trading Floor.

Non-~~members~~Permit Holders and employees of firms not represented by ~~members~~Permit Holders may not be admitted to the trading floor. Such persons may observe from the third (3rd) floor visitors' gallery.

402.02~~±~~ Non-~~Member~~Permit Holder Employees.

Non-~~member~~Permit Holder employees of firms represented by a ~~member (member firms)~~Permit Holder firm may only enter the trading floor through the center doors, must remain behind the counter, and may only engage in business communications with ~~members~~Permit Holders representing their employer ~~(as adopted by Board of Directors' Resolution, November 12, 1975).~~

402.03~~±~~ Messengers. ~~Members (or firms represented by members)~~

Permit Holders who regularly engage in business on the trading floor, may register one (1) or more persons with ~~the KCBT office~~Exchange staff as "Messengers", for a fee of \$25 a year or part of a year. (Fees are payable in advance and are ~~non-refundable.~~nonrefundable.) Persons so registered may enter the trading floor only to communicate, deliver, or pick up messages, and to deliver or pick up samples, all with ~~members~~Permit Holders of the same firm. They may not conduct any business while on the floor. Only one (1) Messenger per firm may be on the floor at one time. Messengers shall not remain longer than necessary to complete their business. ~~Members~~Permit Holders or firms are responsible for Messengers' actions while on the floor. Messengers may be registered at any time; however, they must re-register January 1 of each year ~~(as adopted by Board of Directors' Resolution, November 12, 1975).~~

402.04~~±~~ Floor Clerks. ~~Members (or firms represented by a member)~~

Permit Holders who personally and regularly engage in futures transactions on the trading floor, may register with ~~the KCBT office~~Exchange staff one (1) or more persons to assist them as "Floor Clerks". Two (2) clerks per ~~member~~Permit Holder may be on the floor at a time. A fee of \$125 per quarter and per clerk on the floor shall be assessed. (The fee for Floor Clerks registered in mid-quarter shall be \$10 for each calendar week left in the quarter or \$20 if there are to be two (2) on the floor.) The Floor Committee and ~~KCBT~~Exchange Staff shall ascertain that there is regular active supervision of Floor Clerks by a ~~member~~Permit Holder on the floor. They shall wear an appropriate badge for identification. They may be registered at any time; however, they must re-register January 1 of each year ~~(as adopted by Board of Directors' Resolution, November 12, 1975).~~

402.05~~±~~ Floor Clerk; Conditions To Admission.

Floor Clerks registered with the ~~Board of Trade~~Exchange shall be subject to the following conditions:

- a. Floor Clerks must remain by their telephones or work stations, except that they may enter the trading pit to give orders, collect fills, and otherwise communicate with brokers to whom their firm is currently giving orders; and they may check with other ~~members~~Permit Holders regarding clearing authorization and other clarification of orders.
- b. Floor Clerks may accept orders from any ~~member~~Permit Holder on the floor for execution on this or other markets.

c. Floor Clerks may communicate by phone with their employers and with non-~~members~~Permit Holders, so long as they do not solicit business.

~~d. Floor Clerks may not obtain any cash information (bids, nominals, basis, etc.) from the cash section of the floor.~~

~~e.~~d. Floor Clerks are subject to all applicable ~~rules~~Rules such as decorum, etc.

~~f.~~e. Floor Clerks may not take or place calls in the ~~KCBT~~Exchange telephone booths.

~~g.~~f. Floor Clerks shall be within the jurisdiction of the ~~Floor committees discussed in Chapter 3 of these Rules, including the Pit~~ Committee, Business Conduct Committee, ~~Futures~~Complaint Committee, and the Board of Directors ~~(as adopted by Board of Director's Resolution, November 12, 1975) and pursuant to a Rules Committee interpretation on July 31, 1986.~~ Floor Clerks are subject to the same disciplinary procedures as ~~members~~Permit Holders.

~~h.~~g. Floor ~~clerks~~Clerks may perform only such services and other clerical, telephone and informational duties as are described in this ~~Resolution~~Rule 402.05.

~~i.~~h. Floor ~~clerks~~Clerks shall not have any interest whatsoever in a commodity futures or commodity options account which contains positions in contracts traded at the ~~KCBT.~~ ~~By Board of Directors action on September 30, 1986 (page 1096 of the Board's minutes) the Board interprets this rule to mean that floor clerks can not~~Exchange. In particular, Floor Clerks cannot trade in any commodity futures or commodity options account in this Exchange or any other exchange, while on the trading floor.

~~Note: Subparagraphs h and i were adopted by resolution by the Board of Directors and the KCBT was notified by the CFTC by letter dated November 14, 1985, that these resolutions can be effective immediately.~~

402.06~~±~~ Floor Clerk Trainees.

A Floor Clerk ~~Trainee~~trainee may be permitted on the floor for a five (5) day period upon giving written notice to ~~the KCBT office~~Exchange staff, provided only one (1) ~~Trainee~~trainee per firm is on the floor at a time, and the privilege is not abused ~~(as adopted by Board of Directors' Resolution, November 12, 1975).~~

402.07~~±~~ Employee Trainees.

Firms represented by a ~~member~~Permit Holder may, by registering such employees with ~~the KCBT office~~Exchange staff, have one (1) ~~Trainee~~trainee on the floor at a time for a period of up to four (4) weeks per ~~Trainee~~trainee, so long as the privilege is not abused. Such persons may not conduct any business on the floor, and the employer firm is responsible for their actions while on the floor ~~(as adopted by Board of Directors' Resolution, November 12, 1975).~~

402.08~~±~~ Enforcement. ~~The employees of the KCBT and the Floor Committee~~

~~Exchange staff~~ are authorized and instructed to enforce the provisions of Rules 402.00 through 402.07~~±~~ ~~(as adopted by the Board of Directors' Resolution, November 12, 1975).~~

403.00 Complimentary Admission.

Persons granted complimentary admission shall be entitled to admission for such time as may be ~~named in the resolution of the Board of Directors admitting them.~~ approved by Exchange staff. Visitors introduced by ~~members~~ Permit Holders shall be entitled to admission upon such terms and for such length of time as ~~the Board of Directors~~ Exchange staff may from time to time determine, and the introducing ~~member~~ Permit Holder shall be responsible for the visitor(s) admitted.

403.01~~±~~ Duration Of Visitor Card; Conditions.

Non-~~members~~ Permit Holders may be admitted to the trading floor by a member Permit Holder upon issuance of a visitor card, good for five (5) days in a thirty (30) day period. Visitors may not conduct any business on the floor, must observe rules on decorum, ~~may not obtain cash bids from members,~~ and must not get in the way of ~~members'~~ Permit Holders' activities. ~~Kansas City employees of firms represented by a member (member firms) may not be issued visitor cards (as adopted by Board of Directors' Resolution, November 12, 1975).~~

~~Note: An individual who terminates affiliation with a member firm and files application for membership which has not yet been approved, is entitled to a visitor's ticket if sponsored as a visitor by another member. The visitor's privileges shall be limited to five (5) days in any thirty (30) day period. However, if the individual is an employee of the member firm during the membership posting period, no visitor's ticket may be issued (Board of Directors Clarification, December 26, 1967).~~

403.02 Visitor Access; Minimum Age.

There shall be no admittance to the trading floor for persons under sixteen (16) years of age without the prior written consent of ~~the KCBT Secretary's Office.~~ Exchange staff. Persons granted special permission by ~~the Secretary's office~~ Exchange staff must, while on the trading floor, at all times be closely supervised by the member Permit Holder or officer registering such person pursuant to Rule 405.00.

405.00 Visitor Registration.

The names of all visitors introduced by ~~members~~ Permit Holders in good standing or ~~a KCBT~~ an Exchange officer shall be on their visitor's identification badge and registered in a book kept for that purpose, which shall bear the date of such registration, the address of the visitor, and the name of the introducing person.

406.00 No Reports To Be Removed.

No person admitted to the facilities of the ~~Board of Trade~~ Exchange shall copy or carry away from such areas any market quotations, reports, or other information posted therein for use in any other place.

407.00 Observance Of Rules.

All persons admitted to the KCBT Exchange rooms shall observe the ~~rules and regulations of the KCBT Rules~~. In the event of any infraction thereof, such person shall, on the order of ~~the Chairman in the case of visitors and the Board of Directors in the case of members~~ Exchange staff, be denied further admission for such time as may be named in such order. ~~Members introducing offending visitors may be censured by the Board of Directors.~~

408.00 Decorum.

All ~~members, floor clerks~~ Permit Holders, Floor Clerks, messengers, visitors and other persons admitted to ~~the KCBT Exchange~~ facilities shall observe proper business decorum. Disorderly conduct, sexual harassment, physical violence, the use of profane or obscene language, the commission of any offenses as listed in Rules 408.01 and 408.02, or the violation of any ~~Resolution approved by the Board~~ Rule which relates to ~~exchange~~ Exchange floor decorum is a decorum offense. ~~Members~~ Permit Holders are responsible for the conduct of their ~~clerks~~ Floor Clerks, trainees, messengers and visitors. The penalty for any such offense (except for sexual harassment and physical violence, which are covered under Rule 408.03) may be a warning, a fine not to exceed \$500, or a temporary expulsion or suspension from the Exchange facilities.

~~**408.01 Dress Code.** 408.01 Dress Code. The Kansas City Board of Trade was founded in 1856 and is the world's largest futures market for Hard Red Winter wheat; in addition, it was the originator of the Stock Index Futures Contract in 1982. Thus, it~~

~~It~~ is essential that a measure of presentability be maintained and a serious, business atmosphere be presented to the many visitors and spectators that witness our daily activities.

In keeping with this, ~~member or member firms~~ Permit Holders shall be responsible for adherence of their employees to this directive. This includes ~~members, members'~~ Permit Holders, Permit Holders' employees, and employees of the Board of Trade, Exchange. The following attire shall be mandatory at all times (not only during trading hours) on the ~~Trading Floor~~ Exchange floor:

1. Conventional, businesslike attire shall be worn.
2. ~~Members~~ Permit Holders shall wear a business jacket (trading jacket) or suit.
3. Employees of ~~member firms~~ Permit Holders shall wear a jacket as prescribed by the KCBT Exchange (i.e., sleeves not rolled up past the elbow) ~~or as provided by the Floor Committee.~~
4. All men must wear a shirt with a collar. Shirttails shall be tucked in. If a necktie or bowtie is worn, it shall be worn in a conventional manner, tied above the second button.
5. Men must wear socks. Gym shoes may be worn if they are clean and presentable.
6. Every ~~member~~ Permit Holder, employees of ~~member firms~~ Permit Holders, and ~~Trading Floor~~ Exchange floor staff must wear an identification badge, as approved by staff of the KCBT Exchange. The badge must be worn in plain view, on the upper front of each jacket or shirt.
7. Personal attire shall be neat, clean and presentable.

The following attire is **not** acceptable on the Trading Floor.

1. Denim jean pants, jean jumpsuits, bib overalls, painter pants, harem pants, jungle pants, walking shorts, tie-dies, sweat pants, culottes, and all pants that are dirty, frayed, torn, badly wrinkled or otherwise inappropriate.
2. Attire which exposes the body (chest, back, midriff, thighs) that draws excessive attention or detracts from a businesslike atmosphere (i.e., bare midriffs, revealing dresses, hot pants, miniskirts, shorts, tube tops, T-shirts bearing messages, pictures, slogans, sweatshirts, etc.). All clothing that is dirty, faded, torn, frayed, badly wrinkled, too short, or appropriate for manual labor.
3. Footwear with extremely high heels, high platform shoes, thongs, and bedroom slippers.
4. Head-scarves, hats, or similar head coverings.
5. Attire of a general unkempt or ungroomed appearance that does not lend itself to the business atmosphere of a financial institution.

Any ~~member, member~~ Permit Holder, Permit Holder employee, or employee of the KCBTExchange will not be allowed on the Trading Floor if he or she does not meet the requirements of this directive.

408.02± Offensive Conduct.

The following enumeration shall constitute offensive conduct subject to the provisions of Rule 408.00. Visitors shall abide by the same code of conduct as ~~members~~ Permit Holders, and in the event of an offense by a visitor, such person shall be immediately expelled from the trading floor and visitation privileges withheld from such visitor for such time as provided in these Rules.

Floor rules apply at all times.

The following are prohibited:

~~a-~~

1. ~~Sitting on tables, desks, or counters located in the trading hall;~~
2. ~~b-~~ Sitting on steps of trading pit;
3. ~~c-~~ Spitting on the floor;
4. ~~d-~~ Deliberate littering of floor with paper, grain, or other matter;
5. ~~e-~~ Throwing, flipping, or tossing of grain or other missiles;
6. ~~f-~~ Carrying beverages and/or food onto trading floor;
7. ~~g-~~ Creating a loud or disturbing noise;
8. ~~h-~~ Molesting;
9. ~~i-~~ Outburst of vulgar or abusive language;
10. ~~j-~~ Possession or display of any offensive pictures or publications;

~~k-~~ Matching of coins or other open forms of gambling on the trading floor

~~11. (as adopted by Board of Directors' Resolution, April 14, 1966);~~ and

~~12. Smoking is prohibited~~ on the trading floor or in the lounge areas.

408.03 Physical Violence / Sexual Harassment.

All ~~members~~Permit Holders and other persons admitted to ~~the KCBT Exchange~~ facilities shall not initiate or participate in physical violence or sexual harassment. Violators may be fined up to \$5,000.00 for any violation hereof and expelled and suspended from the facilities. For actions involving a suspension or expulsion of more than one (1) business day, the respondent may request a full disciplinary proceeding pursuant to ~~Rules 1433.00~~Rule 408.04 by filing a written request for such with ~~the Secretary of the Exchange~~ staff within five (5) business days of the date of notification of such action.

Sexual harassment will not be tolerated anywhere on the ~~exchange floor~~premises of the Exchange. Sexual harassment consists of unlawful verbal or physical conduct directed at a person when that conduct is based on that person's sex and has a substantive adverse effect on him or her in the workplace. Such conduct may include, but is not limited to, the following:

~~1.~~

1. Requests for sexual favors that may or may not be accompanied by threats or promises of preferential treatment with respect to an individual's employment status;

~~1.~~ 2. Verbal, written or graphic communications of a sexual nature, including lewd or sexually suggestive comments, off-color jokes of a sexual nature or displays of sexually

~~2.~~ 3. Patting, pinching, hitting or any other unnecessary contact with another person's body or threats to take such action.

408.04 Enforcement of Decorum. ~~The Audits and Investigations~~

Exchange staff ~~of the Board of Trade~~ shall conduct a review of any alleged violation of the provisions of Rules 408.00 through 408.03. A brief report shall be drafted summarizing the alleged rule violations and any pertinent factual evidence collected. Such report shall be forwarded to the Floor Complaint Committee for a determination of sanctions as provided for in these rules. The Floor Complaint Committee shall afford the parties involved in the alleged infraction the opportunity to make a brief presentation before the committee at their meeting. In order to provide advance notice of such meeting to the parties involved, the Floor Complaint Committee shall meet no earlier than the business day following the alleged infraction.

An informal appeal of the ~~Floor Committee~~Complaint Committee's decision may be taken to a panel of the Business Conduct Committee, provided the ~~member~~Permit Holder subject to the decision files a written request for appeal with ~~the Secretary of the~~ Exchange staff within three (3) business days following the date such ~~member~~Permit Holder was notified of the decision. Notwithstanding the foregoing sentence, an informal appeal shall not be permitted where the Complaint Committee decision includes a sanction that is less than \$5,000. The decision of the Business Conduct Committee on appeal shall be final. Absent an appeal, any sanctions shall become effective on the fifth (5th) business day following the date ~~notice~~the Notice of the Floor Complaint Committee decision is received by the

memberPermit Holder subject to the action. In the case of an appeal, any sanctions shall become effective on the second (2nd) business day following the decision of the Business Conduct Committee.

~~**408.05 Expulsion or Suspension.** Notwithstanding the provisions of Rule 408.04, the KCBT Chairman or the Chairman of the Floor Committee may temporarily expel or suspend any member from the facilities for violations of Rules 408.00 through 408.03 when such action is considered necessary to protect the best interest of the exchange or its members.~~

~~**408.06 Formal charges.** For any decorum offense, the Floor committee may, in lieu of imposing sanctions, bring formal charges against a member pursuant to Rule 1414.00 and have the matter handled pursuant to the disciplinary procedures set forth in Chapter 14 of the KCBT rules. The Floor Committee may receive and consider offers of settlement pursuant to Rule 1416.00.~~

Chapter 5 Miscellaneous

Radio, Video and Internet-based Transmissions

500.00 Transmission Prohibition

~~No member~~ No Permit Holder or other person admitted to the trading floor shall transmit, cause, or permit to be transmitted, from Kansas City or any other point, by any kind of radio, video or internet-based service, in which the ~~member's~~ Permit Holder's own name, the name of the firm, company, or corporation the ~~member~~ Permit Holder represents, or in which the name of any employee or person in any way connected with the ~~member~~ Permit Holder or the firm, company, or corporation the ~~member~~ Permit Holder represents, is mentioned, any market quotations, reports, or gossip of any kind without first having the approval of ~~the Board of Directors on the recommendation of the appropriate committee~~ Exchange staff.

500.01 Permission.

The granting of such permission shall be limited to such time and material as ~~the Board of Directors~~ Exchange staff may grant.

500.02~~±~~ Radio Broadcasting.

Blanket approval has been granted to ~~members~~ Permit Holders of the ~~Board of Trade~~ Exchange to sponsor radio broadcasting of Kansas City market quotations and permission to state the name, address, phone number, and personnel of the sponsor; a factual statement of the services rendered by the sponsor; and permission to solicit business, i.e., invite inquiries, furnishing of brochures upon request, etc. ~~(as adopted by Board of Directors' Resolution, April 27, 1967).~~

501.00 Taking Credit.

Taking credit, or allowing credit to be given, by radio, personal statement, letter, circular, card, or in any other manner, for furnishing such information for radio, video or internet-based service shall be construed as a violation of this Chapter.

502.00 Penalties.

Any ~~member~~ Permit Holder violating any provision of this Chapter shall be subject to ~~the available~~ disciplinary action ~~pursuant to Chapter 14 or Chapter 33, as set forth within these Rules.~~

Reporting Requirements

505.00 Stocks, Receipts and Shipments.

All ~~members~~ Permit Holders, firms, or corporations operating any facility for the receipt and shipment of grain or other commodities into, out of, or through the switching district of an Exchange approved delivery location set forth in Rule 2000.03, shall submit the following reports;

~~1.~~

1. Daily reports of previous business day's activity shall be submitted to the Exchange no later than 30 minutes prior to the opening of the ~~KCBT~~Exchange's wheat futures market on the business day following the date of the report. Such report shall reflect, by commodity, in bushels; total beginning stocks; amounts unloaded into and loaded out of such facility reported separately for rail, truck and barge conveyance; and total ending stocks.
2. Weekly reports shall be submitted to the Exchange no later than 3:00 p.m. on each Monday following the Friday covered by the report. If Monday is a holiday, the report shall be submitted no later than 3:00 p.m. on the next business day. Such report for each warehouse shall reflect, in bushels, as of the close of business each Friday; the total quantity of deliverable grades of Hard Red Winter Wheat stored in the warehouse, excluding CCC stocks; the total quantity of non-deliverable and ungraded Hard Red Winter Wheat stored in the warehouse, excluding CCC stocks; the total quantity of Hard Red Winter Wheat CCC stocks stored in the warehouse; and the total quantity of deliverable, non-deliverable/ungraded, and CCC stocks of Hard Red Winter Wheat stored in the warehouse.
3. All such individual warehouse reports submitted pursuant to this rule shall be kept confidential by the Exchange, but shall be made public in total, by location. For the daily reports submitted under subsection 1 above, such public totals shall be reported separately, by location, by commodity, and, for receipts and shipments, reported separately by each form of conveyance. Any ~~member~~Permit Holder who fails to report the information's required by this rule within the prescribed time deadlines or submits a false report to the Exchange pursuant to this rule, shall be subject to disciplinary action under Chapter 14 of these rules.

[Chapter 6 \[Reserved.\]](#)

[Chapter 7 \[Reserved.\]](#)

[Chapter 8 \[Reserved.\]](#)

Chapter 9

Electronic Trading

900.00 Electronic Trading System

The term “Electronic Trading System”, when used in this Chapter shall refer to the electronic trading platform operated by ~~the~~ Chicago Mercantile Exchange, Inc. under the name CME Globex®. ~~KCBT products are made available for trading on the Electronic Trading System pursuant to a services agreement between KCBT and the Chicago Mercantile Exchange, Inc. (“Provider”).~~
“

CME and CME Globex are trademarks of the Chicago Mercantile Exchange, Inc. and ~~is~~are registered in the United States. CME Group is a trademark of CME Group, Inc.”

901.00 Rules & Regulations.

The rules ~~and regulations~~ contained in this Chapter govern those ~~KCBT~~Exchange contracts that are traded through the Electronic Trading System. To the extent that the provisions in this Chapter conflict with ~~rules and regulations in other sections of this Rulebook~~Rules, this Chapter supersedes ~~such rules and regulations~~those Rules and governs the manner in which contracts are traded through the Electronic Trading System. Otherwise, contracts traded on the Electronic Trading System are fully subject to all other applicable ~~general rules and regulations~~Rules of the ~~KCBT~~Exchange unless specifically and expressly excluded therefrom.

~~901.01 Additional Rules or Amendments.~~ The Board of Directors has the authority to implement additional rules and alter existing rules of this Chapter following notification to the membership, subject to CFTC approval, if required.

901.02 Electronic Trading System Procedures.

The ~~KCBT~~Exchange may immediately adopt, cancel or modify procedures of the Electronic Trading System, including but not limited to, access, order entry, open, execution, confirmation, closing, clearing, reporting, notification and recordkeeping procedures determined to be necessary so as to comply with the Commodity Exchange Act, Commission Regulations, ~~KCBT~~the Rules, ~~Regulations, Resolutions~~ and surveillance obligations, or other controlling or governing authority; or determined to be in the best interest of the ~~KCBT, Membership, users or public; or required as a result of changes by the Electronic Trading System Provider.~~ Exchange.

~~902.00 Electronic Trading System Provider Rules, Policies & Procedures.~~ Any person accessing the Electronic Trading System for purposes of trading KCBT contracts shall abide by the electronic Trading System Provider’s rules, policies & procedures not specifically set forth in the KCBT rules of this Chapter, including but not limited to access, registration & identification of system users (“Registered Users”), opening, pre-opening, order entry, order types, and error trade policy including authority to bust or price adjust trades. KCBT shall determine the no-bust ranges and trade matching algorithms for its products listed on the Electronic Trading System. The purpose of this rule is to achieve maximum

harmonization between the KCBT and System Provider's rules, policies and procedures for trading on the Electronic Trading System.

903.00 Clearing ~~Member~~Participant Authorization.

- (a) ~~Primary Clearing Member~~Each Permit Holder or each non-clearing member or non-member~~Permit Holder~~ with a direct connection who enters transactions through the Electronic Trading System must ~~obtain authorization from a Primary~~be properly qualified by a Clearing Participant. The qualifying Clearing ~~Member. The Primary Clearing Member~~Participant shall guarantee and assume financial responsibility for all such transactions traded through the Electronic Trading System under its Clearing ~~Member~~Participant ID. The ~~Primary~~qualifying Clearing ~~Member~~Participant shall be liable upon all such trades made by the ~~non-clearing member or non-member~~qualified Permit Holder or qualified non-Permit Holder and shall be a party to all disputes arising from such trades.

~~(b) Other Clearing Members – A non-clearing member or non-member with a direct connection may be authorized to enter transactions through the Electronic Trading System by one or more clearing members, in addition to its Primary Clearing Member, in accordance with the requirements of Resolution 13-1301.00-1, provided that written permission has been granted by its Primary Clearing Member. Such other clearing member shall be liable upon all Electronic Trading System trades made by the non-clearing member or non-member under its Clearing Member ID and shall be a party to all disputes arising from such trades.~~

~~(b) (c) Revocation of Clearing Authorization – A clearing member that provides the Electronic Trading System Provider trading authorization to a non-clearing member or non-member~~Clearing Participant may revoke ~~such authorization~~its qualification of a Permit Holder or non-Permit Holder without prior notice. Written ~~notice~~Notice of the revocation of ~~clearing authorization~~such qualification shall be immediately provided to the ~~Electronic Trading System Provider~~Clearing House, which shall thereby terminate such ~~connection~~Exchange privileges and cancel all orders of the ~~non-clearing member or non-member in the System under the revoking Clearing Member's ID. If the revocation is by the Primary Clearing Member, all Electronic Trading System connections of the non-clearing member or non-member shall be terminated until another clearing member has designated itself as the Primary Clearing Member. Unless otherwise specified by the Primary Clearing Member, a member whose connection to the Electronic Trading System has been terminated shall not automatically be denied access to the Floor of the KCBT during Regular Trading Hours~~Permit Holder or non-Permit Holder.

904.00 Authorized Products.

The Board ~~of Directors~~ shall determine the contracts and/or products which shall be listed on the Electronic Trading System. The following products are authorized for trading:

- a. Hard Red Winter Wheat Futures ("Wheat Futures")
- b. ~~Wheat~~ Options on Wheat Futures ("Wheat Options")

905.00 Trading Hours.

The Board ~~of Directors~~ shall determine the business day hours during which the Electronic Trading System shall operate for the trading of each contract or product. The trading hours for the authorized products are as follows:

- a. Wheat Futures – 5:00 p.m. to 2:00 p.m., Sunday through Friday
- b. Wheat Options – 5:00 p.m. to 2:00 p.m., Sunday through Friday

909.00 Priority of Execution.

Orders received by a ~~member~~Permit Holder or Registered User shall be entered into the Electronic Trading System in the sequence received. Orders that cannot be immediately entered into the Electronic Trading System must be entered when the orders become executable in the sequence in which the orders were received.

910.00 Good Faith Bids and Offers.

A ~~member~~Permit Holder or Registered User shall not knowingly enter, or cause to be entered, bids or offers into the Electronic Trading System other than in good faith for the purpose of executing bona fide transactions.

911.00 Records of Transactions Effected Through the Electronic Trading System.

All written orders and any other original records pertaining to orders entered through the Electronic Trading System must be retained for five (5) years. For orders entered into the Electronic Trading System immediately upon receipt, the data contained in the Electronic Trading System shall be deemed the original records of the transaction.

912.00 Trading Against Customer Orders, Crossing Orders and Pre-Execution Communications.

- (a) Trading Against Customer Orders – During an Electronic Trading System trading session, a ~~member~~Permit Holder or Registered User shall not knowingly cause to be entered or knowingly enter into a transaction in which he takes the opposite side of an order entered on behalf of a customer, for the ~~member's~~Permit Holder's or Registered User's own account or his employer's proprietary account unless the customer order has been entered immediately upon receipt and has first been exposed on the Electronic Trading System for a minimum of five (5) seconds for futures contracts and a minimum of fifteen (15) seconds for options contracts. Such transactions that are unknowingly consummated shall not be considered to have violated this regulation.
- (b) Crossing Orders – Independently initiated orders on opposite sides of the market for different beneficial account owners that are immediately executable against each other may be entered without delay, provided that the orders did not involve pre-execution communications.

Opposite orders for different beneficial accounts that are simultaneously placed by a party with discretion over both accounts may be entered, provided that one (1) order is exposed

on the Electronic Trading System for a minimum of five (5) seconds for futures contracts and a minimum of fifteen (15) seconds for options contracts.

An order allowing for price and/or time discretion, if not entered immediately upon receipt, may be knowingly entered opposite a second order entered by the same firm only if the second order has been entered immediately upon receipt and has been exposed on the Electronic Trading System for a minimum of five (5) seconds for futures contracts and a minimum of fifteen (15) seconds for options contracts.

- (c) Pre-Execution Communications Prohibited – Pre-execution communications are communications between two market participants for the purpose of discerning interest in the execution of a transaction prior to the entry of an order on the Electronic Trading System. Pre-execution communications and transactions arising from such communications are prohibited except with respect to Exchange of Futures transactions pursuant to Rules 1128.00 and 1129.00, if applicable.

Violations of this rule shall be considered an act detrimental to the best interest and welfare of the KCBTExchange.

913.00 Disclosure Statement.

No memberPermit Holder or clearing-memberClearing Participant shall accept an order from, or on behalf of, a customer for entry into the Electronic Trading System, unless such customer is first provided with the Uniform Electronic Trading and Order Routing System Disclosure Statement developed by the National Futures Association.

914.00 Disciplinary Procedures.

All access denials, suspensions, expulsions and other restrictions imposed upon a memberPermit Holder or Registered User by the KCBTExchange pursuant to disciplinary procedures contained in Chapter 14 of the KCBT-rulesRules shall restrict with equal force and effect access to, and use of, the Electronic Trading System.

915.00 Misuse of Electronic Trading System.

Misuse of the Electronic Trading System is strictly prohibited. It shall be deemed an act detrimental to the interest and welfare of the KCBTExchange to either willfully or negligently engage in unauthorized access to the Electronic Trading System, to assist any individual in obtaining unauthorized access to the Electronic Trading System, to trade on the Electronic Trading System without the authorization of a clearing-memberClearing Participant, to alter the equipment associated with the Electronic Trading System, to interfere with the operation of the Electronic Trading System, to use or configure a component of the Electronic Trading System in a manner which does not conform to the Electronic Trading System's acceptable use policy, to intercept or interfere with information provided on or through the Electronic Trading System, or in any way to use the Electronic Trading System in a manner contrary to the rules-and-regulations-of-the-KCBTRules.

916.00 Termination of Electronic Trading System Connection.

The ~~KCBT and/or the Electronic Trading System Provider~~Exchange, at its sole discretion, shall have the right to summarily terminate the connection of any ~~member~~Permit Holder or non-~~member~~Permit Holder, or the access of any Registered User. Additionally, the ~~KCBT and/or the Electronic Trading System Provider~~Exchange, at its sole discretion, shall have the right to direct a ~~member~~Permit Holder or non-~~member~~Permit Holder with a direct connection to immediately terminate access to the Electronic Trading System of any user.

917.00 Books and Records, Participation in Exchange Investigations

It shall be an offense:

1. to fail to appear before the Board, Exchange staff or any investigative or hearing committee at a duly convened hearing or scheduled staff interview, or in connection with any investigation;
2. to fail to fully answer all questions and produce all books and records at such hearing, or in connection with any investigation, or to make false statements; and
- 1-3. to fail to produce any books or records requested by duly authorized Exchange staff, in the format and medium specified in the request, within ten (10) days after such request is made or such shorter period of time as determined by Exchange staff in exigent circumstances.

918.00 Limitation of Liability, No Warranties.

LIMITATION OF LIABILITY, NO WARRANTIES

A. ~~EXCEPT AS PROVIDED BELOW, KCBT, THE EXCHANGE, CHICAGO MERCANTILE EXCHANGE, INC. ("CME"), THE BOARD OF TRADE OF THE CITY OF CHICAGO INC. ("CBOT") AND THE NEW YORK MERCANTILE EXCHANGE INC. ("NYMEX")~~ (INCLUDING EACH OF THEIR RESPECTIVE ~~SHAREHOLDERS, SUBSIDIARIES AND AFFILIATES~~), THEIR ~~RESPECTIVE~~ OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, CONSULTANTS, LICENSORS, ~~MEMBERS~~PERMIT HOLDERS, AND CLEARING ~~MEMBERS~~PARTICIPANTS, SHALL NOT BE LIABLE TO ANY PERSON FOR ANY LOSSES, DAMAGES, COSTS OR EXPENSES (INCLUDING, BUT NOT LIMITED TO, LOSS OF PROFITS, LOSS OF USE, AND DIRECT, INDIRECT, INCIDENTAL, CONSEQUENTIAL OR PUNITIVE DAMAGES), ARISING FROM:

- (i) ~~ANY FAILURE, MALFUNCTION, FAULT IN DELIVERY, DELAY, OMISSION, SUSPENSION, INACCURACY, INTERRUPTION, TERMINATION, OR ANY OTHER CAUSE, IN CONNECTION WITH THE FURNISHING, PERFORMANCE, OPERATION, MAINTENANCE, USE OF OR INABILITY TO USE ALL OR ANY PART OF ANY OF THE CME'S SYSTEMS, SYSTEMS AND SERVICES OF THE EXCHANGE, CME, CBOT OR NYMEX, OR~~ SERVICES, EQUIPMENT OR FACILITIES USED TO SUPPORT SUCH SYSTEMS AND SERVICES, INCLUDING WITHOUT LIMITATION ELECTRONIC ORDER ENTRY/DELIVERY, TRADING THROUGH ANY ELECTRONIC MEANS, ELECTRONIC COMMUNICATION OF MARKET DATA OR INFORMATION, WORKSTATIONS USED BY ~~MEMBERS~~PERMIT HOLDERS AND AUTHORIZED EMPLOYEES OF ~~MEMBERS~~PERMIT HOLDERS, PRICE REPORTING SYSTEMS AND ANY AND ALL TERMINALS, COMMUNICATIONS NETWORKS, CENTRAL COMPUTERS, SOFTWARE, HARDWARE, FIRMWARE AND PRINTERS RELATING

THERETO; OR

- (ii) ~~ANY FAILURE OR MALFUNCTION, FAULT IN DELIVERY, DELAY, OMISSION, SUSPENSION, INACCURACY, INTERRUPTION OR TERMINATION, OR ANY OTHER CAUSE, OF ANY SYSTEM OR SERVICE OF THE CME EXCHANGE, CME, CBOT OR NYMEX, OR SERVICES, EQUIPMENT OR FACILITIES USED TO SUPPORT SUCH SYSTEMS OR SERVICES, CAUSED BY ANY THIRD PARTIES INCLUDING, BUT NOT LIMITED TO, INDEPENDENT SOFTWARE VENDORS AND NETWORK PROVIDERS; OR~~
- (iii) ~~ANY ERRORS OR INACCURACIES IN INFORMATION PROVIDED BY THE CME EXCHANGE, CME, CBOT OR NYMEX OR ANY EXCHANGE, CME SYSTEM, SERVICE OR FACILITY; EXCEPT FOR INCORRECT ORDER STATUSING INFORMATION AS PROVIDED IN CME RULE 579 (GLOBEX CONTROL CENTER AND ORDER STATUSING);, CBOT OR NYMEX SYSTEMS, SERVICES OR FACILITIES; OR~~
- (iv) ~~ANY UNAUTHORIZED ACCESS TO OR UNAUTHORIZED USE OF ANY CME SYSTEM, SERVICE OR FACILITY EXCHANGE, CME, CBOT OR NYMEX SYSTEMS, SERVICES OR FACILITIES BY ANY PERSON.~~

THE FOREGOING LIMITATION OF LIABILITY SHALL APPLY WHETHER A CLAIM ARISES IN CONTRACT, TORT, NEGLIGENCE, STRICT LIABILITY, CONTRIBUTION OR OTHERWISE AND WHETHER THE CLAIM IS BROUGHT DIRECTLY OR AS A THIRD PARTY CLAIM.

THE FOREGOING LIMITATION OF LIABILITY SHALL BE SUBJECT TO THE COMMODITY EXCHANGE ACT AND REGULATIONS THEREUNDER. A PARTY WHO HAS BEEN FINALLY ADJUDICATED TO HAVE ENGAGED IN WILLFUL OR WANTON MISCONDUCT MAY NOT AVAIL ITSELF OF THE PROTECTIONS IN THIS RULE.

B. ~~THERE ARE NO EXPRESS OR IMPLIED WARRANTIES OR REPRESENTATIONS (INCLUDING BUT NOT LIMITED TO WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE OR USE) PROVIDED BY THE EXCHANGE, CME, CBOT OR NYMEX (INCLUDING ~~ITSTHEIR~~ RESPECTIVE SUBSIDIARIES AND AFFILIATES), ~~ITSTHEIR RESPECTIVE~~ OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, CONSULTANTS, AND LICENSORS RELATING TO ANY SYSTEMS OR SERVICES OF THE EXCHANGE, CME, CBOT OR NYMEX OR SERVICES, EQUIPMENT OR FACILITIES USED TO SUPPORT SUCH SYSTEMS OR SERVICES, INCLUDING THE GLOBEX SYSTEM.~~

C. ANY DISPUTE ARISING OUT OF THE USE OF SYSTEMS OR SERVICES OF CME OR THE CME EXCHANGE OR SERVICES, EQUIPMENT OR FACILITIES USED TO SUPPORT SUCH SYSTEMS OR SERVICES IN WHICH CME OR THE EXCHANGE (INCLUDING ~~ANY OF~~ ITS SUBSIDIARIES AND AFFILIATES), OR ANY OF ITS OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, CONSULTANTS OR LICENSORS IS A PARTY SHALL BE ARBITRATED PURSUANT TO CME ~~RULE 621 AND EXCHANGE RULES~~. ANY ARBITRATION SHALL BE BROUGHT WITHIN THE PERIOD PRESCRIBED BY CME AND EXCHANGE RULES. ANY OTHER ACTIONS, SUITS OR PROCEEDINGS AGAINST ANY OF THE ABOVE MUST BE BROUGHT WITHIN TWO (2) YEARS FROM THE TIME THAT A CAUSE OF ACTION HAS ACCRUED. THIS PARAGRAPH C SHALL IN NO WAY BE CONSTRUED TO LIMIT A PARTY'S OBLIGATION TO ARBITRATE ITS CLAIM OR TO CREATE A CAUSE OF ACTION AND SHALL NOT AUTHORIZE AN ACTION THAT WOULD OTHERWISE BE PROHIBITED BY CME OR EXCHANGE RULES. IF FOR ANY REASON, A COURT OF COMPETENT JURISDICTION FINDS THAT SUCH DISPUTE IS NOT ARBITRABLE, SUCH DISPUTE MAY ONLY BE LITIGATED IN THE COUNTY OF

COOK IN THE STATE OF ILLINOIS AND WILL BE GOVERNED BY THE LAWS OF THE STATE OF ILLINOIS WITHOUT REGARD TO ANY PROVISIONS OF ILLINOIS LAW THAT WOULD APPLY THE SUBSTANTIVE LAW OF A DIFFERENT JURISDICTION.

D.- THE EXCHANGE, CME, CBOT AND NYMEX MAY, IN THEIR-RESPECTIVE SOLE DISCRETION, ASSUME RESPONSIBILITY FOR DIRECT, OUT-OF-POCKET LOSSES DIRECTLY CAUSED BY THE NEGLIGENCE OF GLOBEX CONTROLGLOBAL COMMAND CENTER OR OTHER EXCHANGE, CME, CBOT OR NYMEX STAFF AND/OR ORDER STATUS ERRORS PROVIDED BY THE GLOBEX CONTROLGLOBAL COMMAND CENTER OR CME SYSTEM,AND/OR THE CLEARING CUSTOMER SERVICE OR FACILITY. NOTWITHSTANDING THE ABOVEDESK. IF SUCH LIABILITY IS ACCEPTED, THE CME'S-TOTAL COMBINED-AGGREGATE OBLIGATIONS FOR THE EXCHANGE, CME, CBOT AND NYMEX SHALL NOT EXCEED \$100,000 FOR ALL LOSSES FROM ALL CAUSES SUFFERED ON A SINGLE DAY; \$200,000 FOR ALL LOSSES SUFFERED FROM ALL CAUSES IN A SINGLE CALENDAR MONTH; AND \$2,400,000, EXCEPT FOR ALL LOSSES FROM ALL CAUSES SUFFERED IN A SINGLE CALENDAR YEAR.LOSSES CAUSED BY PHANTOM ORDERS WHICH ARE SUBJECT TO THE PROVISIONS OF PARAGRAPHS F. AND G. BELOW. ANY DISPUTED CLAIM PURSUANT TOMADE UNDER THIS PARAGRAPH-DRULE MUST BE ARBITRATED PURSUANT TO CME-RULE 621-EXCHANGE RULES.

E.- IN NO EVENT SHALL THE CME'SCOLLECTIVE TOTAL COMBINED-AGGREGATE LIABILITY FOR THE EXCHANGE, CME, CBOT AND NYMEX FOR ALL CLAIMS ARISING OUT OF ANY NEGLIGENCE, FAILURES, MALFUNCTIONS, FAULTS IN DELIVERY, DELAYS, OMISSIONS, SUSPENSIONS, INACCURACIES, INTERRUPTIONS, TERMINATIONS, ORDER STATUSING ERRORS OR ANY OTHER CAUSES, EXCEPT FOR PHANTOM ORDERS WHICH ARE SUBJECT TO THE PROVISIONS OF PARAGRAPHS F. AND G. BELOW, IN CONNECTION WITH THE FURNISHING, PERFORMANCE, OPERATION, MAINTENANCE, USE OF OR INABILITY TO USE ALL OR ANY PART OF ANY OF THE EXCHANGE'S, CME'S, CBOT'S OR NYMEX'S SYSTEMS OR SERVICES, OR SERVICES, EQUIPMENT OR FACILITIES USED TO SUPPORT SUCH SYSTEMS AND SERVICES, OR THE NEGLIGENCE OF CME-STAFF, EXCEED \$2,400,000 IN ANY GIVEN CALENDAR YEAR.-EXCHANGE, CME, CBOT OR NYMEX STAFF, EXCEED \$200,000 IN ANY CALENDAR MONTH. IF THE NUMBER OF ALLOWED CLAIMS ARISING OUT OF ANY FAILURES OR MALFUNCTIONS IN A SINGLE CALENDAR MONTH CANNOT BE FULLY SATISFIED BECAUSE OF THE MONTHLY LIABILITY LIMITATION, ALL SUCH CLAIMS SHALL BE LIMITED TO A PRO RATA SHARE OF THE MAXIMUM AMOUNT AVAILABLE FOR THAT MONTH.

~~IF~~

F. NOTWITHSTANDING THE NUMBER OF ALLOWED CLAIMS AGAINST FOREGOING, THE EXCHANGE, CME ARISING OUT OF ANY FAILURES OR MALFUNCTIONS ON, CBOT AND NYMEX MAY, IN THEIR SOLE DISCRETION, ASSUME RESPONSIBILITY FOR DIRECT, OUT-OF-POCKET NET LOSSES DIRECTLY CAUSED BY PHANTOM ORDERS (AS DEFINED BELOW). IF SUCH LIABILITY IS ACCEPTED, THE TOTAL AGGREGATE OBLIGATIONS FOR THE EXCHANGE, CME, CBOT AND NYMEX SHALL NOT EXCEED \$5,000,000 FOR ALL SUCH LOSSES SUFFERED IN A SINGLE DAYCALENDAR MONTH. ANY DISPUTED CLAIM MADE UNDER THIS RULE MUST BE ARBITRATED PURSUANT TO EXCHANGE RULES.

FOR THE PURPOSES OF THIS RULE AND RULE 921, A PHANTOM ORDER IS AN ORDER: 1) THAT WAS NOT AUTHORIZED BY A PERSON BUT WAS CAUSED BY A FAILURE, MALFUNCTION OR NEGLIGENT OPERATION OF GLOBEX OR ANY OTHER EXCHANGE, CME, CBOT OR NYMEX SYSTEM, SERVICE OR FACILITY, OR 2) WHOSE TERMS (E.G. CONTRACT, CONTRACT MONTH, QUANTITY, PRICE OR DIRECTION) WERE CHANGED WITHOUT AUTHORIZATION OF THE PERSON PLACING THE ORDER

SOLELY AS A RESULT OF A FAILURE, MALFUNCTION, OR NEGLIGENT OPERATION OF GLOBEX OR ANY OTHER EXCHANGE, CME, CBOT OR NYMEX SYSTEM, SERVICE OR FACILITY.

G. IN NO EVENT SHALL THE COLLECTIVE TOTAL AGGREGATE LIABILITY FOR THE EXCHANGE, CME, CBOT AND NYMEX FOR DIRECT, OUT-OF-POCKET NET LOSSES DIRECTLY CAUSED BY PHANTOM ORDER(S) EXCEED \$5,000,000 IN A SINGLE CALENDAR MONTH. COMPLIANCE WITH THE TERMS OF RULE 922.F. IS REQUIRED IN ORDER FOR LOSSES TO BE CONSIDERED BY THE EXCHANGE PURSUANT TO THIS RULE.

IF THE AMOUNT OF DIRECT, OUT-OF-POCKET NET LOSSES DIRECTLY CAUSED BY PHANTOM ORDERS IN A SINGLE CALENDAR MONTH CANNOT BE FULLY SATISFIED BECAUSE OF THE ABOVE-DOLLAR LIMITATIONS/MONTHLY LIABILITY LIMITATION, ALL SUCH CLAIMS/LOSSES SHALL BE LIMITED TO A PRO RATA SHARE OF THE MAXIMUM AMOUNT AVAILABLE FOR THAT MONTH.

A CLAIM AGAINST THE EXCHANGE, CME, CBOT OR NYMEX ARISING OUT OF ANY FAILURE, MALFUNCTION OR PHANTOM ORDER SHALL BE STRICTLY SUBJECT TO THE RESPECTIVE PERIOD-LIABILITY LIMITS OF THIS RULE.

A CLAIM AGAINST THE CME ARISING OUT OF ANY FAILURE OR MALFUNCTION SHALL ONLY BE ALLOWED IF SUCH CLAIM IS BROUGHT IN ACCORDANCE WITH APPLICABLE CME POLICIES, PROCEDURES AND RULES, INCLUDING CME RULES 578 AND 579.

920.00 Fees. The KCBT Board of Directors-Exchange shall determine the transaction fees that shall be assessed each contract transacted on the Electronic Trading System. In addition, the KCBT Clearing Corporation Board of Directors shall determine the and clearing fees that shall be assessed each contract transacted on the Electronic Trading System. Such fees are

921.00 GLOBAL COMMAND CENTER

A. Customer Support

The Global Command Center ("GCC") provides Globex customer support and problem management only to members, clearing members and customers designated by clearing members. In addition, designated KCBT AND MGEX members and clearing members may also receive customer support and problem management from GCC with respect to contracts traded on Globex. In order to be eligible for GCC support, such persons must register with the GCC ("Registered Contacts"). The GCC provides customer support via a specified telephone number and during specified hours. GCC employees may not always be available to assist Registered Contacts. Persons other than Registered Contacts must contact their clearing members to make support requests.

B. GCC Communications

As provided in Rule 918, the Exchange shall not be liable for any loss resulting from any inability to communicate with the GCC. The liability of the Exchange for the negligent acts of GCC staff shall be subject to ~~change~~the limitations and conditions of Rule 918. In no event, however, shall the Exchange be liable for the negligence of the GCC if the person claiming to have suffered a loss could have secured the support it sought from GCC through its own administrative terminal, its clearing member's terminal or an Independent Software

Vendor's ("ISV") terminal. For purposes of this rule, a person is deemed able to take action through its own administrative terminal, a clearing member's terminal or an ISV's terminal unless such terminal was inoperative or such terminal service was interrupted at the time the GCC took action.

C. Order Status

A person who believes he has received an incorrect order status or does not receive an appropriate status shall immediately notify the GCC. In the event that the GCC and an Exchange system, service or facility provide conflicting information relating to an order status, a person may only reasonably rely on the information received from the GCC. Additionally, such person shall take any necessary and appropriate market action to mitigate any potential losses arising from the incorrect order status or lack of appropriate order status immediately after the person knew or should have known that the order status information was incorrect or should have been received. Any liability of the Exchange for incorrect order status shall be subject to the limitations and conditions of Rule 918.

D. Cancellation of Orders at Prices Outside of the Applicable Globex Price Limits

In certain circumstances, the price limits applicable to contracts traded on Globex may vary depending on the time of day. In this situation, it is possible for an order to be entered into the Globex system during one time period at a price that is outside of the price limit that applies during a subsequent time period. If this order remains in the system at the beginning of the subsequent time period, the system will freeze in the event a market order on the opposite side of the market is entered and there are no other resting orders against which it can be matched rather than allow the match to occur at a price outside of the applicable price limit. Accordingly, whenever the GCC becomes aware of a bid or offer in the Globex system for any contract that is outside of the applicable price limit, the GCC will cause such bid or offer to be cancelled and will promptly notify the affected Globex user of such cancellation.

922.00 TRADE CANCELLATIONS AND PRICE ADJUSTMENTS

A. Global Command Center Authority Regarding Trade Cancellations and Price Adjustments

The following shall be applied to balance the adverse effects on market integrity of executing trades and publishing trade information inconsistent with prevailing market conditions while preserving legitimate expectations of trade certainty by market participants. This rule authorizes the Global Command Center ("GCC") to adjust trade prices or cancel trades where, in its absolute and sole discretion, the GCC believes such action is necessary to mitigate market disrupting events caused by the improper or erroneous use of the electronic trading system or by system defects. Notwithstanding any other provisions of this rule, the GCC may, in its absolute and sole discretion, adjust trade prices or cancel any trade if it believes that allowing the trade(s) to stand as executed could have a material, adverse effect on the integrity of the market. All decisions of the GCC shall be final. Subject to the limitations and conditions of Rule 918, and irrespective of the terms of any order entered into Globex, the Exchange shall not have any liability for losses resulting from price adjustments or trade cancellations by the GCC under this Rule.

B. Review of Trades

The GCC may determine to review a trade based on its independent analysis of market activity or upon -request for review by a user of the electronic trading system. A request for review must be made to the GCC via telephone within eight minutes of the execution of the trade. Any other form of communication with the GCC will not constitute a request for review as set forth in this Section. GCC phone numbers are available on the CME Group website.

The GCC shall determine whether or not a trade will be subject to review. In the absence of a timely request for review, during volatile market conditions, upon the release of significant news, or in any other circumstance in which the GCC deems it to be appropriate, the GCC may determine, in its sole discretion, that a trade shall not be subject to review.

Upon deciding to review a trade, the GCC will promptly issue an alert indicating that the trade is under review.

C. Price Adjustments and Cancellations

Upon making a determination that a trade will be subject to review, the GCC will first determine whether the trade price is within the Non-Reviewable Range for futures or within the Bid/Ask Reasonability Allowance for options, as described in Section G. The Bid/Ask Reasonability Allowance for an option is the maximum width of the bid/ask range which will be considered reasonable for use in applying the parameters necessary to establish the Non-Reviewable Range for the option. In applying the Non-Reviewable Range, the GCC shall determine the fair value market price for that contract at the time the trade under review occurred. The GCC may consider any relevant information, including, but not limited to, the last trade price in the contract or a better bid or offer price on the electronic trading system, a more recent price in a different contract month, the price of the same or related contract established in another venue or another market, the market conditions at the time of the trade, the theoretical value of an option based on the most recent implied volatility and responses to a Request for Quote (RFQ).

1. Trade Price Inside the Non-Reviewable Range

If the GCC determines that the price of the trade is inside the Non-Reviewable Range, the GCC will issue an alert indicating that the trade shall stand.

2. Trade Price Outside the Non-Reviewable Range

a. Futures Contract

If the GCC determines that a trade price is outside the Non-Reviewable Range for a futures contract (including futures spreads), the trade price shall be adjusted to a price that equals the fair value market price for that contract at the time the trade under review occurred, plus or minus the Non-Reviewable Range. In the event there are multiple parties, prices and/or contracts involved in the transactions at issue, the GCC has the authority, but not the obligation, to cancel rather than price adjust such transactions. The GCC will issue an alert regarding its decision.

b. Option Contracts

If the GCC determines that a trade price is outside the applicable Non-Reviewable Range for an option contract, the trade price shall be adjusted. In the case of a buy (sell) error, the price will be adjusted to the determined ask (bid) price set forth in the Bid/Ask Reasonability Allowance in Section G. plus (minus) the Non-Reviewable Range. In the event there are multiple parties, prices and/or contracts involved in

the transactions at issue, the GCC has the authority, but not the obligation, to cancel rather than price adjust such transactions. The GCC will issue an alert regarding its decision.

Cancelled trade prices and any prices that have been adjusted shall be cancelled in the Exchange's official record of time and sales. Trades that are price adjusted shall be inserted in the time and sales record at the adjusted trade price.

D. Alternative Resolution by Agreement of Parties

With the approval of the GCC, parties to a trade that is price adjusted may instead mutually agree to cancel the trade. With the approval of the GCC, parties to a trade that is cancelled may instead mutually agree to price adjust the trade to a price consistent with the adjustment provisions of Section C.

Parties to a trade that is cancelled or price adjusted may mutually agree to a cash adjustment provided that such adjustments are reported to the GCC and the parties maintain a record of the adjustment.

An executed trade may not be reversed via transfer except where such trade is determined by GCC to be outside of the Non-Reviewable Range but not reported timely, subject to agreement of the parties and approval of the GCC. Any such transfer must occur at the original trade price and quantity; however the parties may mutually agree to a cash adjustment..

E. Liability for Losses Resulting from Price Adjustments or Cancellations and Prohibition on Claims for Losses Arising From Error Trades Executed Within the Non-Reviewable Range

A party entering an order that results in a price adjustment or trade cancellation shall be responsible for demonstrated claims of realized losses incurred by persons whose trade prices were adjusted or cancelled provided, however, that a claimant shall not be entitled to compensation for losses incurred as a result of the claimant's failure to take reasonable actions to mitigate the loss.

A claim for a loss pursuant to this section must be submitted to the Exchange on an Exchange claim form within five business days of the event giving rise to the claim. The Exchange shall reject any claim that is not filed in a timely manner or is not permitted by this section and such decisions shall be final. Eligible claims shall be forwarded by the Exchange to the party responsible for the order(s) that resulted in a trade cancellation or a price adjustment and to the clearing member through which the trade was placed. Such party, or the clearing member on behalf of the party, shall, within ten business days of receipt of the claim, admit or deny responsibility in whole or in part. Failure to respond to the claim within ten business days shall be considered a denial of liability.

To the extent that liability is admitted, payment shall be made within ten business days. Unless otherwise agreed upon in writing by the parties, failure to make the payment within ten business days shall be considered a denial of liability for purposes of this rule. A copy of any such written agreement must be provided to the Exchange.

To the extent that liability is denied, the party making the claim may submit the claim to arbitration in accordance with the Rules. Such claims must be submitted to the Market Regulation Department within ten business days of the date the party was issued notification that liability was denied.

Claims for losses incurred as a result of trades executed in error at prices within the non-reviewable range may not be submitted for arbitration pursuant to the provisions of the Rules.

F. Permissible Responses to Phantom Orders

If the GCC has reason to believe that Phantom Orders as defined in Rule 918 have been or are being entered into any Exchange system, service or facility, the GCC shall be empowered to take appropriate action to protect the integrity of the market, including, without limitation, suspending trading and/or canceling unfilled orders. The GCC shall also be empowered, in its sole discretion, to cancel transactions or adjust the trade prices of transactions that were directly or indirectly caused by Phantom Orders, whether or not such transactions were executed at prices outside of the non-reviewable range specified in this Rule.

If Phantom Orders directly cause transactions to be executed on any Exchange system, service or facility and such transactions are not canceled, the GCC shall promptly direct the clearing member carrying positions resulting from such transactions to liquidate the positions in a commercially reasonable manner. Such positions shall be liquidated within 30 minutes of such notification or within 30 minutes of the time the clearing firm knew or should have known that it had been assigned transactions resulting from Phantom Orders, whichever is sooner. The GCC, in its sole discretion, may waive the 30 minute liquidation requirement if it determines that such requirement may have a material, adverse impact on the integrity of the market.

The GCC shall provide notification to the marketplace regarding any action taken or to be taken with respect to the entry of Phantom Orders or execution of a transaction as a result of Phantom Orders, and, in the event transactions are not otherwise canceled or price adjusted by the GCC, any actions required to be taken by clearing members. Such notification(s) shall be made as soon as practicable, but in no event more than 30 minutes after the time that the GCC has accurate information regarding the Phantom Orders that is sufficient to support the necessary notification(s).

Any Exchange, CBOT or NYMEX liability for losses resulting from Phantom Orders shall be subject to the limitations of Rule 918.

CHAPTER 10 -

COMMODITY EXCHANGE ACT

1000.00 Commodity Exchange Act, As Amended; Controlling.

In order to comply with the Act of Congress known as the Commodity Exchange Act, as amended, it is hereby provided that all ~~rules and regulations of the KCBTR~~Rules shall be construed with reference to, and shall be deemed subject to, and modified by, the provisions of said Act, and by any lawful regulation or order made by authority of said Act.

1001.00 Records And Reports.

Every ~~member~~Permit Holder shall make and file such reports and keep such records of all transactions as required to be made, filed, or kept by the Commodity Exchange Act, as amended, and the rules and regulations promulgated thereunder; and shall make such records open at all times to the inspection of any representative of the ~~Commodity Futures Trading Commission~~CFTC or United States Department of Justice as provided by said Act. On failure to do so, such ~~member~~Permit Holder shall be suspended by the ~~Business Conduct Committee~~BCC from all privileges of ~~membership~~a Permit Holder until compliance with the said provisions of said Act and the said rules, and regulations promulgated thereunder has been made.

1001.01 Reporting Infractions.

1001.01.A. General

All data, records and other information required by the rules to be reported to the Exchange or the Clearing House, as applicable, must be submitted in an accurate, complete and timely manner.

1001.01.B. Sanctions

1. The Chief Regulatory Officer or his designee shall have the authority to impose summary fines on members and member firms not to exceed \$5,000 per offense for individual members or \$10,000 per offense for member firms for the inaccurate, incomplete or untimely submission of data, records or information required to be submitted to the Exchange or the Clearing House.

2. Members and member firms shall have 15 days following receipt of the notice of a summary fine to present evidence to the Market Regulation Department that the fine should be rescinded or reduced. Absent the submission of such evidence within the designated time period, the fine shall be deemed final and may not be appealed.

1001.01.C. Hearings and Appeals

If the Chief Regulatory Officer or his designee determines that evidence submitted by a member or member firm pursuant to Section B.2. is insufficient to support the requested rescission or reduction of the fine, the member or member firm may, within 10 days of the decision, file a written appeal with the Market Regulation Department. A written appeal that fails to specify the grounds for the appeal and the specific error or impropriety of the original decision shall be dismissed. The appeal shall be heard by a

Panel of the Business Conduct Committee whose decision shall be final. The appellant shall be entitled to be represented by counsel, appear personally before the BCC Panel and present evidence that he may have in support of his appeal. The BCC Panel shall not set aside, modify or amend the appealed decision unless it determines, by a majority vote, that the decision was:

1. Arbitrary, capricious, or an abuse of the Exchange staff's discretion;
2. In excess of the Exchange staff's authority or jurisdiction; or
3. Based on a clearly erroneous application of Exchange rules.

Notwithstanding the provisions of Sections B.1. and B.2. above, the Market Regulation Department, may, at any time, refer matters that it deems egregious to the Complaint Committee.

1001.02 Surcharges for Errors, Delays and Omissions.

Exchange staff may establish, and from time to time revise, schedules of surcharges to be imposed upon clearing members for errors, delays and omissions with respect to trade data and certain other information required to be provided to the Clearing House. These surcharges are to be collected by the Clearing House and are in addition to any disciplinary sanctions that may be imposed by Market Regulation, the BCC or CHRC for the violation of Exchange rules.

~~Note: The Business Conduct Committee action may be appealed to the Board of Directors. See Chapters 14 and 33.~~

1002.00 Suspension Of Trading Privileges.

Any ~~member~~Permit Holder who, under any provision of said Commodity Exchange Act, as amended, shall be deprived of the privileges of trading in contract markets, shall be suspended from all privileges of trading at the ~~KCBTExchange~~, for such period as may be specified in the order of the ~~Commodity Futures Trading Commission~~CFTC against such ~~member~~Permit Holder.

~~Note: An opinion of counsel has been received to the effect that an~~
An order of suspension by the CFTC is self-executing; and while the ~~KCBTExchange~~ must enforce such order, no formal action is required of the ~~KCBTExchange~~, such as issuing an identical Board resolution.

1003.00 Trading With Suspended ~~Member.~~Permit Holder.

Any ~~member~~Permit Holder who shall accept or execute an order from any person who, under any provision of the Commodity Exchange Act, as amended, shall have been deprived of the privilege of trading in contract markets, shall be subject to the disciplinary procedures of the ~~KCBTExchange~~ and shall be suspended from all privileges of ~~memberships~~a Permit Holder for such time as the appropriate disciplinary committee and the ~~board of Directors~~Board, on appeal, if taken, in their discretion, shall determine.

1004.00 Exchange Use of Regulatory Data.

Pursuant to CFTC Regulation §38.7, the Exchange may not use for business or marketing purposes any proprietary data or personal information collected or received, from or on behalf of any Person, for the purpose of fulfilling its regulatory obligations; provided however, that the Exchange may use such data or information for business or marketing purposes if the Person from whom it collects or receives such

data or information clearly consents to the Exchange's use of such data or information in such manner. The Exchange may, where necessary or appropriate for regulatory purposes, share such data or information with one or more designated contract markets or swap execution facilities registered with the CFTC. The Exchange is precluded from conditioning access to its markets on a Person's consent to the use of such data for business or marketing purposes.

1005.00 Cooperation with Other Exchanges and Clearing Organizations and International Government Information-Sharing Agreements.

The Chief Executive Officer or the President, or their delegates, are authorized to provide information to:

- A. an exchange or clearing organization that is a party to an information sharing agreement with the Exchange, in accordance with the terms and conditions of such agreement;. or
- B. a duly authorized foreign regulator or governmental entity, as directed by the Commission, in accordance with an information-sharing agreement executed with the Commission.

~~1004.00 Orders Of The Commission. The Board of Directors shall by resolution make effective any lawful order made by authority of the Commodity Exchange Act, as amended, and addressed to The Board of Trade of Kansas City, Missouri, Inc.~~

CHAPTER 11 – TRADING PRACTICE

TRANSACTIONS SUBJECT TO RULES

1100.00 Contracts Subject To Rules

All Contracts of a ~~member~~Permit Holder, a firm having a ~~member~~Permit Holder as a general partner, or any other corporation having ~~membership~~Permit Holder representation incident to the purchase and sale of futures contracts are contracts subject to ~~the rules of the Board of Trade~~these Rules.

1100.01 Consent to Exchange Jurisdiction.

Any Person initiating or executing a transaction on or subject to the Rules ~~of the Exchange~~ directly or through an intermediary, and any Person for whose benefit such a transaction has been initiated or executed, expressly consents to the jurisdiction of the Exchange and agrees to be bound by and comply with the Rules ~~of the Exchange~~ in relation to such transactions, including, but not limited to, rules requiring cooperation and participation in investigatory and disciplinary processes.

TIME AND PLACE

1101.00 Time of Trading. See the Rules for the appropriate contract.

1102.00 Place of Trading. See the Rules for the appropriate contract.

1103.00 Change of Time And Place. See the Rules for the appropriate contract.

1104.00 Prohibition; Exceptions. See the Rules for the appropriate contract.

1104.01 ~~Members~~ Permit Holders Not Trading; Open And Close. ~~Members~~

Permit Holders not actively trading should not be within the pit itself during the first ten (10) minutes and the last ten (10) minutes of trading ~~each day (as adopted by Board of Directors' Resolution, July 22, 1975)~~in the pit each day.

U.S. GRAIN STANDARDS

~~U.S. Grain Standards~~

1106.00 Change of Grades. See the Rules for the appropriate contract.

TRADING FOR CUSTOMERS

~~Trading For Customers~~

1108.00 Registration; Futures Commission Merchants.

No account for the purchase and sale of commodities for future delivery at the ~~KCBT~~Exchange shall be accepted or carried where the party in whose name the account is held is known to be acting for and on behalf of others unless such party is properly registered with the ~~Commodity~~CFTC and/or National

Futures ~~Trading Commission as a futures commission merchant under the provisions~~Association pursuant to the requirements of the Commodity Exchange Act, as amended.

TRADING RULES

1110.00 Trades Executed Openly And Competitively.

All orders received by any ~~member~~Permit Holder, firm, or corporation doing business on the ~~KCBTExchange~~ to buy or sell for future delivery any commodities dealt in on the floor of the ~~KCBTExchange~~ (except transfer trades or when futures are exchanged for cash property as permitted by Rules 1127.00 and 1128.00) must be executed openly and competitively as to price, by open outcry in the trading pit or other place designated for such trading.

1111.00 Open And Close. ~~Subject to the supervision of the Futures Committee, the~~

The pit reporter shall be the judge of the proper opening and closing range of quotations to be officially issued. Such quotations must be based upon transactions made in the pit on bids or offers made in such manner as to be open to all ~~members~~Permit Holders.

Note:

Futures traders and brokers on both sides of a trade are responsible, by trade custom, for reporting any trades missed by the pit reporter, particularly those which constitute a new high, a new low, an adjustment to the opening or closing range, or an opening trade or the only trade for the session for that contract. Such trades, if missed by the pit reporter, should be reported promptly to the pit reporter so the trade can be timed, recorded, posted, and disseminated. Failure to report such trades may result in a disciplinary action.

1111.01~~±~~ Official Opening And Closing.

The official opening and closing of the ~~Kansas City Futures Market~~Exchange's market shall be understood to include all prices at which the opening and closing orders are executed, provided that in the opinion of the pit reporter, due promptness and diligence have been observed in handling such orders. In case of disagreement, an appeal may be taken to the ~~FuturesPit~~ Committee, ~~whewhich~~ shall determine the official opening or closing after hearing the interested parties. The size of the orders involved and the condition of the market shall be considered by the pit reporter and the ~~FuturesPit~~ Committee in forming their decision ~~(as adopted by Board of Directors' Resolution, May 9, 1923).~~

1111.02~~±~~ Closing Period; Time.

The close period for all contracts traded at the Exchange is as follows:

Contract Close Period

Wheat Futures: — Last 30 seconds of trading **

Wheat Options: — Last one minute of trading

** The closing period can be expanded by up to one minute on a particular trade date at the discretion of the

Pit Committee to address unique market conditions. Any such expansion of the closing period must be communicated to the market at least five minutes prior to the beginning of the revised close for that date.

1111.03± Settlement Price Appeal.

Any ~~member~~Permit Holder can immediately appeal the settlement price orally to the FuturesPit Committee, which will be convened on the spot. A quorum of at least three (3) Committee members (or alternates picked from ~~members~~Permit Holders on the floor) shall immediately determine the settlement price which decision and such determination shall be final ~~(as adopted by Board Directors' Resolution, June 23, 1973).~~

~~Note: By custom if the initial determination of the Chairman of the Futures Committee is appealed to the Committee, the Chairman does not vote on the final Committee determination.~~

1111.04± Post Settlement Session.

As soon as practicable, following the posting of the settlement prices for all contract months, but no later than fifteen (15) minutes following the close of regular trading hours unless a later start time is approved by the Pit Committee, there shall be a two (2) minute trading period (the "post settlement session"). All trades which may occur during regular trading hours may occur during this post settlement session, under the following conditions:

- a. Trades may be made at any price within the established daily price limit for the contract.
- b. New customer orders may be entered into the session for execution.
- c. MembersPermit Holders may trade in the pit as a principal and/or agent during the session.
- d. Orders entered for execution during normal trading hours remain eligible for execution during the session unless cancelled.
- e. Spread trades must be executed using prices within the daily price limit.
- f. The prices at which trades occur during the post settlement session may establish a new high or low in an outright contract month or quoted spread or combination transaction.
- g. Except as otherwise set forth in this Rule and Rule 1114.02, the rules applicable to trading during regular trading hours shall be applicable to trading during the post settlement session.

This post settlement session rule is applicable to wheat futures and options contracts traded at the ~~KCBT~~Exchange.

1112.00 Limitation On Fluctuation Of Prices. See the Rules for the appropriate contract.

1112.01± Daily Trading Limits. See the Rules for the appropriate contract.

1112.02± Minimum Price Fluctuation. See the Rules for the appropriate contract.

1113.00 No Trading During End of Delivery Month. See the Rules for the appropriate contract.

1114.00± Orders And Cancellations Accepted On A "Not Held" Basis.

All orders and cancellations that reach the trading floor fifteen (15) minutes or less before the opening of the market and all orders and cancellations that reach the trading floor fifteen (15) minutes or less before the close of the market may involve extraordinary problems and hence will be accepted solely at the risk of the customer on a "not held" basis ~~(as adopted by Board of Directors' Resolution, January 15, 1980, and approved by the CFTC, December 22, 1980).~~

1114.01 ~~Member Permit Holder To Member Permit Holder~~ Verbal Orders. Member

~~Permit Holder~~ to ~~member Permit Holder~~ verbal orders (Type 3 trades as ~~defined in~~ described at CFTC Regulation Section 1.35 (e)(3)) shall be handled the same as customer orders. The executing ~~member Permit Holder~~ must have in their possession, or lacking that, must prepare a written order in non-erasable ink conforming with the requirements of ~~KCBT Resolution Rule~~ 11-1130.00-1 before executing such order. The requirements of this rule shall not apply to transactions that are executable as part of intermarket spread transactions or option offset transactions.

1114.02 ~~Opening And Closing Orders.~~

Floor brokers who are unable to execute price limit or stop orders during the opening, reopening following a trading halt, closing period or post settlement session, while using due diligence in handling such orders, shall not be held liable. Nothing herein shall preclude the ~~Futures Pit~~ Committee (pursuant to Rules 1111.00 & 1111.01) from considering the circumstances pursuant to which such orders were not executed in determining the proper prices to be officially quoted during such periods.

1115.00 ~~Trading Records.~~

- (a) Each ~~member Permit Holder~~ who executes purchases or sales of any contract traded on the ~~KCBT Exchange~~, shall prepare regularly and promptly in non-erasable ink a trading record showing such purchases and sales. Such trading record shall show the ~~member's Permit Holder's~~ trading initials, the ~~clearing member's Clearing Participant's~~ code, transaction date, time to the nearest minute, quantity, commodity, delivery month, price or premium, put or call, strike price, opposite floor trader or broker's trading initials with whom the transaction was executed and the opposite ~~clearing member's Clearing Participant's~~ code. Such trading record must reflect all purchases on the buy side of the record in order of occurrence and all sales on the sell side of the record in order of occurrence, without skipping lines between trades: Provided, however, that trades recorded on order tickets must reflect both purchases and sales in order of occurrence without skipping lines between trades, and provided further, however, that spread transactions executed in accordance with Rules 1145.00 and 1146.00 may be recorded on one side of the trading record corresponding to the front month of the spread. Such trading record shall also identify the purchases and sales executed during the opening and closing periods by drawing a line to separate those trades from other trades recorded on the record. The opening and closing periods are defined in Rules 1111.01 and 1111.02.
- (b) In addition to the requirements in subsection (a) above, each ~~member Permit Holder~~ recording purchases and sales for the ~~members' Permit Holders'~~ personal account (Type 1 trades as ~~defined by~~ described at CFTC Regulation Section 1.35 (e)(1)) shall:

(i)

- (i) Correct errors by crossing out erroneous information or rewriting the trading card. The ~~member~~Permit Holder is accountable pursuant to paragraph (b) (vi) of this Rule for any card that is subsequently rewritten;
- (ii) ~~(ii)~~ If lines remain after the last execution recorded on a trading card, the remaining lines must be marked through;
- (iii) ~~(iii)~~ Use trading cards that are pre-printed with the ~~member's~~Permit Holder's trading initials;
- (iv) ~~(iv)~~ Use trading cards that contain pre-printed sequence numbers that will permit the intra-day sequencing of the cards. The pre-printed sequence numbers must distinguish each of the trading cards prepared by the ~~member~~Permit Holder from other such trading cards for no less than a one-week period;
- (v) ~~(v)~~ Use a new trading card at the beginning of each designated ~~thirty (30)-~~ minute interval unless no trades were recorded during the preceding ~~thirty (30)-~~ minute interval;
- (vi) ~~(vi)~~ Be accountable for all such trading cards in exact numerical sequence, whether or not such trading cards are relied on for entering trade data into the ~~clearinghouse~~Clearing House;
- (vii) ~~(vii)~~ Submit such trading cards to a clearing ~~member~~Permit Holder (acting as custodian for the cards) in accordance with the provisions of Rule 1115.02 (a).

1115.02~~±~~ Collection And Accountability Of Trading Records.

~~(a)~~

Trading records prepared by a ~~member~~Permit Holder which are relied upon for entering trade data into the ~~clearinghouse~~Clearing House shall be submitted to the ~~clearing member~~Clearing Participant as often as is practicable, but no later than ~~fifteen (15)~~ minutes following the end of each ~~thirty (30)-~~ minute interval, commencing with the beginning of each trading session. Trading records prepared in the ~~thirty (30)-~~ minute interval during which the close occurs shall be submitted to the ~~clearing member~~Clearing Participant no later than ~~fifteen (15)~~ minutes following the close of trading. Partially-filled orders are exempt from the above submission requirements until completely filled, provided, however, that partially-filled orders must be submitted no later than ~~fifteen (15)~~ minutes following the close of trading.

~~(a)~~ ~~(b)~~ Trading records submitted to a ~~clearing member~~Clearing Participant pursuant to paragraph (a) above, shall be time stamped promptly to the nearest minute by the ~~clearing member upon collection~~Clearing Participant.

~~(c)~~ Each ~~clearing member~~Clearing Participant acting as custodian for the trading cards of a ~~member~~Permit Holder prepared pursuant to Rule 1115.00

~~(b)~~ (b), shall be accountable for such trading cards in exact numerical sequence on at least a daily basis, whether or not such trading cards are relied on for entering trade data into the ~~clearinghouse~~Clearing House. Accountability means that ~~the clearing member~~each Clearing Participant must be able to produce all sequentially-numbered trading cards for a given day or provide an acceptable explanation as to why a trading card is missing or missequenced.

1116.00 Optional Timing Requirements. See ~~the~~ Rules for the Appropriate Contract

1117.00± Volume Bids And Offers. ~~Members~~

Permit Holders in the pit who make volume bids or offers will be required to accept against such bids or offers, any and all lesser offers or bids, as appropriate, up to the quantity quoted. This also means that "all or none orders" will not be accepted ~~(as adopted by Board of Directors' Resolution, May 8, 1974).~~

1118.00± Dissemination Of Prices.

The KCBTExchange will record, ~~post on the board,~~ and disseminate the price of all trades and changes in bids and offers, including "volume" bids and offers (these being bids or offers for multiples of ~~1 contract~~) ~~(as adopted by Board of Directors' Resolution, May 8, 1974).~~ one (1) contract, open interest, and open and closing ranges for actively traded contracts at the Exchange.

1118.01 Quotations; No Change.

Quotations based on transactions made in the open market after being officially issued shall not be cancelled or changed.

1119.00 Fast Market.

A fast market situation exists when a condition in the market not necessarily limited to the following, but similar, exists:

1. Larger than normal price changes between pit reported prices.
2. Market is bid up or offered down rapidly.
3. Quotations, bids or offers are happening too rapidly to be fully reported.

1119.01 Not Held, No Readjustment.

Whenever price fluctuations of the commodities dealt in on the KCBTExchange are rapid and the volume of business is large, it is of common occurrence that different prices are bid and offered for the same delivery month in different parts of the pit at the same time. The normal result of such conditions is, at times, the execution by ~~members~~Permit Holders of orders at prices not officially quoted, or the inability of a ~~member~~Permit Holder to execute an order at a limited price. This is unavoidable, but is in nowise the fault of anyone, and it is not permissible for ~~members~~Permit Holders to readjust the price at which orders have been filled, nor to report as filled orders that have not been filled. To do so is a grave offense.

1119.02 No Cancellation.

Any quotations based on a transaction made in the open market, already distributed or sent out over the wire, shall not be cancelled.

1119.03 Fast Symbol. Whenever a fast market situation exists the symbol FAST shall be used.

~~Note:~~ But see Rule 1119.05.

1119.04 Intervening Prices.

The reporter, subject to supervision of the respective Pit Committee, shall be the judge of when the symbol should be used and any trades made at intervening prices are to be considered officially quoted. During this period of activity in all commodities, it only slows reporting of quotations on the ticker to utilize the symbol FAST. Thus, reporters will report the market to the best of their ability using FAST, and whenever possible, it shall be printed in the ticker.

1119.05 Not Retroactive.

In no case shall a FAST MARKET be declared to have existed retroactively, but it may be presumed to have existed for a short period of time prior to its invocation.

1119.06 End.

It shall also be the duty of the reporter, subject to the supervision of the respective Pit Committee, to declare an end to the FAST MARKET situation.

Notes: 1. These rules apply to all futures contracts.

2. In practice, the pit reporter consults with the Chairman of the respective ~~pit committee~~ **Pit Committee** prior to declaring the existence or end of a fast market, and would not make the determination alone.

3. The Pit Committees normally function by the chairman or acting chairman consulting with available members and then advising the reporter. Should there be any uncertainty the members present will take an immediate vote. If less than three members are present, the chairman or acting chairman appoints one or more temporary members to consider and vote on the issue.

4. A broker is not held for executions during a fast market.

5. Rules 1119.00 and 1119.01 will be read together as alternative conditions indicating a fast market.

1120.00 ~~+~~ Give-ups.

A ~~member~~ **Permit Holder** must have **prior** permission from a ~~clearing member~~ **Clearing Participant** to give up its name for a trade executed at the ~~KCBT~~ **Exchange**. A ~~clearing member~~ **Clearing Participant** whose name is so given up in the pit must enter the trade into the Clearing ~~Corporation~~ **House** in ~~his~~ **its** name. Give up orders are prohibited when used as a pricing mechanism in connection with cash market contracts. Such transactions must be done only on a versus-cash basis.

~~Note: Approved by Board of Directors' action June 24, 1986, see page 1084 of Board's minutes.~~

1120.01 ~~+~~ Give-ups via Same Day Transfer.

Give-up transactions via same day transfer shall be allowed on the ~~KCBT~~ **Exchange** provided the following conditions are met:

~~a.~~

- a. **Clearing** - The transaction must be cleared by the executing commission merchant and transferred that same day to the give-up commission merchant(s) on behalf of whom the trade was executed by means of inter-office transfer in accordance with ~~KCBT rule~~Rule 1127.00(b).
- b. ~~b.~~ **Record** - The transaction must be identified on the trading record of the executing commission merchant with the symbol "G". Transactions identified as such are cleared in a special give-up file for proper allocation and transfer.
- c. ~~c.~~ **Authorization** - The executing commission merchant must have written authorization from each give-up commission merchant prior to transferring any give-up positions in accordance with this rule. Such authorization must indicate the account(s) for whom the give-up commission merchant will receive positions from the executing commission merchant.
- ~~a.~~ ~~d.~~ **Average price** - When trades transacted in accordance with the provisions of this rule are executed at multiple prices, the give-up positions may be transferred at an average price, provided the provisions of Rule 1120.02 are met.

1120.02+ Average Price.

A ~~member~~Permit Holder or person associated with a ~~member or member firm~~Permit Holder may confirm to a customer an average price if an order or series of orders for a customer's account or group of accounts is executed at multiple prices, provided the following conditions are met:

~~a.~~

- a. **Order** - Each such order or series of orders for futures, options or combination transactions must be for the same commodity and month for futures or for the same commodity, month, put or call, and strike price for options.
- b. ~~b.~~ **Designation** - Each such order or series of orders must be designated at the time of acceptance as an "Average Price" order. The designation must appear on the office order and floor order.
- c. ~~c.~~ **Record** - The transactions must be identified on the trading record of the executing commission merchant with the symbol "G". Transactions identified as such are cleared in a special file for price averaging.
- d. ~~d.~~ **Computation** - The average price is computed by the ~~KCBT-Clearing Corporation~~House as the sum of the actual trade prices multiplied by the quantities at those prices, divided by the sum of all the trade quantities. The resulting average trade price is adjusted to the nearest price increment. Buy orders are adjusted up to the next price increment and sell orders are adjusted down to the next price increment. The resulting residual created by rounding must be paid to the customer. In allocating residuals to customers, residuals of less than one cent may be retained by the ~~clearing member~~Clearing Participant.
- ~~a-e.~~ **Confirmations** - Each ~~member~~Permit Holder or person associated with a ~~member or member firm~~Permit Holder that confirms to a customer an average price must indicate on the confirmation and monthly statement that the price is an average price.

TRADING RULES; EXCEPTIONS

Trading Rules; Exceptions

1127.00 Transfer Trades; Exception.

Transfer trades are defined to be transactions in commodities for future delivery made for the purpose of:

a.

a. **One Account To Another.** Transferring existing trades from one account to another within the same office where no change in ownership is involved; or

b. ~~b.~~ **One Office To Another.** Transferring existing trades from the office of one commission merchant to the office of another commission merchant where no change in ownership is involved. Such trades shall not be deemed in violation of Rule 1110.00.

~~Such trades shall not be deemed in violation of Rule 1110.00~~

~~Note: Old Rule 1819.3, Same Office, relating to commissions, has been deleted as a result of the Savett v. The Board of Trade of the City of Chicago, et al. settlement.~~

1127.01 Clearing; Transfer Trades.

Transfer trades executed between two (2) commission merchants which meet the requirements of Rule 1127.00 must be cleared through the Clearing ~~Corporation~~House as required by Rule 1185.00. All such trades shall be identified on Clearing ~~Corporation~~House reports by appropriate symbol and supported by a report on a designated form.

1127.02~~±~~ Transfer Trades in a Delivery Month.

During the delivery month and two (2) business days prior to the first delivery day, transfer trades for the purpose of offsetting existing positions where no change in ownership is involved are prohibited when the date of execution of the position being transferred is not the same as the transfer date.

Positions carried at different ~~houses~~Clearing Participants for the same owner two (2) business days prior to a delivery month and thereafter are required to be offset in the pit or through the normal delivery process. The receiving ~~firm~~Clearing Participant has the responsibility to assure compliance with this rule.

1128.00 Exchange Futures For Cash; Exception.

Transactions in commodities for future delivery made in connection with cash commodity transactions, involving the exchange of futures for cash commodities, or to establish the price of cash commodities may be made. Such trades shall not be deemed in violation of Rule 1110.00. Transactions involving the exchange of futures in connection with cash commodity transactions or the exchange of futures for cash commodities may be made at such prices as are agreed upon by the parties.

1128.01 Clearing; Exchange Futures For Cash.

All such trades must be cleared through the Clearing ~~Corporation~~House as required by Rule 1185.00, appropriately identified by symbol on Clearing ~~Corporation~~House reports and supported by a report showing a description of the futures transaction with the price, the name of the opposite ~~clearing member~~Clearing Participant, and the amount and commodity involved in the cash transaction.

1128.02± Evidence of Cash Transaction.

Upon request of the ~~KCBTExchange~~, each ~~memberPermit Holder~~ shall provide documentation of cash transactions underlying exchanges of ~~KCBTExchange~~ futures for cash commodities or exchanges of ~~KCBTExchange~~ futures in connection with cash commodity transactions. For the purposes of this paragraph, documentation means those documents customarily generated in accordance with cash market practices which demonstrate the existence and nature of the underlying cash transactions, including, but not limited to, contracts, confirmation statements, telex, printouts, invoices and warehouse receipts or other documents of title.

1129.00± Exchange For Risk (“EFR”) Transactions.

Transactions involving the exchange of futures or options contracts for or in connection with over-the-counter derivative (“OTC”) transactions shall be allowed, provided the provisions of Rules 1129.00 through 1129.02 are met. Such transactions (hereinafter referred to as “EFR”) may be made at such prices as are agreed upon by the parties. An EFR shall consist of two separate but related component transactions – an OTC transaction and a futures or options transaction. Each holder of futures or options contracts involved in an EFR must also be the holder of the economically offsetting OTC transactions involved in such EFR. The OTC component shall involve the commodity underlying the futures or options contracts (or a derivative, by-product or related product of such commodity). The quantity covered by the OTC component must be approximately equivalent to the quantity covered by the futures or options contracts. The OTC component of an EFR must comply with any applicable regulatory requirements prescribed by the ~~Commodity Futures Trading CommissionCFTC~~.

1129.01± Clearing; Exchange For Risk.

All such trades must be cleared through the Clearing ~~CorporationHouse~~ as required by Rule 1185.00, appropriately identified by the symbol “Z” on Clearing ~~CorporationHouse~~ reports.

1129.02± Evidence of OTC Transaction.

Upon request of the ~~KCBTExchange~~, each ~~memberPermit Holder~~ shall provide all documentary evidence of OTC transactions underlying an EFR. For the purposes of this paragraph, documentary evidence means those documents customarily generated in accordance with market practices, which demonstrate the existence and nature of the underlying OTC transactions, including, but not limited to a master swap agreement and any supplements thereto.

FLOOR BROKERS

~~Floor Brokers~~

1130.00 Broker; Defined.

A floor broker is defined to be a ~~memberPermit Holder~~ who buys and sells futures contracts in the trading pit, not for the ~~member'sPermit Holder's~~ account, but as an agent of another ~~memberPermit Holder~~, where the name of the principals are announced on making of the futures contract, and the broker at no stage of the transaction becomes the actual owner of the property.

1130.01± Registration.

No ~~member~~Permit Holder shall act as a futures or options floor broker unless that ~~member~~Permit Holder is registered with the ~~Commodity Futures Trading Commission~~CFTC as a futures or options floor broker, and such registration has not expired nor been suspended (and the period of such suspension shall not have expired) nor been revoked; and such floor broker shall properly file with the ~~KCBT~~Exchange a copy of any Form 3-R required to be filed under appropriate regulations. Each ~~KCBT~~ ~~member~~Permit Holder registered as a floor broker must file biennial updates with the National Futures Association (~~the~~"NFA") using Form 8-R within thirty (30) days following a date specified by the NFA. Failure to file the biennial Form 8-R within the aforementioned time frame shall be deemed to be a request to withdraw from registration. Voluntary withdrawal of floor broker registration can be accomplished by completing Form 7-W and filing such with the NFA in accordance with Commission Regulation 3.33(e), a copy of which must be provided to the ~~KCBT~~Exchange.

1130.02 ~~±~~ Broker Associations. ~~Members~~

~~Permit Holders~~ of "broker associations" shall comply with the following provisions of this rule in registering and updating information pertaining to their association.

- a. ~~a.~~ **Definition.** "Broker Association" is defined as two or more ~~KCBT members~~Permit Holders with floor trading privileges, of whom at least one is acting as a floor broker, who: (1) Engage in floor brokerage activity on behalf of the same employer, (2) have an employer and employee relationship which relates to floor brokerage activity, (3) share profits and losses associated with their brokerage or trading activity, or (4) regularly share a deck of orders.
- b. ~~b.~~ **Registration required.** It shall be unlawful for any ~~member~~Permit Holder of a broker association to receive or to execute an order unless the broker association is registered with the ~~KCBT Compliance Department~~Exchange.
- c. ~~c.~~ **Information to register.** The following information must be supplied in writing to the ~~KCBT Compliance Department~~Exchange no later than ~~ten~~ten (10) calendar days following the establishment of such relationship in order for such broker association to be considered properly registered with the ~~KCBT~~Exchange:
 - (1) ___ Name;
 - (2) ___ Form of organization, e.g., partnership, corporation, trust, etc.;
 - (3) ___ Name of each person who is a ~~member~~Permit Holder or otherwise has a direct beneficial interest in the association;
 - (4) ___ Badge symbols for all ~~members~~;Permit Holders;
 - (5) ___ Account numbers for all accounts of any ~~member~~Permit Holder, accounts in which any ~~member~~Permit Holder(s) has an interest, and any proprietary or customer accounts controlled by any ~~member~~Permit Holder(s);
 - (6) ___ Identification of all other broker associations with which each ~~member~~Permit Holder is associated; and
 - (7) ___ Individual(s) authorized to represent the association in connection with its registration obligations.

- d. **Updating registration information.** Any registration information provided to the ~~KCBT Compliance Department~~Exchange which becomes deficient or inaccurate must be updated or corrected within ten (10) calendar days.

1131.00 Trading Ahead Of Customer.

Each floor broker is prohibited from trading ahead of a customer order:

a.

- a. Own Account; No Purchasing.** Each floor broker is prohibited from purchasing any commodity for future delivery for the broker's own account, or for any account in which such ~~member~~Permit Holder has an interest, while holding an order of another person for the purchase of the same commodity which is executable at the market price or at the price at which such purchase can be made for the ~~member's~~Permit Holder's own account or the account in which such ~~member~~Permit Holder has an interest.

- b. ~~b.~~ Own Account; No Selling.** Each floor broker is prohibited from selling any commodity for future delivery for the broker's own account or for any account in which such ~~member~~Permit Holder has an interest, while holding an order of another person for the sale of the same commodity which is executable at the market which such Permit Holder has an interest.

~~price or at the price at which such sale can be made for the member's own account or the account in which such member has an interest.~~

1132.00 Disclosure Of Orders.

Each floor broker is prohibited from disclosing at any time that such broker is holding an order of another person or from divulging any order revealed to such broker by reason of the broker's relationship to such other person except at the request of an authorized representative of the CFTC or the contract market.

1133.00 Taking Other Side.

Each floor broker is prohibited from taking, directly or indirectly, the other side of any order of another person revealed to such ~~member~~Permit Holder by reason of the ~~member's~~Permit Holder's relationship to such other person.

1134.00 Prearranged Sale.

Each ~~floor broker~~Permit Holder is prohibited from making any purchase or sale which has been prearranged.

1135.00 Allocation of Trades.

Each floor broker is prohibited from allocating trades among accounts.

1136.00 Withholding or Withdrawal of Orders.

Each floor broker is prohibited from withholding or withdrawing from the market any order or part of an order of another person for the convenience of another ~~member~~Permit Holder.

1137.00 Prompt Give-Up Of Clearing ~~Member~~-Permit Holder.

Each floor broker is required to promptly give up the ~~clearing member~~Clearing Participant for each transaction executed on the floor. On failing to do so, the floor broker shall thereafter be held responsible for such trade at the option of the party with whom the trade was made. The floor broker shall also be held liable for acceptance of such trade by the principal.

1138.00 Customer Discretionary Accounts.

Each floor broker is prohibited from executing any transaction for any customer discretionary account except that orders for such an account may be placed with another ~~member~~Permit Holder for execution. The phrase "customer discretionary account" means an account with a floor broker on behalf of a customer other than the broker's employer, partnership, or corporation.

Notes: _

1. ____ "Discretionary Accounts" under ~~the KCBT rules~~these Rules do not include ~~members~~Permit Holders of a floor broker's immediate family, so that a broker holding such orders would have to treat them as if they were orders of non-~~members~~Permit Holders and execute them ahead of the broker's own trades.
2. ____ The CFTC has granted the ~~KCBT~~Exchange an exemption from the CFTC Regulation Section 155.2(c) "handing off" requirement for discretionary orders originated by a floor broker for the individual, partnership, or corporation which the floor broker represents within the meaning of ~~the KCBT rules~~these Rules. Under the ~~KCBT rules~~Rules a floor broker is permitted to execute discretionary orders on behalf of only one person or one entity which the broker represents. As a result a broker may only execute discretionary orders on behalf of those categories of persons or entities that are either contract market ~~members~~Permit Holders or entities vested with ~~membership~~Permit Holder privileges. This means that if the broker is also an account executive with ~~an~~FCM and has trading authority over any discretionary accounts, that broker cannot execute trades for those accounts.

1139.00 Concurrent Long and Short Positions.

Set forth below are the procedures that must be followed for concurrent long and short positions and hold-open accounts.

- A. Concurrent long and short positions in the same commodity and month may be held by a clearing member at the direction of a customer or on behalf of an omnibus account; however it shall be the duty of the clearing member to ascertain whether such positions are intended for offset or to be held open prior to final transmission of position data to the Clearing House.
- B. Concurrent long and short positions in physically delivered contracts that are held by the same owner during the delivery month and two business days prior to the delivery month must be offset by transactions executed in the market, by allowable privately negotiated transactions, or fulfilled through the normal delivery process, provided however that trades may be transferred for offset if the trade date of the position being

transferred is the same as the transfer date. Such positions may not be offset via netting, transfer, or position adjustment except to correct a bona fide clerical or operational error on the day the error is identified and provided that the quantity of the offset does not represent more than one percent of the reported open interest in the affected futures contract month.

C. Clearing members which, pursuant to this rule, carry concurrent long and short positions, must report to the Clearing House both sides as open positions. When either side or both sides are reduced in accordance with Section B. of this rule, the open positions as reported to the Clearing House must be reduced accordingly.

D. The Exchange takes no position regarding the internal bookkeeping procedures of its clearing members which, for the convenience of a customer, may "hold open" a position only on their books. However, the clearing member must accurately report to the Exchange and the Clearing House, as appropriate, large trader positions, long positions eligible for delivery and open interest.

SPREAD TRANSACTIONS

1144.00± Strip Transactions; Permitted.

A strip transaction is permitted at the KCBTExchange provided the following conditions are met. The Board ~~of Directors~~ shall determine which contracts may offer strip transactions pursuant to this Rule.

~~a.~~

a. **Definition.** A strip transaction shall consist of either the simultaneous purchase or sale of an equal number of contracts in each of two or more consecutive futures contract months. ~~For Western Natural Gas futures, a strip may also consist of the simultaneous purchase or sale of an equal number of contracts each calendar day over two or more consecutive futures contract months.~~

b. ~~b.~~ **Account.** All of the two or more consecutive futures contract months representing the strip purchase or sale must be for the same account.

c. ~~e.~~ **Price.** A strip shall be quoted and traded at a single price (generally such price approximates the average of the outright futures prices for the months comprising the strip transaction). Such price must be in line with prevailing contract prices for strip transactions.

d. ~~d.~~ **Open Outcry.** All strip transactions must be executed by open outcry in the trading pit.

e. ~~e.~~ **Record.** When strip trades are transacted, the executing ~~member~~ Permit Holder on each side of the transaction shall record on the trading record (in addition to quantity, opposite broker, time and opposite ~~clearing firm~~ Clearing Participant) the first and last month of the strip in the month box, the single price reported in the price box, and the **strip symbol** in the code box. When strip trades are entered for clearing, the price assigned to each month comprising the strip shall be the trade price. For strip trades of an **equal number of monthly contracts** in each of two or more consecutive months, the **strip symbol "M"** shall be recorded in the code box. For strip trades of an **equal number**

of calendar day contracts in each of two or more consecutive futures contract months, the **strip symbol "C"** shall be recorded in the code box. In the latter case, the number of daily contracts is what is recorded in the amount column of the trading record and when entering for clearing must be multiplied by the number of calendar days to arrive at the number of contracts applicable to each contract month of the strip transaction.

f. ~~f.~~ **Reporting.** A strip transaction shall be reported, recorded, and publicized as a strip at the single price quoted, traded and reported.

g. ~~g.~~ **Stop Orders.** Strip transactions shall not set off stop orders in any contract.

~~(Note: As of January 30, 1996, strip transactions may only be offered in the Western Natural Gas futures contract.)~~

1144.01± Option Strip Transactions; Permitted.

Option strip transactions are permitted at the ~~KCBT~~Exchange provided the following conditions are met. The Board ~~of Directors~~ shall determine which contracts may offer option strip transactions pursuant to this Rule.

~~a.~~

a. **Definition.** A strip transaction shall consist of either the simultaneous purchase or sale of an equal number of options contracts of the same strike price in each of two or more consecutive option contract months. ~~For Western Natural Gas options, a strip may also consist of the simultaneous purchase or sale of an equal number of options contracts of the same strike price each calendar day over two or more consecutive option contract months.~~

b. ~~b.~~ **Account.** All of the option contracts representing the strip purchase or sale must be for the same account.

~~c.~~ **Price.** A strip shall be quoted and traded at a single price (generally such price approximates the c. average of the options premiums for the strike prices of the months comprising the strip transaction). Such price must be in line with prevailing contract prices for strip transactions.

d. ~~d.~~ **Open Outcry.** All strip transactions must be executed by open outcry in the trading pit.

e. ~~e.~~ **Record.** When strip trades are transacted, the executing ~~member~~Permit Holder on each side of the transaction shall record on the trading record (in addition to quantity, opposite broker, time and opposite ~~clearing firm~~Clearing Participant) the first and last month of the strip in the month box, the single price reported in the price box, and the **strip symbol** in the code box. When strip trades are entered for clearing, the price assigned to each month comprising the strip shall be the trade price. For strip trades of an **equal number of monthly contracts** in each of two or more consecutive months, the **strip symbol "M"** shall be recorded in the code box. For strip trades of an **equal number of calendar day contracts** in each of two or more consecutive months, the **strip symbol "C"** shall be recorded in the code box. In the latter case, the number of daily contracts is what is recorded in the amount column of the trading record and when entering for clearing must be multiplied by the number of calendar days to arrive at the number of contracts applicable to each contract month of the strip transaction.

f. ~~f.~~ **Reporting.** A strip transaction shall be reported, recorded, and publicized as a strip at the single price ~~quoted, traded and reported.~~

~~quoted, traded and reported.~~

g. **Stop Orders.** Strip transactions shall not set off stop orders in any contract.

~~(Note: As of January 27, 1998, option strip transactions may only be offered in the Western Natural Gas options contract.)~~

1145.00 Spread Transactions; Permitted.

A spread transaction involving the purchase and sale of different futures at a price difference is permitted at the KCBTExchange.

1146.00 Requirements.

A spread transaction at the KCBTExchange must meet the following conditions:

~~a.~~

- a. **Same Account.** Each side of the spread must be for the same account;
- b. ~~b.~~ **Executed Competitively.** Such trades must be executed competitively by public outcry in the pit;
- c. ~~c.~~ **Prices.** Both sides of the spread transaction must be assigned prices within the daily price limit
- d. ~~d.~~ **Reporting.** The transaction shall be reported, recorded, and publicized as a spread; and
- e. ~~e.~~ **Designation.** The transaction shall be designated as a spread on the trading cards by an appropriate word or symbol clearly identifying such transaction.

Note: A spread is designated by the symbol S on the trading card.

1147.00 Option Spread Transactions; Permitted.

A spread transaction involving the purchase and sale of different options or the purchase and sale of options and the underlying futures, at a price difference, is permitted at the KCBTExchange provided the conditions of Rule 1148.00 are met.

1148.00 Option Spreads; Requirements.

Spreads allowed under Rule 1147.00 must meet the following conditions:

~~a.~~

- a. All sides of the spread must be for the same account;
 - b. ~~b.~~ Such spread must be executed competitively by public outcry in the pit;
 - c. ~~c.~~ All sides of the spread must be executed at prices within the daily price limit;
 - d. ~~d.~~ The transaction shall be reported, recorded, and publicized as a spread in the ratio in which it was executed, provided such spread was executed simultaneously at a price difference.
- ~~executed, provided such spread was executed simultaneously at a price difference.~~
- e. ~~e.~~ When spread transactions are executed simultaneously, the executing memberPermit Holder on each side of the transaction shall designate each part of the trade as a spread

on the trading cards by an appropriate word or symbol clearly identifying each part of such transaction;

Note: An option spread is designated by the symbol R on the trading card.

- ~~f.~~ f. Only the futures which underlie the options may be included in spreads traded at a price difference;
- ~~g.~~ g. Spreads that involve the trading of futures and options contracts that do not offset to reduce economic risk shall not be executed simultaneously at a price difference. Each side of such spread trade must be executed separately in the respective designated trading area for such contract.

1149.00± Spread Transactions To Rectify Errors.

A spread transaction executed at a differential pursuant to Rule 1146.00 or 1148.00 must be for the same account, except, however, that in the event an order was executed in the wrong month or strike price, a spread transaction at a differential may be executed to both fill the terms of the original order and liquidate the erroneous trade previously executed, provided the following conditions are met:

- ~~a.~~ a. If the error was on the part of a floor broker not employed by the ~~clearing member~~ Clearing Participant representing the order:
 - ~~1.~~ 1. The floor broker places the position erroneously acquired and the subsequent offsetting position entered into as part of a spread transaction into his error account; and
 - ~~2.~~ 2. A ~~member~~ Permit Holder representing (employed by) the ~~clearing firm~~ Clearing Participant initiating the mishandled order approves the execution price used in the spread transaction (for filling the order erroneously handled) by initialing the trading card used to record the spread transaction.
- ~~b.~~ b. If the error was on the part of a ~~clearing member~~ Clearing Participant representing the order or its floor broker employee:
 - ~~1.~~ 1. The ~~clearing member~~ Clearing Participant places the position erroneously acquired and the subsequent offsetting position entered into as part of a spread transaction into its error account; and
 - ~~2.~~ 2. The Pit ~~Chairman~~ Committee chairman (or a member of the Pit Committee in his absence) reviews the propriety of the execution price used in the spread transaction (for filling the order erroneously handled) using Time and Sales information, the time received stamped on the order and any other relevant information. If a dispute arises between the Pit Committee Chairman and the ~~clearing member~~ Clearing Participant, the matter may be appealed to the full Pit Committee present for a final decision in the matter. The chairman or any other member of the Pit Committee may not take part in the review or resolution in the case of an appeal, if such member has a financial, personal or other direct interest in the matter under consideration.
- ~~c.~~ c. The circumstances surrounding the nature and resolution of the error are clearly documented by the floor broker or ~~clearing member~~ Clearing Participant, as the case may be, and such document is provided to the Exchange ~~Compliance Department~~ the same day the error occurred.

CONTROLLED ACCOUNTS

1150.00 Controlled Accounts.

No account for the purchase and sale of commodities for future delivery on ~~this Board of Trade~~ the Exchange shall be accepted or carried for any person who has given trading authority to another person, not a ~~member~~ Permit Holder of the same family, unless the requirements of Rules 1108.00 and 1151.00 are observed.

1151.00 Requirements.

No controlled account shall be accepted or carried unless trading authority pursuant to Rule 1150.00 has been obtained, the registration requirement of Rule 1108.00 has been met, and each of the following conditions has been fulfilled:

~~a.~~

a. A monthly statement shall be sent directly to the customer showing the exact position of the account, including all open trades figured to the market;

b. ~~b.~~ Each transaction shall be specifically designated with the customer's name at the time the order is accepted;

c. ~~c.~~ No transaction shall be held open in the customer's account which can be closed by making up an account purchase and sale; and

a-d. ~~d.~~ Confirmations of all trades shall be sent promptly to both the customer and the party acting for the customer.

MINIMUM CUSTOMER MARGINS

~~Minimum Customer Margins~~

1160.00 Directors To Establish.

No ~~member~~ Permit Holder may accept or carry an account for a customer, whether a ~~member~~ Permit Holder or non-~~member~~ Permit Holder, without proper and adequate margin. The ~~Board of Directors~~ Clearing House shall have the power, and it shall be the duty of ~~said Board~~ the Clearing House, to establish and declare from time to time by ~~resolution~~ rule what margins shall be proper and adequate within the meaning of this rule.

~~Notes: 1. See Resolution 11-1160.00-1~~

~~2. The Clearing Corporation sets clearing margins separate from those established by the KCBT.~~

1160.01 ~~±~~ Initial Margin Deposits.

Initial margin requirements must be met by one or more of the following:

~~a.~~

a. Cash.

b. ~~b.~~ The following government securities valued at market: U.S. Treasury bills, U.S. Treasury notes, and U.S. Treasury bonds.

~~c. _____~~ ~~c.~~-The following securities valued at 70% of their market price; ~~Stocks listed in the Value Line Index, stocks listed on the New York or American Stock Exchange, and "OTC Margin Stock" as defined by Federal Reserve System Regulation G Section 207.2(k).~~

~~d. _____~~ ~~d.~~-Letters of Credit; provided, however, that such letters of credit may not be passed through to the Clearing ~~Corporation~~House by a clearing ~~member~~Permit Holder for purposes of satisfying clearing margin requirements.

~~Note: Approved by Board of Directors October 31, 1986 and amended by the Board on December 23, 1986 and May 30, 2006.~~

1160.02~~±~~ Inter-Market Spread Margins.

Inter-market spread margins may be charged by a ~~Commission Merchant~~FCM, provided that both sides of the spread are on the same ~~Commission Merchant's~~FCM's books. One exception to the requirement of having both sides on the same books is for a ~~Commission Merchant~~FCM clearing through a ~~KCBT~~Clearing MemberParticipant on an omnibus basis, provided the following requirements are met:

~~a.~~

~~a. _____~~ ~~a.~~ All trades to be afforded the inter-market spread rate must be kept in a separate account designated as an "Omnibus Spread Account".

~~b. _____~~ ~~b.~~-The omnibus firm must furnish the ~~KCBT-Clearing~~ MemberParticipant with a letter stating that all trades executed for this account are spread against "like contracts" carried on the omnibus firm's books, and that both sides of each spread are owned by the same customer within the omnibus account.

~~c. _____~~ ~~c.~~- "Like contracts" shall mean those contracts for which the ~~KCBT~~Exchange has an established spread rate.

~~d. _____~~ ~~d.~~-The letter must also state that the omnibus firm agrees to make their books open for review to the ~~KCBT-Audits and Investigations Department~~Exchange, upon request, for verification of the above requirements.

~~Note: Approved by Board of Directors October 31, 1986. See page 1101 of the Board's minutes.~~

1161.00 Non-Clearing ~~Member~~Permit Holder: See Rules for the appropriate contract.

RECORD KEEPING

Record Keeping

1165.00 Non-~~Member~~Permit Holder Corporation Or Association; Orders.

No ~~member, firm, or corporation represented by membership, in the Board of Trade~~Permit Holder shall accept from a non-~~member corporation or association~~Permit Holder firm orders for the purchase or sale of any of the commodities dealt in under the rules of the ~~KCBT~~Exchange for future delivery, unless there be on file in the records of such ~~member, firm, or corporation~~Permit Holder a certified copy of the resolution of the board of ~~directors of~~ such corporation or association authorizing some designated representative of such ~~corporation or association~~non-Permit Holder firm to place such orders for its account and naming some other representative of ~~such corporation or association~~non-Permit Holder

firm to receive duplicate confirmations of all trades made for its account. MembersPermit Holders must handle their confirmations in accord with this rule.

1165.01 Time For Compliance. MembersPermit Holders receiving orders from non-member corporations or associationsPermit Holder firms who do not have a resolution from such corporation's or association's board of directors on file in their own records shall be allowed a reasonable time within which such authorization may be obtained.

1166.00 Confirmations.

Whenever a memberPermit Holder acting on his or her own behalf, or as the representative of a firm or corporation, shall have made a purchase or sale for another party for future delivery of contract grades of commodities dealt in at the KCBTExchange, such memberPermit Holder, or the firm or corporation which such memberPermit Holder represents, shall on the day of the purchase or sale notify in writing the party for whom such purchase or sale was made. The notice shall include the price at which the purchase or sale was made, the commodity, and the quantity. Noncompliance with this rule shall be deemed uncommercial conduct subject to the disciplinary procedures set forth in Chapter 14.

PROHIBITED TRANSACTIONS **Prohibited Transactions**

1170.00 MemberPermit Holder May Not Be Both Principal And Agent.

No memberPermit Holder is allowed, under any circumstances, knowingly and willfully, to be both principal and agent in any transaction in any of the commodities dealt in under the rules of the Board of TradeRules (except when futures are exchanged for cash, Rule 1128.00).

1171.00 Wash, Cross, Accommodation, Or Fictitious Trades.

It shall be a violation of these rulesRules to enter into or confirm the execution of any transaction, if such transaction is of the character of, or is commonly known to the trade as a "wash trade," "cross trade," "accommodation trade," or is a fictitious sale.

Note: It is a violation of this ruleRule for a memberPermit Holder to give a name and thereby make accommodation trades, offsetting two (2) opposed trades for the purpose of concealing the true nature of the crossed transactions.

1172.00 False Price.

It shall be a violation of these rules to enter into or confirm the execution of any transaction if such transaction is used to cause any price to be reported, registered, or recorded which is not a true and bona fide price.

1173.00 Detrimental Acts.

It shall be a violation of these rules if a memberPermit Holder is or has engaged in conduct that is detrimental to the best interest of the KCBTExchange, impairs the good name of the KCBTExchange, or is inconsistent with just and equitable principles of trade.

1173.01† Intermarket Trading Restrictions.

If a memberPermit Holder or person associated with a memberPermit Holder or member organizationPermit Holder firm executes or causes to be executed, for an account in which such memberPermit Holder or person has a direct or indirect pecuniary interest or for an account with respect to which such memberPermit Holder or person exercises investment discretion, any transactions described below to take advantage of material, non-public information which can reasonably be expected to have an immediate, favorable impact in relation to such transactions, such memberPermit Holder or persons may be in violation of this rule which prohibits certain types of intermarket trading activity:

- ~~(i) a transaction in any stock index futures contract, or option on a stock index future when such member or person has acquired knowledge of the imminent execution of another person's stock program transaction;~~
- ~~(ii) stock program transactions, when such member or person has acquired knowledge of the imminent execution of another person's order(s) in stock index futures contracts or options on stock index futures;~~
- ~~or~~
- ~~(iii) a transaction in any stock index option, when such member or person has acquired knowledge of the imminent execution of another person's order(s) in stock index futures contracts or options on a stock index future.~~

In determining whether a memberPermit Holder or person has taken advantage of material, non-public information, it is not necessary for the KCBTExchange to demonstrate that another person has been disadvantaged. Further, such memberPermit Holder or person may be in violation of just and equitable principles of trade regardless of whether the other person has given permission for such trading. However, nothing herein shall prevent such memberPermit Holder or person from establishing, in a futures market, a bona fide hedge of risk such memberPermit Holder or person may have assumed or agreed to assume in facilitating the execution of any other person's stock program or stock index option orders. The risk to be hedged must be the result of having established a position or having given a firm commitment to assume a position, and the offsetting hedging transaction must be commensurate with such risk.

In addition, a memberPermit Holder or person associated with a memberPermit Holder organization who implements a proprietary market strategy involving a stock program or stock index option transaction(s) and a related stock index futures transaction by executing the stock index futures trade(s) prior to the execution of the stock program or the stock index option transaction(s) will not be deemed to be in violation of this policy. However, if the memberPermit Holder or person executes or causes to be executed a transaction in one market to take advantage of such member'sPermit Holder's or person's imminent transaction in a related market, that memberPermit Holder or person may be engaging in manipulative activity.

1174.00 MembersPermit Holders Not Take Trades For Their Own Account.

No memberPermit Holder, firm, or corporation, under any circumstances, shall assume to have executed any order(s) or portion thereof, by knowingly and willfully taking the trades, or any portion of them, for their own account, either directly or indirectly, in their own name or that of an employee, broker, or other memberPermit Holder.

1175.00 Match Trades.

A ~~member~~Permit Holder having in hand, at the same time, both buying and selling orders from different principals for the same commodity in the same delivery month, may execute such orders directly between such principals at the market price if the requirements of Rules 1175.01 through 1175.05 are met.

1175.01 Open Outcry; Observer.

To execute a valid match ("ring") trade, the orders must first be offered openly and competitively in the trading pit by bidding and offering the orders at the same price at least two times, and if neither the bid nor offer is accepted by another ~~member~~Permit Holder, the orders may be executed directly, followed immediately by an announcement of the quantity matched. This transaction must be executed in the presence of the pit reporter.

For example, a broker having a buy order for 100 Dec wheat at 4.55 per bushel and an order to sell 50 Dec wheat at 4.55 per bushel, would shout (witness by a pit reporter):

"Buy or sell Dec at 5,"
"Buy or sell Dec at 5,"
"Ring 50"

1175.02 Record.

The ~~member~~Permit Holder executing a valid match trade must clearly identify all such transactions on the trading card by appropriate descriptive word or symbol. The trading card shall be made at the time of execution and shall record the exact time of execution. The trading card shall be promptly presented to the pit reporter for verification and initialing.

1175.03 No Interest.

The ~~futures commission merchant~~FCM or floor broker receiving or executing such orders shall have no interest therein, directly or indirectly, except as ~~futures commission merchant~~FCM or floor broker.

1175.04 Not Violate Rule 1170.00.

The execution of orders in accordance with the conditions described in Rules 1175.00 through 1175.03 will not be deemed to be the filling of orders by offset within the meaning of Rule 1170.00 or to be cross trades within the meaning of Section 4c of the Commodity Exchange Act, as amended.

1175.05 ~~KCBT~~Exchange Record.

Each valid match trade executed shall be made a matter of permanent record by the ~~KCBT~~Exchange, showing the date, price, quantity, commodity, delivery month, by whom executed, and the exact time of execution.

1176.00 Other Prohibited Activities. No ~~member~~Permit Holder in connection with any order or contract for or on behalf of any person shall:

a.

- a. ~~_____~~ **Not Cheat.** Cheat, defraud, or attempt to cheat or defraud such person;
- b. ~~_____~~ **No False Report.** Willfully make or cause to be made to such person any false report or statement ~~thereof~~thereof, or willfully to enter or cause to be entered for such person any false record thereof;
- c. ~~_____~~ **Not Willfully Decieve**Deceive. Willfully deceive or attempt to deceive such person by any means whatsoever in regard to any such order or contract, the disposition of or execution of any such order or contract, or in regard to any act of agency performed with respect to such order or contract for such person;
- d. ~~_____~~ **Not Bucket.** Bucket such order, fill such order by offset against the order(s) of any other person, willfully and knowingly become the buyer in respect to any selling order of such person, become the seller in respect to any buying order of such person, or knowingly trade with or be associated with persons engaged in such activities;
- e. ~~_____~~ **Not Extort.** Be guilty of any extortion or attempted extortion, or of any ~~fraudulant~~fraudulent, corrupt, uncommercial, or dishonest practices in any business dealings with ~~members~~Permit Holders or others;
- a. ~~_____~~ **Not Manipulate.** Attempt to manipulate the prices of grain or other commodities, or corner, or attempt to corner any grain or other commodities.
- f. ~~_____~~ **No False Business Reports.** Be guilty of making or circulating any false or slanderous reports relative to the business affairs of other ~~members~~Permit Holders, or relative to the officers, appointees, and committees of the ~~Board of Trade~~Exchange, or the general management of the market; and
- g. ~~_____~~ **No False Market Reports.** Knowingly disseminate any false, misleading, or inaccurate report concerning crop or market information or conditions that affect or tend to affect the price of any commodities in interstate commerce or otherwise.

1177.0 ~~1177.00~~ Telephone, Hand-held and Headset Technology in Trading Pits.

~~1.~~

1. Corded Devices - No ~~member~~Permit Holder or any other person holding a telephone or any other device with a cord that can cause a safety hazard may enter any of the ~~exchange~~Exchange trading pits.
2. ~~2.~~ Wireless telephone, hand-held and headset technology – All ~~members~~Permit Holders and ~~member~~Permit Holder firms are eligible to receive authorization to utilize wireless technology in the trading pits. Only ~~members~~Permit Holders may operate approved wireless technology in the trading pits. The use of wireless technology is subject to an application and approval process ~~through the exchange Rules Committee~~by Exchange staff, who may establish reasonable, non-discriminatory guidelines for the approval and use of such technology. ~~Members~~Permit Holders and ~~member~~Permit Holder firms employing individuals utilizing wireless technology either in the trading pits or at their floor booth are responsible for ensuring that such individuals comply with the ~~exchange's~~Exchange's guidelines. Use of wireless technology involving customer orders is subject to the following:
 - a. ~~a.~~ Any ~~member~~Permit Holder using a wireless telephonic link between such ~~member's~~Permit Holder's floor booth and a broker in the trading pit for the

transmission of customer orders must ensure that the requisite information pursuant to ResolutionRule 11-1130.00-1 (Written Record Of Customer Or Option Customer Order) is being properly recorded by such member'sPermit Holder's floor personnel at the booth.

b. b. Any memberPermit Holder using a wireless telephonic link that involves the transmission of customer orders directly to a broker in the trading pit from other than a floor booth must simultaneously have the member'sPermit Holder's floor booth linked so that floor personnel can record the information required by ResolutionRule 11-1130.00-1.

c. c. Any memberPermit Holder using technology that transmits customer orders electronically to a hand-held device operated by a broker in the trading pit is not required to maintain a floor booth link provided that such technology captures the requisite information pursuant to ResolutionRule 11-1130.00-1. Further, such broker is not required to record such trades on a trading card provided the hand-held device captures the requisite information pursuant to Rule 1115.00 (**Trading Records**).

CLEARING TRADES

1185.00 Clearing Contracts.

Futures contracts between membersPermit Holders of the KCBTExchange, whether for their own account or for the account and risk of any other person, firm, or corporation, shall be cleared through the Clearing CorporationHouse by the offset of one trade against another.

1186.00 Relation To ~~The~~ Clearing ~~Corporation-~~House.

After ~~clearing members~~Clearing Participants report their trades to the Clearing CorporationHouse and they are accepted, the Clearing CorporationHouse shall assume the position of buyer from or seller to the ~~clearing member~~Clearing Participant, and the ~~clearing member~~Clearing Participant shall look to the Clearing CorporationHouse for the settlement of all differences arising from such trades, except as otherwise provided by the ~~rules and regulations-~~Rules.

1187.00 Daily Settlement.

All ~~clearing members~~Clearing Participants shall settle their futures trades each day with the Clearing CorporationHouse to the settlement price of that day's market.

Note: See Rules under the appropriate contract for settlement procedures.

FEES AND CHARGES

1190.00 Discretion On Fees.

Commissions or charges permitted to be charged by these ~~rules~~Rules shall be in such amounts as the ~~members~~Exchange shall charge in their discretion, and their imposition shall not violate these ~~rules~~Rules.

1191.00 Futures Trades.

A commission shall be charged for buying and selling, or selling or buying, grain for future delivery. Such commission shall include the service of taking delivery of the grain on the futures contract, and such delivery shall, for the purpose of these rules, be deemed completed by acceptance of the warehouse receipts and payment therefor.

1191.01 Redelivery.

A futures commission charge shall be made for making delivery on futures contracts when the grain to be delivered has previously been obtained by delivery on futures contracts.

1192.00 Financing Charges. A charge shall be made to non-~~members~~Permit Holders, resident ~~members~~Permit Holders, and non-resident ~~members~~Permit Holders as a financing commission in addition to interest charges for:

~~a.~~

a. ~~Carried Over.~~ Financing grain delivered on contract during ~~one~~ (1) contract delivery month and carried to another contract delivery month and redelivered;

b. ~~Ten Day Lapse.~~ Where the grain taken on delivery is not redelivered and payment from the principal or otherwise is not received until more ~~than~~ ten (10) days have elapsed from the time of acceptance of delivery;

c. ~~Customer's Account; Redelivery.~~ When grain taken on delivery is carried for the customer's account and redelivered in the same contract month, the said financing charge shall not be made. In such cases a futures commission charge shall be made on each transaction in addition to interest charges; and

d. ~~Interest Rate.~~ Interest charged according to the provisions of these rules shall be computed from the time of delivery until reimbursement is made.

1192.01 No Compulsory Financing.

Nothing herein contained shall be construed as making it compulsory for a ~~member~~Permit Holder to finance deliveries.

1193.00 Grain In Store; Financing.

In addition to the finance charge provided for in Rule 1192.00, a charge shall be made for selling grain while in store represented by warehouse receipt(s) obtained by the taking of delivery on futures contracts when financed by a commission merchant or when financed by a customer. However, if the holder of the grain obtained the same by taking delivery of the futures contracts executed by the same ~~member~~Permit Holder, firm, or corporation, there shall be deducted the futures commission previously paid on such transaction.

1194.00 Ordering Out.

A charge equal to the commission on consignments shall be made for ordering out and supervising the loading and/or shipping of grain delivered on futures contracts, whether financed by the memberPermit Holder, firm, or corporation making such charge, or financed by the customer holder of such receipts. The charge shall be in addition to the finance charge provided for in Rule 1192.00. If the futures contract has been executed by the same memberPermit Holder, firm, or corporation, the commission for such futures contract shall be deducted from the charge provided in this rule.

1195.00 Receiving; Delivering Cash Grain On Futures.

A consignment selling commission shall be charged for receiving cash grain, arranging for the storage thereof, selling the futures and delivering the cash grain on the futures contracts so made. If a storage commission charge has been made previously on the same cash grain, there shall be deducted from the charge herein provided for the amount previously collected.

1196.00 Reserved

1197.00 Fees And Charges On Futures Trades.

All taxes, KCBTExchange fees, and regulatory charges, if any, on a sale for future delivery shall be charged to the party for whom the sale is made.

1198.00 Brokerage. Members

Permit Holders registered with the CFTC shall charge a brokerage commission or fee for execution of futures orders in the trading pit.

1199.00 Clearing Fee.

Clearing membersParticipants shall charge a fee for reporting and clearing trades, and may charge a larger fee for carrying a trade overnight.

Resolutions

~~RES 11-1106.00-1 Futures Trading; Change Of Grades—~~

~~MAXIMUM MOISTURE; WHEAT~~

~~(See RES 20-2005.00-1)~~

~~RES~~

11-1130.00-1 Written Record Of Customer Or Option Customer Order

Immediately upon receipt on the floor of the KCBTExchange of a Customer's or Option-Customer'soption customer's order, the memberPermit Holder or its designee shall prepare a written record of such order including the Account Identification, Order Number and the Date and Time, to the nearest minute, such order was transmitted or received on the floor of the KCBTExchange. The Date and Time shall be recorded thereon by a time stamp or other timing device.

Such order may then be transmitted physically, verbally or by hand signals to the floor broker by the ~~member~~Permit Holder or its designee. If such order is not transmitted immediately to the floor broker, the order must be time stamped when it is transmitted.

~~(a)~~

(a) If the order is transmitted physically to the floor broker, when the order is received back from the floor broker, the order must also be time stamped;

(b) ~~(b)~~ If the order is transmitted verbally or by hand signals to the floor broker, when a report of execution, or the fact that it is unable to be executed is received from the floor broker, the order must also be time stamped.

All ~~members~~Permit Holders shall initiate written procedures to ensure compliance with this rule.

RES

11-1160.00-1 Futures Trading; Directors To Establish Margins

In accordance with Rule 1160.00 the ~~Board of Directors~~Clearing House has established and declared the following margins as the minimum amounts that are proper and adequate. These margin requirements are subject to change at any time by the Board. Margin requirements shall at all times be those requirements most recently adopted by the Board.

a. Margins On Futures

Margins on Futures are posted on the Exchange website and are subject to change from time to time at the discretion of the Clearing House.

As of 7/19/2012:

~~Hard Winter Wheat Initial * Maintenance~~

~~Old Crop & New Crop Contract Months:~~

- ~~1. Speculative \$ 3,125 \$ 2,500~~
- ~~2. Hedge 2,500 2,500~~
- ~~3. Omnibus Account 2,500 2,500~~
- ~~4. Member – for own account 2,500 2,500~~
- ~~5. Intra-Crop Year Spread ** 200 200~~
- ~~K.C. Floor Trader 0 0~~
- ~~6. Old Crop / New Crop Spread 2000 2000~~
- ~~K.C. Floor Trader 0 0~~
- ~~7. Inter-Market Spread Credit – (K.C. Side only)~~
 - ~~vs. CBT Wheat 80% 80%~~
 - ~~vs. MGE Wheat 60% 60%~~
 - ~~vs. KCBT Wheat Calendar Swaps 90% 90%~~

~~Wheat Calendar Swaps Initial * Maintenance~~

~~Old Crop & New Crop Contract Months:~~

- ~~1. Speculative \$ 3,125 \$ 2,500~~
- ~~2. Hedge 2,500 2,500~~
- ~~3. Omnibus Account 2,500 2,500~~
- ~~4. Member – for own account 2,500 2,500~~
- ~~5. Intra-Crop Year Spread ** 200 200~~
- ~~6. Old Crop / New Crop Spread 2000 2000~~

~~7. Inter-Market Spread Credit~~

~~vs. KCBT Wheat Futures 90% 90%~~

~~* Initial to Maintenance ratio is 1.25:1~~

~~** Crop year is defined as July to May~~

b. Margins On Options

~~In accordance with Rule 1160.00, the Board hereby establishes that minimum margins for options transactions will be determined by the Standard Portfolio Analysis of Risk (SPAN[®]) margin calculations. Maintenance margin will equal the maximum of:~~

~~a. Market Risk Margin Calculation~~

~~b. Extreme Market Risk Calculation~~

~~c. Gross Short Option Calculation~~

~~Initial margins for each commodity are identified in subsection (a) above.~~

~~The values of the following policy variables will be determined by the Board of Directors:~~

~~1. Normal range of futures prices~~

~~2. Normal range of implied volatility changes.~~

~~3. Intermonth spread margin for determining intermonth spread risk.~~

~~4. Extreme range of futures price changes.~~

~~5. Backup margin collection ratio for the extreme calculation.~~

~~6. Gross short option assessment level.~~

~~[®]SPAN and Standard Portfolio Analysis of Risk are trademarks of the Chicago Mercantile Exchange. The Chicago Mercantile Exchange assumes no liability in connection with the use of SPAN by any person or entity.~~

~~e. Margins on Options are posted onMargins on Options are posted on the Exchange website and are subject to change from time to time at the discretion of the Clearing House.~~

c. Cross-Margining

Qualifying accounts may avail themselves of the beneficial margins allowed under cross-margining.

Qualifying accounts, qualifying contracts, margin rates and all other specific provisions shall be determined by the Cross-Margining Agreement entered into between the ~~KCBT Clearing Corporation~~ House and another Cross-Margining Clearing Organization pursuant to Article XIII of the ~~By~~ by-laws of the ~~KCBT Clearing Corporation~~.

Interpretations

INTRP 11-1115.00-1 Recording Trading Quantity

INTERPRETATIONS

INTRP 11-1115.00-1 Recording Trading Quantity

Effective Friday, January 2, 1998, the term "quantity," as used in Rule 1115.00 respecting the items required to be recorded on a trading record, shall mean "number of contracts."

Note: Prior to 1/2/98, wheat futures quantity was recorded in thousands of bushels rather than contracts.

INTRP 11-1128.00-1 Exchange Of Futures For Cash

INTRP 11-1128.00-1 Exchange Of Futures For Cash

Rule 1128.00 pertaining to the exchange of futures for cash commodities or in connection with cash commodity transactions may only occur between two parties wherein one of the parties is the buyer of the futures contracts and the seller of the cash commodity and the other party is the seller of the futures contracts and the buyer of the cash commodity. The transaction must be submitted to the Clearing ~~Corporation~~House by a ~~clearing firm~~Clearing Participant acting on its own behalf or for the beneficial account of a customer who is a party to the transaction. Pass-through of futures is prohibited. ~~(Approved by the Board of Directors 12/18/90, by the CFTC 3/4/91 and effective on 3/4/91.)~~

INTRP 11-1146.00-1 Futures Trading; Spread Requirements

Intramarket Spreads; Market Up The Limit

Question: When the market is up the limit, can a futures trader enter into spreads with one side of the spread being lower than the current price which was up the daily limit?

Answer: Rule 1146.00 permits such spreading transactions provided there is an open outcry in the pit and the pit reporter is advised of the spread transaction. The restrictions of Rule 1146.00 apply to all such transactions ~~(June 5, 1973).~~

INTRP 11-1146.00-2 Futures Trading; Trading Requirements - Bid/Ask Differences

~~The Board of Directors in its meeting on December 30, 1983 interpreted~~ Rule 1146.00(c) ~~to~~shall mean the following:

"Spread transactions occurring in contract months which have no daily quotation range, must be concluded at prices which reflect the bid/ask differences available by open outcry in the pit."

CHAPTER 12 –

DELIVERIES

~~Kansas City Board of Trade~~ CLEARING HOUSE ~~Corporation~~

1200.00 Deliveries; Clearing House.

Deliveries on all futures contracts shall be made through the Clearing CorporationHouse. Delivery notices will be given and received, based upon positions (short and long) as shown on the records of the Clearing CorporationHouse as of the close of the business day next preceding the day of delivery notice.

1200.01 Seller; Delivery Notice.

A seller obligated to make delivery of commodities shall issue and deliver to the Clearing CorporationHouse a signed delivery notice which shall contain the name and business address of the issuer and which shall state the quantity and kind of grain to be delivered.

1200.02 Seller; Time.

Delivery notices must be issued and delivered to the Clearing CorporationHouse before 4:00 p.m. on the second business day preceding the day of delivery except that, on the last notice day of the delivery month, delivery notices may be delivered to the Clearing CorporationHouse until 2:00 p.m. on the last notice day (business day preceding the last delivery day).

1200.03 Seller; Warehouse Receipts Delivered.

When warehouse receipts are to be delivered, notice shall describe the warehouse receipts by giving the name of the elevator, the serial number, the quantity, and the grade of grain.

1200.04 Clearing CorporationHouse; Notice To Buyer.

The Clearing CorporationHouse, upon receipt of such notice of intention to deliver, shall immediately issue notice to the buyer to whom the delivery will be made. Delivery must be accepted by the said buyer.

1200.05 Time Of Delivery; Application By Clearing ~~Corporation~~ House.

Deliveries on futures contracts shall be made to the Clearing CorporationHouse not later than 11:00 A.M.. The Clearing CorporationHouse shall apply such deliveries as soon as possible that same day. This limit shall not be changed by any resolution of the Board ~~of Directors~~ advancing the hours of trading and other time limits contained in these rules. The Clearing CorporationHouse shall refuse to accept any tender of delivery after the time limit here provided.

1200.06 Longer Notice.

Whenever the ~~Commodity Futures Trading Commission, pursuant to Section 5a (5) of the Commodity Exchange Act, as amended, CFTC~~ by order requires the giving of longer notice of delivery than herein provided, such order shall be observed by sellers, but the time of delivery of notices to the Clearing ~~Corporation~~House shall be as herein provided. No order of the ~~Commodity Futures Trading Commission~~CFTC shall apply to then existing contracts.

1201.00 Failure To Deliver.

Failure to make delivery of commodities within proper time after tender of notice as herein provided shall be deemed uncommercial conduct subject to the disciplinary procedure of Chapter 14. Further, such failure shall be deemed a default and the provisions of Rules 1225.00 through 1228.00 shall be applicable.

WAREHOUSE RECEIPTS

1205.00 Delivery By Warehouse Receipts.

Except as otherwise provided, delivery of commodities shall be made by the delivery of registered warehouse receipts issued by warehousemen against stocks in warehouses which have been declared regular by the Board ~~of Directors~~.

1206.00 Deliverable Warehouse Receipts.

All warehouse receipts deliverable on futures contracts shall be for quantities or parcels sold, accompanied by a memorandum of the property to be delivered, with the price of the same, together with the amount due therefore. All warehouse receipts which are tendered on a contract shall be for 5,000 bushels of grain.

1207.00 Storage Allowance and Other Allowances.

Effective with the September 2011 wheat futures contract month, no warehouse receipts covering grain in store shall be valid for delivery on futures contracts unless the storage and insurance charges set forth in ~~Resolution~~Rule 17-1715.00-2 (but not load-out fee) on such grain have been paid up to the first calendar day of each contract delivery month (whether or not such receipts will be delivered in satisfaction of futures contracts) and such payment endorsed on the warehouse receipt. Such endorsement may be made, at the option of the holder, by the regular warehouse issuing the receipt or ~~by the Secretary of the Board of Trade~~Exchange staff upon payment to the ~~Exchange~~ Secretary as agent of the warehouse company. Unpaid accumulated storage and insurance charges and the load-out fee shall be assumed by the buyer. Failure to pay the storage and insurance charges by the business day preceding the first calendar day of each contract delivery month shall be deemed a violation subject to the disciplinary procedures set forth in Chapter 14 of the ~~KCBT rules~~Rules.

1208.00 Charges.

On all deliveries by regular warehouse receipts, the deliverer (seller) shall allow storage and insurance charges accrued to date of delivery.

1209.00 Loading Out; Documents Required.

Delivery of grain by regular warehouses when ordered loaded out by holders of regular warehouse receipts shall be by tender of an Official Inspection Certificate (~~see Rule 3025.03~~), and with a weight certificate supplied by a Federally licensed ~~weighmaster~~ weigh master attached. All deliveries on regular warehouse receipts shall be settled on weights and grades of the respective market.

1209.01 No Freight Requirement.

The Warehouseman is not required to furnish transit billing on grain represented by warehouse receipt deliveries. Delivery shall be flat.

1210.00 Inspection Governing.

Grain loaded against warehouse receipts that have been delivered on futures contracts shall grade at the loading elevator according to the Official Inspection (~~see rule 3025.03~~)Certificate the same grade as specified on warehouse receipt surrendered.

DELIVERIES ON WAREHOUSE RECEIPTS; PROCEDURE

1215.00 Surrender Warehouse Receipts. ~~Members~~

Permit Holders who hold warehouse receipts and desire delivery of grain shall surrender the warehouse receipts to the issuer thereof with written load-out instructions in duplicate, stating the grade and amount of grain called for by said receipts. The parties issuing said warehouse receipts shall deliver the amount and kind of grain called for into covered hopper rail cars (hereinafter referred to as cars), or such other equipment mutually agreed upon by the parties. The duplicate order shall be signed by the issuer to acknowledge receipt thereof, and returned to the holder.

1215.01 United States Origin Only.

A futures contract for the sale of wheat shall be performed on the basis of United States origin only upon written request by a taker of delivery at the time load-out instructions are submitted. (~~See also Rule 2000.05~~)
(See also Rule 2000.05)

1216.00 Order Cars.

In accordance with trade practices, the issuer of warehouse receipts shall be responsible for ordering, in writing, the cars necessary for the shipment ordered to be loaded against such receipts and shall give a copy thereof to the holder. However, the holder of the warehouse receipts may elect, in writing, to furnish cars to the elevator of the warehouse receipts issuer to expedite shipment and shall give notice to the loading elevator accordingly. Cars furnished by the taker on delivery shall apply against the delivering elevator's empty car order. Any charges incurred for the ordering or cancellation of car orders made at the request of the holder by written instructions shall be for the account of the holder.

1217.00 Evidence.

In case the receipt holder elects, in the notice given, to have the issuer order the cars necessary for the loading requested, or in the event that railroad companies will furnish empty cars only on the order of elevator operators, the issuer shall immediately place an order with the railroad for all of such cars as the notice specifies and furnish to the receipt holder the railroad order number or other communication from the respective railroad company giving satisfactory evidence that the cars have been ordered.

1218.00 Loading Cars.

Within five (5) business days after the receipt of the loading order request the delivering elevator shall commence loading all applicable rail equipment that has been actually placed or constructively placed to the delivering elevator at the applicable daily/weekly rate pursuant to subsections (a) and (b) below. The cars are to be loaded in the order they are placed and applied to the respective loading instruction in the order they were furnished. However, in the event cars for more than one set of loading instructions are on constructive placement, the loading elevator shall be required to order from constructive placement those cars furnished for the earliest loading request.

~~a. Warehouse Receipted Load-Out Requirements~~

~~Wheat Delivered and In Hopper Cars~~

~~Not Loaded Out Daily/Weekly~~

~~Up to 3,000,000 Bushels 30-150~~

~~3,005,000 to 4,000,000 bu. 40-200~~

~~4,005,000 to 5,000,000 bu. 50-250~~

~~Each Like Increment up, Add 10-50~~

<u>a. Warehouse Receipted Wheat Delivered and Not Loaded Out</u>	<u>Load-Out Requirements In-Hopper Cars</u>	
	<u>Daily</u>	<u>Weekly</u>
<u>Up to 3,000,000 Bushels</u>	<u>30</u>	<u>150</u>
<u>3,005,000 to 4,000,000 bu.</u>	<u>40</u>	<u>200</u>
<u>4,005,000 to 5,000,000 bu.</u>	<u>50</u>	<u>250</u>
<u>Each Like Increment up, Add</u>	<u>10</u>	<u>50</u>

b. Reporting requirements

The operator of a facility that is declared regular for delivery is to report the total quantity delivered on current and prior contracts that has not yet been loaded-out as of the close of business on the last business day of the expiring contract month. Such information shall be reported to the ~~KCBT~~Exchange not later than 9:00 a.m. on the next following business day (first business day of the month immediately following the expiring month).

c. Publicizing the Load-Out Rate

The Exchange is charged with publicizing the load-out rate for each warehouse declared regular whose load-out rate is above the minimum thirty (30) cars per day.

d. Duration of Established Load-Out Rate

The published load-out requirement is to remain in effect through the close of business on the last delivery day of the next following contract month, at which time the new load-out rate will be determined pursuant to subsections (a) and (b) above.

1219.00 Storage Charges.

Storage charges for account of the holder of the warehouse receipts will cease on any amount on the date that amount is loaded. Furthermore, provided cars are actually or constructively placed, storage charges for the account of the holder will also cease on any bushels not meeting the minimum weekly load-out requirements on the final day that loading is due. In the event loading orders are subsequently cancelled before completion, storage charges will accrue on the total remaining balance.

1220.00 Default.

A default on the entire remaining delivery obligation shall be deemed to have been made if the loading elevator becomes more than twenty (20) business days delinquent in maintaining the minimum load-out capacity, if applicable cars are available, or does not comply with other provisions of these rules.

1220.01 Conditions Beyond Control.

No default shall exist if the deliverer can submit satisfactory proof that, because of conditions beyond the deliverer's control, the deliverer has not been able to load the grain as prescribed. These conditions include, but are not limited to fire, flood, strike, windstorm, and other conditions generally considered acts of God.

DEFAULT

~~Default~~

1225.00 Defaulted Delivery; Purchaser's Options.

In case any property contracted for future delivery is not delivered at maturity of contract, the purchaser may elect to:

~~a.~~

a. Consider the contract forfeited and cancel the same at the last settlement price as determined by Rule 1187.00;

b. ~~b.~~ Purchase the property on the market for the account of the seller by 11:00 P.M. of the next business day and notify the seller of such purchase before 2:30 P.M. of the same day; or

c. ~~c.~~ Require a settlement with the seller at the average market price on the day of the maturity of contract.

Any damage or loss due to the purchaser by reason of such purchase or declared settlement shall be due and payable by the seller immediately.

1226.00 Buyer's Default; Seller's Rights.

In case any property contracted for future delivery is not received and paid for when property tendered, it shall be the duty of the seller, in order to establish any claim on the purchaser, to sell the property at any time during the next twenty-four (24) hours after such default shall have been made. The purchaser shall be notified within one (1) hour of such sale. Any loss resulting to the seller shall be paid by the party in default.

1227.00 Unreasonable Charges Not Allowed.

Rules 1225.00 and 1226.00 shall not be construed as authorizing unjust or unreasonable claims based upon manipulated or fictitious markets. In case of any disagreement arising from any action taken under these ~~rules~~Rules, the expressed willingness of either party to the controversy to submit the controversy to arbitration under these ~~rules~~Rules shall be accepted and construed by the appropriate committee as evidence of the ~~member's~~Permit Holder's readiness to equitably adjust and settle the disputed obligation. Such ~~member~~Permit Holder shall not be subject to discipline while the matter is pending arbitration. Such ~~member~~Permit Holder shall abide by the same in good faith and in case of an award, shall promptly perform such award.

1228.00 Parties To Arbitration On Default.

In case of default on any contract month's deliveries, when the transactions have been carried through the Clearing ~~Corporation~~House, the arbitration of all disputes in reference thereto shall be in one (1) arbitration, so that all the controversies and rights of all parties for any one (1) month's deliveries may be settled at one and the same time. The parties to such arbitration shall be the Clearing ~~Corporation~~House and all parties to whom deliveries were to have been made. All the provisions of the rules and regulations of the ~~KCBT~~Exchange as to arbitration shall apply.

1240.00 thru 1260.00 [~~Reserved~~]

1270.00 Deliveries in Bankruptcy Situation.

~~a.~~

a. For purposes of this ~~by-law~~Rule:

(i) ~~(i)~~ The term "carrying ~~clearing member~~Clearing Participant" means a ~~clearing member~~Clearing Participant which carries accounts for customers of a debtor on an omnibus basis.

(ii) ~~(ii)~~ The term "customer" shall mean any person for whom a ~~member~~Permit Holder carries a ~~KCBT~~an Exchange futures contract.

(iii) ~~(iii)~~ The term "debtor" shall mean any ~~member~~Permit Holder with respect to which an order for relief is entered under the Bankruptcy Code.

(iv) ~~(iv)~~ The term "person" shall include an individual, partnership, corporation, trust, association or any other organization.

(v) ~~(v)~~ The term "order for relief" means the filing of a petition in bankruptcy in a voluntary case and the adjudication of bankruptcy in an involuntary case.

(vi) ~~(vi)~~ The term "tender" with respect to a notice of delivery shall mean:

A. ~~A.~~-In the case of a short ~~clearing member~~Clearing Participant that has presented such a notice to the Clearing ~~Corporation~~House, the assignment of such notice by the Clearing ~~Corporation~~House to a long ~~clearing member~~Clearing Participant;

B. ~~B.~~-In the case of a long ~~clearing member~~Clearing Participant, the acceptance by such ~~member~~Clearing Participant of such notice from the Clearing ~~Corporation~~House;

C. ~~C.~~-In the case of a short non-~~clearing member~~Clearing Participant that has requested its ~~clearing member~~Clearing Participant to issue such a notice, the presentment by such carrying ~~clearing member~~Clearing Participant of such notice to the Clearing ~~Corporation~~House; and

D. ~~D.~~-In the case of a long non-~~clearing member~~Clearing Participant, the allocation of such notice to the debtor by its carrying ~~clearing member~~Clearing Participant and the allocation of such notice to a customer by the long non-~~clearing member~~Clearing Participant.

~~a.b.~~ b.-This ~~By Law~~, Rule ~~1270~~ shall apply only in the event and under the circumstances set forth in paragraph (c) hereof.

~~c.~~-Any provision of the By-Laws ~~and Rules~~ or ~~the Clearing Corporation by laws and rules~~Rules to the contrary notwithstanding, in the event that a debtor carries for a customer any ~~KCBT~~Exchange futures contract in the

c. current delivery month with respect to which the underlying physical commodity has not become a part of the debtor's estate on the date of the entry of the order for relief, and with respect to which:

(i) ~~(i)~~-Trading has ceased on the date of the entry of the order for relief; or

(ii) ~~(ii)~~-Notice of delivery has been tendered on or before the date of the entry of the order of relief; or

(iii) ~~(iii)~~-Trading ceases before such futures contract can be liquidated by the trustee of the debtor's estate;

then, any customer for whose account such debtor is holding any such futures contract shall make delivery of and receive payment for, or receive delivery of and make payment for, the physical commodity as required to fulfill such contract as follows:

A. ~~A.~~-If the debtor is a ~~clearing member~~Clearing Participant, directly with the Clearing ~~Corporation~~House and the Clearing ~~Corporation~~House shall receive delivery of and make payment for, or make delivery of and receive payment for, such commodity in accordance with ~~the Clearing Corporation rules~~these Rules; provided, however, that in lieu of making and taking delivery, any such customer and the Clearing ~~Corporation~~House may settle any such contract in any manner permitted under the Clearing ~~Corporation~~House's rules.

B. ~~B.~~-If the debtor is not a ~~clearing member~~Clearing Participant, through the carrying ~~clearing member~~Clearing Participant that carried the customer's account in an omnibus account for the debtor in accordance with the provisions of paragraph (d).

d. ~~d.~~(i) Immediately upon learning that an order for relief under the Bankruptcy Code has been entered with respect to a debtor which is not a ~~clearing member~~Clearing Participant, the carrying ~~clearing member~~Clearing Participant shall communicate with the debtor or its trustee in

bankruptcy to ascertain the identity and address of each customer of the debtor who is to make or take delivery pursuant to this Rule 1270.

~~(ii)~~ ~~(iii)~~ Immediately upon ascertaining such information, the carrying ~~clearing member~~ Clearing Participant shall:

~~A.~~ ~~A.~~ Notify each such customer that such customer is to make or take delivery, as the case may be, through the carrying ~~clearing member~~ Clearing Participant as if the customer maintained an account directly with the carrying ~~clearing member~~ Clearing Participant, and

~~B.~~ ~~B.~~ Specify the actions which the customer is required to take to consummate such delivery.

~~(iii)~~ ~~(iii)~~ If, prior to the time when delivery is required to be consummated pursuant to the By-Laws and Rules ~~and the by-laws and rules of the Clearing Corporation~~, the carrying ~~clearing member~~ Clearing Participant, after good faith efforts, is unable to communicate with a customer or if the customer, for any reason fails or refuses to timely undertake the actions required pursuant to Rule 1270, the carrying ~~clearing member~~ Clearing Participant shall have no further obligation or liability to the debtor or such customer in connection with such delivery.

~~(iv)~~ ~~(iv)~~ Nothing contained in this Rule 1270 shall prevent a customer and a carrying ~~clearing member~~ Clearing Participant from making mutually agreeable arrangements to settle deliveries on terms other than those set forth in paragraph (d).

~~e.~~ ~~e.~~ The making or taking of delivery or payment with respect to any futures contract in accordance with paragraph (c) or (d) shall discharge in full the obligations of such customer and such opposite ~~clearing member~~ Clearing Participant or carrying ~~clearing member~~ Clearing Participant, as the case may be, to the debtor with respect thereto, but shall not discharge the debtor from any of its obligations with respect to such contract except to the extent that such delivery or payment is made.

~~b.~~ ~~f.~~ Nothing contained in this Rule 1270 shall relieve any customer of its obligation to make or take delivery under any ~~KCBT~~ Exchange futures contract for the sole reason that delivery must be made to or taken from a commodity broker which is a debtor.

INTERPRETATION OF CHAPTER 12 RULES

Note: Any examples used in this Interpretation are based on the minimum load-out rate of 30 cars per day or 150 cars per week. Any elevator subject to a higher load-out rate pursuant to Rule 1218.00 must take such higher rate of load-out into consideration and adjust such examples accordingly.

The delivery rules charge the loading elevator to begin loading requested delivery wheat within five (5) business days, which is on day six (6) following receipt of the taker's load-out instructions on day one. Business days do not count Saturdays, Sundays or holidays. Rules include loading requirements per day or per week because some elevators may have to load on a daily basis rather than on a weekly basis. However, an elevator may choose to consolidate his loadings to even once a week. The stop storage rule is to be figured on a weekly basis. Under these rules neither prior business nor new business is of any consequence and does not affect loading requirements or applicable stop of storage. However, an elevator may choose to delay loading, for whatever reason, and allow storage to stop, but must load at a rate adequate to avoid default. Therefore, storage would stop with day ten (10) on 495,000 bushels if no

wheat has been loaded or on any portion of this amount that has not been previously loaded. Storage charges would include day ten (10). Loadings made prior to a stop storage deadline would have charges due through the actual day of loading. Storage would stop in a like manner on additional 495,000 bushels at five (5) business day increments thereafter.

Because communications between parties is encouraged, any amendments to the loading request would continue to have time count for stop storage requirements. However, if the order is cancelled and reinstated at a later date, the time begins again at the reinstatement date. Also, if the order is cancelled, then storage charges will accrue from day one on the total remaining balance, whether or not any of the bushels had previously passed a stop storage date. Subsequent amendments or modifications of an existing load-out request ~~does do~~ not constitute cancellation of a loading order. A taker may request any railroad covered rail hopper cars or elect to provide private car equipment. Any charges that may be incurred for the ordering or cancellation of car orders shall be paid by the taker. The intent is for the taker to be responsible for reasonable costs of placing and canceling car orders. If cars are not available, as requested in load-out instructions, then the obligation to load is suspended and time does not count until cars are available.

While an elevator may choose to load the required amount after a stop storage date, the intent is not to delay loading unreasonably. The intent of the default rule is therefore intended as only a serious extreme limit. An elevator would be in default on the entire remaining delivery obligation on day 31 if it has not loaded at least 495,000 bushels by day 30. Default on the entire remaining delivery obligation would also be deemed to have occurred after each following five day increment if the elevator becomes more than 20 business days delinquent in maintaining the minimum load-out schedule.

While communication is encouraged, throughout the delivery rules there are various requirements that communication be confirmed in writing. This is intended to provide a clear audit trail of the delivery process.

Interpretations

INTRP 12-1209.00-1 Charges To Move Or Transport Grain

~~Be it resolved that the Board of Directors interprets that warehouse receipts delivered to fulfill a futures contract obligation shall be interpreted as "in store" a regular elevator and that any and all charges to move or transport the grain from the elevator is for the account of the warehouse receipt holder. This includes elevation, weight certificates, grade certificates and other charges known or unknown at this time. (Adopted by the Board of Directors September 25, 1990.)~~

RES 12-1215.00-1 Deliveries on Warehouse Receipts; Requirements

Deoxynivalenol (also known as Vomitoxin) Restriction

~~RESOLVED, that when When warehouse receipts are surrendered to the issuer for load-out pursuant to Rule 1215.00, the taker of delivery shall have the option to, at taker's expense, request in such written load-out instructions that the wheat contain no more than 2 ppm (two parts per million) of deoxynivalenol (vomitoxin). A determination of the level of deoxynivalenol shall be made at the point of origin by the Federal Grain Inspection Service or such other third party inspection service mutually agreeable to the maker and taker of delivery. The determination of the level of deoxynivalenol shall be based on the average test results of the wheat loaded in a single day from a single warehouse for each taker of delivery. As of the effective date of this rule (September 1, 2011), any warehouse receipts previously issued and outstanding shall be subject to the provisions of this ResolutionRule.~~

INTRP 12-1209.00-1 Charges To Move Or Transport Grain

Warehouse receipts delivered to fulfill a futures contract obligation shall be interpreted as "in store" a regular elevator and that any and all charges to move or transport the grain from the elevator is for the account of the warehouse receipt holder. This includes elevation, weight certificates, grade certificates and other charges known or unknown at this time.

CHAPTER 13 FINANCIAL REQUIREMENTS

All Members

1300.00 Financial ~~And~~ Reporting Requirements

Financial requirements for all ~~members~~ Clearing Participants shall be established based on recommendations of the ~~Finance~~ Clearing House Risk Committee and approved by the ~~Board of Directors~~ Clearing House, provided that such requirements for ~~futures commission merchants~~ FCMs must be the same as, or more stringent than, those adopted by the regulations of the CFTC, and provided further, that such requirements as approved by the ~~Board of Directors, are approved by the CFTC. When used in this rule, the word "member" refers to the business unit guaranteeing and represented by a member, whether an employee, officer or partner, and also refers to an individual member who is doing business as a sole proprietor~~ Clearing House, are approved by the CFTC.

Note: The financial and reporting requirements do not apply to those non-~~futures commission merchant~~ members FCM Permit Holders whose trades are guaranteed by another ~~member~~ Clearing Participant; in that event these rules apply to the guarantor. See Rules 1301.00~~±~~ and 1310.00.

1301.00~~±~~ Guaranty Of Futures Trades.

A guaranty of trades protects the other side of a futures trade made in the pit by a guaranteed ~~member~~ Permit Holder until the trade has been accepted for clearing. At that point the trade becomes the responsibility of the ~~clearing member~~ Clearing Participant accepting the trade. Usually such ~~clearing member~~ Clearing Participant will also be the guarantor, but this may not be the case. Trades made by a guaranteed ~~member~~ Permit Holder at another futures market are not covered by such guaranty ~~(as adopted by Board of Directors' Resolution, June 29, 1976)-.~~

1301.01 Withdrawal Of Guaranty. Except as otherwise provided in these rules, privileges accorded a ~~member~~ Permit Holder shall terminate when the ~~member's~~ Permit Holder's guaranty of trades ~~by a~~ Clearing Participant is withdrawn by such ~~member's guarantor~~ Permit Holder's Clearing Participant.

FUTURES COMMISSION MERCHANT ~~Members~~ PERMIT HOLDERS

1305.00 Financial Reports. ~~Futures commission merchant members~~

FCM Clearing Participants must furnish the Exchange the reports as set forth in Regulation Section 1.10 of the ~~Commodity Futures Trading Commission~~ CFTC Regulations, except however, as provided in Regulation Section 1.52. The ~~Finance Committee~~ Clearing House may, in its discretion, require such additional reporting requirements as the Committee deems necessary.

1306.00 Minimum Financial Requirements.

Regulation Section 1.17 of the ~~Commodity Futures Trading Commission~~ CFTC is adopted by the Exchange for its minimum financial requirements. The ~~Finance Committee~~ Clearing House may, in its discretion, require such additional financial requirements as ~~the Committee~~ it deems necessary.

Non-Futures Commission Merchant ~~Members~~ Clearing Participants

1310.00 Financial Statement.

All non-~~futures commission merchant members~~ FCM Clearing Participants shall submit to the ~~exchange~~ Exchange an annual financial statement, and at least one (1) additional financial statement during the following fiscal year, in such form as the ~~Finance Committee~~ Clearing House may prescribe. All financial statements must be submitted in a manner acceptable to ~~Chapter 13 – Financial Requirements~~ 1303

the ~~KCBT~~ Clearing House. The ~~Finance Committee~~ Clearing House may, in its discretion, require lesser or no financial information from ~~members~~ Clearing Participants whose trades are guaranteed by another ~~member~~ Clearing Participant filing financial statements and/or from inactive ~~members~~ Clearing Participants who conduct no cash grain and/or futures business. However, if inactive ~~members~~ Clearing Participants are not filing financial statements as described above, they may not transact any such business until they file the appropriate statement and meet applicable standards.

1310.1 Annual Financial Statement.

The annual financial statement shall be submitted to the ~~Exchange~~ Clearing House on or before one hundred twenty (120) days after the end of the business year. Such annual statement shall be based on an examination made by and be accompanied by an opinion of an independent certified public accountant.

1310.02 Additional Financial Statement.

The additional financial statement shall be as of a date six (6) months subsequent to the end of the business year. Such additional statement shall be submitted within ninety (90) days from the date of the additional financial statement.

~~1310.03 Certification. The annual statement and the additional financial statement shall be certified by an officer, partner, or sole owner of the firm.~~

The annual statement and the additional financial statement shall be certified by an officer, partner, or sole owner of the firm.

1310.04 Further Financial Information.

The ~~Finance Committee~~ Clearing House can require additional financial statements as are necessary.

1310.05 Extension Of Time To File.

Upon request, for good cause shown, the ~~Finance Committee~~ Clearing House can extend the time for the filing of an annual or additional financial statement.

1311.00 Notice Of Net Worth Reduction.

Non-~~futures commission merchant members~~ FCM Clearing Participants must immediately notify the ~~Finance Committee~~ Clearing House of any material reduction of net worth, including in such reduction

the incurring of a contingent liability which would materially affect capital should such liability become fixed. A reduction in net worth of twenty percent (20%) or more shall be deemed "material". Such notice must be in writing and signed by an executive of the ~~member, firm, or corporation, or by a member representing such firm or corporation~~Clearing Participant. Failure to give such notice shall be considered an act detrimental to the interest and welfare of the ~~KCBT~~Clearing House.

INSOLVENCY; FAILURE TO PAY OBLIGATIONS

Insolvency; Failure To Pay Obligations

1320.00 Finance Committee; Threat Of Insolvency.

When the ~~Finance Committee~~Clearing House, from a preliminary investigation or otherwise, has reason to suspect that any ~~member~~Clearing Participant is threatened with insolvency, it shall cooperate with such ~~member~~Clearing Participant, in any feasible manner not contrary to the ~~rules and regulations~~Rules to save such ~~member~~Clearing Participant from open and judicial bankruptcy. When this is not practicable, the ~~Committee~~Clearing House shall then take such other action as will in its judgment assist in securing a prompt, efficient, and economical administration of the ~~member's~~Permit Holder's assets for the bankrupt, as well as for the ~~members~~Permit Holders of the Board of Trade and the customers of such bankrupt who are creditors. Nothing herein, however, shall authorize such Committee to bind the ~~KCBT~~Exchange to any ~~pecuniary~~pecuniary obligation.

~~1321.00 Complaint. Where a member fails or refuses to perform a KCBT contract with or pay obligations arising out of such contracts to another member, the defaulting member, on complaint to the Business Conduct Committee by the other member, shall be suspended, after hearing in accordance with Chapter 14, until the contract is performed or the debt is satisfied. Registered firms and corporations shall be deemed members under this rule. If Chapter 13 – Financial Requirements 1304 the member alleged to be in default denies the default, such member shall be entitled to have the claim arbitrated. If the claim is admitted or established by final arbitration award, the defaulting member shall be suspended until such member has satisfied and discharged all debts owing to members on Exchange contracts. Application for reinstatement shall allege, under oath, that all such debts have been discharged, and notice of such application shall be posted on the bulletin board fifteen (15) business days prior to the hearing of such application.~~

1322.00 Notice Of Insolvency By ~~Member~~Clearing Participant. A ~~Clearing Participant~~Clearing Participant who fails to perform contracts or is insolvent shall immediately inform the ~~Clearing House~~Clearing House in writing that the ~~Clearing Participant~~Clearing Participant is unable to meet its engagements. The ~~Clearing Participant~~Clearing Participant shall thereby become suspended from trading until, after having settled with the ~~Clearing Participant's~~Clearing Participant's creditors, such ~~Clearing Participant~~Clearing Participant has been reinstated by the ~~Clearing House~~Clearing House.

1322.01 Notice Of Insolvency By Permit Holder. ~~member~~

A ~~Permit Holder~~Permit Holder who fails to perform contracts or is insolvent, or who is a partner in a ~~member~~Permit Holder firm or who is ~~registered~~registered for a corporation, which fails to perform its contracts or is insolvent, shall immediately inform ~~the Secretary~~Exchange staff in writing that the ~~member~~Permit Holder firm, or corporation is unable to meet its engagements, ~~and prompt notice thereof shall be given to the stockholders.~~ The ~~member~~Permit Holder shall thereby become suspended from ~~membership~~trading until, after having settled with the ~~member's~~Permit Holder's, the firm's, or corporation's creditors, such ~~member~~Permit Holder has been reinstated by ~~the Board of Directors, with the approval of the Business Conduct Committee~~Exchange staff.

1323.00 Knowledge Of Insolvency By ~~Member~~ A Clearing Participant.

When any ~~member knowing themselves, the firm in which the member is a partner, or the corporation of which the member is an executive officer, to be in an insolvent condition~~ Clearing Participant shall make any contract on such ~~member's own~~ Clearing Participant's account ~~or on account of such firm or corporation,~~ the ~~member~~ Clearing Participant shall be suspended or expelled at the discretion of the ~~Business Conduct~~ Clearing House Risk Committee; or, when any ~~member knowing themselves, the firm in which the member is a partner, or the corporation of which the member is an executive officer,~~ Clearing Participant known to be in an insolvent condition shall accept on such ~~member's~~ Clearing Participant's own account, ~~or on account of any such firm or corporation,~~ any money, security, or securities as margins from any customer on any trade(s) made under the ~~rules of the KCBT~~ Rules, such ~~member~~ Clearing Participant shall be suspended or expelled at the discretion of the Clearing House Risk Committee.

1324.00 Business Conduct ~~Emergency Action Finance Committee Action.~~

Whenever the Emergency Financial Committee:

~~1324.00 Business Conduct Committee Action.~~ Whenever the ~~Business Conduct~~ Committee has been advised by the ~~Finance~~ Committee or by the Board of Directors of the ~~Clearing Corporation~~ determines that a ~~member, firm, or corporation~~ Clearing Participant is in such financial condition that such ~~member, firm, or corporation~~ Clearing Participant cannot be permitted to continue in business with safety to such ~~member's or entity's~~ Clearing Participant's creditors or to the ~~KCBT~~ Exchange, the ~~Business Conduct~~ Emergency Action Finance Committee may announce the suspension of such ~~member, firm, or corporation~~ Clearing Participant.

1325.00 Hearing.

A hearing before the ~~Business Conduct~~ Emergency Financial Committee pursuant to Chapter 14 shall be conducted ~~prior~~ subsequent to the suspension or other disciplinary action set forth by Rules 1320.00, 1321.00, 1322.00, 1323.00, and 1324.00, ~~unless immediate action is necessary to protect the best interest of the marketplace. In that event, a hearing shall be permitted subsequent to the suspension in accordance with Chapter 14.~~ The suspension announced shall continue until the ~~member~~ Clearing Participant has been reinstated ~~as provided in by the Clearing House Risk Committee in accordance with the~~ Rules 192.00-197.00.

1326.00 ~~Member's~~ Clearing Participant's Duties On Suspension.

Every ~~member~~ Clearing Participant suspended under the provisions of this Chapter shall immediately afford every facility required by the ~~Business Conduct~~ Clearing House and the Clearing House Risk Committee for the investigation of the ~~member's~~ Clearing Participant's affairs, and shall, after the announcement of the suspension, file with the ~~Secretary~~ Clearing House a written statement covering all information required by the ~~Business Conduct~~ Clearing House and the Clearing House Risk Committee, including a complete list of such ~~member's~~ Clearing Participant's creditors and the amount owing to each.

1327.00 Closing Contracts.

When announcement is made of a suspension of a ~~member, firm, or corporation~~ Clearing Participant pursuant to the ~~rules, members having KCBT contracts with the member, firm, or corporation~~ Rules, the Clearing House may proceed to close ~~the same on the KCBT or in the best available market, except insofar as the By laws and resolutions of the Clearing Corporation are applicable and provide the method of closing. Should a contract not be closed, as above provided, the price of settlement shall be fixed by the Board of Directors.~~ any Exchange contracts with such Clearing Participant.

1328.00 Suspended ~~Member~~ Clearing Participant Subject To Discipline. A member

Any Clearing Participant suspended under the provisions of these ~~rules~~ Rules may be proceeded against by ~~the Business Conduct Committee~~ Clearing House for any offense committed by such ~~member~~ Clearing Participant either before or after the announcement of suspension, in all respects as if such ~~member~~ Clearing Participant were not under suspension.

RES

Rule 13-1301.00-1 Futures Pit Traders' and Brokers' Financial Guidelines

(Non-FCM, Non-Clearing ~~Members~~ Participants & Non-Grain Merchants)

A.

A. Minimum Financial Requirements for Futures Pit Traders and Brokers — Such ~~members~~ Permit Holders may meet financial requirements ~~by either (1) filing a certified financial statement which sets forth working capital and net worth of \$25,000 respectively; or, (2) obtain~~ obtaining a guarantee from a ~~clearing member~~ Clearing Participant (who is meeting financial requirements by filing certified financial statements).

B. B-Clearing Guarantee — Such ~~member~~ Permit Holders must also have written authority from a ~~Futures Commission Merchant clearing member~~ FCM Clearing Participant that all of such ~~member's~~ Permit Holder's trades will be accepted for clearing until further notice.* This FCM then becomes such ~~member's primary clearing member.~~ Permit Holder's Clearing Participant. Such FCM may withdraw this authority at any time by delivering three (3) copies of such withdrawal notice to the ~~office of the KCBT.~~ Clearing House. One copy will be retained by the ~~KCBT~~ Clearing House and placed in the ~~member's~~ Permit Holder's file, one (1) copy returned to the FCM and one (1) copy delivered to the ~~member.~~ Permit Holder. The latter two (2) copies will be dated, timed, and signed by a representative of the ~~Secretary's office~~ Clearing House acknowledging receipt therefor. A list of each floor trader and their ~~primary clearing member~~ qualifying Clearing Participant will be posted on the trading floor.

C. Other Clearing Members — ~~The primary clearing member is not responsible for trades of such member cleared with any other clearing member unless the primary clearing member has agreed in writing to be responsible.~~

C. D-Brokers — In the event of an error by a broker, resulting in a loss for which he/she is responsible, the liability shall be: First, the pit broker who made the error. Next, the guarantor, ~~up to a maximum of \$25,000.~~

D. E-Losses — Shall be paid by 4:00 P.M.p.m. local time of the business day following the day on which the transaction giving rise to the loss was made. Any claim against a ~~guarantor~~ Clearing Participant resulting from failure to satisfactorily settle a loss must be made in writing by 5:00 P.M.p.m. local time of the same day. Such claim must be made by written notice to the ~~office of~~

~~the Secretary of the KCBT Clearing House. A signed, dated and timed receipt must be given to the claimant by a representative of the Secretary's office. (See Rule 1137 and note following on time of advising brokers of errors.) Clearing House.~~

~~F. "Hair Cuts", or changes to~~

~~E. **Financial Statements Requirements** — A member Permit Holder who meets financial requirements by filing certified financial statements must have a unit of working capital and net worth of \$25,000 respectively for each member Permit Holder who represents the firm and/or is guaranteed by the firm. Working capital and net worth as shown by the audited financial statements may be increased in the following instance.~~

~~1. For all exchange memberships valued at cost, if such cost is below 75% of the market value for such memberships, the working capital and net worth may be increased by the difference.~~

~~2. If marketable securities are valued at cost, and such cost is below market, the working capital and net worth may be increased by the difference.~~

~~*See Next Page For Proper Authorization Form Chapter 13~~

~~**PRIMARY CLEARING MEMBER AUTHORIZATION**~~

~~To the Secretary~~

~~The Board of Trade of Kansas City, Missouri, Inc.~~

~~I (we), the undersigned clearing member FCM, hereby agree to accept for clearing the trades transacted for the account of the undersigned non-clearing member or member firm. I (we) understand that this agreement designates me (us) as the Primary Clearing Member for the undersigned non-clearing member or member firm and that said non-clearing member firm may not clear trades through any other clearing member without prior written notice to me (us), the Primary Clearing Member.~~

~~This agreement may be withdrawn at any time by the clearing member FCM by written notice delivered to the Office of the Secretary of the Kansas City Board of Trade. A signed, dated and timed receipt will be subsequently issued by a representative of the Secretary's office to the withdrawing clearing member FCM.~~

~~_____~~
~~Clearing Member FCM Title Date~~

~~_____~~
~~Authorized Signature~~

~~_____~~
~~Non-Clearing Member Title Date~~

~~_____~~
~~Authorized Signature~~

~~_____~~
~~Date Received by Secretary's Office~~

CHAPTER 14 DISCIPLINE

INVESTIGATIONS

1400.00 Staff To Conduct

The Exchange shall conduct a prompt and thorough investigation of any possible rule violation regardless of how such matter was called to their attention.

1401.00 Discovery Of Violations.

If, during the progress of any arbitration or other investigation before any committee of the KCBT Exchange, it shall appear to such committee that any ~~member is~~ person may be guilty of violating or attempting to violate these ~~rules~~ Rules, such committee shall report such matters to ~~the~~ Exchange staff. Thereafter, such matter shall be handled as any other possible rule violation.

1402.00 Time To Commence.

Normally an investigation will be commenced within four (4) weeks of receipt of information suggesting an investigation of a possible ~~rule~~ Rule violation is necessary, and the investigation shall be completed as soon as reasonably possible.

1403.00 Notice To ~~Members. Members~~ Permit Holders.

Persons under investigation shall be advised unless not feasible due to press of time or other factors.

~~1404.00 Informal Conference. Prior to the conclusion of the investigation, members under investigation shall be afforded an opportunity to present such evidence (written or oral) as they may choose. Note: This conference will be held prior to the issuance of the staff's written report.~~

1405.00 Written Report.

A written investigation report shall be made by the Exchange staff on conclusion of the investigation where it has reasonable cause to believe a violation of the Rules has occurred.

1406.00 Warning Letter. ~~The~~

Exchange staff is authorized to issue a warning letter to a member person under investigation ~~with a copy sent to the Complaint Committee,~~ or to recommend the Complaint Committee issue such a letter.

1410.00 Committee.

The Complaint Committee shall review all matters involving possible violations of ~~cash rules~~ these Rules. That Committee shall be charged with the duty to review the written reports submitted by ~~the Audits and Investigations~~ Exchange staff.

1411.00 Exchange Staff Report Submitted To Committee.

The investigation report must be given to each member of the Complaint Committee ~~as soon as~~ once it is prepared unless ~~the~~ Exchange staff clearly feels there is no evidence of a rule violation. The Committee shall, by majority vote, take one of the following actions:

- A. If the Committee determines that a reasonable basis exists for finding that a violation of a Rule may have occurred which warrants disciplinary action, it shall issue appropriate charges.
- B. If the Committee determines that a reasonable basis exists for finding that a violation of a Rule may have occurred, but that the issuance of charges is unwarranted, it shall direct that a warning letter be issued.
- C. If the Committee determines that no reasonable basis exists for finding that a violation of a Rule may have occurred it shall direct that no further action be taken.
- D. Direct that Exchange staff investigate the matter further.

The Committee shall direct Exchange staff to give notice of the charges to the respondent in accordance with these Rules and to the BCC.

If the Complaint Committee refuses to issue any charge requested by Exchange staff, the Committee shall explain the reason(s) for such refusal in writing. Exchange staff may appeal to the Board any refusal by a Panel to issue those charges requested. If such an appeal is requested, the Board shall conduct a hearing on the matter in accordance with the procedures in Rules 1435.00-1442.02.

No person shall serve on the Complaint Committee unless he has agreed in writing that he will not publish, divulge or make known in any manner, any facts or information regarding the business of any person or entity or any other information which may come to his attention in his official capacity as a member of the Complaint Committee, except when reporting to the Board or to a committee concerned with such information or to the Legal Department or Market Regulation Department, when requested by the CFTC or other governmental agency or when compelled to testify in any judicial or administrative proceeding.

All information, records, materials and documents provided to the Complaint Committee and all deliberations, testimony, information, records, materials and documents related thereto shall be treated as non-public and confidential and shall not be disclosed, except as necessary to further an Exchange investigation or as required by law.

1412.00 Committee Convene; Time.

The Complaint Committee ~~must meet~~ shall endeavor to consider the investigation report within ~~ten (10)~~ business-thirty (30) days of the receipt thereof.

1413.00 Committee Decision; Time.

The decision of the Complaint Committee shall be made within ten (10) business days, absent extraordinary circumstances.

~~1413.01 Committee Decision; Written Report.~~ The decision of the Complaint Committee shall be made by a written report. Such report may incorporate the investigation report. The reason(s) for the decision of the Committee must be clearly stated in the written report.

~~1414.00 Formal Charges; Time.~~ If the Complaint Committee determines that formal charges should be issued, the Committee shall cause the same to be prepared. The Notice of Charges shall be sent to the charged party within fifteen (15) business days of the date of the Committee decision.

~~1414.01 Notice Of Charges; Preparation.~~ A written Notice of Charges shall be prepared by the staff and approved by the Complaint Committee.

1414.02 Notice Of Charges; Content.

The Notice of Charges shall state:

a.

a. _____ The acts, practices, or conduct in which the person is alleged to have engaged;

b. _____ b. The ~~rule~~Rule(s) alleged to have been violated (or about to be violated);

~~c. The predetermined penalty, if any;~~

c. _____ ~~d. Reserved.~~

d. _____ That the charged person is entitled to a hearing on the charges unless waived or a written offer of settlement is submitted and ultimately accepted and approved (~~Rules~~Rule 1416.00 through 1417.02);

e. _____ e. That the charged party may file a written answer within ~~ten (10)~~twenty-one (21) business days;

~~1405 Chapter 14 – Discipline~~

f. _____ f. That the charged party may file a written "nolo contendere" plea, neither admitting nor denying guilt, but waiving all proceedings except a hearing to set any appropriate penalty;

g. _____ g. That failure to answer the charges in writing within the time prescribed in paragraph (e) above shall be deemed a "not guilty" ~~admitted~~ plea and a hearing will be scheduled before the ~~Business Conduct Committee~~BCC where the person shall be deemed to waive his right to a hearing on the charges and the BCC shall find that the violation(s) alleged in the Notice of Charges have been committed;

h. _____ h. That sufficient facts to prove a rule violation must be presented at any hearing before the ~~Business Conduct Committee~~BCC in order for a penalty to be imposed; and

i. _____ i. Recommend that the charged party carefully review the rules of the ~~KCBT~~Exchange and the CFTC Regulations on disciplinary matters.

1414.03 Notice Of Charges; Service On ~~Member.~~ Permit Holder.

The Notice of Charges shall be sent by certified mail to the most current business address known by the ~~KCBT~~Exchange, or the last known residence of the charged party. Proof of mailing in such fashion shall be deemed sufficient notice.

1414.04 Notice Of Charges; Business Conduct Committee. A copy of the Notice of Charges shall be given to each member of the Business Conduct Committee.

1416.00 Offers Of Settlement

A respondent that is the subject of an investigation or who is charged with a Rule violation(s) may submit for consideration by a panel of the BCC a written offer of settlement in disposition of such investigation or charges.

A respondent may submit an offer of settlement without admitting or denying the Rule violations upon which the penalty is based; provided, however, that an offer must include a consent to entry of findings by the BCC regarding the conduct and Rule violations at issue and to the penalty to be imposed.

If Exchange staff does not oppose the respondent's offer of settlement, the respondent's written offer of settlement and staff's supporting statement shall be submitted to the BCC for consideration.

If staff opposes the respondent's offer of settlement, the respondent, following the issuance of any charges by the Complaint Committee, may submit a written unsupported offer of settlement for consideration by the BCC no less than twenty-eight (28) days in advance of the originally scheduled hearing date.

If a respondent submits an unsupported offer less than 28 days before a scheduled hearing date, or after the hearing has commenced, the offer shall not be considered unless agreed upon by the parties. Exchange staff shall be entitled to file a written response to an unsupported offer of settlement within ten (10) days of receiving the unsupported offer. In considering whether to accept the respondent's offer, the Committee shall examine the respondent's written offer of settlement and the staff's written opposition thereto. The respondent may not submit more than one unsupported offer of settlement. Notwithstanding the preceding sentence, a respondent may submit a single additional unsupported offer of settlement if the charging memorandum has been modified pursuant to these Rules. subsequent to the BCC's consideration of an unsupported offer of settlement.

A respondent may withdraw an offer of settlement at any time prior to final acceptance by the BCC. If the BCC accepts the offer, a written decision setting forth the BCC's findings and sanction shall be issued, and written notice of the decision shall be given to the respondent.

If the BCC rejects an offer of settlement, the respondent will be notified of the rejection and it will be deemed withdrawn. If an offer is withdrawn or rejected by the BCC, the respondent shall not be deemed to have made any admissions by reason of the offer and shall not otherwise be prejudiced by having submitted the offer.

The assigned Chairman of the BCC may decline to convene the BCC to consider an unsupported offer of settlement.

Any contested hearing following an offer of settlement not accepted by a Panel of the BCC will be heard by a new panel.

In submitting an offer of settlement, the respondent waives his right to a contested hearing and to appeal the BCC's decision, pursuant to these Rules of to the CFTC, if the offer is accepted; the respondent also waives any claim of bias or prejudgment on the part of the BCC.

If the offer of settlement is accepted, the BCC's decision shall be final on the date it is signed by the appointed Chairman. In the case of an unsupported offer of settlement accepted by the BCC, the

Committee's decision shall become the final decision of the Exchange after the appeal period has lapsed.

DISCIPLINARY HEARING

~~**1416.00 Committee Receive And Review.** The Complaint Committee may receive and consider offers of settlement. The offer of settlement may include a statement that such settlement will not be deemed an admission of guilt (CFTC Regulation Section 8.16(b)). If the Complaint Committee approves and accepts the offer of settlement received, the offer of settlement must be forwarded to the Business Conduct Committee for final acceptance and approval.~~

~~**1417.00 Business Conduct Committee Review.** Review of a submitted offer of settlement shall be automatic and must be considered by the Business Conduct Committee within ten (10) business days of receipt from the Complaint Committee.~~

~~**1417.01 Scope Of Review.** The Business Conduct Committee shall have no power other than to review offers of settlement or require a full hearing on the matter if it deems the tendered offer of settlement unsatisfactory.~~

~~**1417.02 Decision.** The final decision of the Business Conduct Committee shall be made within fifteen (15) business days, absent extraordinary circumstances.~~

~~Note: The decision must be reduced to writing and set forth the information required by CFTC Regulation Sections 8.16(c) and 9.11(a) (1), (2), (3), and (4). A decision which approves and accepts the offer of settlement will constitute a final exchange action and must be forwarded to the CFTC.~~

1420.00 Hearing Requirement.

No ~~member~~Permit Holder may be disciplined under these ~~rules~~Rules without being afforded an opportunity to a fair hearing at which such ~~member~~Permit Holder can present a defense.

1421.00 Hearing Body.

The hearing shall be fair and shall be conducted before ~~the members of the Business Conduct Committee, except for the hearing provided in Rule 408.00 (decorum). The hearing may be conducted before all of the members of the Business Conduct committee or a panel thereof.~~ a panel of BCC.

1421.01 Conflict Of Interest; Inability To Serve.

No member of the ~~Business Conduct Committee~~BCC may serve on the Committee or panel if such member or any person or firm, with which ~~such~~ member is affiliated, has a financial, personal, or other direct interest in the matter under consideration. ~~(In such a circumstance the Chairman of the KCBT shall appoint a substitute (Rule 244.02)).~~

1422.00 Hearing Date.

In the event a hearing is necessary, it shall be the duty of the appointed Chairman of the Business Conduct Committee to set a hearing date ~~within thirty (30) calendar days from~~after the date of issuance of the Notice of Charges.

1422.01 Extension Of Time.

The ~~member~~respondent charged and ~~the Board of Trade~~Exchange staff are each entitled to one (1) fifteen (15) business-day extension for good cause shown. The Business Conduct Committee may, in its discretion, grant a longer extension on proof of extraordinary circumstances such as would result in a severe handicap or unfair burden to either side and therefore be unjust.

1422.02 Hearing Promptly Convened.

The hearing shall be promptly convened after reasonable notice to the charged party.

1423.00 Failure To Appear.

If the ~~charged member~~respondent, after due notice of the hearing as provided in these ~~rules, shall fail~~Rules, fails to appear at the appointed time and place or shall abscond or conceal their whereabouts so that notice pursuant to Rule 1414.03 cannot be made, the hearing may proceed in the absence of such party and the determination of the Business Conduct Committee shall be binding as in other cases.

1424.00 Staff A Party. ~~The~~

~~Exchange~~ staff shall be a party to the hearing before the Business Conduct Committee and shall present the case on those charges and penalties which are the subject of the hearing.

1425.00 Rights Of Charged Party; Prehearing.

Prior to the commencement of the disciplinary hearing required by this Chapter, the charged party shall be afforded the following:

- a. **Right To Representation.** Upon being served with a Notice of Charges, a charged ~~member~~Permit Holder has the right to be represented by legal counsel or any other representative chosen by such ~~member~~Permit Holder (such as an accountant or another ~~member~~Permit Holder) in all succeeding stages of the disciplinary proceeding; and
- b. **Discovery.** The Exchange shall maintain a file once an investigation is initiated. The file shall include any materials in the possession of Exchange staff that are relevant to the conduct being investigated. A respondent charged with a violation of the Rules shall have the right to review the evidence in the investigation file relevant to the issued charges; provided, however, that protected attorney work product, attorney-client communications and investigative work product, including, but not limited to, the investigation report and any exception reports, are neither discoverable by a respondent in disciplinary proceedings nor subject to review by a respondent as part of the investigation file. In its sole discretion, Exchange staff may assign the costs of copying and producing evidence in an investigation file to the respondent requesting the evidence. A respondent may petition the assigned BCC Chairman in writing for an order compelling the production of evidence not contained in the investigation file that it reasonably believes is relevant to the issued charges. Exchange staff shall have a reasonable opportunity to respond, in writing, to the respondent's motion.

~~b. **Discovery.** The charged party shall be entitled in advance of the hearing to examine all books, documents, or other tangible evidence in the possession of or under the control of the KCBT which are to be relied upon by the staff in presenting the charges contained in the Notice of Charges or which are relevant to those charges.~~

1426.00 Rights Of Charged Party; Hearing.

The charged party shall be afforded the following rights at any hearing required by this Chapter:

~~a.~~

a. **Appear Personally.** The charged party shall be entitled to appear personally at the hearing;

~~b.~~

b. **Call Witnesses.** The charged party shall be entitled to call witnesses and to present such evidence as may be relevant to the charges; and

~~c.~~

c. **Cross-Examination.** The charged party shall be entitled to cross-examine any person appearing as a witness at the hearing.

1427.00 Hearing; Requirements. The following requirements shall apply to any hearing required by this Chapter:

~~a.~~

a. **Rules Of Evidence.** The formal rules of evidence need not apply; however, the hearing procedures may not be so informal as to deny a fair hearing;

b. ~~b.~~ **Record Of Proceeding.** A substantially verbatim record of any hearing shall be made and become a part of the proceeding. The record must be one that is capable of being accurately transcribed; however, it need not be transcribed unless the transcript is requested by the CFTC or the charged party, if the decision is appealed under CFTC Regulation Section 8.19, if the decision is reviewed by the CFTC pursuant to Section 8c of the Commodity Exchange Act, as amended, or appealed as permitted by these rules; and

~~c. **No Self-Incrimination.** No witness shall be compelled to answer any question which might tend to incriminate such member; and~~

~~c.~~ ~~d.~~ **Irrelevant Material.** Testimony which in the opinion of the Committee or tribunal is irrelevant to the case on hearing shall not be admitted.

1427.01 Hearing; Disorderly Conduct.

The use of any personal, abusive, or discourteous language or other conduct which impedes the progress of any hearing pursuant to this Chapter shall subject the party offending to censure, a fine of not exceeding \$100.00, or both. The penalty shall be imposed by the Committee Chairman at the time of the offense.

1428.00 Witnesses; ~~KCBT~~Exchange Efforts.

The KCBTExchange shall require persons within its jurisdiction who are called as witnesses to appear at the hearing and to produce evidence. Reasonable efforts shall be made by the KCBTExchange to secure the presence of all other persons called as witnesses whose testimony would be relevant.

1428.01 Persons Within The Jurisdiction Of The KCBTExchange; Defined. Persons

In addition to Rule 1100.01, other persons within the jurisdiction of the KCBTExchange shall include all members, firms represented by membership Permit Holders to the extent such individuals or firms are involved in transactions governed by the rules of the KCBT, floor clerks, Board of Trade Rules, Floor Clerks, Exchange staff, and Clearing Corporation House staff.

1429.00 Hearing; Testimony. ~~The Business Conduct Committee shall at all hearings take~~

All testimony under oath, and no statement not sworn to before the Business Conduct Committee shall be considered truthful and anyone violating this Rule is subject to disciplinary action, including a fine and expulsion from participating in the determination of the case Exchange markets.

1430.00 Hearing; Witnesses.

In any hearing before the Business Conduct Committee, if any member Permit Holder who shall have had notice, in writing, from the Secretary Exchange to appear and testify in the case, or if any member Permit Holder who shall have been cited by ~~the~~ an appointed Chairman of the Business Conduct Committee to appear and testify, shall neglect or refuse to answer any question which may, by a majority vote of the said panel of the Business Conduct Committee, be declared proper and pertinent to the case in hearing, such member Permit Holder shall be subject to suspension by such Committee from all the privileges of the KCBTExchange for such period as that Committee may determine. The Business Conduct Committee may suspend a member Permit Holder in case of contempt of a witness before said Committee, provided that in case of such contempt before the Business Conduct Committee, the penalties herein provided may be inflicted at once and without notice.

1431.00 Hearing; Order of Presentation.

When members Permit Holders are required to appear at a hearing before the Business Conduct Committee for the purpose of discipline, normally each party to such hearing shall be allowed to address the Business Conduct Committee once in opening the case, stating the line of prosecution and defense only; thereafter both sides shall present evidence, the staff first, then the charged party, subject to the right of cross-examination. At the conclusion of such hearing, the staff shall be allowed to address the Business Conduct Committee in opening and closing the argument, and the defense shall be allowed equal time after the opening and before the closing arguments by the prosecution. The closing argument of the staff shall, however, be confined to a summation and any new matters presented in the closing argument of the defense. Before the beginning of the argument the Committee Chairman shall designate the time to be allowed to each party.

1432.00 Business Conduct Committee Decision.

A majority vote of the panel of the BCC is required for a finding of guilt. Promptly following a hearing conducted in accordance with these ~~rules~~Rules, the Business Conduct Committee shall render a written decision based upon the weight of the evidence contained in the record of the proceeding. A copy of the decision shall be provided to the respondent charged ~~party~~with a rule violation.

1432.01 Time.

Normally, ~~a~~ a decision should be made in a closed executive session, drafted, edited, revised, signed, and given to the charged ~~member within three (3) weeks [fifteen (15) business days]~~Permit Holder as soon as practicable following the conclusion of the hearing.

1432.02 Consider Rule 1441.00.

The Business Conduct Committee shall, in considering a case, take into account the guidelines of Rule 1441.00.

1432.03 Penalties.

Subject to appeals as provided by the ~~rules~~Rules and applicable laws, any ~~member~~respondent who shall be found guilty of any violation of any of the provisions of the ~~Certificate of Incorporation, the rules, resolutions, or any regulations adopted by the Board of Directors,~~Rules shall be subject to being warned, censured, fined, suspended, expelled, or ~~membership and property rights~~its Exchange trading privileges forfeited, at the discretion of the Business Conduct Committee, after a full and fair hearing of all the facts presented in the case.

1432.04 Written Decision.

The written decision shall include:

~~a.~~

- a. The notice of charges or a summary of the charges;
- b. ~~b.~~ The answer, if any, or a summary of the answer;
- c. ~~c.~~ A brief summary of the evidence produced at the hearing or, where appropriate, incorporation by reference to the investigation report;
- d. ~~d.~~ A statement of findings and conclusions with respect to each charge, including the specific rules which the charged ~~member~~Permit Holder is found to have violated; and
- e. ~~e.~~ A declaration of any penalty imposed and the effective date of such penalty.

1432.05~~+~~ Failure To Comply. ~~Failure of the Charged Party~~

A respondent charged with failing to comply with the terms of any penalty imposed by the Business Conduct Committee or the Board ~~of Directors~~ within the time provided shall result in warning, censure, fine, suspension, expulsion or forfeiture of ~~membership and property rights~~its Exchange trading privileges at the sole discretion of the Board ~~of Directors~~.

~~Note: Approved by Board of Director's action August 26, 1986, see page 1093 of Board Minutes.~~

1432.06~~±~~ Procedure For Imposition Of Penalty For Failure To Comply.

The failure of a ~~Charged Party~~respondent charged with failing to comply with the terms of any penalty imposed by the Business Conduct Committee or the Board ~~of Directors~~ within the time provided shall be considered by the Board ~~of Directors~~ for possible imposition of sanctions. The ~~Charged Party~~respondent shall be given ten (10) days written notice in advance of the meeting of the Board ~~of Directors~~ by certified mail to the most current business address known by the ~~KCBT~~Exchange or the last known ~~residence~~residences of the ~~Charged Party~~charged respondent. Proof of mailing in such fashion shall be deemed sufficient notice.

~~Note: Approved by Board of Director's action August 26, 1986, see page 1093 of Board minutes.~~

1433.00 Hearing Reopened.

The Business Conduct Committee may order the hearing reopened to receive newly discovered material evidence prior to issuing a written decision on the written request of the staff or the charged party.

APPEAL

1435.00 Appeal; Generally.

An appeal, ~~except as provided in Rule 232.05,~~ may be taken to an appellate hearing panel of the Board of Directors from a decision of the Business Conduct Committee. The appellate hearing panel shall consist of three members of the Board, one of which must be an independent member of the Board, who are appointed by the Executive Chairman upon request.

Exchange staff may request an appeal to a hearing panel of the Board ("Appellate Panel") regarding a final decision of or sanction imposed by the BCC, or any refusal by the Complaint Committee to issue those charges requested by Exchange staff, by filing a written request for an appeal with the Legal Department within ten (10) business days from the date the decision is released. after receiving notice of such decision, sanction or refusal. Filing of a request for an appeal by Exchange staff shall stay any decision that is appealed unless the Board or the appointed Chairman of the panel of the BCC from which the appeal is taken specifically directs that the decision is not stayed pending appeal.

A respondent found guilty of an offense or otherwise aggrieved by a final decision of the BCC, may request an appeal to the Board provided that the decision assesses a monetary sanction greater than \$10,000 and/or an access denial or suspension of any Exchange trading privileges for greater than five (5) business days against the respondent. The request shall be filed in writing with the Legal Department within ten (10) business days after Notice of any such decision. Filing of a request for an appeal by a respondent shall stay the decision appealed unless Exchange staff objects to such a stay and the Board or the Chairman of the panel of the BCC from which the appeal is taken specifically directs that the decision is not stayed pending appeal.

A written request for an appeal must specify the grounds for the appeal and the specific error or impropriety of the original decision. Upon receiving the written request for an appeal, the Board, by a majority vote, shall determine whether sufficient grounds exist to hold a hearing on the appeal. The Board may only determine that sufficient grounds exist if there is a reasonable basis to conclude that the appellant might be able to meet one of the three standards identified below that would permit the

Appellate Panel to set aside, modify or amend the appealed decision or the refusal to issue charges. The Appellate Panel's determination shall be based solely upon the written request and, in the case of an appeal of a BCC decision, any written response by the opposing party. The Appellate Panel's determination of whether to hold a hearing on an appeal shall be final.

1436.00 ~~1436.00~~ Appeal; Content. ~~An appeal to the Board of Directors must be in writing and contain the following:~~

- ~~a. Name of the charged party;~~
- ~~b. Nature of the objection to the decision; and~~
- ~~c. Argument and discussion.~~

Grounds for Appeal.

The Board shall not set aside, modify or amend the appealed decision or the refusal to issue charges unless it determines, by a majority vote, that the decision or the refusal to issue charges was:

- A. Arbitrary, capricious, or an abuse of the committee's discretion;
- B. In excess of the committee's authority or jurisdiction; or
- C. Based on a clearly erroneous application or interpretation of Exchange Rules.

1437.00 Appeal Hearing; Time. ~~The~~

If a request for an appeal is timely filed and granted by the Appeal Board of Directors it shall then convene ~~as an appeal body~~ to hear the appeal within ~~twenty (20) business~~ sixty (60) calendar days. At least ten (10) business days advance written notice of the hearing day must be sent to both parties ~~(see note 1).~~

1437.01 Continuance.

On written application, for a good cause shown such as a delay in obtaining a typed copy of the transcript, unavailability of counsel, etc., the appointed Chairman of the panel of the Business Conduct Committee ~~Chairman~~ may grant each party one (1) continuance not to exceed thirty (30) calendar days.

1438.00 Appeal Board.

The appeal or review proceeding ~~may~~ shall be conducted before ~~all of the members of the Board of Directors or~~ a panel of ~~five (5) Directors~~ three (3) Directors, including at least one independent Director. The Appeal Board shall be appointed by the Executive Chairman upon the timely and proper filing of a request for such matter an appeal pursuant to Rule 1435.00 and 1436.00.

1438.01 Conflict of Interest; Inability To Serve.

No member of the Board ~~of Directors~~ shall serve on an appeal or a review body or panel thereof if such member participated in any prior stage of the disciplinary proceeding or if such member or any person

or firm, with which such member is affiliated, has a financial personal, or other direct interest in the matter.

1439.00 Scope Of Review On Appeal.

Except for good cause shown, the appeal shall be based on the record of the hearing before the Business Conduct Committee, including documentary evidence and the transcript, and oral and written positions of the parties. The Board ~~of Directors~~ shall determine if the decision was based on the weight of the evidence (CFTC Regulation Section 8.18) and ~~/or~~ if the sanction imposed was appropriate. The Board ~~of Directors~~, or a panel thereof, shall have the power to affirm the decision of the Business Conduct Committee, reduce the sanction or remand the matter to the Business Conduct Committee for rehearing.

1440.00 Hearing; Procedure.

The procedure before the Board ~~of Directors~~, or panel thereof, sitting as an appeal body shall be generally as follows:

- ~~a.~~ a. The Chairman shall preside;
- ~~b. The First Vice Chairman may not participate in or be present at the proceedings;~~
- ~~b.~~ b. ~~e.~~ The appealing party shall ordinarily have twenty-five (25) minutes to present its case (not counting question time);
- ~~c.~~ c. ~~d.~~ The staff shall have ordinarily thirty (30) minutes (not counting question time);
- ~~d.~~ d. ~~e.~~ The appealing party shall have a five-minute period for rebuttal and summation;
- ~~e.~~ e. ~~f.~~ The Directors may ask questions, although generally they should wait until the end of a presentation to do so.

Note: The rights guaranteed by Rules 1425.00, 1426.00, and 1427.00 shall also apply at any appeal hearing.

1441.00 Considerations In Review Of Sanctions On appeal.

In reviewing the sanction, the Board ~~of Directors~~, or panel thereof, shall consider, among other factors:

- ~~a.~~
- ~~a.~~ a. Nature and extent of injury or damages, if any, suffered as a result of the rule violation, and remuneration, if any, to the injured party;
- ~~b.~~ b. ~~b.~~ Past record of the charged party;
- ~~c.~~ c. ~~e.~~ Financial position of the charged party;
- ~~d.~~ d. ~~d.~~ Deterrent effect of the sanction; and
- ~~e.~~ e. ~~e.~~ Other relevant factors.

1442.00 Appeal Decision. ~~The~~

~~In the case of an appeal of a disciplinary decision, the Board of Directors or a panel thereof, shall promptly issue a written decision within thirty (30) calendar days of the hearing. That decision which shall be the include a statement of findings with respect to the decision from which the appeal was taken and the Board's determination that such initial decision is affirmed, set aside, modified or amended in whole or in part and, with respect to any initial decision that is not affirmed in whole, the Board's determination of the order or penalty to be imposed, if any. The decision of the Board shall be deemed a decision of the Board and shall be a final decision of the KCBT and shall be effective ten (10) business days after delivery thereof to the CFTC. Exchange.~~

1442.01 Copy To Charged Party.

A copy of the written decision of the Board ~~of Directors~~, or a panel thereof, shall be mailed to the charged party, return receipt requested, at the last known address of the charged party.

1442.02 [Reserved.]

~~**1442.02 Contents Of Decision.** The written decision shall include:~~

- ~~a. A statement of findings and conclusions with respect to each charge or penalty reviewed;~~
- ~~b. The specific rules which the charged party was found to have violated by the Business Conduct Committee;~~
- ~~c. A declaration of any penalty imposed; and~~
- ~~d. The effective date of such penalty.~~

Summary Actions

~~**1445.00 Summary Action; When Necessary.** Summary actions may be taken upon a reasonable belief that such immediate action is necessary to protect the best interest of the marketplace.~~

~~**1446.00 Notice Of Summary Action.** The charged party shall, whenever practicable, be served with a notice before the action is taken. If prior notice is not practicable, the charged party shall be served with a notice at the earliest possible opportunity. The notice shall state:~~

- ~~a. The action taken;~~
- ~~b. Briefly the reasons for the action; and~~
- ~~c. The effective time, date, and the duration of the action.~~

~~**1447.00 Right To Representation.** The charged party shall have the right to be represented by legal counsel or any other representative of such person's choice in all proceedings subsequent to notice of the summary action taken pursuant to Rule 1446.00.~~

~~**1448.00 Hearing.** The charged party shall promptly be given opportunity for a hearing subsequent to the summary action. The hearing shall be fair and shall be held before one or more members authorized by the KCBT to conduct hearings pursuant to Rule 1421.00 (Business Conduct Committee). The hearing shall be conducted in accordance with the requirements set forth in this Chapter.~~

~~**1449.00 Decision.** Promptly following the hearing provided for in Rule 1448.00, the Business Conduct Committee shall render a written decision based upon the weight of the evidence contained in the record of the proceeding and shall provide a copy to the charged party. The decision shall set forth:~~

- ~~a. A description of the summary action taken;~~
- ~~b. The reason(s) for the summary action;~~
- ~~c. A brief summary of the evidence produced at the hearing;~~
- ~~d. Findings and conclusions;~~

- ~~e. A determination that the summary action should be affirmed, modified, or reversed;~~
- ~~f. A declaration of any action to be taken pursuant to the determination specified in paragraph e. above;~~
- ~~and~~
- ~~g. The effective date and duration of such action.~~

~~**1450.00 Appeal To Board Of Directors.** The charged party may appeal promptly an adverse decision of the Business Conduct Committee. Such appeal shall be established in accordance with the requirements for an appeal in all other disciplinary matters.~~

~~**Sanctions; Effective Date**~~ **SANCTIONS; EFFECTIVE DATE**

1455.00 Effective Date.

The effective date for any sanction imposed by the Business Conduct Committee or of any decision of the Board of Directors, or a panel thereof, on an appeal, except as otherwise provided, shall be ~~ten~~ **ten (2)** business days following the delivery of the written decision to the CFTC, a copy having been mailed, return receipt requested, to the charged party at such party's last known address. The decision shall be final on such date, subject to the exceptions listed in Rule 1455.01.

1455.01 Exceptions. The effective date of sanctions as set forth by Rule 1455.00 shall not apply:

- ~~a.~~
- a.** Where there is reasonable belief that immediate action is necessary to protect the best interest of the market;
- ~~b.~~ **b.** Where the actions of a person within the jurisdiction of the **KCBTExchange** impede the progress of a disciplinary hearing (see Rule 1427.01);
- ~~c.~~ **c.** Where a person has failed to timely submit accurate records required for clearing or to verify each day's transactions or other similar activities (see, *e.g.*, CFTC Regulation Section 8.27); or
- ~~d.~~ **d.** Where the person against whom the action is taken has consented to the sanction to be imposed.

~~**1455.02 Notice Requirements.** If the KCBT determines in accordance with these rules that the disciplinary action shall become effective prior to the expiration of ten (10) business days after written notice thereof, it shall by telegram or other means of written telecommunication immediately notify the Commission (CFTC) and the person against whom the action is taken, stating the reason(s) for that determination.~~

~~Note: CFTC Regulations require the KCBT to give the public notice of disciplinary actions taken by the KCBT. The regulations specify the information that must be publicly disclosed.~~

1456.00 Notice Required For All Sanctions.

Written notice of all disciplinary actions under these rules shall include:

- ~~a.~~
- a.** The name of the person against whom disciplinary action was taken;
- ~~b.~~ **b.** A statement of the reason(s) for the **KCBTExchange** action together with a listing of any rule(s) which the person who was the subject of the disciplinary action was charged with having violated or which otherwise serve as the basis of the **KCBTExchange** action;
- ~~c.~~ **c.** A statement of the conclusions and findings made by the **KCBTExchange** with regard to each rule violation charged; or, in the event of an approved and accepted offer of

settlement, a statement specifying those rule violations which the KCBTExchange has reason to believe were committed; and

d. ~~d.~~ The terms of the disciplinary action.

~~**1457.00 Stay Of Sanction.** If a written appeal to the Board of Directors, or a panel thereof, is filed with the Secretary within ten (10) business days following the release of the decision of the Business Conduct Committee which contains a request that the sanction be delayed pending the appeal, the Chairman may order such delay. The decision shall not be final until the appeal decision is rendered, or, if the appeal is withdrawn, ten (10) business days after notice has been given pursuant to Rule 1455.00.~~

~~**1458.00 Bar To Further Discipline.** When any member shall have been relieved from suspension or expulsion, in the manner provided by these rules and after due notice of such member's application has been given, such relief shall be a bar to any further discipline on account of any debts incurred prior to such relief; provided that said debts shall have been due and payable at the time of such relief.~~

~~**Costs**~~

~~**COSTS**~~

1460.00 Costs Of Transcript.

The costs of transcribing the record of any hearing shall be borne by a charged party requesting the transcript, the party appealing the decision ~~pursuant to CFTC Regulation Section 8.19~~, or the party whose application for Commission review of the disciplinary action has been granted.

~~**1461.00 CFTC Review Or Appeal.** Upon request, in event of appeal to the CFTC (or review by the CFTC), the KCBT will provide the information required by CFTC Regulation Section 9.11(c) within thirty (30) days and notify the person who is the subject of the disciplinary action. A person subject to the disciplinary action requesting a copy of the information furnished the CFTC, as provided in this rule and CFTC Regulation Section 9.11(c), shall pay the KCBT reasonable fees for the reproduction of the copy.~~

~~**Resolutions**~~

~~**RES**~~

Rule 14-1400.00-1 Discipline; Staff To Conduct Investigation

Authority Of ~~Audits And InvestigationsExchange~~ Staff; Confidentiality

~~RESOLVED~~, that during

~~During~~ the course of any investigation or review conducted by the ~~Audits and Investigations staff, the Audits and InvestigationsExchange, appointed Exchange~~ staff is authorized and empowered to review and, as necessary, copy any and all books, records, papers, reports, memoranda, financial data, customer data, or any other information or documents in the possession of any person, firm, partnership, or corporation within the jurisdiction of the Exchange which may have a bearing on the matter(s) under investigation or review. All such books, records, papers, etc., reviewed shall be maintained in strict confidence, except that relevant information so obtained may be disclosed only as necessary to the Complaint Committee, ~~the Cash Grain Adjustment Committee, the Compliance Advisory Committee, the~~ Business Conduct Committee, and the Board ~~of Directors~~ in connection with matters pending before such bodies ~~(December 30, 1980).~~

~~**RES 14 1410.00 1 Discipline; Committee**~~

Conflict Of Interest; Complaint Committee

~~RESOLVED, that whenever the Complaint Committee is convened for the purpose of reviewing matters involving possible rule violations, no member of such Committee may serve in the matter if such member or any person or firm, with which such member is affiliated, has a financial, personal, or other direct interest in the matter before the Committee. If a member is unable to serve, an alternate shall be selected by the Chairman of the Complaint Committee; provided, however, if all members of the Committee are disqualified, the KBCT Chairman shall appoint substitutes as necessary to constitute a quorum and to serve only as to the matter under consideration (December 30, 1980).~~

CHAPTER 15 CUSTOMER ARBITRATION

Note: FCM responsibilities, CFTC regulations. Customer arbitration procedures are subject to CFTC regulations, which place certain duties on both contract markets and FCMs. It is presumed that ~~Board of Trade members~~Permit Holders will follow CFTC requirements, such as notice to customers, providing multiple forums, etc. (See CFTC Reg. §180). ~~These customer arbitration procedures were amended and printed in August, 1990, to conform to CFTC Regulation §180.~~

DISPUTES SUBJECT TO ARBITRATION

1500.00 Customer Claims And Grievances.

All customer(s) claims and grievances against ~~members~~Permit Holders or employees thereof, may be heard for settlement through arbitration, in accordance with fair, equitable, objective, and impartial procedures as set forth in this Chapter.

1500.01 Claim Or Grievance; Defined.

The term "claim or grievance" shall mean any dispute which arises out of any transaction on or subject to the rules of this contract market, executed by or effected through a ~~member~~Permit Holder of this contract market or employee thereof, which dispute does not require for adjudication the presence of essential witnesses or third parties over whom this contract market does not have jurisdiction and who are not otherwise available. The term "claim or grievance" does not include disputes arising from cash market transactions which are not a part of or directly connected with any transaction for the purchase or sale of any commodity for future delivery.

1500.02 Customer; Defined.

The term "customer" shall mean any person, for whom or on behalf of whom a ~~member~~Permit Holder affects a futures or option transaction on the ~~Board of Trade~~Exchange, having a dispute, claim, or grievance involving a futures or options contract transaction against a ~~member of the KCBT~~Permit Holder or employee of such ~~member~~Permit Holder; provided, however, that such term does not include ~~members of the KCBT~~Permit Holders.

1500.03 [Reserved].

HEARING BODY

~~Hearing Body~~

~~1500.03 Member; Defined. Whenever the word "member" is used in this Chapter, it shall be deemed to mean individuals who hold memberships in their own names, and/or firms represented by members (sometimes called "member firms").~~

1503.00 Arbitration Committee Or Special Committee.

a-

a. Customer Election. Customers submitting a matter in dispute for arbitration under these rules may either elect to have their claim or grievance heard by the regularly constituted Arbitration Committee of the KCBTExchange; or, heard by a specially constituted panel having at least a majority of the persons serving thereon who are not membersPermit Holders, not associated with any memberPermit Holder of any contract market, nor employees thereof, and who are not otherwise associated with any contract market. (But see Rule 1503.03, Single Arbitrator).

~~1503 Chapter 15 — Customer Arbitration~~

~~a-b.~~ **b. Panel.** The parties to an arbitration case shall, if utilizing the regular Arbitration Committee, mutually select five (5) memberspanelists to serve as the hearing panel for that case from the ten (10) elected Arbitration Committee membersmember. Should the parties be unable to reach agreement, the five (5) memberpanelist hearing panel shall be determined by each party alternatively striking one (1) name until five (5) are left; the first strikes being determined by a toss of a coin.

1503.01 Notice Of Election To Customer.

On receipt by the KCBTExchange of a customer request to arbitrate a dispute with a memberPermit Holder, the customer shall be advised by written notice of the right to elect to have the controversy decided by the regular Arbitration Committee of the KCBTExchange, or to request a special panel having a majority who are not membersPermit Holders, not associated with any memberPermit Holder, nor employees of any contract market, and who are not otherwise associated with any contract market. Such notice must also advise the customer that there are certain fees and costs incidental to the filing of the complaint, stating them and that the panel may not assess any incremental fees for provision of a panel or decision-maker conforming to the requirements of CFTC Regulation 180.2(a), unless the arbitrators in that particular proceeding determine that the customer has acted in bad faith in initiating or conducting that proceeding.

a-

- a. For purposes of determining whether a person is "associated with any contract market," the phrase shall include any individual who performs a significant amount of work for any contract market, or a memberPermit Holder; and any individual who was a memberPermit Holder, or associated with any memberPermit Holder, or an employee, of any contract market within the past two (2) years.
- b. ~~A Permit Holder A member of the KCBT~~ who is party to an arbitration proceeding shall pay any incremental fees which may be assessed for provision of a panel or decision-maker conforming to the requirement of Regulation 180.2(a), unless the arbitrators in a particular proceeding determine that the customer has acted in bad faith in initiating or conducting that proceeding.

1503.02 Special Panel; Composition.

If the customer, following notice as prescribed in Rule 1503.01, makes a written request for a special panel, such panel shall consist of five (5) persons selected as follows:

a-

- a. Two (2) members of the regular Arbitration Committee; selected by listing the members' last names in alphabetical order, and using the highest two (2) on the list who have not been used before, with the first being the sixth, eleventh, etc.
- b. ~~b.~~ One (1) member selected by mutual agreement, or failing agreement, under the rules of the American Arbitration Association, which member shall be an attorney and shall be the chairman. Such person shall not be a ~~member~~Permit Holder nor associated with any ~~member~~Permit Holder of any contract market, and shall not be otherwise associated with any contract market.
- c. ~~c.~~ Two (2) disinterested persons from the public at large, one (1) of whom shall be selected by each party, but neither of whom shall be ~~members~~Permit Holders, nor associated with any ~~member~~Permit Holder of any contract market, nor any employee thereof, and who are not otherwise associated with any contract market.
- d. ~~d.~~ The parties shall expeditiously make the above selections, so that the hearing will not be unduly delayed.

1503.03 Single Arbitrator.

Notwithstanding the above rules, customers may elect a single arbitrator who meets the requirements of CFTC Reg. 180.2 (a).

1503.04 Incremental Fees. A contract market ~~member~~Permit Holder which is a party to an arbitration proceeding shall pay any incremental fees which may be assessed by a qualified forum for provision of a panel or other decision maker which conforms to the requirements of CFTC Reg. 180.2(a) (i.e. one or more persons, of which at least a majority are not ~~members~~Permit Holders or associated with any ~~member~~Permit Holder of any contract market or employee thereof and who are not otherwise associated with a contract market), unless the arbitrator(s) in a particular proceeding determine that the customer has acted in bad faith in initiating or conducting that proceeding. (CFTC Reg. 180.2(e))

1504.00 Disqualification To Serve.

Members of the hearing body shall, upon request, through the ~~Secretary~~Exchange, state in writing to the parties relevant background information, including any circumstance that might prevent the member from acting impartially. Members of the hearing body shall be disqualified to sit as a member of the hearing body on the hearing of any case whenever it shall appear by the statement of such member or by the statement under oath of either party to the hearing that such member is interested or prejudiced, is an associate, is related to either party, or that the opposite party has an undue influence over the mind of such member.

1504.01 Sworn Statement Of Party; Time.

The party filing a statement under oath under Rule 1504.00 must do so not later than three (3) days prior to the date set for hearing.

1504.02 Substitute.

In the event of a disqualification, and if the parties are unable to agree on a substitute, the parties shall submit to each other three (3) names of disinterested members from which each shall strike two (2)

names and submit the remaining two (2) names to the [SecretaryExchange](#). From those names submitted, the [SecretaryExchange](#) shall select the member to act as substitute. All such proceedings must be had so as not to delay the hearing and any substitutes must be impartial and objective as required by Rule 1500.00.

1505.00 Special Committee.

If a matter for arbitration under these rules is to be heard by the regularly constituted ~~KCBT~~ Arbitration Committee and, due to absence or disqualification of the regular ~~members~~member, the Arbitration Committee cannot be formed, the parties in the controversy shall be allowed to fill vacancies with any member(s) willing to serve (not being members of the Board ~~of Directors~~) and upon whom they can agree. If such parties are unwilling to submit their case to the Arbitration Committee, they may choose three (3) or more members (willing to serve and not being on the Board ~~of Directors~~), upon whom they may agree to hear the matter. In either case, such agreement shall be communicated to the [SecretaryExchange](#) in writing and signed by all parties in controversy.

1505.01 Award Of Special Committee Binding.

An award or finding of the majority of any Committee formed pursuant to Rule 1505.00 shall be binding.

PRE-HEARING PROCEDURES

1506.00 Exchange of Documents and Written Information.

The parties to the arbitration shall cooperate with each other in the exchange of relevant documents and written information which may serve to facilitate a fair and equitable hearing. All requests for documents and written information shall be made in writing no later than ten (10) calendar days after an answer is due to an arbitration complaint. Such relevant documents and written information shall be furnished to the requesting party within ten (10) calendar days after the request is made unless an objection is filed to the furnishing of such documents and written information. Unless the hearing body directs otherwise, any such objections will be decided on the written positions of the parties. Upon request of any party to the arbitration copies of documents and written information to be used as exhibits and a list of witnesses to be called (other than those used for rebuttal or cross examination) shall be furnished to the other party and the [SecretaryExchange](#). The hearing body may exclude from introduction at the hearing any such documents and witnesses not so identified in advance as provided in this rule.

1506.01 Preliminary Hearing.

The hearing body may, at the written request of a party or ~~the Board of Trade by the Secretary, or~~ on its own ~~motion, schedule, order~~ a preliminary hearing in appropriate situations. Such hearing may be conducted orally, by telephone conference, or by written submissions. The hearing body may assign a single arbitrator to resolve the issues in the hearing, who shall be the chairman in the case of a special panel.

DUTIES OF HEARING BODY

1507.00 Duties Of Arbitration Committee Or Special Panel.

It shall be the duty of the Arbitration Committee or the special panel, as appropriate, to hear and determine all disputes before it pursuant to this Chapter. The Committee or panel shall render a just and equitable award based on the evidence, the law, the Certificate of Incorporation, rules and regulations of the KCBTExchange, and trade practice to the best of its ability.

1507.01 Nonliability.

The Arbitration Committee or panel members and the KCBTExchange shall not be held liable for any errors of judgment in any respect whatsoever, or for any damages done or loss suffered by reason of their acts.

1508.00 Duty To Attend.

Members of the Arbitration Committee, failing to attend when their services are required, shall be fined by the Board ~~of Directors~~, for the use of the KCBTExchange, \$25.00 for each default, unless a satisfactory excuse shall be made to the Arbitration Committee.

COMPLAINT

1510.00 Written Sworn Complaint; Filing.

Any customer desiring to submit a matter in dispute as defined in Rule 1500.01 to the Arbitration Committee of the KCBTExchange or to a special panel, shall file a written sworn complaint with the Secretary, alleging the nature of the dispute, the basic facts, the damages sought, and the name of the memberPermit Holder.

1510.01 Time.

The written sworn complaint must be filed within ~~one (1) year~~two (2) years after the date of the transaction from which the dispute arose.

1510.02 Mandatory joinder.

Any customer having claims growing out of or connected with the same transaction against more than one (1) memberPermit Holder shall be required to join all of said ~~members~~Permit Holders. On failing to do so, the customer shall be barred and estopped from making any claim or demand against any memberPermit Holder hereof not so named. This same rule shall apply to counterclaims.

1510.03 Service On ~~Member~~ Permit Holder.

A copy of the complaint shall be served by the SecretaryExchange on the memberPermit Holder.

1510.04 Withdrawal.

The customer may withdraw the complaint prior to service of the answer, or thereafter with consent of the memberPermit Holder.

ANSWER

1514.00 Failure By ~~Member~~Permit Holder To Answer.

If the ~~member~~Permit Holder fails to answer the complaint in writing within ten (10) calendar days after service of copy, or if the ~~member~~Permit Holder refuses to sign the agreement prescribed in Rule 1517.00, the ~~member~~Permit Holder shall be deemed to have refused to arbitrate and to have incurred the possibility of disciplinary action by the Business Conduct Committee for such ~~nonaction~~non-action, including the possibility that the Committee may order an award for the customer.

AGREEMENT TO ARBITRATE

~~Agreement To Arbitrate~~

1517.00 Agreement.

Within ten (10) calendar days the parties to the arbitration shall sign the Articles of Agreement in a form to be furnished by the ~~Secretary~~Exchange.

1517.01 Execution By Customer.

The customer shall also sign an agreement to abide by and comply with all the terms and provisions of the Certificate of Incorporation, and all orders and resolutions of the Board~~of Directors~~, and any committee of the ~~KCBT~~Exchange concerning the arbitration of said demand, and of any counterclaim which the ~~member~~Permit Holder may present.

1517.02 Execution By ~~Member-~~Permit Holder.

Any ~~member~~Permit Holder or any officer of a ~~member~~Permit Holder firm may execute an agreement on behalf of such firm or corporation.

CUSTOMER RELEASE

~~Customer Release~~

1520.00 Release. Every customer presenting a complaint against a ~~member~~Permit Holder seeking arbitration shall accompany the complaint with a release in the form to be furnished by the ~~Secretary~~Exchange.

1520.01 Held In Trust By ~~Secretary-~~Exchange.

The ~~Secretary~~Exchange shall hold the release in trust pending the result of arbitration, and shall deliver it to the ~~member~~Permit Holder in any of the following cases:

a-

- a. _____ If after being ordered to do so by the Committee or panel, or by the Board~~of Directors~~, the customer has failed to prosecute the claim within ten (10) days of being notified in writing of the order to prosecute;
- b. _____ ~~b-~~If an award is rendered for the ~~member~~Permit Holder by the Committee or panel; or
- c. _____ ~~c-~~If the ~~member~~Permit Holder pays or offers to pay the customer the amount of award, after deducting any counterclaim in favor of the ~~member~~Permit Holder.

1521.00 Cancellation And Return Of Release.

In the event an award is rendered against a ~~member~~Permit Holder which is not paid within ten (10) calendar days, then the release shall be cancelled and returned to the customer. Should any unforeseen event render it just and proper that the release be returned, the Board ~~of Directors~~ can direct such to be done.

Counterclaim

1524.00 When Presented.

A ~~member~~Permit Holder shall have the right to present any counterclaim of the character defined in Rule 1500.01, and wherein the counterclaim arises out of the transaction or occurrence that is the subject of the customer's claim or grievance and does not require for adjudication the presence of essential witnesses, parties, or third persons over whom the ~~Board of Trade~~Exchange does not have jurisdiction. Other counterclaims are permissible only if the ~~Customer~~customer agrees to the submission after the counterclaim has arisen, and if the aggregate monetary value of the counterclaim is calculable.

1524.01 Reply to Counterclaim.

The customer shall reply to the counterclaim in writing within ten (10) calendar days after service of copy.

HEARING

1528.00 General.

Hearings shall settle the issues with all practical dispatch. Unnecessary and unreasonable delay by any of the parties shall not be permitted.

1528.01 Time Of Hearing.

The time and place of the arbitration hearing shall be determined by the appointed Chairman of the hearing body, and due notice thereof shall be given by the ~~Secretary~~Exchange. Reasonable effort shall be made to accommodate the parties.

1528.02 Postponements.

Unless for good cause shown satisfactory to the hearing body, neither party shall postpone the hearing of a case longer than twenty-one (21) calendar days after it has been submitted.

1528.03 Location.

Arbitration proceedings conducted under this Chapter must be held ~~in the executive office of the Board of Trade~~at a place appointed by the Exchange, in Kansas City, Missouri, unless otherwise agreed to by the parties and the hearing body.

1529.00 Representation By Counsel.

Each of the parties in an arbitration hearing shall have the right, if desired, to be represented by counsel, at such party's own expense, in any aspect of the procedure.

1530.00 No Ex Parte Contacts.

Contacts by any of the parties involving the matter in dispute with members of any panel or Arbitration Committee shall not be permitted except at the hearing.

1531.00 Personal Appearance.

Each of the parties shall be entitled to appear in person, or by telephone conference, at such hearing, except, however, those claims or grievances submitted in writing (and any counterclaims applicable thereto) which are in the aggregate under \$2,500 may be resolved without a hearing on the basis of the submitted written documents. The procedures for the resolution of such case based on submission of such written documents shall insofar as possible, follow the rules for submission at a hearing.

1532.00 Citations To Witnesses.

The hearing body has the power to issue citations to witnesses upon the written request of the parties, or on its own. ~~Members~~Permit Holders or the customer served with a citation must appear to testify and bring such documents as required by the citation, at the time and place indicated.

1533.00 Rule Of Construction.

In all such adjudications, the hearing body shall construe all the provisions of the law, the Certificate of Incorporation, the rules, and all the regulations of the ~~KCBT~~Exchange as being designed to secure justice and equity in trade, and all awards or findings shall be made in conformity therewith.

1534.00 Determining Value.

In determining the true market value of property, its value in other markets, or for manufacturing purposes in this market, together with such other facts as may justly enter into the determination of its true value, shall be considered, in addition to prices it may be selling for in this market. In case of default of contracts for future delivery, the buyer or the seller may be required to pay, in addition to the actual damage or loss, as a penalty for such default, an amount not exceeding ten percent (10%) of the value of the property as the same may be determined under the foregoing provisions of this rule.

1535.00 Oath Of Arbitration.

Before commencing the hearing of a case, the ~~members~~Permit Holders of any hearing body shall be required to take and subscribe to the following oath or affirmation, vis-à-vis:

I do solemnly swear (or affirm) that I will faithfully and fairly hear and examine all matters in dispute now to be submitted, and that I will make a just and equitable award or finding upon the same, in conformity with the law, the Certificate of Incorporation, ~~rules and regulations~~Rules of the ~~Board of Trade~~Exchange and according to the evidence to the best of my understanding and ability, so help me God.

1536.00 Evidence.

All evidence before the hearing body shall be taken orally, or by telephone conference, under oath or affirmation.

1537.00 Record Of Proceedings.

All testimony and the proceedings of the hearing shall be recorded by a stenographer and/or electronic recorder. The original stenographic or electronic record shall be transcribed or electronically duplicated only upon the request of the hearing body, or of a party. A requesting party shall bear the cost of the transcription or duplication, provided that one (1) copy of any transcript shall be furnished the hearing body, at the expense of such requesting party.

1538.00 Role Of Chairman.

The appointed Chairman of the hearing body shall perform the following functions:

~~a.~~

a. Set the time and date for the hearing in consultation with the other hearing body ~~members~~ Permit Holders and the parties;

b. ~~b.~~ Convene and conduct the hearing in an orderly fashion following the procedural guidelines (Rule 1540.00) to the extent practicable;

c. ~~c.~~ Consult with the hearing body to determine procedural matters, which may be done in private (such as whether or not challenged evidence is to be admitted into evidence), and then to announce the hearing body's decision to the parties;

d. ~~d.~~ Assign the drafting of the award; and

e. ~~e.~~ Sign the final award.

1539.00 Role Of Hearing Clerk. ~~The Secretary or some other~~

A designated member ~~or person of Exchange staff~~ may serve as hearing clerk. The clerk will make sure the room is in order; arrange for the recording of the hearing; receive and send all official notices, citations, etc.; administer oaths to hearing body members and to witnesses; mark evidence; retain the evidence and the official record; call witnesses; and otherwise serve to facilitate the hearing. The clerk may confer with the hearing body upon its request; when asked, provide nonbinding legal or procedural opinions; and if so instructed, prepare a draft of an award. The clerk may not express an opinion upon the factual issues.

1540.00 Procedural Guidelines. ~~The intent of this rule is for the hearing to be conducted in a fair, businesslike manner using the following procedure as a guide:~~

The intent of this rule is for the hearing to be conducted in a fair, businesslike manner using the following procedure as a guide: ~~a.~~

- a. _____ Formal call of the case to order by the Chairman of the hearing;
- b. _____ ~~b.~~ Oath of hearing body members administered by hearing clerk;
- c. _____ ~~c.~~ Introduction, identification of parties, hearing body members, witnesses, clerk, etc;
- d. _____ ~~d.~~ Administration of oath to witnesses;
- e. _____ ~~e.~~ Customer's opening statement;
- f. _____ ~~f.~~ Member's/Permit Holder's opening statement;

[Explanation of (e) and (f): Opening statements are optional, and should consist of a very brief description of the principal issue(s) in dispute, and what the parties intend to prove, and to inform the hearing body as to the nature of the case. Opening statements may consist of reading of the complaint and/or answer. They are not evidence of facts alleged therein-.]

- g. _____ ~~g.~~ Presentation of written stipulation of undisputed facts, signed by both parties and prepared prior to the hearing;

[Explanation: This is optional and may be used to shorten the hearing since all facts not stipulated must be proved at the hearing. If no facts are in dispute, parties may elect not to have a hearing and to make a written presentation-.]

- h. _____ ~~h.~~ Presentation of customer's evidence;
- i. _____ ~~i.~~ Presentation of member's/Permit Holder's evidence;

[Explanation of (h) and (i): Factual allegations in dispute must be proven by oral testimony of witnesses and/or by documentary evidence. Each party may question the other's witnesses (including the other party if a witness) after initial testimony and may examine documentary evidence before it is offered into evidence. Normally all evidence is admitted in an arbitration proceeding for whatever value it may have, even if slight. However matters clearly not relevant may be excluded if challenged. Parties testifying in their own behalf should only present facts at this point, and not argue the case. Arguments are presented later-.]

- j. _____ ~~j.~~ Rebuttal (if any) by customer;
- k. _____ ~~k.~~ Rebuttal (if any) by member/Permit Holder;

[Explanation of (j) and (k): Rebuttal is an attempt to refute facts presented by the other party by further documents or witnesses-.]

- l. _____ ~~l.~~ Customer announces case closed;
- m. _____ ~~m.~~ Member/Permit Holder announces case closed;

[Explanation of (l) and (m): Usually at this point a brief recess is in order to permit the parties time to organize closing arguments-.]

- n. _____ ~~n.~~ Customer's final argument;
- o. _____ ~~o.~~ Member's/Permit Holder's final argument;
- p. Customers Customer's rebuttal argument;

[Explanation of (n), (o), and (p): Any or all of these (final argument and/or rebuttal argument) may not be given if the party so chooses. By permission of the hearing body, final arguments may be made in writing and submitted later-.]

q. ____ Formal hearing adjourned by Chairman;

[Explanation: The hearing body may announce its decision at the conclusion of the hearing, or it may await private deliberations and/or reading of the transcript prior to announcing a decision-.]

AWARD

Award

1541.00 Arbitration Award; Time.

~~The hearing body shall meet and discuss the case within two (2) business days after the hearing and shall make its decision within ten (10) business days after receipt of the transcript.~~

~~The hearing body shall meet and discuss the case within two (2) business days after the hearing and shall make its decision within ten (10) business days after receipt of the transcript.~~

1541.01 Award In Writing.

The hearing body shall render its award(s) or finding(s) in writing, through ~~the Secretary of the KCBT Exchange staff~~, within five (5) business days after its decision is made. Such award(s) or finding(s) shall be signed by the persons to whom submitted, ~~and shall be certified by the Secretary under the seal of the KCBT.~~

1541.02 Contents Of Award.

The written award should:

~~a-~~

a. ____ Identify the parties;

b. ____ ~~b-~~ State the procedural and substantive issue(s), and the resolution of each;

c. ____ ~~c-~~ State the reason(s) for the decision, including the relevant facts;

d. ____ ~~d-~~ Announce the name of the prevailing party; and

e. ____ ~~State the monetary award, if any, to be paid, by and to whom, and direct payment of costs.~~

~~The decision should be clear and concise, yet contain enough information to permit a stranger to the case to understand the facts, the issues, the decision, and the reasoning.~~

1541.03 Modification of Awards.

~~The hearing body may modify or correct an award for clarifying the award; or where there is an evident miscalculation of figures or evident mistake in the description of any person, thing or property; or where the award is imperfect in a matter of form, not affecting the merits of the controversy.~~

~~____ e. State the monetary award, if any, to be paid, by and to whom, and direct payment of costs.~~

~~The decision should be clear and concise, yet contain enough information to permit a stranger to the case to understand the facts, the issues, the decision, and the reasoning.~~

~~**1541.03 Modification of Awards.** The hearing body may modify or correct an award for clarifying the award; or where there is an evident miscalculation of figures or evident mistake in the description of any person, thing or property; or where the award is imperfect in a matter of form, not affecting the merits of the controversy.~~

1541.04 Record Of Awards.

The ~~Secretary~~Exchange shall keep a record of the cases submitted for adjudication, and the disposition of the same. The ~~Secretary~~Exchange shall also collect all awards and pay them over to the parties in whose favor they may be and enter the same in the record of the case.

1541.05 Appeal From Award.

There shall be no right of appeal to any entity within the ~~KCBT~~Exchange which can overturn the settlement procedure decision under the provisions of this Chapter; the only right of appeal being under applicable law. Any party who becomes aware of a judicial appeal of the award shall notify the Board ~~by the Secretary through Exchange staff.~~

1541.06 Compliance With Award.

A ~~member's~~Permit Holder's refusal to comply with an award within thirty (30) calendar days of it being rendered in writing (without an appeal being taken), is a violation of ~~KCBT~~Exchange Rules.

FEES

1545.00 Advance Notice Of Fees. ~~The Secretary~~

~~Exchange staff~~ shall ensure that adequate notice is provided in advance of a submission of a claim, grievance, or counterclaim of the nature and amount of any fees which may be assessed against customers utilizing the procedure.

1546.00 Filing Fee. ~~The Secretary's Office~~

~~Exchange staff~~ shall receive a nonrefundable filing fee of \$50.00.

1547.00 Fees For Arbitration.

The hearing fees for arbitration under the provisions of this Chapter shall be for the benefit of the individual ~~members~~Permit Holders of the hearing body and shall be as follows:

Where the amount in controversy is ~~Fee~~

\$2,500 or less, ~~the hearing fee shall be~~ \$100.00 (\$20.00 per ~~member~~Permit Holder)

\$2,501 to \$10,000, ~~the hearing fee shall be~~ \$200.00 (\$40.00 per ~~member~~Permit Holder)

Over \$10,000, ~~the hearing fee shall be~~ \$600.00 (\$120.00 per ~~member~~Permit Holder)

1548.00 Paid In Advance.

The fees shall be paid in advance to the SecretaryExchange by the party bringing the case except for the additional sitting fee which must be paid prior to the issuance of the award.

1549.00 Additional Sitting Fee.

In all cases brought before the hearing body wherein the evidence is of such volume that it cannot be presented or heard in one (1) sitting, the hearing body shall have power to adjourn the hearing from time to time and to charge, in its discretion, \$10.00 for each additional sitting of not less than three (3) hours.

1550.00 Failure To Appear.

If either or both of the parties to a controversy fail to appear at the time set for the hearing, or request a postponement, they may (if the case is postponed) be assessed with costs, by and for the use of the hearing body, in any reasonable sum at the hearing body's discretion. The hearing body, however, may insist that the hearing shall take place without postponement.

1551.00 Who Pays Fees.

Fees, and all additional costs that may be incurred, shall be finally paid by either of the parties in the case, as may be decided by the hearing body, and included in its award or finding.

a.

A ~~member of the KCBT~~Permit Holder who is party to an arbitration proceeding shall pay any incremental fees which may be assessed for provision of a panel or decision-maker conforming to the requirement of Regulation 180.2(a), unless the arbitrators in a particular proceeding determine that the customer has acted in bad faith in initiating or conducting that proceeding.

CHAPTER 16

PERMIT HOLDER MEMBER TO ~~PERMIT HOLDER MEMBER~~FUTURES ARBITRATION

Disputes Subject To Arbitration

1600.00 Settlement Of ~~Member~~Permit Holder Disputes

This chapter sets forth the procedure for settlement of claims, grievances, or disputes involving futures contract transactions between ~~Board of Trade members~~Permit Holders only, and which do not involve customers.

1601.00 Claim, Grievance or Dispute; Defined.

The term "claim or grievance" shall mean any dispute which arises out of any transaction on or subject to the rules of this contract market, executed by or effected through a ~~member~~Permit Holder of this contract market or employee thereof, which dispute does not require for adjudication the presence of essential witnesses or third parties over whom this contract market does not have jurisdiction and who are not otherwise available. The term "claim or grievance" does not include disputes arising from cash market transactions which are not a part of or directly connected with any transaction for the purchase or sale of any commodity for future delivery.

1602.00 Permit Holder; Defined. [Reserved].

~~1602.00 Member; Defined. The term "member" is used in this Chapter to mean individuals who hold memberships on the Board of Trade in their own individual names, and/or firms represented by members (sometimes called "member firms").~~**1603.00 ~~Members~~Permit Holders Must Arbitrate.**

Any ~~member~~Permit Holder who shall commence any legal action against another ~~member~~Permit Holder (unless by agreement) for any dispute arbitratable under this Chapter before first attempting to arbitrate, shall be subject to disciplinary action pursuant to Chapter 14. If arbitration has been attempted and rejected, then a legal action may be commenced and the ~~member~~Permit Holder failing or refusing to arbitrate may be disciplined pursuant to Chapter 14.

1604.00 Procedure.

Only the rules and procedures of this Chapter 16 shall govern ~~member~~Permit Holder to ~~member~~Permit Holder disputes involving futures contract transactions and shall be independent of customer claims or grievances submitted for resolution under Chapter 15 ~~and member claims against other members arising from cash market transactions under Chapter 31.~~

HEARING BODY

1605.00 Arbitration Committee.

~~(a)~~

(a) **Hearing.** It shall be the duty of the Arbitration Committee to hear and determine all disputes described in Rule 1601.00.

~~(b)~~

(b) **Panel.** The parties to the arbitration case shall, if utilizing the regular Arbitration Committee, mutually select five (5) members to serve as the hearing panel for that case from the ten (10) elected Arbitration Committee ~~Members~~members. Should the parties be unable to reach agreement, the five (5) member hearing panel shall be determined by each party alternatively striking one (1) name until five (5) are left. The first shall be determined by a toss of a coin.

~~Note: Amended by membership vote August 18, 1981.~~

1606.00 Disqualification To Serve.

Members of the Arbitration Committee shall be disqualified to serve as a member of such Committee on the hearing of any case whenever it shall appear by the statement of such member or by the statement under oath of either party to the hearing, that such member is interested or prejudiced, is an associate, is related to either party, or that the opposite party has an undue influence over the mind of such member.

1607.00 Sworn Statement Of Party; Time.

The party filing a statement under oath pursuant to Rule 1606.00 must do so not later than three (3) business days prior to the date set for hearing.

1608.00 Substitute.

In the event of disqualification, and if the interested parties are unable to agree on the substitute, each party shall submit to the other three (3) names of disinterested members (those persons who have no interest in the dispute) from which each shall strike two (2) names and submit the remaining two (2) names (one from each list) to ~~the Secretary-Exchange staff~~. From the names submitted, ~~the Secretary-Exchange staff~~ shall select the member to act as a substitute. All such proceedings must be had so as not to delay the hearing.

1609.00 Special Committee.

When the Arbitration Committee cannot be formed due to absence, disqualification, or unwillingness of regular members to serve, the parties shall be allowed to fill vacancies with any member(s) willing to serve (not being members of the Board ~~of Directors~~) on whom they may agree. If such parties are unwilling to submit their case to the Arbitration Committee, they may choose three (3) or more members (willing to serve and not being on the Board ~~of Directors~~) on whom they may agree. Such agreement, in either case, shall be communicated to ~~the Secretary-Exchange staff~~ in writing and signed by all the parties in the controversy.

Note: Any Special Committee agreed upon under this rule shall adhere to all requirements and duties of a hearing body as set forth in this Chapter.

1610.00 Award Of Special Committee Binding.

An award or finding of any committee formed pursuant to Rule 1609.00 shall be binding as if made by the regular Arbitration Committee.

DUTIES OF HEARING BODY

1611.00 Duties Of Arbitration Committee.

The Committee shall render a just and equitable award based on the evidence, the law, the Certificate of Incorporation, the rules and regulations of the ~~KCBTExchange~~, and trade practice to the best of its ability.

1612.00 Nonliability.

The Committee members and the ~~KCBTExchange~~ shall not be held liable for any errors of judgment in any respect whatsoever, or for any damages done or loss suffered by reason of their acts.

1613.00 Duty To Attend.

Members of the Arbitration Committee who fail to appear when their services are required shall be in default and shall be fined ~~Twenty-Five and No/100 Dollars (\$25.00)~~ for each default by the Board of ~~Directors~~ for the use of the ~~KCBTExchange~~, unless a satisfactory written excuse is presented to the Board within five (5) business days of said default.

COMPLAINT

1614.00 Written Sworn Complaint.

Any ~~member~~Permit Holder desiring to submit a matter in dispute as defined in Rule 1601.00 to the Arbitration Committee for resolution, shall file a sworn written complaint with the ~~Secretary of the KCBTExchange~~, alleging the nature of the dispute, the basic facts, the damages sought and the name of the Defendant.

1614.01 Time.

The sworn written complaint must be filed with the ~~Secretary~~Exchange within ~~one (1) year~~two (2) years after the date of the transaction from which the dispute arose.

1615.00 Mandatory Joinder.

Any Claimant having claims growing out of or connected with the same transaction against more than one (1) ~~member~~Permit Holder shall be required to join all of said ~~members~~Permit Holders as Defendants. On failing to do so, the Claimant shall be barred and stopped from making any claim or demand against any ~~member~~Permit Holder not so made a Defendant. The same rule shall apply to counterclaims.

1616.00 Service On Defendant.

A copy of the complaint shall be served by the [SecretaryExchange](#) on the Defendant.

ANSWER

1617.00 Failure By Defendant To Answer.

If the Defendant fails to answer the complaint in writing within ten (10) calendar days after service of copy, or if the Defendant refuses to sign the Articles of Agreement prescribed in Rule 1618.00, the Defendant shall be deemed to have refused to arbitrate and to have incurred the possibility of disciplinary action by the Business Conduct Committee as discussed in Chapter 2 for such non-action, including the possibility that the Committee may order an award for the Claimant.

AGREEMENT TO ARBITRATE

1618.00 Agreement. Within ten (10) calendar days from the date the sworn written complaint is served on the Defendant as set forth in Rule 1616.00, the parties to the arbitration shall sign the Articles of Agreement in a form to be furnished by the [Secretary-Exchange](#).

1618.01 Execution By ~~Member-~~Permit Holder.

Any [memberPermit Holder](#) or any officer of a [memberPermit Holder](#) firm may execute the Articles of Agreement on behalf of such firm or corporation.

COUNTERCLAIM

1619.00 When Presented.

Any Defendant shall have the right to present any counterclaim of the character described in Rule 1601.00 against the Claimant.

HEARING

1620.00 Time Of Hearing.

The time and place of the arbitration hearing shall be determined by the Chairman of the Arbitration Committee or Special Committee, and the [SecretaryExchange](#) shall give due notice to all parties involved. Reasonable effort shall be made to accommodate the parties.

1621.00 Postponements.

Unless for good cause shown satisfactory to the Committee hearing the dispute, neither party shall postpone the hearing of a dispute longer than twenty-one (21) calendar days after the sworn written complaint has been filed with the [SecretaryExchange](#).

1622.00 Location.

Arbitration proceedings conducted under this Chapter must be held ~~in~~ at a place appointed by the executive office of the KCBT Exchange, located ~~at 4800 Main~~ in Kansas City, Missouri, unless otherwise agreed to by the parties and the Arbitration Committee.

1623.00 Representation By Counsel.

The parties to any arbitration proceeding under this Chapter shall have the right to be represented by counsel, at his or her own expense during any aspect of the procedure.

1624.00 Citations To Witnesses.

The Arbitration Committee has the power to issue citations to witnesses on the written request of the parties, or on its own. ~~Members~~ Permit Holders served with a citation to be a witness must appear to testify and bring such documents as required by the citation, at the time and place identified.

~~Note:~~ Refusal to appear, to testify, or produce documents may subject such person to disciplinary actions under ~~Chapter 33~~ these Rules.

1625.00 Rule Of Construction.

At all such adjudications, the Committee shall construe all the provisions of the law, the Certificate of Incorporation, the ~~rules and all the regulations~~ Rules of the KCBT Exchange as being designed to secure justice and equity in trade, and all awards or findings shall be made in conformity therewith.

1626.00 Determining Value.

In determining the true market value of property, its value in other markets, or its value for manufacturing purposes in this market, together with such other facts as may justly enter into the determination of its true value, shall be considered, in addition to prices it may be selling for in this market. In case of default on contracts for future delivery, the defaulting party may be required to pay, in addition to the actual damage or loss, as a penalty for such default, an amount not exceeding ten percent (10%) of the value of the property as determined under the provisions of this rule.

~~Note: See Chapter 30 regarding defaults.~~

1627.00 Oath Of Arbitration.

Before commencing the hearing of a case, the members of the Arbitration Committee shall take and subscribe to the following oath or affirmation, vis-~~a~~-vis:

I do solemnly swear (or affirm) that I will faithfully and fairly hear and examine all matters in dispute to be submitted in this proceeding and that I will make a just and equitable award or finding upon the same, in conformity with the Certificate of Incorporation, ~~rules and regulations~~ of the Board of Trade Exchange, and according to the evidence to the best of my understanding and ability, so help me God.

1628.00 Evidence.

All evidence before the Arbitration or Special Committee shall be taken orally under oath or affirmation.

1629.00 Record Of Proceedings.

All testimony and the proceedings of the hearing shall be recorded by a stenographer and transcribed. The original transcript shall be filed with the SecretaryExchange and retained with the record in each case. Copies of the transcript shall, upon request, be furnished to each party to the proceeding. The cost of such record shall be assessed by the Committee.

1630.00 Role of Chairman.

The members of the Arbitration Committee or Special Committee shall elect a Chairman. Such Chairman shall perform the following functions:

~~a.~~

a. Set the time and date for the hearing in consultation with the other hearing body members and the parties;

b. ~~b.~~ Convene and conduct the hearing in an orderly fashion following the procedural guidelines set forth in Rule 1632.00 to the extent practicable;

c. ~~c.~~ Consult with the hearing body to determine procedural matters, which may be done in private (such as whether or not challenged evidence is to be admitted into evidence), and then to announce the decision to the parties;

d. ~~d.~~ Assign the drafting of the award; and

e. ~~e.~~ Sign the final award.

1631.00 Role Of Hearing Clerk. ~~The Secretary or some other~~

A designated member ~~or person of Exchange staff~~ may serve as Hearing Clerk. The Clerk will make sure the room is in order; arrange for the recording of the hearing; receive and send all official notices, citations, etc.; administer oaths to members and to witnesses; mark evidence; retain the evidence and official record; call witnesses; and otherwise serve to facilitate the hearing. The Clerk may confer with the Committee on its request; and when asked, provide non-binding legal or procedural opinions; and if so instructed, may prepare a draft of an award. The Clerk may not express an opinion on the factual issues.

1632.00 Procedural Guidelines. ~~The intent of this rule is for the hearing to be conducted in a fair, businesslike manner using the following procedure as a guide:~~

The intent of this rule is for the hearing to be conducted in a fair, businesslike manner using the following procedure as a guide:

~~a.~~

a. Formal call of the case to order by the Chairman;

b. ~~b.~~ Oath of Committee members administered by Hearing Clerk;

c. ~~c.~~ Introduction, identification of parties, Committee members, witnesses, Clerk, etc.;

d. ~~d.~~ Administration of oath to witnesses;

e. ~~e.~~ Claimant's opening statement;

f. _____ f. Defendant's opening statement;

[Explanation of (e) and (f): Opening statements are optional, and should consist of a very brief description of the principal issue(s) in dispute, what the parties intend to prove, and to inform the Committee as to the nature of the case. Opening statements may consist of a reading of the complaint and/or answer. They are not evidence of facts alleged therein-.]

g. _____ g. Presentation of written stipulation of nondisputed facts, signed by both parties and prepared prior to the hearing;

[Explanation: This is optional and may be used to shorten the hearing since all facts not stipulated must be proved at the hearing. If no facts are in dispute the parties may elect not to have a hearing and make a written presentation-.]

h. _____ h. Presentation of Claimant's evidence;

i. _____ i. Presentation of Defendant's evidence;

a-j. _____

[Explanation of (h) and (i): Factual allegations in dispute must be proven by oral testimony of witnesses and/or by documentary evidence. Each party may question the other's witnesses (including the other party if a witness) after initial testimony and may examine documentary evidence before it is offered into evidence. Normally all evidence is admitted in an arbitration proceeding for whatever value it may have, even if slight. However, matters clearly not relevant may be excluded if challenged. Parties testifying in their own behalf should only present facts at this point, and not argue the case. Arguments are presented later.

~~**[Explanation of (h) and (i):** Factual allegations in dispute must be proven by oral testimony of witnesses and/or by documentary evidence. Each party may question the other's witnesses (including the other party if a witness) after initial testimony and may examine documentary evidence before it is offered into evidence. Normally all evidence is admitted in an arbitration proceeding for whatever value it may have, even if slight. However, matters clearly not relevant may be excluded if challenged. Parties testifying in their own behalf should only present facts at this point, and not argue the case. Arguments are presented later.~~

j-.]

k. _____ k. Rebuttal (if any) by Claimant;

l. _____ l. Rebuttal (if any) by Defendant;

[Explanation of (j) and (k): Rebuttal is an attempt to refute facts presented by the other party by further documents or witnesses-.]

l. _____ Claimant announces case closed;

m. _____ Defendant announces case closed;

[Explanation of (l) and (m): Usually at this point a brief recess is in order to permit the parties time to organize final arguments-.]

n. _____ Claimant's final argument;

o. _____ Defendant's final argument;

p. _____ Claimant's rebuttal argument;

[Explanation of (n), (o), and (p): Any or all of these (final argument and/or rebuttal argument) may not be given if the party so chooses. By permission of the Committee, final arguments may be made in writing and submitted later-.]

q. _____ Formal hearing adjourned by Chairman.

[Explanation: The Committee may announce its decision at the conclusion of the hearing or it may await private deliberations and/or reading of the transcript, prior to announcing the decision-.]

AWARD

1633.00 Arbitration Award; In Writing.

The Arbitration Committee shall render its award in writing, through ~~the Secretary of the KCBT Exchange staff~~ within five (5) business days after its decision is made. Such award shall be signed by the Chairman and the other members of the Committee ~~and shall be certified by the Secretary of the KCBT under the seal of the Board of Trade.~~

1633.01 Contents Of Award.

The written award should:

- a. Identify the parties;
- b. State the controlling issue(s) in dispute;
- c. Announce the name of the prevailing party;
- d. State the reason(s) for the decision, including the relevant facts; and
- e. State the monetary award, if any, to be paid, by and to whom, and direct the payment costs.

The decision should be clear and concise, yet contain enough information to permit a stranger to the case to understand the facts, dispute, decision, and reasoning.

1633.02 Record Of Awards.

The ~~Secretary Exchange~~ shall keep a record of the cases submitted for adjudication of the Arbitration Committee and the disposition of the same. The ~~Secretary Exchange~~ shall collect all awards and pay them over to the appropriate parties and enter the same in the record of the case; or receive written acknowledgment of the receipt of all awards from the parties so entitled, and record the same in the record of the case.

1633.03 Inspection.

The official record and decisions of the Committees and all other records of the case, may be inspected by any ~~member~~ Permit Holder who is a party to the case upon written application to the

SecretaryExchange; except that either party or any witness may request confidential treatment of trade secrets, customers, etc., at the time such is introduced.

~~Note: The current rules state that any member may inspect the records which means the Secretary would be required to allow any member, not a party to the dispute, to inspect the official records.~~

FEES

1634.00 Filing Fee.

The Secretary's officeExchange shall receive a non-refundable filing fee of \$50.00 for each complaint filed.

1635.00 Fees For Arbitration.

The hearing fees for arbitration under the provisions of this Chapter shall be for the benefit of the individual members of the Committee and shall be as follows:

Amount of Controversy Fee Per Sitting

Where the amount in controversy is

~~\$2,500.00~~ or less, the hearing fee shall be \$100.00 (\$20.00 per member)Permit Holder)

~~\$2,501.00~~ to ~~\$10,000.00~~, the hearing fee shall be \$200.00 (\$40.00 per member)Permit Holder)

Over ~~\$10,000.00~~, the hearing fee shall be \$600.00 (\$120.00 per member)Permit Holder)

1636.00 Paid In Advance.

The fees shall be paid in advance to the SecretaryExchange by the party bringing the case, except for the additional sitting fee which must be paid prior to the issuance of the award.

1637.00 Additional Sitting Fee.

In all cases brought before the Arbitration Committee where the evidence is of such volume that it cannot be presented or heard in one (1) sitting, the Arbitration Committee shall have the power to adjourn the hearing from time to time and to charge, in its discretion, \$50.00 extra for each additional sitting of not less than three (3) hours.

~~1609 Chapter 16 – Member Arbitration 1610~~

1638.00 Failure To Appear.

If either of the parties to the dispute fails to appear at the hearing, or requests a postponement, the parties may (if the case is postponed) be assessed with costs, by and for the use of the Committee, in any sum, in the Committee's discretion, not exceeding Fifty Dollars (\$50.00). However, the Committee may insist that the hearing take place without postponement.

1639.00 Who Pays Fees.

|

Fees, and all additional costs that may be incurred during the investigation of suits, shall be finally paid by the party as is decided by the Committee hearing the same, and shall be included in the Committee's award or finding.

|

CHAPTER 17
ELEVATORS AND WAREHOUSES
APPLICATION

1700.00 Application For Regularity

The owner or operator of any warehouse or elevator who desires to have such facility declared regular for the delivery of grain under the rules and regulations of the KCBTExchange may make an application to ~~the Secretary~~Exchange staff for a Declaration of Regularity. Such application shall be made on a form prescribed by the KCBTExchange and shall be accompanied with a description of the facility, including its capacity, strength, and receiving and loading facilities. The application shall also be accompanied by a financial statement certified by an independent certified public accountant as of the end of the fiscal year most recently preceding the date of application. All applications shall be ~~referred~~subject to approval by the Elevator, Warehouse, Weight and Inspection Committee and the Finance CommitteeExchange to determine compliance with the requirements of this Chapter. ~~Such warehouses or elevators shall be declared regular by a resolution of the Board of Directors adopted by not less than eight (8) affirmative ballot votes.~~

Conditions

1705.00 Board ~~Of Directors~~ Prescribe. ~~The Board of Directors~~

Exchange staff by regulation may prescribe the conditions on which warehouses and warehousemen may become regular. ~~In conformity with~~To the ~~provisions of Section 5a(7) of extent required by~~ the Commodity Exchange Act, as amended, the ~~Board of Directors~~Exchange, in the case of federally licensed warehouses and warehousemen, may impose only such reasonable requirements as to location, accessibility, and suitability as may be imposed on other regular warehouses and warehousemen.

1705.01 Effective Date of Regularity.

For applications for regularity pertaining to a warehouse(s) that is not currently regular, the effective date of regularity shall be as follows:

~~a.~~

- a. If the application for regularity is approved ~~by the Board of Directors at a meeting held~~ during a delivery month, the effective date shall be the first business day of the calendar month immediately following the ~~month~~date of ~~Board~~the approval.
- b. ~~b.~~ If the application for regularity is approved ~~by the Board at a meeting held~~ during a month that is not a delivery month:
 1. ~~1.~~ And the calendar month immediately following the month ~~of Board~~during which approval ~~was granted~~ is not a delivery month, the effective date shall be the business day following ~~Board~~the date of approval.
 2. ~~2.~~ And the calendar month immediately following the month ~~of Board~~during which approval ~~was granted~~ is a delivery month, the effective date shall be the business day following the last delivery day of such delivery month.

For applications for regularity pertaining to a warehouse(s) that is currently regular (regularity has not expired or been withdrawn, suspended or revoked prior to ~~Board~~ consideration of the new regularity application), and the application is for approval of a new operator of such warehouse(s), the effective date of regularity shall be the business day following ~~Board~~ approval.

1706.00 Conditions of Regularity.

No warehouse or elevator shall be made regular unless it conforms to the requirements set forth in Rules 1706.01 through 1706.07.

1706.01 Licensed.

The warehouse or elevator must be licensed as a public warehouse under the laws of the State of Missouri or Kansas, or under the United States Warehouse Act.

1706.02 Capacity.

The warehouse or elevator must have a storage capacity of not less than one hundred thousand (100,000) bushels.

1706.03 Facilities.

The warehouse or elevator must be equipped with bulk receiving and loading facilities adequate for the prompt dispatch of business.

1706.04 Railway Connections.

The warehouse or elevator must be so situated that it is connected by railroad tracks with one (1) or more railway lines within the switching district as described in railroad tariffs of the city in which the elevator is located.

1706.05 Financial Standing.

The individual, firm, or corporation operating the warehouse or elevator seeking to be declared regular, shall be of unquestioned good financial standing and credit. Such individual, firm, or corporation shall have and maintain a minimum net worth as may be fixed from time to time by the ~~Board of Directors~~Exchange, provided that the same is uniform in principle as to all individuals, firms, or corporations. The ~~Finance Committee~~Exchange shall have full authority to determine at any time whether such net worth, financial standing, and credit exists and is being maintained.

1706.06 Compliance.

The individual, firm, or corporation operating the warehouse or elevator seeking to be declared regular must comply with the rules and regulations of the ~~KCBT~~Exchange and be a ~~member~~Permit Holder thereof.

1706.07 Load-Out Capacity.

The warehouse or elevator must be equipped to load covered hopper rail cars. The warehouse or elevator shall file with the ~~Secretary a statement~~Exchange, stating in bushels, the eight (8) hour load-out capacity of the facility for a five (5) day work week. This load-out capacity must at least meet the minimum load-out required for deliveries on warehouse receipts. (See Rule 1218.00). Further, the warehouse or elevator shall notify the ~~Secretary~~Exchange of any change in such load-out capacity.

1706.08 Notification, Change of Status.

The ~~member individual, firm or corporation~~Permit Holder operating a regular warehouse shall notify the Exchange in writing no later than 4:30 p.m. local time on the business day following the date when such ~~member~~Permit Holder becomes aware of any requirement of regularity pursuant to the rules and regulations of the ~~KCBT~~Exchange that is no longer being met. Such requirements include, but are not limited to, ~~membership~~Permit Holder requirements under Chapter 2 and financial and suitability requirements under Chapter 17. Failure to notify the Exchange shall be deemed an act detrimental to the best interests of the Exchange and subject to disciplinary action under Chapter 14 of the ~~KCBT rules and regulations.~~Rules.

1706.09 Revocation, Expiration or Withdrawal of Regularity.

Any regular warehouse may have their regularity revoked by the Board if it does not or cannot comply with the conditions of regularity set forth in this Chapter or in Chapter 5 of these rules. Should the Board revoke the regularity of any warehouse, notice of such shall be posted.

ANNUAL RENEWAL **Annual Renewal**

1708.00 Regularity; Renew Annually.

Each Declaration of Regularity shall expire each year on the 30th day of May. Application for renewal of such declaration must be filed ~~in~~with the ~~Office of the Secretary~~designated Exchange staff at least thirty (30) days prior to such expiration and shall be processed in the same manner as the original application.

REQUIREMENTS OF REGULARITY

1710.00 Bond.

All regular warehouses or elevators shall file with the ~~Secretary~~Exchange a copy of the bond(s), filed with and approved by the applicable licensing authority. All such bonds shall provide that the surety thereon shall notify the ~~KCBT~~Exchange, without right of exoneration, by thirty (30) days' prior written notice of any change, expiration, termination, or cancellation thereof, together with a copy of any change made. Additional bonds may be required by the ~~Board of Directors~~Exchange in such amount, and containing such conditions or provisions, as it may fix and determine.

1711.00 Insurance.

All regular warehouses or elevators shall file with the ~~Secretary~~Exchange copies of insurance policies covering all insurance filed with and approved by the applicable licensing authority. All such policies

shall provide that the insurer shall notify the ~~KCBT~~Exchange, without right of exoneration, by thirty (30) days' prior written notice of any change, expiration, termination, or cancellation thereof, together with a copy of any change made. If the policy requires periodical reports on stocks of grain on hand, certified copies of such reports shall be filed with the ~~Secretary~~Exchange.

1712.00 Weigh-Up Or Measure-Up Requirements.

All operators of warehouses or elevators regular under the ~~KCBT rules~~Rules must weigh-up or measure-up their facilities when requested by the ~~Board of Directors~~Exchange.

1713.00 Records And Reports.

Operators of elevators or warehouses regular under these rules shall make such reports, keep such records, and permit such warehouse visitation as the Exchange, ~~Commodity Futures Trading Commission~~CFTC, or any other applicable government agency may require. Such books and records shall be kept for a period of five (5) years from the date thereof, and such books, records, and warehouses shall be open at all times to inspection by any representative of the Exchange, ~~Commodity Futures Trading Commission~~CFTC, or any other applicable government agency.

CHARGES

1715.00 Elevator Charges; Delivery Grain.

The ~~Board of Directors~~Exchange may ~~by resolution~~, from time to time establish and revise fees for regular elevators relating to grain delivered in satisfaction of futures contracts, including an elevation fee, a load-out fee, and an insurance and storage fee; provided that the effective date of such fees must be at least thirty (30) days after enactment to permit notice to the ~~members.~~Permit Holders.

Resolutions

RES

Rule 17-1700.00-1 Regular Elevators

As of May 29, 2012, the following elevators are regular for delivery under the ~~rules of The Board of Trade of Kansas City, Missouri, Inc~~Rules.

2012 ELEVATORS DECLARED REGULAR FOR DELIVERY

OPERATOR ELEVATOR & RAILROAD STORAGE CAPACITY

KANSAS CITY

ADM Grain Company Milwaukee (KCS) 1,304,000

ADM Grain Company Wolcott (UP) 2,526,000

Bartlett Grain Company, LP River Rail (UP) 10,039,000

Bartlett Grain Company, LP KCT #1 (BNSF) 4,307,000

Bartlett Grain Company, LP Fairfax (UP) 10,291,000

Cargill, Inc. Chouteau (BNSF) 927,000

Cargill, Inc. Katy (UP) 4,332,000

Storage Capacity - Kansas City 33,726,000

HUTCHINSON

ADM Grain Company Elevator A (UP) 4,071,000

ADM Grain Company Elevator B (BNSF & UP) 1,869,000

ADM Grain Company Elevator I (BNSF) 6,836,000

ADM Grain Company Elevator J (BNSF & UP) 18,307,000

Cargill, Inc. Hutchinson (BNSF & UP) 4,394,000

Cargill, Inc. Hutchinson W (UP) 4,448,000

Storage Capacity - Hutchinson 39,925,000

SALINA/ABILENE

ADM Grain Company Salina A (UP) 4,197,000

Cargill, Inc. Salina (K&O) 31,669,000

Gavilon Grain, LLC Abilene (BNSF & UP) 1,392,000

The Scoular Company Salina (UP) 11,077,000

Storage Capacity - Salina/Abilene 48,335,000

WICHITA

Bartlett Grain Company, LP Wichita (BNSF) 12,080,000

Gavilon Grain, LLC Wichita (K&O) 30,542,000

Horizon Milling, LLC Wichita (BNSF & UP) 5,682,000

Storage Capacity - Wichita 48,304,000

TOTAL STORAGE CAPACITY 170,290,000

Resolutions

RESRule 17-1706.05-1 Elevators and Warehouses;

FINANCIAL STANDING

MINIMUM NET WORTH REQUIREMENT

~~RESOLVED, that a~~

~~A~~ minimum net worth of fifteen cents (15¢) per bushel upon the aggregate storage capacity at all locations in the United States be established and maintained by elevators regular for delivery ~~(October 26, 1965);~~

~~RES~~

Rule 17-1711.00-1 Elevators and Warehouses; Insurance

INSURANCE CERTIFICATE IN LIEU OF POLICY

~~RESOLVED, that firms~~

Firms may submit a certificate of insurance in lieu of submitting an insurance policy; provided that the certificate is issued by the insurance company, that there is a certificate for each location covered, that such certificate indicates the amount of coverage, the policy expiration date, the number of the policy, and includes the standard Kansas City thirty (30) day notification clause to the ~~KCBT~~Exchange in the event of change or termination as required by Rule 1711.00 (February 28, 1974).

RES

Rule 17-1715.00-1 Elevators and Warehouses; Elevator Charges, Delivery Grain

LOAD-OUT FEE

Under the authority of Rule 1715.00, the maximum load-out fee for regular elevators on grain delivered on futures contracts is established at eight cents (8¢) per bushel.

RES

Rule 17-1715.00-2 Elevators and Warehouses; Elevator Charges, Delivery Grain

STORAGE & INSURANCE

Under the authority of Rule 1715.00, effective September 1, 2011 the maximum storage and insurance charge for regular elevators on grain delivered on futures contracts is established at \$.00197 per bushel per day from December 1 to June 30, and \$.00296 per bushel per day from July 1 to November 30.

CHAPTER 18
WAREHOUSE RECEIPTS

ELIGIBILITY FOR DELIVERY

1800.00 Requirements

Warehouse receipts shall be eligible for delivery in satisfaction of futures contracts only if the warehouse receipts comply with the following requirements:

- ~~a.~~ a. Are freely negotiable;
- ~~b.~~ b. Have been issued by a regular warehouse or elevator;
- ~~c.~~ c. Designate the warehouse or elevator in which the grain is stored; and
- ~~d.~~ d. Have been registered by the Registrar of the ~~Board of Trade of Kansas City, Missouri,~~
~~Inc.~~Exchange.

REGISTRATION

1805.00 Registration.

The owner or holder of a warehouse receipt desiring to have such receipt registered for delivery in satisfaction of a futures contract shall present such receipt to the Registrar.

1805.01 Time.

Registration must be effected by the owner or holder of warehouse receipt during the business day in which such person or entity files notice of intention of delivery with the Clearing ~~Corporation~~House or during the next following business day.

1805.02 Limitation.

Receipts registered as provided in Rule 1805.01 shall not represent a total quantity in excess of the quantity stated in such notice of intention.

1806.00 Duties Of Registrar On Presentation.

The Registrar shall register the warehouse receipts if the warehouse or elevator on which the receipt is issued is currently regular. The warehouse receipt shall be stamped by the Registrar with the official stamp of the ~~Registrar of the Board of Trade of Kansas City, Missouri, Inc.,~~Exchange and shall be recorded in the proper books ~~in~~of the ~~Registrar's Office~~Exchange.

CANCELLATION

1810.00 Cancellation On Load-Out.

Registration or registered receipts must be cancelled upon the loading out of the grain represented thereby.

1810.01 Cancellation Procedure.

Immediately following such loading out, the operator of the warehouse or elevator shall deliver such receipt to the Registrar for cancellation. The Registrar is directed to hold such receipt until receipt of a certified report from the taker of the grain accepting the grain as delivered. Upon receipt of such report, the Registrar shall plainly stamp across the face of such receipt the word "Cancelled", together with the name of the person canceling the same, shall cancel such registration on the Registrar's books, and the registration of said warehouse receipt shall thereafter be void.

1811.00 Cancellation On Proof Of Purchase.

Registration of registered receipts may be cancelled upon proof of purchase by the issuing warehouse or elevator by presentation of such receipts to the Registrar.

1811.01 Cancellation Procedure.

The Registrar shall cancel same in the manner provided in Rule 1810.01.

Resolutions

RES

Rule 18-1800.00-1 Warehouse Receipts; Requirements

MOISTURE REQUIREMENTS

~~RESOLVED, that warehouse~~

~~Warehouse~~ receipts delivered in satisfaction of futures contracts to the Clearing ~~Corporation~~House and registered with the ~~Board of Trade~~Exchange, must indicate thereon, if wheat, maximum of thirteen and one-half percent (13.5%) moisture ~~(August 10, 1977).~~

RES

Rule 18-1800.00-2 Warehouse Receipts; Requirements

INSECT DAMAGED KERNELS ("IDK") RESTRICTION

~~RESOLVED, that warehouse~~

~~Warehouse~~ receipts delivered in satisfaction of futures contracts to the Clearing ~~Corporation~~House and registered with the ~~Board of Trade~~Exchange must indicate thereon, for wheat, a maximum of ten (10) IDK (indicating no more than 10 insect damaged kernels per 100 grams). As of the effective date of this rule, any warehouse receipts previously issued and outstanding (that do not indicate thereon a maximum of 10 IDK) shall be subject to the 10 IDK restriction of this rule.

RES

Rule 18-1800.00-3 Warehouse Receipts; Requirements

REISSUE FEE – UPGRADE #3 HRW TO #2 HRW

~~RESOLVED, that from~~

~~From~~ one business day prior to the first intention day of the July 2008 wheat futures contract month (June 26, 2008) to three (3) business days following the first intention day (July 3, 2008), #3 HRW wheat warehouse receipts issued and registered with the ~~exchange~~Exchange prior to such time may be presented to the issuing warehouse by the holder and replacement receipts requested reflecting a grade of #2 HRW wheat. The issuing warehouse must comply with such request and may charge the receipt holder a maximum of \$.05 five cents (5¢) per bushel to issue such replacement receipts.

PROCEDURAL GUIDELINES

PROC GUIDE 18 -1810.01-1 Cancellation Of Warehouse Receipts On Load-Out

Rule 1810.01 contemplates the records necessary in connection with the loading out of a delivery. The Registrar must receive from the loading elevator a "load-out" sheet showing the party for whom the load-out was made and the receipts covered thereby, and the load-out elevator shall deliver registered receipts to the Registrar for cancellation. The rule also requires that the "taker" of such grain furnish the Registrar a certified acceptance of the grain as delivered which shows that the delivery has been satisfactorily completed and the warehouse receipts previously registered must be cancelled. Therefore, satisfaction of delivery of a futures contract on the ~~Kansas City Board of Trade~~Exchange is evidenced by a load-out report by the delivering elevator accompanied by the warehouse receipts applicable thereto and an acknowledgment of accepted delivery by the taker ~~(September 8, 1967)~~.

PROC GUIDE 18-1811.00-1 Cancellation Of Warehouse Receipts On Proof Of Purchase

Should warehouse receipts originally registered for delivery purposes be repurchased by the issuing elevator, the Registrar must be furnished with proof of such purchase accompanied by the registered warehouse receipts whereupon the Registrar will cancel them from the records ~~(September 8, 1967)~~.

CHAPTER 19 [RESERVED]

CHAPTER 20

WHEAT

NOTE: TRADING MONTHS

By custom and usage, the delivery/trading months for grain futures are March, May, July, September, and December. These have not been set by Board action or the By-laws insofar as existing records indicate. It is assumed that they could be changed by action of the ~~Board of Directors~~Exchange. Also by custom, until recently the ~~members~~Permit Holders could trade in any distant month without any official ~~Board~~Exchange approval or action to "open" such months. However, since late 1978, due to concern about changing freight rates and laws, the ~~Board~~Exchange has adopted the policy of permitting trade only in specifically authorized months (generally one year ahead). This serves to focus the ~~Board's~~Exchange's attention to such matters and also prevents trades in months in which contract terms could be changed, if required by changed conditions.

CONTRACTS

2000.00 Contract Grades; Hard Winter Wheat.

Contracts for the delivery of Hard Winter Wheat shall be understood as for "Contract" Hard Winter Wheat, and the following grades may be tendered on contract at the premiums or discounts indicated:

No. 1 Hard Red Winter Wheat with eleven percent (11%) protein level or higher deliverable at ~~1-1/2~~one and one-half cents ~~(1.5¢)~~ per bushel over contract price

No. 2 Hard Red Winter Wheat with eleven percent (11%) protein level or higher deliverable at contract price

All above grades are deliverable at protein levels equal to or greater than ten and one-half percent (10.5%%) but less than eleven percent (11%%) at a ten cent (10¢) per bushel discount to contract price. Protein levels of less than ten and one-half percent (10.5%%) are not deliverable on the contract.

Deliveries of the above grades may be made in such proportions as may be convenient to the seller; subject however, to the provisions of Rules 1206.00 and 1210.00.

2000.01 Change Of Grades.

In the event of a change in United States Grain Standards, contracts for future delivery maturing after the effective date of such change shall be made on the basis of the standards as changed; provided, that this shall not be construed to prevent the closing of trades made prior to the effective date of such change.

2000.02 Contract Size.

Contracts and deliveries on wheat futures shall be in units of ~~5,000~~ (five thousand (5,000) bushels.

2000.03 Delivery Locations.

Regular elevators or warehouses shall be located in the switching limits of:

- 1.) Kansas City, Missouri/Kansas,
- 2.) Hutchinson, Kansas,
- 3.) Salina/Abilene, Kansas, or
- 4.) Wichita, Kansas.

2000.04 Contract Fee. An Exchange contract fee will be set by the Exchange to cover its expenses. The Exchange may change the fee at any time on at least thirty (30) days' notice, such change to be effective on the first of a month.

~~A KCBT contract fee will be set by resolution of the Board of Directors to cover KCBT expenses. The Board of Directors may change the fee at any time on at least thirty (30) days notice, such change to be effective on the first of a month.~~

2000.05 United States Origin Only.

A futures contract for the sale of wheat shall be performed on the basis of United States origin only upon written request by a taker of delivery at the time load-out instructions are submitted. (See also Rule 1215.01)

2000.06 Location Differentials.

Deliveries in satisfaction of Hard Red Winter Wheat futures contracts may be made by warehouse receipt issued by a regular elevator at any of the locations prescribed by Rule 2000.03 at the following prescribed premiums/discounts (differentials):

- Kansas City, Missouri/Kansas contract price
- Wichita, Kansas at ~~6~~six cents (~~6c~~) per bushel under contract price
- Hutchinson, Kansas at ~~9~~nine cents (~~9c~~) per bushel under contract price
- Salina/Abilene, Kansas at ~~12~~twelve cents (~~12c~~) per bushel under contract price

TIME AND PLACE

2001.00 Time Of Trading.

The hours for futures trading shall be between 9:30 a.m. and 2:00 p.m. local time on all regular trading days; provided, however, on trading days that USDA releases monthly World Agricultural Supply & Demand Estimates ("WASDE") or quarterly Grain Stocks reports, trading hours shall be between 7:20 a.m. and 2:00 p.m.

2002.00 Place Of Trading.

The place of wheat futures trading shall be the wheat futures trading pit on the KCBTExchange floor.

2003.00 Change Of Time and Place.

The time and place of trading may be changed by ~~resolution of the~~ Board of DirectorsExchange.

2004.00 Prohibition; Exceptions.

Futures trades at places and hours other than set forth in these rules are prohibited except that the time and place limitations shall not apply to exchange of futures for cash, Rule 1128.00, and transfer trades, Rule 1127.00, so long as they are transacted in accordance with these rules.

OPENING AND CLOSE

2005.00 Opening. See Rules 1111.00 and 1111.01

2005.01 ~~±~~ Official Close; Settlement Price.

The settlement price shall be determined in the following manner:

~~a.~~

- a. Immediately following the closing bell, all brokers and traders in the pit shall report to the pit reporter and the ~~Wheat~~ Pit Committee all outright trades, bids and offers and all spread trades, bids and offers made in the closing period that are relevant in determining settlement prices in accordance with Sections (b), (c) & (d) below.
- b. ~~b.~~ The settlement price of the lead contract month (determined by the ~~Wheat~~ Pit Committee based on criteria such as volume, open interest and historical experience) shall be determined by the weighted average method of the trades in the closing period executed both on the Electronic Trading System and in the pit, rounded to the nearest price tick.
- ~~a.~~ c. The remaining contract months shall be settled based on spread price relationships, considering spread trades executed both on the Electronic Trading System and in the pit during the closing period. If individual spreads trade at multiple prices during the close, the Pit Committee shall use the weighted average of spread prices, rounded to the nearest price tick, in determining the settlement. The lead contract month settlement price shall serve as the initial spread relationship basing point for adjacent contract months, whose settlement can then be used in chronology to determine deferred month settlements.
- c. ~~d.~~ If no spreads involving a particular contract month traded during the close, the Pit Committee shall take into consideration other market information available to the Pit Committee that is pertinent to such contract month, including but not limited to, spread bids and offers, the latest quoted spread trade, the latest outright trades, bids or offers and the settlement price

differentials that existed on the previous day in order to determine a settlement price that most accurately reflects the relationship between such month and surrounding contract months.

~~d. e.~~ If any settlement price is not consistent with market information known to the ~~Wheat~~ Pit Committee supervising the settlement process, or if trading is terminated without a closing period, then the Pit Committee may establish a settlement price at a level consistent with such market information and shall cause to be prepared a written record setting forth the basis for such settlement price.

Note: It is possible that the settlement prices established as a result of spread price relationships could result in settlement prices that violate either open outright contract month or spread orders. No such orders shall be elected and brokers shall not be held liable on orders violated as a result of such settlement price procedure.

TRADING CONDITIONS

2006.00 Limitation On Fluctuation Of Prices.

The ~~Board of Directors~~Exchange may at any time, upon ten (10) hours' notice, ~~by resolution~~, provide that there shall be no trading in any specified contract for delivery in any specified month at prices more than a fixed limit above or below the official closing price of the preceding business day. Any ~~member~~Permit Holder who enters into any contracts under the rules of the ~~Board of Trade~~Exchange in violation of such resolution shall be subject to disciplinary action pursuant to Chapter 14.

~~Note: Note: Pursuant to a Resolution of the Board of Directors on March 5, 2008, there~~There shall be no trading in wheat futures at a price more than \$0.60 per bushel (\$3,000 per contract) above or below the previous day's settlement price. Should two or more wheat futures contract months within the first five listed non-spot contracts (or the remaining contract month in a crop year) close at limit bid or limit offer, the daily price limits for all contract months shall increase to \$0.90 per bushel the next business day. Should two or more wheat futures contract months within the first five listed non-spot contracts (or the remaining contract month in a crop year) close at limit bid or limit offer while price limits are \$0.90 per bushel, daily price limits for all contract months shall increase to \$1.35 per bushel the next business day. If price limits are \$1.35 per bushel and no wheat futures contract month closes limit bid or limit offer, daily price limits for all contract months shall revert back to \$0.90 per bushel the next business day. If price limits are \$0.90 per bushel and no wheat futures contract month closes limit bid or limit offer, daily price limits for all contract months shall revert back to \$0.60 per bushel the next business day. There shall be no price limits on the current month contract on or after the second business day preceding the first day of the delivery month.

2006.01± Minimum Price Fluctuation.

The minimum price fluctuation is one-quarter of ~~one~~ cent (1/4~~¢~~), ~~(as adopted by Board of Directors' Resolution, October 30, 1973. See page 67 of the Board of Director's minutes).~~¢~~~~

2007.00 Last Trading Day.

No trade in futures contracts deliverable in a current month shall be made after the business day preceding the fifteenth (15th) calendar day of that month, except that outstanding futures contracts for

such delivery may be liquidated by means of a bona fide exchange of such current futures for the actual cash commodity.

Note: The ~~Board of Directors~~Exchange, pursuant to Rule ~~233.01 f,230(i)~~ may alter the number of days trading is prohibited during the delivery month to conform with federal law and regulations. The seven (7) days come from a CFTC (former CEA) Regulation.

2008.00 Position Limits.

~~a.~~

a. Definitions:

~~1.~~

1. **Spot Month** means the futures contract month next to expire during that period of time beginning at the close of trading on the second business day prior to the first delivery day of such contract month.

2. ~~2.~~ **Single Month** means each separate futures contract month, other than the spot month contract.

3. ~~3.~~ **All Months** means the sum of all futures contract months including the spot month contract.

4. ~~4.~~ **Net Equivalent Futures Position** means the combined futures and options positions, adjusted by the prior day's delta factor for each option series as published by the ~~KCBT~~ Clearing ~~Corporation~~House. Long futures contracts have a delta of +1 and short futures contracts have a delta of -1. Long call options and short put options have positive delta factors and short call options and long put options have negative delta factors.

b. ~~b.~~ **Position Limits** – No person may own or control positions, separately or in combination, net long or net short, for the purchase or sale of commodity futures and options contracts, on a Net Equivalent Futures Position basis, in excess of the following:

1. ~~1.~~ Spot Month – 600 contracts

2. ~~2.~~ Single Month – 12,000 contracts

3. ~~3.~~ All Months – 12,000 contracts

c. ~~c.~~ **Exemptions** – ~~The Compliance Department~~Exchange staff may grant exemptions from the position limits set forth in Section (b) of this Rule to the extent such positions are exemption eligible as follows:

1. ~~1.~~ Bona fide hedging transactions as defined by ~~Commodity Futures Trading~~ CommissionCFTC Regulation 1.3(z)(1); provided, however, that positions established for purposes of hedging cash commodity index exposure, commodity swaps exposure or any other exposure not involving the production, merchandising or processing of the underlying cash commodity are not allowed to exceed the Spot Month limit.

2. ~~2.~~ Spread or arbitrage positions between Single Months of a futures or options contract, on a Net Equivalent Futures Position basis, outside of the Spot Month, in the same crop year (for ~~KCBT~~Exchange wheat, a crop year begins with the contract month of July and ends with the contract month of May); provided, however, that such spread or arbitrage positions,

when combined with any other net positions in the Single Month, do not exceed the All Months limit set forth in Section (b) of this Rule.

~~3.~~ **3.** Positions carried for eligible entities as set forth in ~~Commodity Futures Trading Commission~~CFTC Regulation 150.3(a)(4).

~~4.~~ **4.** Enumerated Hedging Transactions as defined by CFTC Regulation 1.3(z)(2). Any person who wishes to avail himself of the provisions of CFTC Regulation 1.3(z)(2)(i)(B) or (ii)(C) to make sales or purchases for future delivery in any commodity in excess of trading and position limits then in effect pursuant to section 4a of the Act for the purposes of bona fide hedging shall file statement with the Exchange in conformity with the requirements of CFTC Regulation 1.48.

~~1.~~ ~~5.~~ **5.** Non-enumerated Hedging Transactions as defined by CFTC Regulation 1.3(z)(3). Any person who wishes to avail himself of the provisions of CFTC Regulation 1.3(z)(3) and to make purchases or sales of any commodity for future delivery in any commodity in excess of trading and position limits then in effect pursuant to section 4a of the Act shall file statement with the Exchange in conformity with the requirements of CFTC Regulation 1.47.

~~d.~~ ~~d.~~ **Exemption Procedures** - Any person seeking a first-time or supplemental exemption or a continuation of a previously approved exemption from the position limits set forth in paragraph (b) of this Rule must apply to the ~~Compliance Department~~Exchange using the Application to Exceed Speculative Position Limits in Futures form prescribed by the Exchange prior to exceeding such limits. However, a person who establishes an exemption-eligible position in excess of position limits and files the required application with the ~~Compliance Department~~Exchange shall not be in violation of this rule provided the filing occurs within one (1) business day after assuming the position. In the event the positions in excess of the limits are not deemed to be exemption-eligible, the applicant and ~~clearing firm~~Clearing Participant will be in violation of speculative limits for the period of time in which the excess positions remained open.

~~The Compliance Department~~Exchange staff shall, on the basis of the application and any requested supplemental information, determine whether an exemption from position limits shall be granted. The ~~Compliance Department~~Exchange may approve, deny, condition or limit any exemption request based on factors deemed by ~~the Department~~Exchange staff to be relevant, including, but not limited to, the applicant's business needs, financial status and whether the positions can be established and liquidated in an orderly manner in the market for which the exemption is being sought. Nothing in this Rule shall in any way limit the authority of the Exchange to take emergency action, or ~~the Compliance Department~~Exchange staff to review at any time the positions owned or controlled by any person and to direct that such position be reduced to the position limit provided for in paragraph (b) of this Rule. Any person who has received written authorization from the ~~Compliance Department~~Exchange to exceed position limits must file an annual updated application within ~~thirty one (31)~~ calendar days following the end of each calendar year using the form prescribed by the Exchange. Failure to file an updated application will result in expiration of the exemption.

~~e.~~ ~~e.~~ **Aggregation** – In determining whether any person has exceeded the position limits specified in Section (b) of this Rule, such person shall aggregate positions in accounts as set forth in ~~Commodity Futures Trading Commission~~CFTC Regulation 150.4.

~~f.~~ ~~f.~~ **Spot Month Position Accumulation Restriction** – In calculating a Spot Month position, the number of contracts against which delivery notices have been stopped (issued) during that

delivery month minus the number of contracts against which delivery notices have been issued (stopped) during that delivery month shall be added to that Spot Month's long (short) futures position. As an example, if a person goes into a Spot Month with the maximum position of six hundred (600) net long contracts and takes delivery of warehouse receipts in satisfaction of five hundred (500) of such long contracts and does not establish a short position in that same Spot Month for purposes of redelivering such warehouse receipts, such person may not have a Spot Month futures position in excess of one hundred (100) net long contracts.

- ~~a.~~ **g. Orderly Liquidation of Spot Month Positions** - All persons carrying open positions into the Spot Month shall liquidate such positions in accordance with reasonable and sound economic commercial practices and be prepared to justify such to ~~the exchange Compliance Department~~ Exchange staff upon request.

Resolutions

RES Rule 20-2000.00-1 Futures Trading; Directors To Establish Margins

MARGIN REQUIREMENTS; GRAIN IN STORE

~~RESOLVED, that pursuant~~

Pursuant to 1160.00, if a customer of a memberPermit Holder, on receipt of a margin call, requests the memberPermit Holder to apply the customer's grain in store against the call and evidence of the stored grain (elevator scale tickets or warehouse receipts) are held by the memberPermit Holder operating the facility, such transaction shall be considered a cash advance to the customer using the stored grain as collateral and the money credited to the customer's futures account. The application of the grain as collateral for the advance is to be evidenced in writing, and advances made to margin futures trading accounts shall not exceed ninety percent (90%) of the collateral utilized (November 26, 1978).

~~Resolution~~

Rule 20-2000.00-2 Contract Grades; Requirements

UPGRADE PERIOD AND FEE – PROTEIN REQUIREMENTS

~~RESOLVED, that during~~

During the five (5) business days preceding the first intention day of the September 2011 wheat futures contract month (August 24 to August 30, 2011), warehouse receipts issued and registered with the exchangeExchange prior to such time may be presented to the issuing warehouse by the holder and upgraded to reflect a deliverable protein level on such receipts. The issuing elevator must comply with such request and shall, in its sole discretion, make the determination as to the minimum protein level to designate on receipts presented for upgrading. The issuing elevator may charge the holder twelve cents (12¢) per bushel to upgrade the receipt with a designation of eleven percent (11%%) minimum protein, or two cents (2¢) per bushel to upgrade the receipt with a designation of ten and one-half percent (10.5%%) minimum protein. Warehouse receipts not upgraded pursuant to this Resolutionrule shall not be deliverable against futures contracts from September 2011 forward.

~~RES~~

Rule 20-2005.00-1 Futures Trading; Change Of Grades

MAXIMUM MOISTURE; WHEAT

~~Maximum Moisture; Wheat~~

~~RESOLVED, that effective~~

Effective July 9, 1976, as to futures contracts for wheat for delivery in July, 1977, and thereafter, the maximum allowable moisture will be ~~13.5% (Board of Directors' action June 29, 1976; CFTC approval July 9, 1976).~~ thirteen and one-half percent (13.5%).

Interpretations

~~INTRP 20-2009.00-1 Futures Trading: Non-Clearing Member Margin Requirements~~

~~Question: Can a clearing member carry the account of a non-clearing member without margins of any kind if the account is in a deficit position?~~

~~Answer: Rule 2009.00 is interpreted to mean that a non-clearing member may carry a net position of 25,000 bushels for not more than thirty (30) days without both initial and maintenance margins; provided however, that all trades involved be taken to the market each night to eliminate any deficit that might exist (November 19, 1968).~~

CHAPTER 21 WHEAT CALENDAR SWAPS (CLEARED-ONLY) PRODUCT

2100.00 Wheat Calendar Swaps; Cleared Only

The scope of this Chapter is limited to Wheat Calendar Swaps negotiated between eligible swap participants (as defined in ~~Commodity Futures Trading Commission (“CFTC”)~~ Regulation 35.2(b)(2)) in the Over-The-Counter (“OTC”) market and submitted to the ~~Kansas City Board of Trade Clearing Corporation (“KCBTCC”)~~House for clearing. When accepted for clearing, these Wheat Calendar Swaps are not converted or substituted into futures contracts, but remain OTC products. Wheat Calendar Swaps are not fungible with ~~KCBTExchange~~ wheat futures or options contracts. Wheat Calendar Swaps are subject to the general rules of the Exchange as may be applicable. The clearing and settlement of Wheat Calendar Swaps are also subject to the rules and by-laws of ~~KCBTCC~~Clearing House.

2100.01 Participation Requirements – Futures Commission Merchants.

Any ~~Futures Commission Merchant (“FCM”)~~ registered with the CFTC that carries the account of a customer desiring to enter into Wheat Calendar Swaps transactions must execute a Participation Agreement with ~~KCBTExchange~~, in the form prescribed by ~~KCBTExchange~~, prior to the execution of any such swaps transactions, regardless of whether such FCM is a ~~member~~Permit Holder of ~~KCBTExchange~~.

2100.02 Participation Requirements – Eligible Swap Participant.

Each customer of an FCM desiring to enter into Wheat Calendar Swaps transactions must be an Eligible Swap Participant (“ESP”), as defined by CFTC Regulation Section 35.1(b)(2). Accordingly, each FCM must verify a customer’s qualification as an ESP prior to allowing such customer to enter into a Wheat Calendar Swaps transaction and, upon request by ~~KCBTExchange~~, provide documentary evidence of a customer’s qualification as an ESP.

2100.05 Additional Rules.

The ~~Board of Directors~~Exchange may adopt additional rules or modify existing rules of this Chapter, subject to CFTC approval, if required.

PRODUCT CONTRACT SPECIFICATIONS

~~Product Contract Specifications~~

2101.00 Place of Trading.

Wheat Calendar Swaps are negotiated and consummated off-exchange between eligible swap participants in the OTC market.

2102.00 Hours of Submission for Clearing. ~~KCBTCC~~

The Clearing House shall determine the business day hours during which Wheat Calendar Swaps may be submitted for clearing. In order to be accepted for clearing, Wheat Calendar Swaps trade data must

either be entered into [KCBTCC's Clearing House's](#) clearing system by [clearing members Clearing Participants](#) or electronically transmitted directly to [KCBTCC's the Clearing House's](#) clearing system, provided both participants of the swap trade have the required agreements and approvals in place with a [KCBTCC clearing member Clearing Participant](#) to accept such electronically-submitted trade data for clearing.

2103.00 Contract Size.

Each Wheat Calendar Swap contract accepted for clearing must be for [five thousand \(5,000\)](#) bushels of wheat.

2104.00 Contract Months.

Wheat Calendar Swaps may be entered into for any of the twelve (12) calendar months. The number of months in which clearing may occur shall be at the discretion of the Exchange and [KCBTCC Clearing House](#).

2105.00 Corresponding Futures Contract Month.

For purposes of determining Wheat Calendar Swaps daily and final settlement prices, the corresponding [KCBT Exchange](#) wheat futures contract shall be the futures contract month immediately following the swap's final settlement date.

2106.00 Minimum Price Increment.

The minimum trade price increment for Wheat Calendar Swaps is one quarter of one cent (~~\$.0025~~, [1/4¢](#)), or \$12.50 per contract. Trades submitted for clearing must be priced in multiples of the minimum price increment.

2107.00 Last Clearing Day; Expiration Day; Final Settlement Day.

The last clearing day (also referred to as the expiration day or final settlement day) for a particular Wheat Calendar Swap contract month shall be the last business day of the calendar month immediately preceding such swap contract month.

2108.00 Delivery Mechanism.

All open contracts as of the close of business on the last clearing day for a contract month shall expire at such time and be liquidated by means of cash settlement to the final settlement price determined in accordance with Rule [20112111.00](#). All balances due to or from [KCBTCC the Clearing House](#) shall be established at that time, the [clearing members Clearing Participant](#) so advised, and handled in accordance with normal variation margin settlement procedures.

2109.00 Last Month of Trading.

The last month of trading for a particular swap contract month shall be the calendar month immediately preceding such swap contract month.

2110.00 Daily Settlement Price Prior to Last Month of Trading.

The daily settlement price for a swap contract month prior to the last month of trading for such contract shall be the daily settlement price of the corresponding futures contract.

2111.00 Daily Settlement Price During the Last Trading Month.

The daily settlement price for a Wheat Calendar Swap contract month during the last month of trading for such contract shall be the cumulative average of the daily settlement prices for the corresponding ~~KCBT~~Exchange wheat futures contract month for each clearing day during the last month of trading. As an example, for an April Wheat Calendar Swap, the last month of trading would be March and the corresponding futures contract would be the May contract. Therefore, the daily settlement price for the April swap contract during the last month of trading would be the cumulative average of the daily settlement prices for the May futures contract month for each clearing day during March.

2112.00 Final Settlement Price.

The final settlement price for a swap contract month, determined on the final settlement day, shall be the cumulative average of the daily settlement prices for the corresponding ~~KCBT~~Exchange wheat futures contract month for each clearing day during the last month of trading. For example, the final settlement price for an April Wheat Calendar Swap would be the cumulative average of the daily settlement prices for the May futures contract month for each clearing day during March.

2113.00 Position Limits.

Wheat Calendar Swaps shall be subject to the same position limits prescribed for wheat futures contracts as set forth in Rule 2008.00, except that spot month limits are not applicable since Wheat Calendar Swaps contracts expire prior to their corresponding futures contract delivery month.

2114.00 Reportable Positions.

A position of twenty-five (25) or more Wheat Calendar Swaps contracts owned, controlled or carried by any person shall constitute a reportable position. Every ~~member~~Permit Holder, registered partnership or registered corporation shall report reportable positions to the ~~Department of Audits and Investigations~~Clearing House at such times and in such form and manner as shall be prescribed.

2115.00 Margin Requirements.

Exchange minimum margins required for Wheat Calendar Swaps shall be established by ~~Resolution of the Board of Directors~~the Exchange, and may be changed from time to time in like manner.

Note: See Resolution 11-1160.00-1.

2116.00 Contract Fees. The ~~KCBT Board of Directors~~Exchange may establish an exchange fee and the ~~KCBTCC Board~~Clearing House may establish a clearing fee for each Wheat Calendar Swap contract cleared. Such fees are subject to change.

CHAPTER 22 [Reserved.]

CHAPTER 23 [Reserved.]

CHAPTER 24 [Reserved.]

CHAPTER 25
OPTIONS ON CONTRACTS OF SALE ON
HARD WINTER WHEAT FUTURES CONTRACTS

2500.00 Options On Contracts Of Sale On Hard Winter Wheat Futures Contract

This chapter is limited in application to trading "put" and/or "call" options on the Hard Winter Wheat Futures Contracts traded on ~~The Board of Trade of Kansas City, Missouri, Inc. (KCBT)~~ the Exchange. The procedures for exchange government, rule enforcement, ~~membership trading~~ and other rights with privileges and obligations for trading options hereunder, and the procedures for trading, clearing, delivery, and settlement and all other matters not specifically covered herein shall be governed by and be subject to the general rules, regulations and resolutions of the ~~KCBT or such other rules hereafter adopted by the Board of Directors ("Board") pertaining thereto.~~ Whenever the rules of other chapters use words such as "grain," "wheat," or "commodity," those rules shall be deemed to refer to this Contract as well, if and as the context indicates. However, if there is any conflict between this chapter and the general rules and regulations of the KCBT Exchange, the provisions of this chapter shall take precedence.

2501.00 Additional Rules.

The ~~Board of Directors ("Board") of the KCBT Exchange~~ has the authority to adopt additional rules and regulations, and alter existing rules and regulations, including the rules of this chapter, on ten (10) hours' notice, subject to Commodity Futures Trading Commission (CFTC) approval, if required. Changes which materially alter the rights of the parties with open contracts must be delayed until there are no open contracts, except in the event of a market emergency.

2502.00 Options.

Options may be written and traded in the "Hard Winter Wheat Futures Contract" pursuant to Chapter 20 of the ~~KCBT Rules and Regulations~~ as they exist or are amended from time to time.

2503.00 Transfer, Assignment Or Disposal Of Options.

Options shall not be transferred, assigned or otherwise disposed of other than on or subject to the rules of the KCBT Exchange, the Commodity Exchange Act and the rules and regulations of the Commodity Futures Trading Commission (CFTC) and may be exercised only by the establishment, by book entry, in the Clearing Corporation House of positions in the underlying futures contracts.

2503.01 Limitations On Option Transactions.

No person shall solicit or accept orders (other than in a clerical capacity) for the purchase or sale of the option contract, or to supervise any person so engaged, unless that individual meets the requirements of 17 C.F.R. 33.3 (b) (1).

2503.02 Prohibition On Order Acceptance. ~~Futures Commission Merchants (FCM) members of the KCBT~~

Permit Holders who are FCMs (or others who may trade the option contract pursuant to rule 2503.01) are prohibited from accepting customer orders from another FCM or introducing broker which does not qualify to trade the option contract as prescribed in rule 2503.01.

2505.00 Option Trading Hours.

The trading hours are 9:30 a.m. to 2:00 p.m. local time; provided, however, on trading days that USDA releases monthly World Agricultural Supply & Demand Estimates ("WASDE") or quarterly Grain Stocks reports, trading hours shall be between 7:20 a.m. and 2:00 p.m. The trading hours may be varied by the ~~Board of Directors.~~

2506.00 Location.

Trading will occur on the trading floor of the ~~Kansas City Board of Trade at a place designated by the Board of Directors.~~Exchange.

2507.00 Option Trading Months.

Options shall be listed for trading in the following months:

~~a.~~

a. For options months in the ordinary cycle of the underlying futures contract (i.e., July, September, December, March and May), the number of months listed shall be the same as the underlying futures contract, provided, however, that a new option contract based on the ordinary cycle will be introduced the day after trading has commenced in the underlying futures pursuant to Rule 2511.02.

~~b.~~

b. For options months outside the ordinary cycle (i.e., August, October, November, January, February, April and June, hereinafter referred to as "serial" months), the number of months listed shall be established by the ~~Board~~Exchange. However, no serial months shall be listed outside of the months listed pursuant to subsection (a) above.

2507.01 Underlying Futures Contract.

For options that expire in the ordinary cycle (i.e., July, September, December, March and May), the underlying futures contract is the futures contract corresponding to the option expiration month. For serial options (options outside the ordinary cycle), the underlying futures contract is the next futures contract in the ordinary cycle nearest the option expiration month. For example, the underlying futures contract for an option contract expiring in October or November is the December futures contract.

2508.00 Futures Contract Size.

The size of the unit of trading in the options contract shall be five thousand (5,000) bushels, the same size as the underlying futures contract.

2509.00 Deep-Out-Of-The-Money Options.

~~1.~~

1. A deep out-of-the-money option is defined as an out-of-the-money option whose strike price is more than X strike prices distant from the strike price closest to the settlement price of the underlying futures contract, where X equals two (2) plus the number of calendar months remaining until option expiration;
2. ~~2.~~ However, the Exchange Board may impose additional criteria as appropriate;
3. ~~3. No member commission merchant~~ No Permit Holder who is a FCM shall accept an order for a deep out-of-the-money option without providing the customer with an explanation of the nature and the risks of the option prior to the transaction.

2510.00 Option Premium — Definition.

The "option premium" shall be the sum paid to the writer of a call option who agrees to deliver the underlying futures contracts against payment of the exercise price upon being assigned an exercise notice. The premium with respect to the writer of a put option is the sum paid to the writer of the put option who agrees to purchase the underlying futures contract on which the put is written at the exercise price upon being assigned an exercise notice. Both put options and call options may be written.

2510.01 Option Premium Payment.

The Clearing ~~Corporation~~House must receive from each of its ~~clearing members~~Clearing Participants, and each ~~clearing member~~Clearing Participant must receive from each other party for whom it clears commodity option transactions, and each ~~futures commission merchant~~FCM must receive from each of its option customers, the full amount of each option premium at the time the option is purchased, or within a reasonable time thereafter. ~~Chapter 25—Wheat Options~~
~~2505~~

2511.00 Strike Price.

The strike price is the price at which a party may purchase or sell the underlying futures contract upon exercise of an option. The strike price will be determined ~~as follows:~~in accordance with the following Rules.

2511.01 Strike Price Interval.

Trading shall be conducted for options with strike prices in interval multiples of ~~\$~~ten cents (10¢) per bushel.

At the commencement of trading a new option month, the following strike prices shall be listed: the strike price closest to the previous day's settlement price of the underlying futures contract, the next thirty (30) higher and the next thirty (30) lower strike prices; provided, however, that no strike price shall be listed below the \$1.00 strike price level.

If the previous day's settlement price is midway between two strike prices, the closest price shall be the larger of the two. (For example ~~— if a~~ new futures month contract closes at \$3.75, the closest price is \$3.80.) The ~~Board of Directors, or a Committee designated by the Board,~~Exchange may modify the procedures for the introduction of strikes as it deems appropriate in order to respond to market conditions.

2511.02 New Options.

A new option based on a futures month within the ordinary cycle will be introduced the day after trading has commenced in the underlying futures contract for that contract month, (for example — if on February 1, the December futures contract had traded for the first time, then on February 2, an option month for the December futures contract is listed, having strike prices as specified in Rule 2511.01). A new option based on a serial month (a month outside of the ordinary cycle) will automatically be introduced the day following the expiration of a serial month, so as to at all times have available for trading the number of serial months established by the [BoardExchange](#) for trading, (for example, if the [BoardExchange](#) has authorized the listing of three serial months, and those months currently traded are January, February and April, then the serial contract month of June will automatically be listed for trading the day following the expiration of the January contract month).

2511.03 New Strike Price.

Any close which causes there to be less than the number of strike prices prescribed by Rule 2511.01 will cause new strike prices to be added the next day in order to have at least the number of strike prices pursuant to Rule 2511.01 available for trading.

2511.04 Horizontal Option Strike Price. Reserved.

2511.05 Limit On New Strike Prices.

No new strike prices may be introduced during the last six (6) trading days of the expiring option.

2511.06 Delisting.

An option having a particular strike price shall be delisted if for ten [\(10\)](#) consecutive trading days no transaction is made, and there is no open position in such strike price; provided, however, that no option shall be delisted if it has a strike price which is required by Rules 2511.01, 2511.03, or 2511.04.

2511.07 Relisting.

Any strike price which has been delisted under Rule 2511.06 shall thereafter be relisted at any time any such option has a strike price required by Rules 2511.01, 2511.03 or 2511.04.

2511.08 Price Display And Dissemination.

Each series of options and prices opened for trading shall be displayed on the price display system on the [KCBTExchange](#) floor and disseminated in such other manner as deemed appropriate by the Board ~~of~~ [Directors](#).

2512.00 Bids And Offers. Bids and offers for options shall be measured and expressed in increments of [one-eighth of one cent \(1/8¢\)](#) per bushel. However, for options valued at less than [one-eighth of one cent \(1/8¢\)](#), the option premium may range from \$1.00 to \$5.00 in \$1.00 increments per option contract.

2513.00 Margin Requirements.

The ~~Margin~~ requirements will be set by ~~Resolution of the Board of Directors, and may be changed from time to time in like manner. Note: See Resolution 11-1160.00-1-Exchange.~~

2514.00 Last Day Of Trading And Expiration.

~~a.~~

~~a.~~ For options months in the ordinary cycle; no trades in options expiring in the current month shall be made after 2:00 p.m. on the last Friday which precedes by at least two (2) business days, the first notice day for the corresponding futures contract.

~~b.~~

~~b.~~ For serial options months (months outside the ordinary cycle); no trades shall be made after 2:00 p.m. on the Friday which precedes by at least two (2) business days, the last business day of the calendar month immediately preceding the option serial month, (for example, for November serial options contracts, the last trading day is the Friday which precedes by at least two (2) business days, the last business day in October). If such Friday is not a business day, the last day of trading shall be the business day prior to such Friday. The option shall expire at 10:00 a.m. on the first Saturday following the option's last day of trading.

2514.01 Settlement Price Procedure.

The settlement price of the option contract shall be determined using a computer model to calculate each settlement based on consensus input in satisfaction of the model variables, provided such settlement does not violate an existing bona-fide CTI type 2 or 4 order. The information input should yield a settlement that reflects the average of the fair value bid/ask for each strike. If technical problems preclude the use of the computer model, the settlement price of the option shall be determined by the same procedure used to determine the settlement price of the hard winter wheat futures contract.

2514.02 Settlement Of Trades.

Trades made in put and call options shall be settled at the end of each day's trading. Positions in the underlying futures contracts as a result of the exercise of options shall be made by book entry in the books of the Clearing ~~Corporation~~House.

2515.00 Exercise.

Options are exercisable at any time prior to the expiration thereof by giving notice of exercise to the Clearing ~~Corporation~~House by 4:00 p.m. on any trading day, up to and including the last trading day. The ~~KCBT~~Exchange reserves the right ~~by Board action~~ to extend the time by which options can be exercised under emergency situations.

2515.01 Allocation Of Exercise Notices By ~~Clearing Corporation~~. The Clearing ~~Corporation~~House.

The Clearing House shall assign an exercise notice to the ~~clearing member's~~Clearing Participant's account ~~which the clearing company~~ selected on a random non-preferential basis (as is determined by the Clearing ~~Corporation~~House) from among all clearing ~~member~~Permit Holder accounts reflecting the writing of options of the same maturity month and strike price as the exercised option. The Clearing ~~Corporation~~House shall notify the ~~clearing member~~Clearing Participant to whose account the exercised notice is assigned by 9:00 a.m. on the next business day. The writer of a call option is assigned a short

Hard Winter Wheat Futures position at the striking price of the option. The writer of a put option is assigned a long Hard Winter Wheat Futures position at the striking price of the option. If the exercise notice was assigned to the ~~clearing member's~~Clearing Participant's customer account, the ~~clearing member~~Clearing Participant in turn shall allocate the assignment to one of its customers who is a writer of options of the same maturity and strike price as the exercised option. Such allocation shall be made on a random, non-preferential basis. The ~~clearing member~~Clearing Participant should make an attempt in good faith to promptly notify any customer who has been allocated an option assignment.

2515.02 Allocation Of Exercise Notices By ~~Members~~. ~~Members~~Permit Holders.

Permit Holders must implement fair non-preferential procedures for the allocation of exercise notices among their accounts and accounts they carry. Such procedures must be in writing. Such allocation is subject to review by the ~~KCBT~~Exchange.

2515.03 Automatic Exercise.

On the last trading day of the expiring option, all open long positions in expiring wheat options for which the exercise price is less, in the case of call options, or greater, in the case of put options, than the settlement price of the underlying futures contract shall be automatically exercised unless instructions to the contrary are delivered to the ~~KCBT~~-Clearing ~~Corporation~~House by 4:00 p.m. on such last trading day.

2515.04 Due Diligence In Exercise Procedures. ~~KCBT member~~ FCM's

Permit Holders who are FCMs shall exercise due diligence in monitoring accounts of its customers trading in the options contract to ensure that in the case of options in-the-money by less than the firm's commission charges for exercising such options, instructions have been given to the ~~KCBT~~-Clearing ~~Corporation~~House so that such options are not automatically exercised pursuant to Rule 2515.03 unless it is the customer's explicit intention to exercise such options.

2515.05 Notice To Customers. ~~FCM members~~

Permit Holders who are FCMs shall use their best efforts to promptly notify customers of exercise notices.

2515.06 Clearing Corporation To Monitor Delivery Procedures.

The ~~KCBT~~Exchange and ~~the~~ Clearing ~~Corporation~~House shall monitor the delivery procedure to ensure proper exercise of the options.

2516.00 Failure To Perform.

If the ~~clearing member~~Clearing Participant with a delivery commitment fails to perform all acts required by this chapter, then that ~~clearing member~~Clearing Participant shall be deemed in default, which may be punishable as a major violation. In the event of default, any defaulting party shall be liable for damages and any loss sustained as a result of the default, if any, by the Clearing ~~Corporation~~House, an FCM, or any other FCM or customer thereof, plus a penalty of not less than \$500 per defaulted contract. An

additional fee or penalty may also be imposed through [KCBTExchange](#) disciplinary procedures. The defaulting party may petition the [Board of DirectorsExchange](#) for reconsideration of any penalty so assessed. Whenever, in the judgment of the [Board of DirectorsExchange](#), upon consideration, the default was not due to the fault of the appealing party, or for other good cause shown, the [Board of DirectorsExchange](#) may, in its discretion, waive or reduce the penalty.

2517.00 Procedure For Customer Complaints.

Each [futures commission merchantFCM](#) who is a [member of the KCBTPermit Holder](#) and engages in the offer or sale of commodity options shall, with respect to all written option customer complaints, comply with Rules 2517.01 through 2517.03.

2517.01 Complaints.

Retain all such written complaints.

2517.02 Records.

Make and retain a record of the date the complaint was received, the associated person who serviced the account, or the introducing broker who introduced the account, and a general description of the matter complained of, and what, if any, action was taken by the FCM in regard to the complaint; and

2517.03 Copies.

Immediately send a copy of any such complaint to the FCM's "Designated Self-Regulatory Organization" (DSRO) and, upon final disposition thereof, immediately send a copy of the record of such disposition to the DSRO.

2518.00 Futures Commission Merchants.

Each FCM who is eligible to trade options pursuant to Rule 2503.01 shall comply with the following:

2518.01 Written Procedures.

Adopt and enforce written procedures pursuant to which it will be able to supervise adequately each option customer's account, including but not limited to the solicitation of any such account, provided that "option customer" does not include another [futures commission merchantFCM](#); and

2518.02 Written Record.

Immediately upon the receipt of a customer's order, prepare a written record of the order. Said order shall be dated and time stamped to the nearest minute when the order is received and shall show the account designation. In addition, such written record also shall show the time to the nearest minute the order is transmitted for execution; and

2518.03 Notification.

Give immediate written notification to the FCM's "~~Designated Self-Regulatory Organization~~" (DSRO) of any disciplinary action taken against the ~~futures commission merchant~~FCM or any of its associated persons by the commission or by another self-regulatory organization; and

2518.04 Disclosure.

Each ~~member~~Permit Holder FCM which engages in the offer or sale of commodity options shall enforce the disclosure requirements set forth in CFTC Regulation Section 33.7.

2518.05 Option Promotional Material.

Each FCM which engages in the offer or sale of option contracts traded on this Exchange shall submit promptly to the ~~member's Designated Self-Regulatory Organization (DSRO)~~Permit Holder's DSRO all promotional material pertaining to trading in such options. For the purposes of this rule, the term "promotional material" shall include those items described in CFTC Regulations 33.1 (b).

2518.06 Discretionary Accounts.

With respect to option customer accounts for which discretion is given for option trading:

~~(i)~~

~~(i)~~ Provide the option customer with an explanation of the nature and risks of the strategy or strategies to be used in connection with the option customer's account; and

~~(ii) (iii)~~ Require an officer, general partner, sole proprietor, or branch office manager of the FCM (other than any individual authorized to exercise discretion in trading the account) to approve, in writing, the discretionary authority prior to any trading for the account involved; and

~~(i) (iii)~~ Identify as discretionary each order for a discretionary account on the order at the time of entry and an officer, general partner, sole proprietor, or branch office manager of the FCM (other than any individual authorized to exercise discretion in trading the account) must approve, initial, and date all orders for a discretionary account; and

~~(iii) (iv)~~ Review frequently discretionary accounts pursuant to ~~Commodity Futures Trading Commission~~CFTC rules and regulations.

~~Provided that the~~

~~The~~ provisions of Rule 2518.06 shall not apply to any option customer account: (A) of a commodity pool, the operator of which is registered with the Commission as a commodity pool operator; (B) where the person who has the discretionary authority is the spouse, parent, or child of the option customer, or (C) which is an omnibus account of another ~~futures commission merchant~~FCM.

2518.07 Prohibition.

Shall not engage in fraudulent or high pressure sales communications relating to the offer or sale of option contracts; ~~and~~.

2518.08 Sales Practice Audits.

Comply with KCBTExchange procedures and permit the KCBTExchange or its agent to conduct sales practice audits of ~~member futures commission merchants~~Permit Holder FCMs which engage in the offer or sale of the options contracts. The sales practice audits with which FCM must comply will be those in effect by the KCBTExchange from time to time as adopted by the ~~Board of Directors of the KCBT; and Exchange.~~

2518.09 Applicable CFTC Rules.

Comply with all applicable regulations and rules of the ~~Commodity Futures Trading Commission~~CFTC, and the National Futures Association applicable from time to time to trading in the options governed by this contract.

2519.00 Advertising Guidelines.

Advertising, market letters, and similar information issued by the KCBTExchange, its ~~members~~Permit Holders, and their associates should not be false or misleading.

2519.01 File Copies.

All ~~members, clearing members~~Permit Holders, Clearing Participants, commodity representatives, and other employees of membersPermit Holders must file within seven (7) days after publication copies of all promotional material including prepared radio or television scripts, prepared lectures, mail solicitations, and market letters relating to commodities traded on the KCBTExchange with the KCBTExchange.

2520.00 Contract Fee. ~~A KCBT~~

An Exchange contract fee will be set by ~~resolution of the~~ Board of DirectorsExchange to cover KCBTits expenses. The ~~Board of Directors~~Exchange may change the fee at any time on at least thirty (30) days' notice, such changes to be effective on the first of a month.

2521.00 Position Reporting Limits. ~~Members~~

Permit Holders shall comply with all applicable position limits adopted by ~~Resolution of the Board of Directors~~the Exchange or by the CFTC.

2521.01 Compliance With CFTC Regulation 16.

Each ~~clearing member~~Clearing Participant and each FCM ~~member~~Permit Holder that has customers trading options shall provide such information as the KCBTExchange shall require to comply with the requirements that the CFTC may require of the KCBTExchange pursuant to Part 16 of the Regulations of the CFTC.

2522.00 Option Daily Price Limits.

Option daily price limits shall be identical to that of the underlying futures contract.

2523.00 Recording Options Orders.

Each ~~member~~Permit Holder who, on the floor of the KCBTExchange receives an order from an options customer, including an options customer who is another floor trader or floor broker, which is not in the form of a written record showing the account identification, order number and the date and time, to the nearest minute such order was transmitted or received on the floor of the KCBTExchange, shall immediately upon receipt thereof prepare a written record of such order, including an account identification and order number and shall record thereon the date and time to the nearest minute the order is received.

2523.01 Timing Requirements.

Effective October 1, 1986, the method of time recording of option transactions by pit brokers and traders on their trading cards will be the recording of the time of execution to the nearest minute. Failure to record the time shall constitute a violation of the rules of the KCBTExchange.

~~Note: Approved by Board of Director's action August 26, 1986, see page 1092 of Board minutes.~~

2524.00 Trading Ahead of Customer.

Each floor broker is prohibited from trading ahead of a customer order:

- a. Own Account; No Purchasing.** Each floor broker is prohibited from purchasing any commodity for future delivery, purchasing any call commodity option or selling any put commodity option for the broker's own account, or for any account in which such broker has an interest, while holding an order of another person for (1) the purchase of any future, (2) purchase of any call commodity option, or (3) sale of any put commodity option, in the same commodity which is executable at the market price or at the price such purchase can be made for the broker's own account or the account in which such broker has an interest.
- b. Own Account; No Selling.** Each floor broker is prohibited from selling any commodity for future delivery, selling any call option commodity, or purchasing any put commodity option, for the broker's own account or for any account in which such broker has an interest, while holding an order of another person for (1) the sale of any future, (2) the sale of any call option commodity, or (3) the purchase of any put option commodity, in the same commodity, which is executable at the market price or at the price at which such sale can be made for the broker's own account or the account in which such broker has an interest.

Resolutions

RES

Rule 25-2518.01 Introducing Brokers — Options Sales Practices

~~Resolved that each KCBT rule and regulation~~

Each Rule pertaining to the options sales practices of membersPermit Holders or their employees shall apply with equal force and in effect to the options sales practices of introducing brokers who are operating pursuant to a guarantee agreement with a memberPermit Holder FCM and such memberPermit Holder FCM shall be fully responsible therefore ~~and that this resolution shall remain in effect~~ until otherwise rescinded by ~~a vote of the Board of Director~~Exchange, or until such time as the National Futures Association or other registered futures association adopts rules which are approved by the CFTC to govern the commodity option related activity of such guaranteed introducing brokers.

RES

Rule 25-2521.01 Position Limits — Wheat Futures Options

Position Limits for wheat futures options shall be those limits currently in effect pursuant to Part 150 of the Regulations of the ~~Commodity Futures Trading Commission~~CFTC.

RES 25-2521.02

Rule Reportable Positions — Wheat Futures Options

(a)

(a) **Definition.** A "reportable position" shall be a position of fifty (50) or more put or call options on the KCBTExchange, long or short, in any one month, which is owned, controlled or carried by any person.

(b)

(b) **Reporting of Reportable Positions.** Every memberPermit Holder, registered partnership or registered corporation shall report reportable positions as defined in subsection (a) of this ResolutionRule to the Department of Audits and InvestigationsExchange at such times and in such form and manner as shall be prescribed.

Chapter 30 — Cash Trading

~~**3000.00 Contracts Subject To Rules.** All contracts of a member, a firm having a member as a general partner, or a corporation having a membership representation for the purchase and sale of grain or transactions incident to the cash grain business proper, are contracts subject to the rules of the KCBT. Note: Contracts subject to the rules of the KCBT include all contracts entered into on the floor of the KCBT and all other contracts entered into by members in which the parties mutually agree to be so bound. See INTRP 1-185.00-1.~~

~~**3001.00 "Kansas City Terms."** All sales made for shipment from this market subject to "Kansas City Terms" shall be subject in all respects to the rules and regulations of the KCBT.~~

~~**Time And Place**~~

~~**3005.00 Time Of Trading.** The hours for cash trading shall be between 9:30 A.M. and 1:15 P.M. on all regular trading days.~~

~~**3006.00 Place Of Trading.** The place of cash trading shall be the Cash Section of the KCBT floor.~~

~~**3007.00 Change Of Time And Place.** The time and place of trading may be changed by resolution of the Board of Directors.~~

~~Note: See Rules 233.01 m, Holidays; 233.01 f, Trading Time And Place; 234.00, War Powers; and 235.00, Other Emergency Powers.~~

~~**Trading Practices**~~

~~**3010.00 Display Samples.** All carlot samples of grain for sale must be displayed on the trading floor, except for late inspections.~~

~~Notes: 1. See RES 30-3010.00-1.~~

2. By custom cars to be sold on the floor based on inspection at origin or in route, may be sold without samples displayed, provided the inspection certificate is available for inspection.

3011.00 Disposition. All cars of grain sold on this market must be ordered for disposition on the day the grain is sold unless otherwise agreed by the parties.

3012.00 Report Cash Sales. All sales of inbound track grain, seeds, or millfeed made on the KCBT floor must be reported in writing to the Cash Market Reports Committee by the member making the sale within fifteen (15) minutes after sale is made. All sales of cash grain made after the closing hour must be reported in writing to the Cash Market Reports Committee by the seller within fifteen (15) minutes after the opening hour on the next succeeding business day. Any violation of this rule will be subject to a fine of \$5.00 for the first offense, and \$10.00 for the second or any succeeding offense pursuant to chapter 33.

Notes: 1. See INTRP 30 3012.00 1 for spot sales which must be reported.

2. See Rule 249.00, Market Reports Committee; see RES 2 249.00 1.

3013.00 Fixing Price On Cash Sales Basis Futures. The price on all purchases of cash grain to arrive or sold spot on the trading floor, when sold basis the futures, must be fixed by the close of the market on the next business day following the date of the contract.

3014.00 Principal; Who May Be Named. In no case shall a member, for such member's own account or through any other person acting in such member's behalf, use or give as a principal on any trade or contract, the name of any person not a member, the name of any firm unless one of the general partners is a member, or the name of any corporation unless one of the executive officers is a member.

3015.00 Principal; Contracts For Shipment Or Export. On contracts for grain for shipment or for export made by a member through a broker in accordance with the rules governing brokerage transactions, such broker so contracting may, if desired, give up to the member for whose account the contract has been made, the name the principal even though such principal is not a member, provided that such principal is acceptable to the member.

3016.00 Members May Not Be Both Principal And Agent. No member is allowed under any circumstances, knowingly and willfully, to be both principal and agent in any transaction in any of the commodities dealt in under the rules of the KCBT (except when futures are exchanged for cash property). Furthermore, no members in any transaction in any of the commodities dealt in under the rules of the KCBT shall allow themselves knowingly and willfully, directly or indirectly, either by such member's own act or by the act of an employee, or of a broker or other member to be placed in the position of agent for both seller and buyer (except when futures are exchanged for cash property).

Notes: 1. The selling of consigned grain to a party having a joint account with the seller of the grain is regarded as a violation

of this rule (June 22, 1922, Notice To Membership).

2. Consignments of grain to this market must be offered on the open market and sold at the best price obtainable for the shipper. It is a violation of these rules to use consigned grain in endeavoring to secure concessions for the shipper. It is a violation of these rules to use consigned grain in endeavoring to secure concessions for outbound shipments of other grain or for any other purpose. This covers either exchange of cash grain for cash or cash grain for futures, unless the transaction is made only for one party (May 6, 1943).

3017.00 Penalties. On conviction by the Business Conduct Committee of any member, firm, or corporation of the violation of Rule 3016.00, such member shall be subject to disciplinary action at the discretion of the Business Conduct Committee after a fair hearing of all the facts presented in the case.

Note: See Chapter 33 for disciplinary procedure and appeal which may be taken to the Board of Directors.

3018.00 Give Up Name Of Principal. Any person claiming to act as a broker shall be required to name such member's principal during the session at which the trade was made, or at the time the trade was made

if demanded. A broker failing to do so shall be held responsible for such trade at the option of the party with whom the trade has been made, and the broker shall also be liable for the acceptance of such trade by the principal.

Note: See Rule 3089.00, Brokers; Defined.

3019.00 Only Actual Trades Allowed. Only actual trades shall be allowed to be made, and no arrangements for the purchase or sale of commodities shall be entered into except where it is intended there shall be an actual receipt or delivery of the property so bought or sold. Any member entering into any arrangement in which it is understood that there shall be no actual receipt or delivery, but that only the difference shall be settled between the parties, reporting any false or fictitious sales, making any such sales, giving out any fictitious reports concerning the state of the market, or otherwise violating the provisions of this rule, shall, upon conviction, be subject to disciplinary action pursuant to Chapter 33.

3020.00 Confirmation. Whenever a member acting on his or her own behalf or as the representative of a firm or corporation shall have made a purchase or sale for another party for future delivery of contract grades of commodities dealt in on the KCBT, such member, or the firm or corporation of which the member is the representative, as the case may be, shall notify the party for whom such purchase or sale was made of the price, the name and address of the party with whom such purchase or sale was made, if requested, and the date, the commodity, and the terms of delivery. Such notice must be in writing and must be given the day of the purchase or sale. Noncompliance with the requirements of this rule shall be deemed uncommercial conduct and subject to the disciplinary procedures set forth in Chapter 33.

Definitions

3025.00 Definitions Of Terms. These definitions will apply whenever used in these rules and shall apply to all contracts subject to the rules of the KCBT unless altered by mutual agreement of the parties.

3025.01 "Kansas City Market." The term "Kansas City Market" shall mean all points and places within the Kansas City switching district as described in railroad tariffs lawfully on file with the Interstate Commerce Commission.

3025.02 "Official." Whenever the word "official" appears in connection with a required weight or grade certificate within the rules of the KCBT, such term shall be deemed to mean:

- a. An official certificate issued by or under the authority of the Federal Grain Inspection Service; or
- b. A weight or grade certificate issued by or under the authority of a recognized supervising authority such as a state agency.

The phrase "Kansas City Official" shall include a weight or grade certificate issued by the Federal Grain Inspection Service, the State of Kansas, or the State of Missouri.

Note: This rule shall become applicable May 1, 1981, or on such later date as the Federal Grain Inspection Service may ban the use of the word "official" except as specified by regulation.

3025.03 Kansas City Official Inspection. Wherever in these rules the term "official inspection" or "Kansas City Official Inspection" occurs, it shall be understood to mean inspection or reinspection by the Kansas State Grain Inspection Department Laboratory, or the Missouri Grain, Feed, and Seed Warehouse Division Laboratory, subject to appeal to the Federal Grain Supervision, U.S. Department of Agriculture. Sampling and grading functions incident thereto shall be performed by these agencies within the

confines of the particular delivery location market and evidenced by an "Official Sample-Lot inspection Certificate" as defined in the U.S. Grain Standards Act.

3025.04 Official Laboratories. The Kansas State Grain Inspection Department Laboratory and the Missouri Grain, Feed, and Seed Warehouse Division Laboratory are designated as official laboratories for the purpose of furnishing protein tests of wheat, and all adjustments between buyer and seller shall be made on the basis of official laboratory tests.

3025.05 Time Of Shipment. In making contracts, a specific time in which shipment or delivery is to be made shall be mentioned. Any given number of days shall mean calendar days, excluding date of sale, in which to load and ship grain from the date of the receipt of full shipping directions at point of shipment.

Interpretations

~~INTRP 34-3405.00-1 Cash Grain Call; Members Only~~

~~Question: Can a member trade in the call session for an affiliated corporation (parent) which does not have a member per se?~~

~~Answer: A member of the Board of Trade cannot make a cash trade during the call session and give up as principal another corporation who is not a bona fide member of the Board of Trade. This decision holds true even if the corporation who is given up as principal is an affiliated corporation of the member making the trade or even the parent corporation of the member making the trade (November 7, 1977).~~

~~INTRP 34-3425.00-1 Cash Grain Call; Billing Time on Multi-Car Corn~~

~~Question: A question has been raised regarding whether Rule 3055.01[†] applies to the following situation: Multi-corn traded in the call session on first official weights and grades is loaded at an interior subterminal on official weights and grades. The seller notifies the buyer at 3:40 P.M. of the cars, asking for disposition and stating that demurrage will start accruing for the account of the buyer at 4:00 P.M. the same day.~~

~~Answer: Billing times on multi-car corn are covered by Rule 3425.00 of the Cash Grain Call rules (July 26, 1977).~~

Articles of Incorporation

[to be replaced with Articles of Incorporation from Agreement and Plan of Merger]

**~~THE BOARD OF TRADE OF
KANSAS CITY, MISSOURI, INC.
CERTIFICATE OF INCORPORATION~~**

~~The undersigned persons, for the purpose of forming a corporation under the General Corporation Law of the State Of Delaware, adopt the following Certificate of Incorporation.~~

~~ARTICLE ONE~~

~~The name of the corporation is THE BOARD OF TRADE OF KANSAS CITY, MISSOURI, INC.~~

~~ARTICLE TWO~~

~~The address of its registered office in the State of Delaware is 100 West Tenth Street, Wilmington, New Castle County, Delaware, and the name of its registered agent at such address is The Corporation Trust Company.~~

~~ARTICLE THREE~~

~~The nature of the business or purposes to be conducted or promoted are:~~

- ~~(a) To maintain a Board of Trade for the purchase and sale of commodities for present and future delivery; to establish rules and regulations governing the operation of a Board of Trade and membership therein; to promote uniformity in the customs and usages of merchants; to inculcate principles of justice and equity in business; to facilitate the speedy adjustment of business disputes; to inspire confidence in the methods and integrity of the business; to collect and disseminate valuable commercial and economic information; and generally to secure to its members the benefits of cooperation in the furtherance of their legitimate pursuits, and to promote the general welfare of Kansas City;~~
- ~~(b) To conduct and carry on the functions of a "contract market" with the meaning of that term as used in 7 U.S.C. 1-17a as amended, known as the Commodity Exchange Act;~~
- ~~(c) To engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.~~

~~1 Articles of Incorporation~~

~~ARTICLE FOUR~~

~~The aggregate number of shares of all classes of capital stock which the corporation shall have authority to issue shall be eight hundred (800) shares which shall be divided into two classes as follows: five hundred (500) shares of common stock, Class AA (the "Class AA Common Stock") and three hundred (300) shares of common stock, Class B (the "Class B Common Stock"), all with a par value of \$100 each, amounting in the aggregate to \$80,000. No other class or classes of shares may be created or issued except by amendment to this Certificate of Incorporation. The preferences and relative participating, optional other special rights, and qualifications, limitations or restrictions in respect to such shares are as follows:~~

~~CLASS AA COMMON STOCK~~

- ~~1. Class AA Common Stock shall be divided into two series within said class, Series 1 and Series 2. All preferences and relative participating, optional other special rights, and qualifications, limitations or restrictions in respect to such Series 1 and Series 2 shares of Class AA Common Stock shall be identical except with respect to the limited right of partial redemption incorporated in the Series 1 shares, as defined in Paragraph 12 below.~~
- ~~2. Each holder of a share of Class AA Common Stock shall be entitled to one vote on all matters when such stock is issued in the name of an individual person who has qualified for, and has been granted, membership and the trading privileges relating thereto (referred to herein as a "qualified member") by the Board of Directors of the corporation in accordance with its Rules and Regulations (referred to herein as "Rules"). Prior to application for qualification, the applicant shall have agreed to the purchase~~

of a share of the Class AA Common Stock of the corporation and shall have deposited the purchase price with the corporation. Upon qualification, such share shall be issued in the name of such qualified member, even though purchased and owned by another Person (defined herein as an individual, corporation, partnership, association, joint stock company, trust or unincorporated association). The qualifications for membership (including all rights, privileges, obligations, duties, liabilities and restrictions pertaining thereto) shall be incorporated in the Rules of the corporation.

~~3.~~ All shares of Class AA Common Stock shall be automatically non-voting at such time as the record owner is an individual who has not been approved and granted such membership or whose membership has terminated by reason of death, resignation, non-compliance with the Rules or action by the Board of Directors, or if owned by a Person and not issued to an individual as the shareholder of record who is a qualified member. Any such share shall be entitled to one vote when transferred and reissued in the name of a qualified member. If at any time, none of the issued and outstanding shares of Class AA Common Stock are entitled to vote, then and for so long as such condition exists, each issued and outstanding share shall be entitled to one vote on all matters. No Person may own more than one such share except as set forth in the Rules.

~~4.~~ Upon termination of a membership and the trading privileges relating thereto in accordance with the Rules, the share of Class AA Common Stock relating thereto owned by an individual shall automatically become non-voting and shall be sold in accordance with such Rules. The transfer of such share to another individual shall be subject to the same terms and conditions as were attendant to its original issuance.

~~5.~~ Upon termination of a membership represented by a share of Class AA Common Stock owned by a Person as defined herein which has been issued in the name of an individual, such share shall automatically become non-voting unless and until reissued in the name of a qualified member. If all memberships owned by such Person are terminated, all such shares owned by such Person shall automatically become non-voting and shall be sold in accordance with such Rules.

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~~6.~~ No share of Class AA Common Stock shall be purchased, owned, sold, pledged or transferred except in accordance with the provisions of this Certificate of Incorporation or the Rules. Each certificate representing shares of the Class AA Common Stock of the corporation shall bear a legend restricting sale and transfer thereof, and requiring qualification for membership, all as provided for in the Rules.

~~7.~~ A copy of all Rules and Regulations referred to herein or on such certificates shall be available in the office of the Secretary of the corporation for inspection at any time by any stockholder or prospective stockholder.

~~8.~~ Each stockholder of shares of the Class AA Common Stock shall be liable for the obligations of the corporation to the extent provided herein by payment of charges as may be imposed equally on all shares from time to time by action of the Board of Directors to meet the normal and customary operating financial requirements of the corporation, but not including charges for extraordinary obligations incurred by the corporation. If any stockholder fails to pay any charge, he shall surrender his share to the corporation and shall thereupon have no further liability hereunder. All obligations of any member shall be a lien against any share registered in his name in the manner provided for in the Rules.

~~9.~~ No share of Class AA Common Stock shall be entitled to vote or possess membership privileges unless it is issued in the name of a qualified member.

~~10.~~ Holders of shares of Class AA Common Stock, if qualified, shall be entitled to full participation in the corporation's activities, including but not limited to, trading all futures contracts, trading in the spot cash market, eligibility for clearing privileges (called "clearing members"), etc.

~~11.~~ Upon effectiveness of this amendment to Article Four of the Certificate of Incorporation of the corporation creating Class AA Common Stock, each share of Class A Common Stock outstanding as of the date of the adoption of the amendment by the shareholders with the right to a put to the corporation

~~under Rule 143.00 shall, without any action on the part of the holder thereof, be automatically converted into one share of Class AA Common Stock, Series 1. Each share of Class A Common Stock outstanding as of the date of the adoption of the amendment by the shareholders without the right to a put under Rule 143.00 shall, without any action on the part of the holder thereof, be automatically converted into one share of Class AA Common Stock, Series 2. Class AA Common Stock shall have all the rights, privileges, obligations, duties, liabilities and restrictions as original Class A Common Stock had in the Certificate of Incorporation and Rules of the corporation, except for the right to a put under Rule 143.00.~~

~~**12.** The terms of each Class AA Common Stock, Series 1 share shall provide that upon the sale of such Class AA share, the owner of such share shall have the right to receive from the corporation in partial redemption of such Class AA share an amount equal to the lesser of (a) 75% of the Adjusted Net Asset Value of such share at the time of sale minus the gross sales price of such Class AA share, or (b) \$10,000.00, and the purchaser of such share shall receive a Class AA Common Stock, Series 2 share for each Class AA Common Stock, Series 1 share purchased. In no event shall the corporation be liable under each share of Class AA Common Stock, Series 1, for the payment of more than Ten Thousand and No/100 (\$10,000.00) Dollars. The limited right of partial redemption may be exercised only in the event of the first sale following the effectiveness of the amendment creating Class AA Common Stock to a third party of said Class AA Common Stock, Series 1 share. Any Series 1 shareholder who exercises his limited right of partial redemption shall thereafter be ineligible for a period of two (2) years to purchase a share of stock of any class or character of the corporation or to be a delegate under a delegation agreement as defined in the Rules of the corporation.~~

~~**13.** "Adjusted Net Asset Value", for purposes of paragraph 12 above, shall be computed based on the following factors:~~

~~(a) The book value of the corporation as of the last certified audited period in accordance with sound accounting principles consistently followed by the corporation;~~

~~**3 Articles of Incorporation**~~

~~(b) Such book value adjusted by including therein the market value of investments, the book value of the stock of the Clearing Corporation determined in the same manner as the book value in paragraph (a) but adjusted to reflect the appraised value of any real property owned by the Clearing Corporation of any subsidiary of it;~~

~~(c) Such book value further adjusted by including the corporation's proportion of the book value of the Board of Trade Investment Company determined in the same manner as the book value in paragraph (a) but adjusted to reflect the appraised value of the real property owned by the Board of Trade Investment Company;~~

~~(d) Such appraised values shall be determined once each year as of the end of the fiscal year of the Board of Trade Investment Company by an appraiser selected by the corporation's Board of Directors and whose appraisal shall be final when approved by such Board of Directors; and~~

~~(e) Such total book value as adjusted divided by the number of Class AA Common shares then issued and outstanding and not in the treasury of the corporation shall be the Adjusted Net Asset Value per share.~~

~~**14.** Notwithstanding any provision in the Rules to the contrary, the corporation shall not be required to purchase any outstanding shares of Class AA Common Stock or any other class of stock of the corporation at any time except to the extent authorized by the Board of Directors of the corporation by resolution or resolutions adopted from time to time hereafter.~~

~~**15.** Dividends only on shares of Class AA common stock may be declared and if so declared, paid from time to time, in the Board's sole discretion, to the fullest extent permitted by Delaware law.~~

~~**CLASS B COMMON STOCK**~~

~~**1.** Shares of Class B Common Stock shall not be entitled to vote on any matters except that each such share shall be entitled to vote (i) to the same extent that the Class AA Common Stock is entitled to vote~~

~~on assessments imposed by the corporation pursuant to its Rules and (ii) upon the adoption, modification or rescission of any rules in Chapter 24, "Value Line Average Stock Index Contract", Chapter 26 "Option Contract on Value Line Average Stock Index Futures", and any other chapter which sets forth the Rules of a Futures Contract the Directors authorize "B" members to trade, and is entitled to a one-fourth (1/4) vote for officers and directors of the corporation.~~

~~Each such share of Class B Common Stock shall be issued in the name of an individual person who has qualified for, and has been granted, membership and the trading privileges relating thereto (referred to herein as a "qualified member") by the Board of Directors of the corporation in accordance with the Rules. Prior to application for qualification, the applicant shall have agreed to the purchase of a share of the Class B Common Stock of the corporation and shall have deposited the Class B Common Stock purchase price with the corporation, except that applicants prior to approval of a Stock Average Futures Contract need only deposit one half (1/2) of the purchase price with the balance due 15 days after approval of such contract by the Commodity Futures Trading Commission. Upon qualification, each such share shall be issued in the name of such qualified member, even though purchased and owned by another Person (defined herein as an individual, corporation, partnership, association, joint stock company, trust or unincorporated association). The qualifications for membership (including all rights, privileges, obligations, duties, liabilities and restrictions pertaining thereto) shall be incorporated in the Rules of the corporation.~~

~~2. The transfer of a share of Class B Common Stock to another individual shall be subject to the same terms and conditions as were attendant to its original issuance.~~

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~~3. No shares of Class B Common Stock shall be purchased, owned, sold, pledged or transferred except in accordance with the provisions of this Certificate of Incorporation, or the Rules. Each certificate representing shares of the Class B Common Stock of the corporation shall bear a legend restricting sale and transfer thereof, and requiring qualification for membership, all as provided for in the Rules.~~

~~4. A copy of all Rules and Regulations referred to herein or on such certificates shall be available in the office of the Secretary of the corporation for inspection at any time by any stockholder or prospective stockholder.~~

~~5. Each stockholder of shares of the Class B Common Stock shall be liable for the obligations of the corporation to the extent provided herein by payment of charges as may be imposed equally on all shares from time to time by action of the Board of Directors to meet the normal and customary operating financial requirements of the corporation, but not including assessments to pay death benefits of any member or charges for extraordinary obligations incurred by the corporation. If any stockholder fails to pay any charge he shall surrender his share to the corporation and shall thereupon have no further liability hereunder. All obligations of any member shall be a lien against any share registered in his name in the manner provided for in the Rules.~~

~~6. No share of Class B Common Stock shall be entitled to possess membership privileges unless it is issued in the name of a qualified member.~~

~~7. The corporation shall not be required to purchase any outstanding shares of Class B Common Stock at any time except to the extent authorized by the Board of Directors of the corporation by resolution or resolutions adopted from time to time.~~

~~8. The shares of Class B Common Stock may not participate in any distribution of assets of the corporation upon dissolution or liquidation.~~

~~9. The holders of shares of Class B Common Stock, if registered in the name of a qualified member, are entitled to trade such types of futures contracts as may be approved for trading from time to time by the Board of Directors of the corporation and for so long as such contracts are so traded and may serve on or hold, any or all offices in the corporation, including membership on the Board of Directors of the corporation and committees thereof; provided, however, that such holders of Class B Common Stock are~~

not entitled by such ownership (a) to trade in contracts of hard winter wheat; (b) nor to participate in the cash grain market; and (c) nor to clearing privileges through the Grain Clearing Company either on behalf of such holders or on behalf of any firm or firms represented by such holders.

~~10. Of the 300 shares of Class B Common Stock authorized by this Article Four, 200 of such shares may be issued only upon conversion of trading rights in futures contracts approved for trading by the Board of Directors of the corporation, such 200 shares to be issued from time to time upon terms and conditions established by such Board of Directors.~~

Note: The original Article Four was replaced effective February 16, 1981. The revision as set out above was approved by the Board of Directors June 4, 1987, by membership vote on June 30, 1987, filed July 21, 1987 and recorded August 10, 1987.

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ARTICLE FIVE

The names and mailing addresses of the incorporators are:

~~Hearne Christopher, B.C. Christopher & Co.,
Kansas City Board of Trade Building, 4800 Main,
Kansas City, Missouri~~

~~Carlos Bradley, Kansas City Terminal Elevator Co.,
Kansas City Board of Trade Building, 4800 Main,
Kansas City, Missouri~~

~~J. B. Gregg, Morrison, Gregg, Mitchell Grain Co.,
Kansas City Board of Trade Building, 4800 Main,
Kansas City, Missouri~~

ARTICLE SIX

The names and mailing addresses of the persons who are to serve as directors and officers until their successors are elected and qualified are:

~~J. H. Rockwell,
4800 Main, Kansas City, Missouri~~

~~Harold F. Hesemann,
4800 Main, Kansas City, Missouri~~

~~Paul T. Beyer,
4800 Main, Kansas City, Missouri~~

~~E. T. Halloran,
4800 Main, Kansas City, Missouri~~

~~D. H. Shay,
4800 Main, Kansas City, Missouri~~

~~W. R. Johnston,
4800 Main, Kansas City, Missouri~~

~~H. W. Johnston,
4800 Main, Kansas City, Missouri~~

~~Bruce O. Cottier,
4800 Main, Kansas City, Missouri~~

~~C. H. Swisher, Jr.,
4800 Main, Kansas City, Missouri~~

~~Robert E. Batte,
300 Southwest Boulevard, Kansas City, Kansas~~

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~~Thomas F. Kuehl,
4800 Main, Kansas City, Missouri~~

Robert S. Cartmill,
4800 Main, Kansas City, Missouri
Hearne Christopher,
4800 Main, Kansas City, Missouri—President
Carlos Bradley,
4800 Main, Kansas City, Missouri—First Vice-President
J. B. Gregg,
4800 Main, Kansas City, Missouri—Second Vice-President
Walter N. Vernon, III,
4800 Main, Kansas City, Missouri—Executive Vice-President and Secretary

ARTICLE SEVEN

~~1.~~ The original By Laws of the corporation shall be adopted by the initial Board of Directors named herein and thereafter the power to make, alter or repeal By laws shall be by vote of the stockholders as provided in the By Laws. The By Laws shall be referred to as Rules or Regulations. Any reference in the Rules to the "Association" or the "Board of Trade" shall be deemed to be a reference to this corporation. Any reference to the "Constitution" shall be deemed to be a reference to the Certificate of Incorporation or the Rules, as applicable.

~~2.~~ This Certificate of Incorporation may be amended only by vote of not less than a majority of the shares of capital stock issued and outstanding and shares purchased and owned by the corporation shall not be entitled to vote.

ARTICLE EIGHT

Indemnification of officers, directors, employees and agents, shall be as follows:

~~(a)~~ The corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against all costs and expenses (including attorneys' fees), liabilities, judgments, fines and amounts paid in settlement actually and reasonably imposed upon him or incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

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~~(b)~~ The corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is, or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against all costs and expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his duty to the

corporation unless and only to the extent that the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which such court shall deem proper.

~~(c) To the extent that a director, officer, employee or agent of this corporation or as a director, officer, employee or agent of any other corporation, partnership, joint venture, trust or other enterprise of which he was serving at the request of this corporation, has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in subsections (a) and (b), or in defense of any claim, issue or matter therein, he shall be indemnified against all costs and expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.~~

~~(d) Any indemnification under subsections (a) and (b) (unless ordered by a court) shall be made by the corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in subsections (a) and (b). Such determination shall be made (1) by the Board of Directors by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding, or (2) if such a quorum is not obtainable, or, even if obtainable a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or (3) by the stockholders if submitted to them by the Board of Directors. Any doubt or uncertainty concerning the advisability of, right to, or justification for, any indemnification shall be resolved in favor of the director, officer, employee or agent involved.~~

~~(e) Reasonable expenses incurred in defending a civil or criminal action, suit or proceeding shall be paid by the corporation in advance of the final disposition of such action, suit or proceeding upon request by the person or persons involved and upon evidence satisfactory to the Board of Directors that he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, upon receipt of an undertaking by or on behalf of the director, officer, employee or agent to repay such amount unless it shall ultimately be determined that he is entitled to be indemnified by the corporation as authorized in this Article.~~

~~(f) No officer, director, employee or agent shall be deemed to have acted otherwise than in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, or with respect to any criminal action or proceedings to have acted with reasonable cause to believe his conduct was unlawful, if his action or omission is based on the records or books of account of the corporation, or on information supplied to him by the officers of the corporation or of any of its subsidiaries or divisions in the course of their duties, or upon the advice of legal counsel for the corporation, or on information or reports made to the corporation by an independent certified public accountant or by an appraiser selected with reasonable care by the Board of Directors of the corporation.~~

~~(g) The right to indemnification set forth in this Article shall not be exclusive, and it shall be in addition to, and not in restriction or limitation of, any other rights to which any director, officer, employee or agent may be entitled as a matter of law or by virtue of any by-law, agreement, vote of stockholders or directors or otherwise; and it shall be in addition to, and not in restriction of, the authority of the corporation, by action of its Board of Directors or its stockholders or otherwise, to indemnify any person to the full extent permitted by law.~~

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~~(h) The right to indemnification of directors, officers and other persons set forth in this Article shall continue and operate to the benefit of a person who has ceased to be a director or officer of the corporation or who has ceased to serve in any other capacity which would entitle him to indemnification, and shall inure to the benefit of the heirs, executors, and administrators of such directors, officers and other persons.~~

~~(i) The corporation shall have power to purchase and maintain insurance on behalf of any group of persons or any person who is or was or hereafter shall become a director, officer, employee or agent of the corporation, or who serves or may have served at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such. Indemnification under any such policy shall be paid if payable pursuant to the terms thereof whether or not the corporation would have the power to indemnify him against such liability pursuant to the provisions of this Article or pursuant to any action of this corporation acting through its Board of Directors or stockholders or otherwise, or pursuant to any law.~~

~~(j) For the purposes of this Article references to "the corporation" include any constituent corporation, partnership, joint venture, unincorporated association, trust or other enterprise absorbed by consolidation, merger or other acquisition in any manner whatsoever, as well as the resulting or surviving corporation so that any person who is or was a director, officer, employee or agent of such an enterprise or is or was serving as a director, officer, employee or agent of another corporation, partnership, joint venture, unincorporated association, trust or other enterprise so absorbed shall stand in the same position under the provisions of this Article with respect to the resulting or surviving corporation as he would if he had served the resulting or surviving corporation in the same capacity.~~

~~(k) The term "agent" used herein shall be deemed to include any member or chairman of any committee appointed or elected under the Rules of the corporation or otherwise and authorized to render any service or function or take any action or otherwise act for or on behalf of the corporation.~~

ARTICLE NINE

The terms of office of all directors, officers, committee chairmen and committee members of the Association known as The Board of Trade of Kansas City, Missouri shall continue as established by the Association.

IN WITNESS WHEREOF, we have executed this Certificate of Incorporation this 4th day of April, 1973.

(Signed) Hearne Christopher

(Signed) Carlos Bradley

(Signed) Joseph B. Gregg

a. ~~Immediate, Quick, Prompt.~~ When the words immediate, quick, or prompt are used to specify time of shipment, the following meanings shall be implied: "Immediate", three (3) days; "Quick", five (5) days; "Prompt", ten (10) days.

b. ~~Ten Days' Shipment.~~ Where no specification as to time of shipment is named in the contract, ten (10) days' shipment shall apply.

c. ~~First Half; Last Half.~~ First half of the month shipment shall be construed as meaning the first fifteen (15) days, including February, and the last half of the month shipment shall mean the remaining days.

~~3025.06 Contracts Maturing On Saturday, Sunday, Or Holidays.~~ When a contract shall mature on a Saturday, Sunday, or a legal holiday, delivery on such contract shall be made on the preceding business day. No property shall be tendered on any day on which the Board of Trade shall hold no session.

~~3025.07 Inspection Good For Forty Eight Hours.~~ No sale of grain on grade or tender of grain sold on grade shall be considered regular after forty eight (48) hours from time of official inspection (as defined by these rules) of said grain.

~~3025.08 Shipments; Boxcars.~~ Unless otherwise mutually agreed all shipments shall be made in boxcars.

~~3025.09 Carload Amounts.~~ When grain is sold by carload, the seller shall have the privilege of loading the amounts shown below:

a. ~~100,000 Pound Capacity.~~ If no size car is specified or a 100,000 pound capacity car is specified, a carload of shelled corn, wheat, sorghum, soybeans, rye, or barley shall be 110,000 pounds to 120,000 pounds, and of oats, 88,000 pounds to 96,000 pounds.

b. ~~80,000 Pound Capacity.~~ If an 80,000 pound capacity car is specified, a carload of shelled corn, wheat, sorghum, soybeans, rye, or barley shall be 88,000 pounds to 96,000 pounds, and of oats, 80,000 pounds to 88,000 pounds.

c. ~~Spot Grain.~~ In the case of spot grain, a carload shall consist of the contents of the cars.

Note: See INTRP 30-3025.09-1.

~~3025.10 Carload Amounts; Adjustments On Default.~~ In case of default, the contract shall be adjusted on the following basis:

a. ~~100,000 Pound Capacity.~~ If no size car is specified or a 100,000 pound capacity car is specified, a carload of shelled corn, wheat, sorghum, soybeans, rye, or barley shall be 110,000 pounds, and of oats, 88,000 pounds.

b. ~~80,000 Pound Capacity.~~ If an 80,000 pound capacity car is specified, a carload of shelled corn, wheat, sorghum, soybeans, rye, or barley shall be 88,000 pounds, and of oats, 80,000 pounds.

c. ~~Adjustment.~~ If the seller loads more or less than the amount specified in Rule 3025.09 in the size car contracted for, the buyer shall accept it on contract and adjust the shortage or surplus between actual weights and the amounts shown in paragraphs a. and b. of this rule, at the current afternoon market price at the close of the day the car is unloaded.

Purchase On The Floor

3030.00 Samples And Grade. Purchasers of commodities sold in carlots on the open board during trading hours, on which samples are exposed, shall be deemed to have purchased by sample and grade.

3031.00 Tender; Kansas City Official Inspection Certificate. Purchasers of commodities bought from members may have the cars tendered as a delivery on such contracts when evidenced by a Kansas City Official Inspection Certificate.

3032.00 Reinspection Or Federal Appeal. Purchasers of carlots shall have the privilege of calling for reinspection or federal appeal by 1:00 P.M. the second succeeding business day after the car is purchased. If on account of loading, or for any other cause, a proper sample cannot be obtained (the certificate of the sampler or inspector to that effect shall be proof sufficient), the purchaser shall so notify the seller by 1:00 P.M. of such second day, and the time for calling reinspection or federal appeal shall then extend to such time as proper sampling can be made, provided the car remains within the jurisdiction of the Board of Trade.

Note: See INTRP 30-3032.00-1; INTRP 30-3032.00-2; and INTRP 30-3032.00-3.

3032.01 Who May Call For Reinspection Or Federal Appeal. In all cases where the buyer questions the grade of a car, either buyer or seller may call for reinspection or federal appeal.

3032.02 Notice. The other party shall be notified at once in all cases of calls for reinspection or federal appeal.

3032.03 Waiver Of Reinspection Or Federal Appeal; Charges. If the car is shipped beyond the jurisdiction of the KCBT before a proper sample (Rule 3032.00) is secured, the purchaser shall be deemed to have waived the right to sampling and readjustment. Any charges accruing on account of inability to secure such sample shall be paid by the seller.

3032.04 Settlement. Whenever reinspection or federal appeal is called for on a purchase and sale, except on grain to arrive (for rule governing grain to arrive, see Rule 3055.02) or on grain to be delivered from Kansas City elevators (Rule 3032.05), such transaction shall be completed on the basis of the reinspection or federal appeal at a price conforming to the average market difference between the original sample and grade and the sample and grade in reinspection or federal appeal inspection.

3032.05 Grain Delivered From Elevators. Purchasers of grain to be delivered from elevators shall receive in fulfillment of such contracts only the grade purchased.

3032.06 Federal Appeal; Time. If either buyer or seller is dissatisfied with the reinspection grade, either party may call for federal appeal. The party desiring federal appeal shall call for same by 2:00 P.M. the same day the parties to the contract view the reinspection, if done so before 12:00 noon that day. If viewed after such time, federal appeal may be called by 12:00 noon the next succeeding business day.

3032.07 Rejection. Any car shall be subject to rejection which is unevenly loaded by having grain of inferior quality so placed in the car as to attempt to conceal such grain. Evidence of such must appear on a federal appeal certificate by the following notation: "This grade is based on a material portion of inferior grain located in...," or words to the same effect. Any car containing fire-burnt grain or carrying a smoke odor shall not be considered merchantable or applicable on any sale under these rules.

3032.08 Expenses; Who Pays. The expenses of reinspection or federal appeal shall be paid as follows:

a. **Buyer Pays.** If reinspection or federal appeal, when called by the buyer, sustains the original inspection, or if on final inspection a sufficient change is made within the grade to cause a premium to be paid, the reinspection or federal appeal charges and all expenses that may accrue as the result of the call must be paid by the buyer.

b. Seller Pays. If the grade is lowered on final inspection from the original inspection, or if on final inspection a sufficient change is made within the grade to cause a discount in price, the seller must pay such inspection fees and all other expenses that may accrue from the call.

Note: See INTRP 30-3032.08-1.

3033.00 Protein Tests; Certificates. Certificates of protein tests of wheat offered for sale on the open board during trading hours must be exhibited and made part of the trade.

3033.01 Recheck Test; Time. Purchasers of wheat upon the open board on which a protein test certificate is exhibited may call for a recheck test. In such cases, the purchaser must request a recheck test of the seller, in writing, before 1:00 P.M. the second succeeding business day following purchase. The seller shall, when so requested, file an order for a fresh sample of the car with the laboratory which made the original protein test. The laboratory making the check test is to report the result of the protein test to the seller.

3033.02 Recheck Test; Expenses. The expenses of the recheck test shall be paid as follows:

a. Seller Pays. If the recheck test is more than 0.12 of one percent below that of the original test, the cost of the recheck shall be paid by the seller.

b. Buyer Pays. If the recheck test is within 0.12 of one percent of the original test or higher than the original test, the recheck charge shall be paid by the buyer.

c. Other Charges. Demurrage charges, etc., accruing because of obtaining a recheck test are to be assessed with recheck charges.

3033.03 Appeal — Check Test. The seller or the purchaser may call for an appeal protein test within forty-eight (48) hours from the time the result of a recheck test has been submitted to the purchaser.

3033.04 Fresh Sample. In order to obtain an appeal — check test, the seller may, and on written request by the purchaser shall, file an order for a fresh sample of the car with each of the two (2) official laboratories marked "appeal — check test".

3033.05 Results. The two (2) laboratories shall report the result. If the two (2) tests are within 0.16 of one percent of each other, the average of the two (2) tests will be the appeal — check test.

3033.06 Second Appeal — Check Test. If, on the first samples submitted, the two (2) official tests are not within 0.16 of one percent of each other, then the part of the sample retained by the two (2) official laboratories shall be marked "second appeal — check test" and tested. If again the variation in tests exceeds 0.16 of one percent, the average of the four (4) tests will be the appeal — check test.

3033.07 Appeal — Check Test; Expenses. If the appeal — check test is within 0.12 of one percent of the recheck test, or higher, the charges shall be assessed against the appellant; if more than 0.12 of one percent under the recheck test, the charges shall be assessed against the appellee.

3034.00 Official Weights. All contracts and all spot sales for bill of lading delivery shall be settled on Kansas City Official Grades, and on the Official Weights of this market, except that settlement may be made on shipper's sworn weights when so agreed between purchaser and seller at the time of sale. If settlement is made on shipper's sworn weights, the same shall be furnished to the purchaser at Kansas City within ten (10) business days from date of sale. It will be a violation of this rule to trade on shipper's weights if the seller does not know that shipper's affidavit can be furnished and has so informed the

buyer. If in the opinion of the Board of Directors a sufficient emergency exists, the Board of Directors may permit, by resolution, the acceptance of designated destination weights instead of Kansas City Official Weights in fulfillment of contracts.

3034.01† Destination Weights Authorized. Official Weights determined at any destination point may be accepted instead of Kansas City Official Weights in fulfillment of contracts subject to these rules and until further action of the Board of Directors, railroad tack scale weights obtained in the Kansas City switching district and evidenced by a statement in writing by the railroad company obtaining such weights shall be deemed Official Weights of this market in fulfillment of contracts subject to Rule 3034.00 (as adopted by Board of Directors' Resolution, April 11, 1947).

3034.02 Destination Weights; Spot Grain. Whenever the Board of Directors shall permit the acceptance of destination weights, the following terms shall apply to sales of spot grain made subject to such weights:

- a. **Interest.** Interest as provided by Rule 3092.00 shall be charged to the time of payment of the original invoice, as set forth in Rule 3046.00.
- b. **Freight.** Freight charges on dockage shall be paid by the seller to the price basing point.
- c. **Overload.** In case a car of grain contains an amount in excess of that permitted by the applicable carrier's tariff and a transfer of all or part of the load is made at any point short of the final destination because of such overload, the expense incurred by reason of such transfer shall be charged to the seller, unless otherwise agreed.
- d. **Carload Less Than Minimum Weight.** In case a car of grain contains less than the minimum weight provided by the applicable carrier's tariff to protect the lowest applicable rate, the seller shall be responsible to the price basing point for the additional freight assessed because of such underloading; except, if a car is stopped for transit short of the price basing point and unloaded, the minimum weight to apply will be the applicable minimum weight published in the carrier's tariff to protect the transit operator for the use of such tonnage to the original price basing point without penalty.

3035.00 Track Grain; When Title Passes. Title to grain sold on track in carload lots shall remain in the seller until payment has been made therefor. On grain ordered to elevators, mills, or warehouses on which the purchaser has paid seventy-five percent (75%) of the contract price, the seller shall on receipt of said amount, immediately endorse the same as a payment upon any document showing title in some other person, and on failure to do so, the title of said grain shall be deemed to have passed to the purchaser at the time said payment is made.

3036.00 Elevators Responsible; When. Elevators, mills, and warehouses shall be deemed to hold the grain in trust, and shall be responsible for all damages thereto from the time it is placed in such elevator, mill, or warehouse, or on tracks adjacent thereto.

3037.00 Property Sold In Store. On contracts for property sold in store, without special agreement as to the delivery, the property shall be deliverable before 2:30 P.M. the day of the sale, or before 11:00 A.M. the next business day. No property shall be tendered between the hours of 11:00 A.M. and 1:00 P.M. except by special agreement. In case of the tender of property during the temporary absence of the purchaser from the purchaser's place of business, notice of such tender shall be left at that office, and the purchaser shall have the right to call for the same and pay for it within one (1) hour thereafter, provided, such call shall not be made later than 2:30 P.M. the same day.

3038.00 Fixing Price In Disputes. In the event of dispute or controversy involving the sale of grain, grain products, or seeds, within the terminal district of Kansas City, where the parties to the dispute or controversy are unable or fail to agree upon some other method of price fixation, the price shall be determined by a sale of the grain, grain products, or seeds in controversy by the Secretary of the Board of Trade or by whom the Secretary may appoint, at a public auction on the trading floor of the Board of Trade during regular market hours, and after not less than twenty four (24) hours' written notice or notice by telegraph to the parties involved, of such intended sale. The sale so made shall be final and binding.

3039.00 Rights Of Persons Who Advance Money Against Grain. All persons who may advance any money or have any interest in any grain sold, either on a regular session of the Board of Trade or by private trades, shall notify in writing the persons buying said grain of the nature and extent of their interest in the proceeds of the grain and then look to the buyer for an accounting. If this notice is not given in writing at or before the time the grain is sold and ordered, the buyer shall pay to the person selling the grain the net proceeds of same and shall not be held liable for any advance or lien on said grain from any other parties from any cause whatever.

Payment

3045.00 Spot Sales; Time For Payment. Deliveries on spot sales for shipment shall be made by tender of an invoice accompanied by an expense or due bill, an order or lading for the car, and an inspection certificate. Payments shall be due upon such delivery by 2:15 P.M. the next succeeding business day after the sale provided reinspection is not requested, and in that event, it shall be due by 2:15 P.M. the third business day after the sale.

3046.00 Carload Grain; Time For Payment. Unless otherwise specifically agreed upon, all bills for carload lots of grain, mill feed, or seeds, when accompanied with the proper papers and presented to the purchaser before 10:45 A.M., must be paid that day before 12:30 P.M. Bills presented after 10:45 A.M. must be paid not later than 11:30 A.M. the next following business day. Members, whose offices are in Kansas City located other than at 4800 Main Street, receiving invoices by the morning mail prior to 10:45 A.M., shall pay to the seller on the floor of the KCBT or leave a check for the same at the Office of the Secretary before 12:30 P.M. the day of the receipt of the invoice. The foregoing is to be maintained on a year-round basis.

Note: See INTRP 30-3046.00-1.

3046.01 Freight Charges. On grain, millfeeds, seeds, or soybeans sold on track and ordered to elevators, mills, or warehouses, the seller shall instruct the inbound railroad to collect freight charges from the unloading elevator, mill, or warehouse. The seller shall allow all freight charges except inbound switching charges on the invoice, and the buyer shall promptly furnish the seller a copy of the paid inbound freight bill.

Note: See RES 30-3046.01-1.

3047.00 Track Train; Advances. On all grain sold or applied on contract on track at origin or any inspection point, including Kansas City, the seller may draw an advance of ninety percent (90%) of contract price, less discounts and less unpaid freight charges based on billed weights and on presentation of proper papers as follows:

a. **On Track At Kansas City.** A railroad notice of arrival showing the billed weight, a duly signed railroad disposition order showing that the car has been properly ordered as directed, and the original Kansas City Inspection Certificate.

b. **On Track At Inferior Inspection Points.** A duly signed railroad bill of lading showing that the car has been properly ordered as directed, and the original inspection certificate.

Note: See INTRP 30-3047.00-1; INTRP 30-3046.00-1; and INTRP 30-3092.00-1.

3048.00 Failure To Give Disposition; Track Grain. In the event of the purchaser's failure to give disposition of track grain within twenty-four (24) hours after purchase, and on grain bought to arrive within twenty-four (24) hours after notice of inspection by delivery of sample, the seller may demand payment on shipper's or railroad weights, on delivery of the bill of lading properly endorsed, subject to readjustment upon Kansas City Official Weights.

3049.00 Failure To Give Disposition; Spot Grain And Grain To Arrive. If the purchaser of spot grain fails to give the seller disposition by 4:00 P.M. the day the transaction is made, or if a purchaser of grain to arrive, on receipt of proper notification of arrival, fails to order the same before the free time has expired, any additional charges that accrue shall be paid by the purchaser. Any additional charges that accrue on account of a seller holding a car beyond the free time limit before disposing of the same shall be paid by the seller.

3050.00 Bill Of Lading; Delivery. On cars sold for bill of lading delivery, request for the bill of lading must be made by 2:00 P.M. the day of the transaction. When such request has been duly made, it is the duty of the seller to place the bill of lading at the disposal of the buyer by 2:30 P.M. The buyer is then bound to make payment by 2:45 P.M. If buyer desiring the bill of lading delivery fails to request the bill of lading of the seller by 2:00 P.M. of said day, the buyer assuming all charges accruing on account of the delay in requesting the bill of lading of the seller. If, however, for any reason the seller delivers the bill of lading to the buyer after 2:30 P.M., the seller shall be deemed to assume the risk for the value of the bill of lading.

3050.01 Seller Liable. Failure of the seller to deliver the bill of lading or such papers as will enable the buyer to get delivery of the car when proper request has been made for the same, shall make the seller liable for any additional charges and loss that may accrue.

3050.02 Receipt. Purchasers shall, if requested, give a receipt to the seller for such shipment papers or bills of lading as may be delivered to them.

Grain To Arrive

3055.00 Tender. Purchasers of grain by grade to arrive may have the cars tendered as a delivery on such contracts when evidenced by a Kansas City Official Inspection Certificate.

3055.01 Application Of To Arrive Grain. Initial application of to arrive country run grain on contracts subject to the KCBT rules must be made a minimum of one (1) hour prior to expiration of demurrage free time. Subsequent applications of the same car need not be accepted less than thirty (30) minutes prior to the expiration of demurrage free time (as adopted by Board of Directors' Resolution, June 24, 1980).

3055.02 Reinspection Or Federal Appeal. The purchaser may call for reinspection or federal appeal by 1:00 P.M. the second succeeding business day from the time of regular tender. In case of change of grade, the contract price shall be adjusted in accordance with the contract terms, basis the new grade. If on account of loading, or for any other cause, proper sample cannot be made (the certificate of the inspector to that effect shall be proof sufficient), the time for reinspection or federal appeal shall then extend to such time as proper sampling can be made, provided the car remains within the jurisdiction of the KCBT.

Note: See INTRP 30-3032.00-2.

3055.03 Waiver Of Reinspection Or Federal Appeal. If such car is shipped beyond the jurisdiction of the KCBT before such sample is secured, the purchaser shall be deemed to have waived the right to reinspection or federal appeal. Any charges accruing on account of inability to secure such sample shall be paid by the seller.

3055.04 Rejection. Any car shall be subject to rejection which is unevenly loaded by having grain of inferior quality so placed in the car as to attempt to conceal such grain. Evidence of such must appear on a federal appeal certificate by the following notation: "This grade is based on a material portion of inferior grain located in...", or words to the same effect. Any car containing fire-burnt grain or carrying a smoke odor shall not be considered merchantable or applicable on any sale under these rules. **3056.00**

Grain To Arrive; When Not Applicable On Contracts. Grain bought to arrive that has been shipped prior to the date of sale, or grain in store at destination, shall not be applicable on contracts except when so specified or with the consent of the buyer.

3057.00 Purchases And Sales To Arrive. On purchases and sales of grain to arrive, the seller shall have the privilege of delivering single cars of such property as they arrive, and such contracts shall be filled within two percent (2%) of the total amount unless otherwise specified by contract at time of sale. Unless otherwise agreed by the parties, the settling price for over or under delivery shall be the market price on the day after the last car is unloaded based upon the official close of the futures market on said day.

Note: This rule applies to priced purchase and sale grain contracts to arrive; however, the parties may agree on another method to settle overfills and underfills of unpriced or basis contracts (August 16, 1977, Membership Circular).

3058.00 Overload; Transfer Expense. In case a car of grain, millfeed, or seeds shipped to this market contains an amount in excess of that permitted by the initial carrier's tariffs and a transfer of part or all of the load is made on account of such overload, the expense incurred shall be charged to the seller, regardless of where such transfer may be made.

Incomplete Delivery

3060.00 Seller; Notice. When the seller finds that completion of a contract for delivery is not possible within the agreed limit, it shall be the duty of the seller at once, to advise the buyer by telephone or telegraph; whereupon it shall be the duty of the buyer at once, to elect either to:

- a. Agree with the seller upon an extension of the contract;
- b. After having given twenty-four (24) hours' notice to the seller to complete the contract, the buyer will buy in the defaulted portion of the contract within the next business day; or
- c. After having given twenty-four (24) hours' notice to the seller to complete the contract, the buyer will cancel the defaulted portion of the contract within the next business day.

3060.01 Failure To Notify Buyer. If the seller fails to notify the buyer of the inability to complete the contract as provided in Rule 3060.00, the liability of the seller shall continue until the buyer, by the exercise of due diligence, can determine whether the seller has defaulted. The buyer shall immediately:

- a. Agree with the seller on an extension of the contract to cover the deficit;
- b. After having given twenty-four (24) hours' notice to the seller to complete the contract, the buyer will buy in the defaulted portion of the contract within the next business day; or
- c. After having given twenty-four (24) hours' notice to the seller to complete the contract, the buyer will cancel the defaulted portion of the contract within the next business day.

Prohibited Transactions

3070.00 Wash, Cross, Accommodation, Or Fictitious Trades. It shall be a violation of these rules to enter into or confirm the execution of any transaction, if such transaction is of the character of, or is commonly known to the trade as a "wash trade", "cross trade", "accommodation trade", or is a fictitious sale.

Note: It is a violation of this rule for a member to give a name and thereby make accommodation trades, offsetting two (2) opposed trades for the purpose of concealing the true nature of the crossed transactions.

3071.00 False Price. It shall be a violation of these rules to enter into or confirm the execution of any transaction if such transaction is used to cause any price to be reported, registered, or recorded which is not a true and bona fide price.

3072.00 Detrimental Acts. It shall be a violation of these rules if a member is or has engaged in conduct that is detrimental to the best interest of the KCBT, impairs the good name of the KCBT, or is inconsistent with just and equitable principles of trade.

Note: See Rule 408.02†

3073.00 Other Prohibited Activities. No member in connection with any order or contract for or on behalf of any person shall:

a. **Not Cheat.** Cheat, defraud, or attempt to cheat or defraud such person;

b. **No False Report.** Willfully make or cause to be made to such person any false report or statement thereof, or willfully to enter or cause to be entered for such person any false record thereof;

c. **Not Willfully Deceive.** Willfully deceive or attempt to deceive such person by any means whatsoever in regard to any such order or contract, the disposition of or execution of any such order or contract, or in regard to any act of agency performed with respect to such order or contract for such person;

d. **Not Bucket.** Bucket such order, fill such order by offset against the order(s) of any other person, willfully and knowingly become the buyer in respect to any selling order of such person, become the seller in respect to any buying order of such person, or knowingly trade with or be associated with persons engaged in such activities;

e. **Not Extort.** Be guilty of any extortion or attempted extortion, or of any fraudulent, corrupt, uncommercial, or dishonest practices in any business dealings with members or others;

f. **Not Manipulate.** Attempt to manipulate the prices of grain or other commodities, or corner or attempt to corner any grain or other commodities;

g. **No False Business Reports.** Be guilty of making or circulating any false or slanderous reports relative to the business affairs of other members, or relative to the officers, appointees, and committees of the KCBT, or the general management of the market; and

h. **No False Market Reports.** Knowingly disseminate any false, misleading, or inaccurate report concerning crop or market information or conditions that affect or tend to affect the price of any commodities in interstate commerce or otherwise.

3074.00 Prohibitions. Every member of the Board of Trade, and every person, firm, or corporation admitted to trade or to do business on the KCBT shall not:

a. **Report False Sales.** Make or report any false or fictitious sales or purchases; or

b. **Accounting Contrary To Commission Rules.** Resort to any method of accounting, directly or indirectly, in violation of or contrary in purpose and effect to a strict adherence to regular established rules of the Board of Trade; or

c. **Consideration To Influence Shipments.** With intent to evade the rules directly or indirectly, pay or give, or offer to do so, any money or other consideration of whatsoever nature to any person to procure or influence shipments or consignments of grain.

Note: Violation of this rule is subject to disciplinary action in accordance with Chapter 33.

3075.00 Advertising. It is a violation of these rules for a member, directly or indirectly, to present or give, during any one (1) calendar year, any article which has a retail value in excess of \$5.00.

Margins

3080.00 Right To Margins. On time contracts, purchasers shall have the right to require of sellers, as security, ten percent (10%) margins, based upon the contract price of the property bought, and further security, from time to time, to the extent of any advance in the market value above said price. Sellers

shall have the right to require as security from buyers ten percent (10%) margins on the contract price of the property sold, and in addition, any difference that may exist or occur between the estimated value of any such property and the price of sale.

3081.00 Form Of Contracts. On purchase or sale of commodities for which shipment or delivery extends beyond ten (10) days from date of contract, said contract shall state that either buyer or seller may call for margins to the market value, and release such margins to the market until final adjustment has been made. All such contracts shall contain the following:

It is agreed that either party to this contract may call for a marginal deposit to the market, same to be released when market justifies. In cases wherein more than one contract has been made, deposit call and subsequent calls for the releasing of same shall not exceed the net aggregate difference owing by one party to the other on all contracts open and subject to this rule.

Said margin shall be deposited with the Treasurer of the Board of Trade and shall be subject to the rules of The Board of Trade of Kansas City, Missouri, Inc., governing the depositing and releasing of margins. Margins must be deposited within 24 hours as herein provided; legal holidays in either buyer's or seller's place of business shall not be counted. Non-residents of Kansas City, Missouri, may remit by telegraphic transfer, or by mail remittance if preceded by telegraphic notification from (his or their) local bank that such remittance has been made.

In case marginal deposit call to the market is not deposited and official notice of same is not received within 24 hours, as hereinbefore provided, the party thus calling shall have the privilege to cancel all contracts covered by such margin call at the general market value, or to resell or rebuy, at his or their option, under prompt telegraphic advice, charging difference or loss to the defaulting party, said amount to be due and payable at once.

All margins shall be immediately released upon faithful performance of the contract.

A committee of three shall be appointed by the chairman, to whom all disputes as to a proper marginal price, or any other feature connected with cash margins shall be referred.

3082.00 Deposits; How Made. All such margins shall be deposited with the Treasurer who shall issue certificates in duplicate, not transferable, for all such deposits. Said certificate shall state by whom the deposit was made, for whose security the same is held, that the deposit has been made under the rules of the Board of Trade, and is payable upon the return of the certificate or its duplicate duly endorsed by the parties to the contract(s) (Rule 3084.00), or on the order of the Chairman of the Board of Trade, as provided by Rule 3085.00.

3082.01 Status Of Deposit. All deposits so made shall be held to have been made as security for the faithful fulfillment of any contracts made or to be made between the parties during the time the deposit shall remain unpaid. Either party to a contract may demand that the certificate shall express the particular contract upon which the deposit shall have been made and, in such case, the deposit shall be applicable only to the settlement of that contract.

3082.02 Time Of Deposit. The party depositing securities or margins shall, within one (1) hour from the time such deposit shall be called, deposit with the Treasurer, or with the party calling for such deposit, the duplicate certificate for the same in the form as provided for in Rule 3082.00.

3083.00 Margin Call; Failure To Deposit. Should any party called on fail to deposit security or margin called within the next banking hour after the call, the party making the call shall have the right, if the seller, to sell the property for the account of the delinquent. Such resale shall be for the same delivery as was named in the original contract. If the party making the call is the buyer, the buyer shall have the right to repurchase the property for the account of the delinquent, deliverable at the time named in the original purchase. In either case, the party making the call shall at once communicate to the delinquent the action taken, and all losses or damages on such defaulted contracts shall be at once due and payable the same as though said contract had fully matured. The party so calling may, however, elect to permit the contract to stand, in which case no notice to that effect shall be necessary to the delinquent.

3083.01 Notices. All notices for the call of margin, or of the closing of contracts under Rule 3083.00, may be served on the party called either in person, by leaving a written notice at the party's place of business, or may be served in person upon the party's authorized representative. In case the party called upon shall not be known to have a regular place of business, a written notice left in the Office of the Secretary shall be deemed sufficient.

3084.00 Return Of Deposits. On the fulfillment or settlement of any contract, or on the closing of any contract under the provision of Rule 3083.00 on which deposits have been made when the full adjustment of all differences relating to the same shall have been affected, the deposits shall then be payable to the party depositing the same. The joint endorsement of both parties upon the certificate shall be sufficient authority to the Treasurer to pay the same to the holder of the certificate.

3085.00 Disputes. In case of failure between the contracting parties to adjust and settle their respective claims on the deposit within three (3) business days after the maturity of all contracts on which the deposit is applicable, the matter in dispute shall on the application of either party be submitted to the Compliance Committee. The Committee shall without unnecessary delay summon the parties before them and hear such evidence under oath as either may wish to submit concerning their claims to the deposit. The Committee shall be a majority decide and report to the Chairman, in writing, in what manner and to whom the deposit is payable, either wholly or in part. The Chairman shall endorse on either original or duplicate certificate an order for the payment of such deposit in accordance with the decision of said Committee. Such order shall be sufficient warrant to the Treasurer to pay the same in accordance with such order.

3086.00 Reduction Of Deposits. In case it should occur, that by reason of changes in the market, or of delivery on, or settlement of a portion of contracts on which margins or securities have been deposited, that a larger sum remains on deposit than is contemplated by Rule 3080.00 on then existing, unadjusted contracts between the parties, and either party to such contract should refuse to release such excess of the deposit, the Chairman is authorized, on a representation of the fact, and admission or proof that such excess ought to be released, to order such release and payment to be made to the party to whom it rightfully belongs. The Chairman shall endorse an order to that effect on either the original or duplicate certificate(s) issued for such deposits. In case of such disagreement, no surrender of the deposits shall be ordered until the Board of Directors shall have first estimated and determined the value of the property covered by any contract on which the deposit has been made and on which a default has occurred, on the day of such default, in case either party shall request such decision. No surrender shall be ordered pending any arbitration concerning the rights of the parties to the said contract(s), or in case the party refusing to adjust the dispute shall signify willingness to submit the matter to arbitration.

3087.00 Values; How Determined. In determining the value of property under these rules, its value in other markets, or for manufacturing or consumptive purposes in this market, together with such other facts as may justly enter into the determination of its value, shall be considered, irrespective of any fictitious price it may at the time be selling for in this market. Such value, for marginal purposes, in case of disagreement shall be determined by the Cash Margin Committee who shall communicate their decision to the parties in interest through the Chairman and Secretary.

Commission Charges

3088.00 Discretion On Fees. Commissions or charges permitted to be charged by these rules shall be in such amounts as the members shall charge in their discretion. The imposition of commissions or charges shall not violate these rules.

3089.00 Classes Of Trades. For the purpose of making charges for services performed by members, there shall be but three (3) classes of trades:

- a. Trades between members;

b. Trades between members where at least one (1) of the members is acting as the agent of another member; and

c. Trades between members and non-members.

3089.01 Broker; Defined. A cash broker is defined to be a member who buys and sells grain, not for the broker's own account, but as the agent of another member, who is actively engaged in business on the KCBT, where the names of the principals are announced on the making of the contract, and the broker at no stage of the transaction becomes the actual owner of the grain.

3090.00 Commissions. Commissions are chargeable on the following:

a. **Commissions On Consignments.** Commissions shall be charged on grain sold on consignment on this market.

b. **Commissions On Diversions.** On all shipments of incoming grain against which money has been advanced by a member directly or indirectly, either upon draft or for inspection fees, freight, or other incidental charges, then in the event the member is instructed to turn over the grain to another party, or to divert it to some other point, the member shall be entitled to a fee for services rendered together with interest on the money advanced from date of the advance until reimbursement; provided however, that where such grain is shipped on contract and refused by the buyer, and the buyer is instructed to turn the grain over to another member to be sold as a consignment, then the diversion commission shall be waived and the shipper shall be charged only a regular selling commission.

c. **Carlots To Storage Facility.** On carlots of grain shipped direct to a storing facility, the shipper shall designate the resident member firm to handle the shipment.

3091.00 Brokerage Business. Purchases of grain in the country by any member for the account of any other member, or for any firm or corporation who may be represented by membership, may be considered as brokerage business.

3091.01 Seller To Pay Brokerage. In the absence of any agreement to the contrary, the seller shall pay brokerage.

3091.02 Prohibition; Exception. Buying or selling on brokerage of sample track grain for shipment is prohibited, and the buying and selling on salary of sample track grain for shipment is also prohibited, unless both employer and employee are members.

3092.00 Interest On Advances. On all grain consigned to any member, or to any firm or corporation duly represented in its membership, or bought by any member thereof, or by any such firm or corporation, and shipped to Kansas City, subject to either Kansas City Weights or Inspection, or both Kansas City Weights and Inspection, the receiver or purchaser, as the case may be, shall charge interest on any sum advanced on such consignments or purchases to the time of contract application, sale, or reimbursement.

Note: See RES 30-3092.00-1; INTRP 30-3092.00-1.

3093.00 Charges. Charges other than commissions shall include the charges set forth in Rules 3093.01 through 3093.03.

3093.01 Grain Sold. On grain sold for a commission charge, in addition to the commission, all legitimate expenses, such as demurrage, sampling, weighing, inspection, storage, insurance, exchange, interest, elevation, etc., incurred in the handling of and caring for such grain shall be charged to the party(s) for whom the property is handled; it being the intent of this rule that the net amount received for performing the service shall be the commission.

3093.02 Grain Bought. On grain bought for a commission charge, in addition to the commission, the expense incurred for transferring such grain shall be charged to the party(s) for whom the grain is handled. On all grain bought by any member, any firm, or corporation duly represented in its membership and shipped to Kansas City, subject to either Kansas City Weights or Inspection, or both Kansas City Weights and Inspection, all legitimate expenses such as weighing, inspection, etc., incurred in handling and caring for the grain shall be charged to the seller.

3093.03 Additional Charges. Additional charges which may be assessed include:

a. **Documents.** If a shipper of grain requests the preparation of necessary documents, including the issuance of warehouse receipt(s) as a basis for loans, an additional fee may be charged.

b. **Later Sale.** If stored grain or any part thereof is later sold through a member firm, a full consignment commission may be charged at the member's discretion.

3094.00 Traveling Men. Rule 3074.00 shall not prevent the regular employment by members of traveling men, but shall prohibit a division of commission with traveling men who are not members.

Resolutions

RES 30-3010.00-1 Cash Trading; Display Samples

Transit Notation

The seller, on all grain sold on the trading floor, shall advise the buyer by notation on the pan ticket or otherwise of any previous transit. If the seller fails to do so, the buyer shall be entitled to assume that the grain purchased is country run grain which has not previously had any transit privilege. If the seller shall advise the buyer that grain has had a certain number of previous transit stops, the buyer shall be entitled to rely on such representation (August 22, 1940).

RES 30-3046.01-1 Cash Trading; Freight Charges

Interstate Rates

In order to secure a uniform trading basis and to protect the integrity of proportional and transit billing and because of the present lack of uniformity between interstate and local, or intrastate billing, all floor purchases of cash grain or grain products, and all purchases of cash grain or grain products to arrive, subject to the rules of this Board of Trade, and all other cash grain transactions made under the rules of this Board of Trade, shall be on the basis of interstate rates. This means that the seller shall allow to the buyer charges including full legal interstate rates as published by the carrier and on file with the Interstate Commerce Commission, except that where it is conclusively shown that grain or its products move wholly within the State of Kansas, or wholly within the State of Missouri, and are not reshipped on proportional or transit billing, then the transaction may be on the basis of the state rates (August 26, 1920).

RES 30-3092.00-1 Cash Trading; Interest

Rate Of Interest

Until further action of the Board of Directors, the rate of interest that shall be charged on sums advanced on consignments and purchases subject to Rules 3090.00b., 3092.00, 3093.01, and 3093.02 or to finance grain taken on delivery for customers shall be one (1) per centum per annum higher than the existing prime rate charged by major Kansas City banks (March 18, 1969).

Interpretations

INTRP 30-3012.00-1 Cash Trading; Reporting Cash Sales

Question: Does Rule 3012.00 require the posting of "spot sales" made on cars of grain physically located at different inspection points outside Kansas City as well as cars actually located in the Kansas City inspection market?

Answer: The reporting of cash sales provided in Rule 3012.00 applies only to cars of inbound grain, seed, or millfeed physically located in the switching limits of Kansas City and which are displayed and sold on the trading floor of the Board of Trade (June 28, 1977).

INTRP 30-3025.09-1 Cash Trading; Carload Amounts, Adjustments

Question: Company A sold Company B 56,000 bushels of 2 yellow corn at a price basis Kansas City freight with current 11¢ shrink balance basis Fort Smith, Arkansas. Company A's contract stated first official weights and grades and Company B's contract stated official grades and official or railroad weights. The cars were to be billed to Kansas City.

The Western Truck Line tariff 330 has a minimum weight if diverted to Fort Smith of 90,000# per car. However, if unloaded in Kansas City, this minimum weight does not apply. Two (2) of the cars applied

were less than 90,000#, and Company B took bill of lading delivery and diverted them south of Kansas City. Company B billed Company A back for freight on 90,000# minimum

The Interpretation of Rules Committee was asked to rule whether Company A should be forced to pay the freight on 90,000# minimum, since had the cars unloaded in Kansas City, the shrink billing would have applied even though the cars were below the minimum.

Answer: In the situation described, the seller is liable for the freight difference in question. That is, the seller is liable for the minimum freight to Kansas City (February 1, 1974).

INTRP 30-3032.00-1 Cash Trading; Reinspection Or Federal Appeal

Question: An interpretation of Rule 3032.00 was requested pertaining to calling for reinspection or federal appeal when the car is ordered to the industry on a date following purchase.

Answer: Rule 3032.00 is specific in stating that such reinspection or federal appeal may be called "by 1:00 P.M. of the second succeeding business day after the car is purchased." The date of the order does not extend this time limit in any manner. Therefore, the time limit would expire at 1:00 P.M. of the second business day after purchase (May 11, 1960).

INTRP 30-3032.00-2 Cash Trading; Reinspection Or Federal appeal

Question: Do Rules 3032.00 and 3055.02 pertaining to reinspection or federal appeal within forty-eight (48) hours apply to hopper cars with plastic or other type covers?

Answer: When a buyer accepts delivery of a hopper with plastic or other cover on contract, the buyer is bound by the forty eight (48) hour limitations of Rules 3032.00 and 3055.02 (November 15, 1966).

INTRP 30-3032.00-3 Cash Trading; Reinspection Or Federal Appeal

Question: May a buyer be protected by obtaining reinspection or federal appeal at the buyer's unloading facility in Kansas City? This usually involves a car of grain sold on the floor which is of questionable quality and in danger of further deterioration, where the buyer is seeking protection.

Answer: Such reinspection or federal appeal may be accomplished within Rule 3032.00. The rule provides that if the buyer actually calls for a reinspection or federal appeal at the time of sale or within the time permitted in the rule, the buyer may designate the place where the sampling is to occur. Under the rule if a sample cannot be obtained due to loading transit delays, "or for any other cause", the time for calling is extended, and the actual sampling may occur after the car is placed and is at the buyer's facility (February 10, 1976).

INTRP 30-3032.08-1 Cash Trading; Expense (Reinspection)

Question: A ruling was requested on the following situation:

A carload of soybeans arrived in Kansas City trading #2 Yellow Soybeans, 55.5# test, 13.8% moisture, 0.5% damage, 1.0% FM, 8.0% splits.

The buyer of the car called a reinspection. The reinspection grade is #2 Yellow Soybeans, 56# test, 14% moisture, 2.0% damage, 2.0% FM, 8.0% splits.

The buyer then called a federal appeal. The federal grade is #2 Yellow Soybeans, 56# test, 13.8% moisture, 1.6% damage, 1.8% FM, 9.0% splits.

Who should pay the cost of the reinspection or federal appeal?

Answer: Whenever in a reinspection official certificate or a federal appeal certificate the only change in the grade certified to is an increase of FM and no other discount factor, the increase of FM is considered a reduction of the total amount payable for the respective carload which is considered as a price discount. As such, reinspection or federal appeal inspection charges are to be paid by seller (April 29, 1969).

INTRP 30-3046.00-1 Cash Trading; Carload Grain, Time Of Payment

Question: 1. Does Rule 3046.00 apply to the retainage of a specific car, or cars when advances have been paid under Rule 3047.00 at the stated requirement?

2. If it is decided that Rule 3046.00 applies to Question 1, what constitutes "proper papers" in this instance? Specifically referring to weight certificates, the question was asked if a contracting party is entitled to originals of all documents, or just those copies that a particular party can supply?

Answer: 1. Time of payment set forth in Rule 3046.00 applies both to advances and final payment.

2. Proper papers include copies or originals of weight certificates, copies or originals of grade certificates, but the original of the shipper's order bill of lading must be presented (January 15, 1979).

INTRP 30-3047.00-1 Cash Trading; Track Grain, Advances

Question: An interpretation was requested on the following language, "the seller may draw an advance up to eighty percent (80%) of the contract price," of Rule 3047.00 prior to its amendment changing the amount to ninety percent (90%). The question was directed specifically to grain purchased on a Gulf basis.

Answer: An allowable advance of eighty percent (80%) of the delivered contract price less applicable freight charges, if any, is proper. If Gulf freight is prepaid, then an eighty percent (80%) advance of the delivered Gulf price is in order. If freight is not prepaid, then the eighty percent (80%) advance applies to the delivered contract price less freight from origin to the Gulf (October 26, 1976).

Note: This Interpretation applies to Rule 3047.00 after amendment increasing the amount of the advance to ninety percent (90%).

INTRP 30-3092.00-1 Cash Grain; Interest

To clarify Rule 3047.00 covering advances on track grain and Rule 3092.00 involving interest charges and to promote uniformity and speedy adjustment of business disputes, the following interpretation is rendered:

1. No interest shall be charged on money paid on the purchase of a spot cash commodity transaction.

2. Interest shall be charged on advances made on carlots of commodities purchased by contract until cars are applied on contract with an official inspection in accordance with the contract terms. No interest shall be charged after such application.

3. Interest shall be charged on advances paid on consignments until the time of reimbursement to the consignee (November 15, 1966).

Arbitrations

ARB 30-3032.03-1 Final Sale; Kansas City Grades, Liability

Issues: 1. Is a car of spot grain in Kansas City with Official grades that is sold on this grade and diverted out of town, a final sale or not?

2. If the Kansas City grade is not final, what is the liability of the seller in disposing of a car of grain that appears to be out of condition at destination? (Did seller handle the car at the least possible cost when he disposed of it?)

Findings: 1. Unless there is a contractual agreement to the contrary between the buyer and seller, all cars diverted from Kansas City spot market are sold with Kansas City grades as final.

2. In this instance, the buyer made no attempt to handle the car on any other basis, help find a buyer or in any way reduce seller's expenses.

The seller appears to have moved the car and disposed of it in what he felt was the best possible way under the circumstances. The seller's difficulties appear in part to have been caused by the buyer's wrongful rejection. The seller's judgment and the resulting costs cannot be questioned (February 15, 1977).

ARB 30-3057.00-1 Contract Terms; "Market Scale" Discounts or "Market Discounts Lower Grades"

Issue: What do the terms "market scale" or "market discounts lower grades" mean?

Finding: These terms or similar terms on any contract cannot be construed as the basis for adjusting the base price of a contract. These terms only apply to the individual grading factors as defined by the USDA

standards. This scale of discounts can only be determined on the floor of the Kansas City Board of Trade on any given day (March 13, 1975).

Chapter 31

Arbitration; Cash Market Transactions

Disputes Subject To Arbitration

3100.00 Disputes Subject To Arbitration. All disputes, differences, claims, grievances, or disagreements subject to arbitration under this Chapter must arise from cash market transactions as enumerated in paragraphs a. through d. below, and must not be part of, or directly connected with any transactions for the purchase or sale of any commodity for future delivery. Cash market transactions shall include:

- a. Cash sales of grain made on the trading floor;
- b. Cash grain purchased by or from a member to be shipped to or from this market;
- c. Written cash grain agreements containing language such as "subject to Kansas City terms" or words of similar meaning; or
- d. Any other dispute between members or others which they mutually and voluntarily elect to submit to arbitration under this chapter.

Note: See Chapters 15 and 16 for arbitration of disputes arising out of futures contract transactions.

3101.00 Duty To Arbitrate. All disputes, differences, claims, grievances, or disagreements of a financial, mercantile, or commercial character among members, or between members and other parties when such others assent thereto, must be submitted to the Arbitration Committee.

3101.01 Members Must Arbitrate. Any member who shall commence any legal action against another member (unless by agreement) for any dispute arbitrable under this Chapter before first attempting to arbitrate, shall be subject to disciplinary action pursuant to Chapter 33. If arbitration has been attempted and rejected, then a legal action may be commenced and the member failing or refusing to arbitrate may be disciplined pursuant to Chapter 33.

3101.02 Exception; Preservation Of Property Or Claim. In all cases it is necessary for property to be attached or replevined in order to save or protect the property or a claim, a member may bring a legal proceeding to secure the property or claim by legal process and nothing in Rule 3101.01 shall prevent immediate suit to prevent such loss.

3101.03 Exception; Order Of Board Of Directors. Either party may submit to the Board of Directors a written request that arbitration not be required, stating the reason for such request. Following notice to the other party, both parties may appear before the Board of Directors which may order that arbitration is not required. If such an order is made, that order is final and is not reviewable by the KCBT nor by any court. On the making of such an order, legal proceedings may be commenced by either party.

3101.04 Member; Defined. The word "member" as used in this Chapter shall be deemed to mean individuals who hold memberships in their own names, and/or firms represented by members (sometimes called "member firms").

Hearing Body

3105.00 Arbitration Committee.

- a. **Hearing.** It shall be the duty of the Arbitration Committee to hear and determine all disputes described in Rules 3100.00 and 3101.00.
- b. **Panel.** The parties to an arbitration case shall, if utilizing the regular Arbitration Committee, mutually select five (5) members to serve as the hearing panel for that case from the ten (10) elected Arbitration Committee members. Should the parties be unable to reach agreement, the five (5) member hearing panel shall be determined by each party alternatively striking one (1) name until five (5) are left; the first strike being determined by a toss of a coin.

Note: Amended by membership vote August 18, 1981.

3106.00 Disqualification To Serve. Members of the Arbitration Committee or Appeals Committee shall be disqualified to sit as a member of such Committee on the hearing of any case whenever it shall appear by the statement of such member or by the statement under oath of either party to the hearing,

that such member is interested or prejudiced, is an associate, is related to either party, or that the opposite party has an undue influence over the mind of such member.

3106.01 Sworn Statement Of Party; Time. The party filing a statement under oath under Rule 3106.00 must do so not later than three (3) days prior to the date set for hearing.

3106.02 Substitute. In the event of disqualification, and if the interested parties are unable to agree on the substitute, the parties shall submit to each other three (3) names of disinterested members from which each shall strike two (2) names and submit the remaining two (2) names (one from each list) to the Secretary. From the names submitted, the Secretary shall select the member to act as a substitute. All such proceedings must be had so as not to delay the hearing.

3107.00 Special Committee. When either the Arbitration Committee or the Appeals Committee cannot be formed due to absence, disqualification, or unwillingness of regular members to serve, the parties shall be allowed to fill vacancies with any member(s) willing to serve (not being members of the other Committee or the Board of Directors) on whom they may agree. If such parties are unwilling to submit their case to the Arbitration Committee, they may choose three (3) or more members (willing to serve and not being of the Appeals Committee or Board of Directors) on whom they may agree. Such agreement, in either case, shall be communicated to the Secretary in writing and signed by all the parties in the controversy.

Note: Any special committee agreed upon under this rule shall adhere to all requirements and duties of a hearing body as set forth in this Chapter.

3107.01 Award of Special Committee Binding. An award or finding of any Committee formed pursuant to Rule 3107.00 shall be binding as if made by the regular Arbitration Committee or Appeals Committee.

Duties Of Hearing Body

3110.00 Duties Of Arbitration Committee. The Committee shall render a just and equitable award based on the evidence, the law, the Certificate of Incorporation, the rules and regulations of the KCBT, and trade practice to the best of its ability.

3110.01 Nonliability. The Committee members and the KCBT shall not be held liable for any errors of judgment in any respect whatsoever, or for any damages done or loss suffered by reason of their acts.

3111.00 Duty To Attend. Members of the Arbitration Committee and Appeals Committee, failing to appear when their services are required, shall be fined \$25.00 for each default by the Board of Directors, for the use of the KCBT, unless a satisfactory excuse shall be made.

Complaint

3115.00 Written Sworn Complaint. Any member or other person (Claimant) desiring to submit a dispute as defined in Rules 3100.00 and 3101.00 to the Arbitration Committee for resolution, shall file a written sworn complaint with the Secretary, alleging the nature of the dispute, the basic facts, the damages sought, and the name of the Defendant.

3115.01 Time. The written sworn complaint must be filed within one (1) year after the date of the transaction from which the dispute arose.

3116.00 Mandatory Joinder. Any Claimant having claims growing out of or connected with the same transaction against more than one (1) member shall be required to join all of said members as Defendants. On failing to do so, the Claimant shall be barred and estopped from making any claim or demand against any member not so made a Defendant. The same rule shall apply to counterclaims.

3117.00 Service On Defendant. A copy of the complaint shall be served by the Secretary on the Defendant. **Answer**

3120.00 Failure By Defendant To Answer. If the Defendant fails to answer the complaint in writing within ten (10) calendar days after service of copy, or if the Defendant refuses to sign the agreement prescribed in Rule 3125.00, the Defendant shall be deemed to have refused to arbitrate and to have incurred the possibility of disciplinary action by the Business Conduct Committee for such non-action, including the possibility that the Committee may order an award for the Claimant.

Note: This rule grants the member ten (10) calendar days to answer.

3121.00 Non-Member Party To Arbitration. In the event a member is compelled to arbitrate a dispute arising out of business transacted by such member as the agent of a non-member, the non-member may be made a party to the arbitration. If such non-member refuses to become a party, the decision of the Arbitration Committee or Appeals Committee shall be conclusive and binding on such non-member as between the non-member and the agent as if a party.

Agreement To Arbitrate

3125.00 Agreement. Within ten (10) calendar days, the parties to the arbitration shall sign the Articles of Agreement in a form to be furnished by the Secretary.

3125.01 Execution By Non-Member. If the Claimant is a non-member, an agreement to abide by and comply with all the terms and provisions of the Certificate of Incorporation, and all orders and resolutions of the Board of Directors or any committee of the KCBT concerning the arbitration of said demand, and of any counterclaim which the Defendant may present, shall be signed by Claimant.

3125.02 Execution By Member. Any member or any officer of a member firm may execute an agreement on behalf of such firm or corporation.

Non-Member Release

3127.00 Release. A non-member presenting a complaint against a member and seeking arbitration, shall accompany the complaint with a release in the form to be furnished by the Secretary.

3127.01 Held In Trust By Secretary. The Secretary shall hold the release in trust pending the result of arbitration, and shall deliver it to the Defendant in any of the following cases:

- a. If the Claimant does not prosecute the claim before the Arbitration Committee after being ordered to do so by said Committee, or by the Board of Directors;
- b. If the Defendant shall present a counterclaim against the Claimant, and the Claimant fails to comply with an order of the Board of Directors requiring giving of a bond, as required by Rule 3131.00 within ten (10) calendar days;
- c. If an award is rendered for the Defendant by the Arbitration Committee, or following appeal, by the Appeals Committee; or
- d. If the Defendant pays or offers to pay the Claimant the amount of the award, after deducting any counterclaim adjudged in favor of the Defendant.

3128.00 Cancellation And Return Of Release. In the event an award is rendered against a member which is not paid within ten (10) calendar days, then the release shall be cancelled and returned to the Claimant. Should any unforeseen event render it just and proper that the release be returned, the Board of Directors can direct such to be done.

Counterclaim

3130.00 When Presented. Any Defendant shall have the right to present any counterclaim of the character described in Rules 3100.00 and 3101.00 against the Claimant.

Note: Mandatory joinder of counterclaims is required pursuant to Rule 3116.00.

3131.00 Bond From Non-Member. The Board of Directors may require the giving of a bond, with approved security, as the Board of Directors may determine to be reasonable and proper to secure to the Defendant any balance on a counterclaim which might be adjudged to such Defendant.

Hearing

3132.00 Time Of Hearing. The time and place of the arbitration hearing shall be determined by the Chairman of the Arbitration Committee (or special committee), and due notice thereof shall be given by the Secretary. Reasonable effort shall be made to accommodate the parties.

3133.00 Postponements. Unless for good cause shown satisfactory to the Committee, neither party shall postpone the hearing of a case longer than twenty-one (21) calendar days after it has been submitted.

3134.00 Location. Arbitration proceedings conducted under this Chapter must be held in the executive office of the Board of Trade, in Kansas City, Missouri, unless otherwise agreed to by the parties and the Arbitration Committee.

3135.00 Representation By Counsel. None of the parties to arbitration proceedings under this Chapter shall be permitted to be represented by professional counsel nor by any other member who is paid for so appearing. Counsel or other members may, however, be present to advise their clients but they may not participate directly in the proceedings.

3136.00 Citations To Witnesses. The Arbitration Committee or Appeals Committee has the power to issue citations to witnesses on the written request of the parties, or on its own. Members served with a citation must appear to testify and bring such documents as required by the citation, at the time and place identified.

Note: Refusal to appear, to testify, or produce documents may subject such person to disciplinary action under Chapter 33.

3137.00 Rule Of Construction. At all such adjudications, the Committee shall construe all the provisions of the law, the Certificate of Incorporation, the rules and all the regulations of the KCBT as being designed to secure justice and equity in trade, and all awards or findings shall be made in conformity therewith.

3138.00 Determining Value. In determining the true market value of property, its value in other markets, or its value for manufacturing purposes in this market, together with such other facts as may justly enter into the determination of its true value, shall be considered, in addition to prices it may be selling for in this market. In case of default on contracts for future delivery, the defaulting party may be required to pay, in addition to the actual damage or loss, as a penalty for such default, an amount not exceeding ten percent (10%) of the value of the property as determined under the provisions of this rule.

Note: See Chapter 30 regarding defaults.

3139.00 Oath Of Arbitration. Before commencing the hearing of a case, the members of any Arbitration Committee or Appeals Committee shall take and subscribe to the following oath or affirmation, vis-a-vis: I do solemnly swear (or affirm) that I will faithfully and fairly hear and examine all matters in dispute to be submitted in this proceeding and that I will make a just and equitable award or finding upon the same, in conformity with the Certificate of Incorporation, rules and regulations of the Board of Trade, and according to the evidence to the best of my understanding and ability, so help me God.

3140.00 Evidence. All evidence before the Arbitration Committee shall be taken orally under oath or affirmation.

3141.00 Record Of Proceedings. All testimony and the proceedings of the hearing shall be recorded by a stenographer and transcribed. The original transcript shall be filed with the Secretary and retained with the record in each case. Copies of the transcript shall, upon request, be furnished to each party to the proceeding. The cost of such record shall be assessed by the Committee.

3142.00 Role Of Chairman. The Chairman of the Committee shall perform the following functions:

- a. Set the time and date for the hearing in consultation with the other Committee members and the parties;
- b. Convene and conduct the hearing in an orderly fashion following the procedural guidelines (Rule 3144.00) to the extent practicable;
- c. Consult with the Committee to determine procedural matters, which may be done in private (such as whether or not challenged evidence is to be admitted into evidence), and then to announce the Committee's decision to the parties;
- d. Assign the drafting of the award; and
- e. Sign the final award.

3143.00 Role Of Hearing Clerk. The Secretary or some other member or person may serve as hearing clerk. The clerk will make sure the room is in order; arrange for the recording of the hearing; receive and send all official notices, citations, etc.; administer oaths to Committee members and to witnesses; mark evidence; retain the evidence and official record; call witnesses; and otherwise serve to facilitate the hearing. The clerk may confer with the Committee on its request; and when asked, provide non-binding legal or procedural opinions; and if so instructed, may prepare a draft of an award. The clerk may not express an opinion on the factual issues.

3144.00 Procedural Guidelines. The intent of this rule is for the hearing to be conducted in a fair, businesslike manner using the following procedure as a guide:

- a. Formal call of the case to order by the Chairman of the hearing;
- b. Oath of Committee members administered by hearing clerk;
- c. Introduction, identification of parties, Committee members, witnesses, clerk, etc.;
- d. Administration of oath to witnesses;
- e. Claimant's opening statement;
- f. Defendant's opening statement;

Explanation of (e) and (f): Opening statements are optional, and should consist of a very brief description of the principal issue(s) in dispute, what the parties intend to prove, and to inform the Committee as to the nature of the case. Opening statements may consist of a reading of the complaint and/or answer. They are not evidence of facts alleged therein.

- g. Presentation of written stipulation of non-disputed facts, signed by both parties and prepared prior to the hearing;

Explanation: This is optional and may be used to shorten the hearing since all facts not stipulated must be proved at the hearing. If no facts are in dispute the parties may elect not to have a hearing and make a written presentation.

- h. Presentation of Claimant's evidence;
- i. Presentation of Defendant's evidence;

Explanation of (h) and (i): Factual allegations in dispute must be proven by oral testimony of witnesses and/or by documentary evidence. Each party may question the other's witnesses (including the other party if a witness) after initial testimony and may examine documentary evidence before it is offered into evidence. Normally all evidence is admitted in an arbitration proceeding for whatever value it may have, even if slight. However, matters clearly not relevant may be excluded if challenged. Parties testifying in their own behalf should only present facts at this point, and not argue the case. Arguments are presented later.

- j. Rebuttal (if any) by Claimant;
- k. Rebuttal (if any) by Defendant;

Explanation of (j) and (k): Rebuttal is an attempt to refute facts presented by the other party by further documents or witnesses.

- l. Claimant announces case closed;
- m. Defendant announces case closed;

Explanation of (l) and (m): Usually at this point a brief recess is in order to permit the parties time to organize closing arguments.

- n. Claimant's final argument;
- o. Defendant's final argument;
- p. Claimant's rebuttal argument;

Explanation of (n), (o), and (p): Any or all of these (final argument and/or rebuttal argument) may not be given if the party so chooses. By permission of the Committee, final arguments may be made in writing and submitted later.

- q. Formal hearing adjourned by Chairman.

Explanation. The Committee may announce its decision at the conclusion of the hearing, or it may await private deliberations and/or reading of the transcript, prior to announcing a decision.

Award

3147.00 Arbitration Award; In Writing. The Arbitration Committee (and Appeals Committee) shall render its award in writing, through the Secretary of the KCBT, within five (5) business days after its decision is made. Such award shall be signed by the Chairman and the other members of the Committee and shall be certified by the Secretary under the seal of the Board of Trade.

3147.01 Contents Of Award. The written award should:

- a. Identify the parties;
 - b. State the controlling issue(s) in dispute;
 - c. Announce the name of the winning party;
 - d. State the reason(s) for the decision, including the relevant facts; and
 - e. State the monetary award, if any, to be paid, by and to whom, and direct the payment of costs.
- The decision should be clear and concise, yet contain enough information to permit a stranger to the case to understand the facts, dispute, decision, and reasoning.

3147.02 Record Of Awards. The Secretary shall keep a record of the cases submitted for the adjudication of the Arbitration Committee and Appeals Committee and the disposition of the same. The Secretary shall collect all awards and pay them over to the appropriate parties and enter the same in the record of the case; or receive written acknowledgment of the receipt of all awards from the parties so entitled, and record same in the record of the case.

3147.03 Inspection. The official record and decisions of the Committees and all other records of the case, may be inspected by any member upon application to the Secretary; except that either party or any witness may request confidential treatment of trade secrets, customers, etc., at the time such is introduced.

Appeal

3150.00 Appeal; How Taken. The award of the Arbitration Committee may be appealed to the Appeals Committee.

3150.01 Time. A written notice of appeal must be given to the Secretary within ten (10) calendar days after receipt of the award of the Arbitration Committee by the losing party.

3151.00 Hearing Body. It shall be the duty of the Appeals Committee to hear and determine all cases properly appealed from the decision of the Arbitration Committee and to render a just and equitable award thereon according to the evidence, the Certificate of Incorporation, the rules and regulations of the KCBT, and the laws of the land to the best of their ability.

3151.01 New Evidence. The Appeals Committee may receive new evidence as may be offered under oath or affirmation. If, in its judgment, sufficient new evidence is produced so as to justify a rehearing of the case by the Arbitration Committee, it shall remand the case to the Arbitration Committee for a new hearing.

3152.00 Decision On Appeal. The final award of the Appeals Committee shall be based on the record of the Arbitration Committee and shall be made in like manner as prescribed by Rules 3147.00, 3147.01, 3147.02 and 3147.03.

3153.00 Awards Of Appeals Committee Final. The award of the Appeals Committee shall be final and binding, and shall not be subject to revision by any other tribunal; provided however, the Board of Directors may determine, from the record and other evidence, the proper constitution of any Committee and the regularity of its proceedings.

Fees

3155.00 Filing Fee. The Secretary's Office shall receive a non-refundable filing fee of \$50.00.

3156.00 Fees For Arbitration. The hearing fees for arbitration under the provisions of this Chapter shall be for the benefit of the individual members of the Committee and shall be as follows:

Where the amount in controversy is Fee
\$2,500 or less \$100.00 (\$20.00 per member)
\$2,501 to \$10,000 \$200.00 (\$40.00 per member)
Over \$10,000 \$600.00 (\$120.00 per member)

3157.00 Paid In Advance. The fees shall be paid in advance to the Secretary by the party bringing the case, except for the additional sitting fee which must be paid prior to the issuance of the award.

3158.00 Additional Sitting Fee. In all cases brought before the Arbitration Committee where the evidence is of such volume that it cannot be presented or heard in one (1) sitting, the Arbitration Committee shall have power to adjourn the hearing from time to time and to charge, in its discretion, \$50.00 extra for each additional sitting of not less than three (3) hours.

3159.00 Failure To Appear. If either of the parties fails to appear at the hearing, or requests a postponement, they may (if the case is postponed) be assessed with costs, by and for the use of the Committee, in any sum, in the Committee's discretion, not exceeding \$50.00. The Committee, however, may insist that the hearing shall take place without postponement.

3160.00 Appeal Fees. The hearing fees of the Appeals Committee shall be the same as the fees in the same case before the Arbitration Committee and shall be paid and disposed of in the same manner.

3161.00 Who Pays Fees. Fees, and all additional costs that may be incurred in the investigation of suits, shall be finally paid by the party as is decided by the Committee hearing the same, and shall be included in its award or finding.

Chapter 32—Financial Requirements; Cash Grain

3200.00 Established By Finance Committee And Board Of Directors. Financial requirements for all members shall be established based on recommendations of the Finance Committee and approved by the Board of Directors. When used in this rule, the word "member" refers to the business unit guaranteeing and represented by a member, whether an employee, officer, or partner, and also refers to an individual member who is doing business as a sole proprietor.

Notes: 1. The financial requirements of this Chapter apply only to those members engaged exclusively in cash market transactions on this KCBT. A member engaged in any futures transaction, other than as a customer of an FCM, must comply with the financial requirements of Chapter 13.

2. The financial and reporting requirements do not apply to members whose trades are guaranteed by another member; in that event these rules or Chapter 13, as appropriate, apply to the guarantor.

Financial Statement

3205.00 Financial Statement. All members shall submit to the KCBT an annual financial statement, and at least one (1) additional financial statement during the following fiscal year, in such form as the Finance Committee may prescribe. All financial statements must be submitted in a manner acceptable to the KCBT. The Finance Committee may, in its discretion, require lesser or no financial information from members whose trades are guaranteed by another member filing financial statements and/or from inactive members who conduct no cash grain business. However, if inactive members are not filing financial statements as described above, they may not transact any business until they file the appropriate statement and meet applicable standards.

3205.01 Annual Financial Statement. The annual financial statement shall be submitted to the KCBT on or before one hundred twenty (120) days after the end of the business year. Such annual statement shall be based on an examination made by and be accompanied by an opinion of an independent certified public accountant.

3205.02 Additional Financial Statement. The additional financial statement shall be as of a date six (6) months subsequent to the end of the business year. Such additional statement shall be submitted within ninety (90) days from the date of the additional financial statement.

3205.03 Certification. The annual statement and the additional financial statement shall be certified by an officer, partner, or sole owner of the firm.

3205.04 Further Financial Information. The Finance Committee can require additional financial statements as are necessary.

3205.05 Extension Of Time To File. Upon request, for good cause shown, the Finance Committee can extend the time for the filing of an annual or additional financial statement.

3206.00 Letter Of Credit; Bond. In lieu of submission of a financial statement accompanied by an opinion of an independent certified public accountant as required by this Chapter, the Finance Committee may accept an irrevocable letter of credit or a performance bond, in form, amount, and from a bank or insurance company acceptable to the Finance Committee.

3207.00 Notice Of Net Worth Reduction. Members must immediately notify the Finance Committee of any material reduction of net worth, including in such reduction, the incurring of a contingent liability which would materially affect capital should such liability become fixed. A reduction in net worth of twenty percent (20%) or more, shall be deemed "material". Such notice must be in writing and signed by an executive of the member firm or by a member representing such firm or corporation. Failure to give such notice shall be considered an act detrimental to the interest and welfare of the KCBT.

Insolvency; Failure To Pay Obligations

3210.00 Finance Committee; Threat Of Insolvency. When the Finance Committee, from a preliminary investigation or otherwise, has reason to suspect that any member is threatened with insolvency, it shall cooperate with such member, in any feasible manner not contrary to the rules and regulations to save

such member from open and judicial bankruptcy. When this is not practicable, the Committee shall then take such other action as will in its judgment assist in securing a prompt, efficient, and economical administration of the member's assets for the bankrupt, as well as for the members of the KCBT and the customers of such bankrupt who are creditors. Nothing herein, however, shall authorize such Committee to bind the KCBT to any pecuniary obligation.

3211.00 Complaint. Where a member fails or refuses to perform a KCBT contract with or pay obligations arising out of such contracts to another member, the defaulting member, on complaint to the Business Conduct Committee by the other member, shall be suspended, after hearing in accordance with Chapter 33 until the contract is performed or the debt is satisfied. Registered firms and corporations shall be deemed members under this rule. If the member alleged to be in default denies the default, such member shall be entitled to have the claim arbitrated. If the claim is admitted or established by final arbitration award, the defaulting member shall be suspended until such member has satisfied and discharged all debts owing to members on KCBT contracts. Application for reinstatement shall allege, under oath, that all such debts have been discharged, and notice of such application shall be posted on the bulletin board fifteen (15) business days prior to the hearing of such application.

Note: See Rules 192.00-197.00 for reinstatement procedure.

3212.00 Notice Of Insolvency By Member. A member who fails to perform contracts or is insolvent, or who is a partner in a member firm or who is registered for a corporation, which fails to perform its contracts or is insolvent, shall immediately inform the Secretary in writing that the member, firm, or corporation is unable to meet its engagements, and prompt notice thereof shall be given to the stockholders. The member shall thereby become suspended from membership until, after having settled with the member's, the firm's, or corporation's creditors, such member has been reinstated by the Board of Directors, with the approval of the Business Conduct Committee.

Note: See Rules 192.00-197.00 for reinstatement procedure.

3213.00 Knowledge Of Insolvency By Member. When any member knowing themselves, the firm in which the member is a partner, or the corporation of which the member is an executive officer, to be in an insolvent condition shall make any contract on such member's own account or on account of such firm or corporation, the member shall be suspended or expelled at the discretion of the business Conduct Committee; or, when any member knowing themselves, the firm in which the member is a partner, or the corporation of which the member is an executive officer, to be in an insolvent condition shall accept on such member's own account, or on account of any such firm or corporation, any money, security, or securities as margins from any customer on any trade(s) made under the rules of the KCBT, such member shall be suspended or expelled at the discretion of the Business Conduct Committee.

Note: The action of the Business Conduct Committee may be appealed to the Board of Directors. See Chapter 33.

3214.00 Business Conduct Committee Action. Whenever the Business Conduct Committee has been advised by the Finance Committee or the Board of Directors of the Clearing Corporation that a member, firm, or corporation is in such financial condition that such member, firm, or corporation cannot be permitted to continue in business with safety to such member's or entity's creditors or to the KCBT, the Business Conduct Committee may announce the suspension of such member, firm, or corporation.

Note: The action of the Business Conduct Committee may be appealed to the Board of Directors. See Chapter 33.

3215.00 Hearing. A hearing before the Business Conduct Committee pursuant to Chapter 33 shall be conducted prior to the suspension or other disciplinary action set forth by Rules 3210.00, 3211.00, 3212.00, 3213.00, and 3214.00, unless immediate action is necessary to protect the best interest of the marketplace. In that event, a hearing shall be permitted subsequent to the suspension in accordance with Chapter 33. The suspension announced shall continue until the member has been reinstated as provided in Rules 192.00-197.00

~~**3216.00 Member's Duties On Suspension.** Every member suspended under the provisions of this chapter shall immediately afford every facility required by the Business Conduct Committee for the investigation of the member's affairs, and shall, after the announcement of the suspension, file with the Secretary a written statement covering all information required by the Business Conduct Committee, including a complete list of such member's creditors and the amount owing to each.~~

~~**3217.00 Closing Contracts.** When announcement is made of a suspension of a member, firm, or corporation pursuant to the rules, members having KCBT contracts with the member, firm, or corporation may proceed to close the same on the KCBT or in the best available market, except insofar as the By-laws and resolutions of the Clearing Corporation are applicable and provide the method of closing. Should a contract not be closed, as above provided, the price of settlement shall be fixed by the Board of Directors.~~

~~**3218.00 Suspended Member Subject To Discipline.** A member suspended under the provisions of these rules may be proceeded against by the Business Conduct Committee for any offense committed by such member either before or after the announcement of suspension, in all respects as if such member were not under suspension.~~

Chapter 33 — Discipline; Cash

3300.00 Staff To Conduct. The Audits and Investigations staff of the Board of Trade (composed of non-members and reporting to the Chief Executive Officer) shall conduct a prompt and thorough investigation of any possible rule violation regardless of how such matter was called to their attention. Note: See RES 33-3300.00-1; also Rule 251.00, Confidentiality, and Rule 252.00, Nonliability.

3301.00 Discovery Of Violations. If, during the progress of any arbitration or other investigation before any committee of the KCBT, it shall appear to such committee that any member is guilty of violating or attempting to violate these rules, such committee shall report such matters to the staff. Thereafter, such matter shall be handled as any other possible rule violation.

Note: See Rule 251.00, Confidentiality; and Rule 252.00, Nonliability.

3302.00 Time To Commence. Normally an investigation will be commenced within four (4) weeks of receipt of information suggesting an investigation of a possible rule violation is necessary, and the investigation shall be completed as soon as reasonably possible.

3303.00 Notice To Members. Members under investigation shall be advised unless not feasible due to press of time or other factors.

Note: Notice in writing will, in most instances, be given as the investigation commences unless an emergency situation arises.

3304.00 Informal Conference. Prior to the conclusion of the investigation, members under investigation shall be afforded an opportunity to present such evidence (written or oral) as they may choose.

Note: This conference will be held prior to the issuance of the staff's written report.

3305.00 Written Report. A written investigation report shall be made by the staff on conclusion of the investigation.

3306.00 Warning Letter. The staff is authorized to issue a warning letter to a member under investigation with a copy sent to the Complaint Committee, or to recommend the Complaint Committee issue such a letter.

Committee Review

3310.00 Committee. The Complaint Committee shall review all matters involving possible violations of cash rules. That Committee shall be charged with the duty to review the written reports submitted by the Audits and Investigations staff.

Note: See RES 33-3310.00-1; Rule 251.00, Confidentiality, and Rule 252.00, Nonliability.

3311.00 Staff Report Submitted To Committee. The investigation report must be given to each member of the Complaint Committee as soon as it is prepared unless the staff clearly feels there is no evidence of a rule violation.

3312.00 Committee Convene; Time. The Complaint Committee must meet to consider the investigation report within ten (10) business days of the receipt thereof.

3313.00 Committee Decision; Time. The decision of the Complaint Committee shall be made within ten (10) business days, absent extraordinary circumstances.

3313.01 Committee Decision; Written Report. The decision of the Complaint Committee shall be made by a written report. Such report may incorporate the investigation report. The reason(s) for the decision of the Committee must be clearly stated in the written report.

3314.00 Formal Charges; Time. If the Complaint Committee determines that formal charges should be issued, the Committee shall cause the same to be prepared. The Notice of Charges shall be sent to the charged party within fifteen (15) business days of the date of the Committee decision.

Note: Formal charges, by means of the Notice of Charges, will be issued if the Complaint Committee determines that (1) a reasonable basis exists for finding a rule violation has or is about to occur and (2) the matter should be forwarded to the Business Conduct Committee for hearing. **3314.01 Notice Of**

Charges; Preparation. A written Notice of Charges shall be prepared by the staff and approved by the Complaint Committee.

3314.02 Notice Of Charges; Content. The Notice of Charges shall state:

- a. The acts, practices, or conduct in which the person is alleged to have engaged;
- b. The rule(s) alleged to have been violated (or about to be violated);
- c. The predetermined penalty, if any;
- d. That the charged person is entitled to a hearing on the charges unless waived or a written offer of settlement is submitted and ultimately accepted and approved (Rules 3316.00 through 3317.02);
- e. That the charged party may file a written answer within ten (10) business days;
- f. That the charged party may file a written "nolo contendere" plea, neither admitting nor denying guilt, but waiving all proceedings except a hearing to set any appropriate penalty;
- g. That failure to answer the charges in writing within the time prescribed in paragraph e above shall be deemed a "not guilty" plea and a hearing will be scheduled before the Business Conduct Committee;
- h. That sufficient facts to prove a rule violation must be presented at any hearing before the business Conduct Committee in order for a penalty to be imposed; and
- i. Recommend that the charged party carefully review the rules of the KCBT.

3314.03 Notice Of Charges; Service On Member. The Notice of Charges shall be sent by certified mail to the most current business address known by the KCBT, or the last known residence of the charged party. Proof of mailing in such fashion shall be deemed sufficient notice.

3314.04 Notice Of Charges; Business Conduct Committee. A copy of the Notice of Charges shall be given to each member of the Business Conduct Committee.

Offers Of Settlement

3316.00 Committee Receive And Review. The Complaint Committee may receive and consider offers of settlement. The offer of settlement may include a statement that such settlement will not be deemed an admission of guilt. If the Complaint Committee approves and accepts the offer of settlement received, the offer of settlement must be forwarded to the Business Conduct Committee for final acceptance and approval.

Notes: 1. The offer of settlement must be in writing and may be submitted at any time after the investigation report is completed by the Audits and Investigations staff.

2. The action of the Cash Grain Adjustment Committee on any offer of settlement shall be reduced to writing, a copy being given to the member tendering the offer of settlement.

3. If a Notice of Charges has been issued, a hearing before the Business Conduct Committee will be scheduled even though an offer of settlement has been submitted. Such hearing will be cancelled on final acceptance and compliance with the offer of settlement.

3317.00 Business Conduct Committee Review. Review of a submitted offer of settlement shall be automatic and must be considered by the Business Conduct Committee within ten (10) business days of receipt from the Complaint Committee.

3317.01 Scope Of Review. The Business Conduct Committee shall have no power other than to review offers of settlement or require a full hearing on the matter if it deems the tendered offer of settlement unsatisfactory.

3317.02 Decision. The final decision of the Business Conduct Committee shall be made within fifteen (15) business days, absent extraordinary circumstances.

Note: The decision must be reduced to writing. A decision which approves and accepts the offer of settlement will constitute a final Exchange action.

Disciplinary Hearing

3320.00 Hearing Requirement. No member may be disciplined under these rules without being afforded an opportunity to a fair hearing at which such member can present a defense.

3321.00 Hearing Body. The hearing shall be fair and shall be conducted before the members of the Business Conduct Committee, except for the hearing provided in Rule 408.00 (decorum). The hearing may be conducted before all of the members of the Business Conduct committee or a panel thereof. Note: A hearing by panel must be a quorum of the Business Conduct Committee. Rule 244.01 provides that five (5) members are necessary for a quorum.

3321.01 Conflict Of Interest; Inability To Serve. No member of the Business Conduct Committee may serve on the Committee or panel if such member or any person or firm, with which such member is affiliated, has a financial, personal, or other direct interest in the matter under consideration.

Notes: 1. If any member is unable to serve for any reason, a substitute shall be appointed by the Chairman to serve only as to the matter under consideration. See Rule 244.02.

2. See also Rule 251.00, Confidentiality, and Rule 252.00, Nonliability.

3322.00 Hearing Date. In the event a hearing is necessary, it shall be the duty of the Chairman of the Business Conduct Committee to set a hearing date within thirty (30) calendar days from the date of issuance of the Notice of Charges.

3322.01 Extension Of Time. The member charged and the Board of Trade staff are each entitled to one (1) fifteen (15) business day extension for good cause shown. The Business Conduct Committee may, in its discretion, grant a longer extension on proof of extraordinary circumstances such as would result in a severe handicap or unfair burden to either side and therefore be unjust.

3322.02 Hearing Promptly Convened. The hearing shall be promptly convened after reasonable notice to the charged party.

Note: The notice requirements of Rule 3314.03 apply to the hearing notice.

3323.00 Failure To Appear. If the charged member, after due notice of the hearing as provided in these rules, shall fail to appear at the appointed time and place or shall abscond or conceal their whereabouts so that notice pursuant to Rule 3314.03 cannot be made, the hearing may proceed in the absence of such party and the determination of the Business Conduct Committee shall be binding as in other cases.

3324.00 Staff A Party. The staff shall be a party to the hearing before the Business Conduct Committee and shall present the case on those charges and penalties which are the subject of the hearing.

Note: The staff is also a party to any appeal taken to the Board of Directors from the decision of the Business Conduct Committee.

3325.00 Rights Of Charged Party; Prehearing. Prior to the commencement of the disciplinary hearing required by this Chapter, the charged party shall be afforded the following:

a. **Right To Representation.** Upon being served with a Notice of Charges, a charged member has the right to be represented by legal counsel or any other representative chosen by such member (such as an accountant or another member) in all succeeding stages of the disciplinary proceeding; and

b. **Discovery.** The charged party shall be entitled in advance of the hearing to examine all books, documents, or other tangible evidence in the possession of or under the control of the KCBT which are to be relied upon by the staff in presenting the charges contained in the Notice of Charges or which are relevant to those charges. **3326.00 Rights Of Charged Party; Hearing.** The charged party shall be afforded the following rights at any hearing required by this Chapter:

a. **Appear Personally.** The charged party shall be entitled to appear personally at the hearing;

b. **Call Witnesses.** The charged party shall be entitled to call witnesses and to present such evidence as may be relevant to the charges; and

c. **Cross Examination.** The charged party shall be entitled to cross-examine any person appearing as a witness at the hearing.

Note: See also Rule 3327.00 c, Self-Incrimination.

3327.00 Hearing; Requirements. The following requirements shall apply to any hearing required by this Chapter:

a. **Rules Of Evidence.** The formal rules of evidence need not apply; however, the hearing procedures may not be so informal as to deny a fair hearing;

b. **Record Of Proceeding.** A substantially verbatim record of any hearing shall be made and become a part of the proceeding. The record must be one that is capable of being accurately transcribed; however, it need not be transcribed unless the transcript is requested by the charged party, or if the decision is appealed as permitted by these rules;

c. **No Self-Incrimination.** No witness shall be compelled to answer any question which might tend to incriminate such member; and

d. **Irrelevant Material.** Testimony which in the opinion of the Committee or tribunal is irrelevant to the case on hearing shall not be admitted.

3327.01 Hearing; Disorderly Conduct. The use of any personal, abusive, or discourteous language or other conduct which impedes the progress of any hearing pursuant to this Chapter shall subject the party offending to censure, a fine of not exceeding \$100.00, or both. The penalty shall be imposed by the Chairman at the time of the offense.

3328.00 Witnesses; KCBT Efforts. The KCBT shall require persons within its jurisdiction who are called as witnesses to appear at the hearing and to produce evidence. Reasonable efforts shall be made by the KCBT to secure the presence of all other persons called as witnesses whose testimony would be relevant.

3328.01 Persons Within The Jurisdiction Of The KCBT; Defined. Persons within the jurisdiction of the KCBT shall include all members, firms represented by membership to the extent such firms are involved in transactions governed by the rules of this Exchange, floor clerks, Board of Trade staff, and Clearing Corporation staff.

3329.00 Hearing; Testimony. The Business Conduct Committee shall at all hearings take testimony under oath, and no statement not sworn to shall be considered in the determination of the case.

3330.00 Hearing; Witnesses. In any hearing before the Business Conduct Committee, if any member who shall have had notice, in writing, from the Secretary to appear and testify in the case, or if any member who shall have been cited by the Chairman of the Business Conduct Committee to appear and testify, shall neglect or refuse to answer any question which may, by a majority vote of the said Business Conduct Committee, be declared proper and pertinent to the case in hearing, such member shall be subject to suspension by such Committee from all the privileges of the Board of Trade for such period as that Committee may determine. The Business Conduct Committee may suspend a member in case of contempt of a witness before said Committee, provided that in case of such contempt before the Business Conduct Committee, the penalties herein provided may be inflicted at once and without notice. Note: See Rule 3327.00 c, Self-Incrimination.

3331.00 Hearing; Order of Presentation. When members are required to appear at a hearing before the Business Conduct Committee for the purpose of discipline, normally each party to such hearing shall be allowed to address the Business Conduct Committee once in opening the case, stating the line of prosecution and defense only; thereafter both sides shall present evidence, the staff first, then the charged party, subject to the right of cross-examination. At the conclusion of such hearing, the staff shall be allowed to address the Business Conduct Committee in opening and closing the argument, and the defense shall be allowed equal time after the opening and before the closing arguments by the prosecution. The closing argument of the staff shall, however, be confined to a summation and any new matters presented in the closing argument of the defense. Before the beginning of the argument the Chairman shall designate the time to be allowed to each party.

3332.00 Business Conduct Committee Decision. Promptly following a hearing conducted in accordance with these rules, the Business Conduct Committee shall render a written decision based upon the weight of the evidence contained in the record of the proceeding. A copy of the decision shall be provided the charged party.

3332.01 Time. Normally a decision should be made in a closed executive session, drafted, edited, revised, signed, and given to the charged member within three (3) weeks [fifteen (15) business days] following the conclusion of the hearing.

Note: The notice requirements of Rule 3314.03 apply to notice of the decision.

3332.02 Consider Rule 3341.00. The Business Conduct Committee shall, in considering a case, take into account the guidelines of Rule 3341.00.

3332.03 Penalties. Subject to appeals as provided by the rules and applicable laws, any member who shall be found guilty of any violation of any of the provisions of the Certificate of Incorporation, the rules, resolutions, or any regulations adopted by the Board of Directors, shall be subject to being warned, censured, fined, suspended, expelled, or membership and property rights forfeited, at the discretion of the Business Conduct Committee, after a full and fair hearing of all the facts presented in the case.

3332.04 Written Decision. The written decision shall include:

- a. The notice of charges or a summary of the charges;
- b. The answer, if any, or a summary of the answer;
- c. A brief summary of the evidence produced at the hearing or, where appropriate, incorporation by reference to the investigation report;
- d. A statement of findings and conclusions with respect to each charge, including the specific rules which the charged member is found to have violated; and
- e. A declaration of any penalty imposed and the effective date of such penalty.

Note: See Rules 3355.00 and 3355.01 for time a sanction becomes effective.

3333.00 Hearing Reopened. The Business Conduct Committee may order the hearing reopened to receive newly discovered material evidence prior to issuing a written decision on the written request of the staff or the charged party.

Appeal

3335.00 Appeal; Generally. An appeal may be taken to the Board of Directors from a decision of the Business Conduct Committee within ten (10) business days from the date the decision is released.

Note: A warning letter with no finding of guilt and a fine of less than one hundred dollars (\$100) cannot be appealed. See Rule 232.05.

3336.00 Appeal; Content. An appeal to the Board of Directors must be in writing and contain the following:

- a. Name of the charged party;
- b. Nature of the objection to the decision; and
- c. Argument and discussion.

3337.00 Appeal Hearing; Time. The Board of Directors shall convene as an appeal body to hear the appeal within twenty (20) business days. At least ten (10) business days advance written notice of the hearing day must be sent to both parties (see note 1).

Notes: 1. See Rule 3324.00 and Rule 232.05.

2. The notice requirements of Rule 3314.03 apply to the notice of hearing to the charged party.

3337.01 Continuance. On written application, for a good cause shown such as a delay in obtaining a typed copy of the transcript, unavailability of counsel, etc., the Chairman may grant each party one (1) continuance not to exceed thirty (30) calendar days.

3338.00 Appeal Board. The appeal or review proceeding may be conducted before all of the members of the Board of Directors or a panel of five (5) Directors appointed by the Chairman for such matter.

3338.01 Conflict Of Interest; Inability To Serve. No member of the Board of Directors shall serve on an appeal or a review body or panel thereof if such member participated in any prior stage of the disciplinary proceeding or if such member or any person or firm, with which such member is affiliated, has a financial, personal, or other direct interest in the matter.

Notes: 1. See note to Rule 3321.01 for appointment of a substitute.

2. See Rule 251.00, Confidentiality, and Rule 252.00, Nonliability.

~~**3339.00 Scope Of Review On Appeal.** Except for good cause shown, the appeal shall be based on the record of the hearing before the Business Conduct Committee, including documentary evidence and the transcript, and oral and written positions of the parties. The Board of Directors shall determine if the decision was based on the weight of the evidence and if the sanction imposed was appropriate. The Board of Directors, or a panel thereof, shall have the power to affirm the decision of the Business Conduct Committee, reduce the sanction or remand the matter to the Business Conduct Committee for rehearing.~~

~~**3340.00 Hearing; Procedure.** The procedure before the Board of Directors, or panel thereof, sitting as an appeal body shall be generally as follows:~~

~~a. The Chairman shall preside;~~

~~b. The First Vice Chairman may not participate in or be present at the proceedings;~~

~~c. The appealing party shall ordinarily have twenty-five (25) minutes to present its case (not counting question time);~~

~~d. The staff shall have ordinarily thirty (30) minutes (not counting question time);~~

~~e. The appealing party shall have a five-minute period for rebuttal and summation;~~

~~f. The Directors may ask questions, although generally they should wait until the end of a presentation to do so.~~

~~Note: The rights guaranteed by Rules 3325.00, 3326.00, and 3327.00 shall also apply at any appeal hearing.~~

~~**3341.00 Considerations In Review Of Sanctions On appeal.** In reviewing the sanction, the Board of Directors, or panel thereof, shall consider, among other factors:~~

~~a. Nature and extent of injury or damages, if any, suffered as a result of the rule violation, and remuneration, if any, to the injured party;~~

~~b. Past record of the charged party;~~

~~c. Financial position of the charged party;~~

~~d. Deterrent effect of the sanction; and~~

~~e. Other relevant factors.~~

~~**3342.00 Appeal Decision.** The Board of Directors or a panel thereof, shall issue a written decision within thirty (30) calendar days of the hearing. That decision shall be the final decision of the KCBT and shall be effective ten (10) business days after mailing to the charged party.~~

~~Note: See Rules 3355.00 through 3357.00, Sanctions; Effective Date.~~

~~**3342.01 Copy To Charged Party.** A copy of the written decision of the Board of Directors, or a panel thereof, shall be mailed to the charged party, return receipt requested, at the last known address of the charged party.~~

~~**3342.02 Contents Of Decision.** The written decision shall include:~~

~~a. A statement of findings and conclusions with respect to each charge or penalty reviewed;~~

~~b. The specific rules which the charged party was found to have violated by the Business Conduct Committee;~~

~~c. A declaration of any penalty imposed; and~~

~~d. The effective date of such penalty.~~

Summary Actions

~~**3345.00 Summary Action; When Necessary.** Summary actions may be taken upon a reasonable belief that such immediate action is necessary to protect the best interest of the marketplace.~~

~~**3346.00 Notice Of Summary Action.** The charged party shall, whenever practicable, be served with a notice before the action is taken. If prior notice is not practicable, the charged party shall be served with a notice at the earliest possible opportunity. The notice shall state:~~

- a. The action taken;
- b. Briefly the reasons for the action; and
- c. The effective time, date, and the duration of the action.

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3347.00 Right To Representation. The charged party shall have the right to be represented by legal counsel or any other representative of such person's choice in all proceedings subsequent to notice of the summary action taken pursuant to Rule 3346.00.

3348.00 Hearing. The charged party shall promptly be given opportunity for a hearing subsequent to the summary action. The hearing shall be fair and shall be held before one or more members authorized by the KCBT to conduct hearings pursuant to Rule 3321.00 (Business Conduct Committee). The hearing shall be conducted in accordance with the requirements set forth in this Chapter.

3349.00 Decision. Promptly following the hearing provided for in Rule 3348.00, the Business Conduct Committee shall render a written decision based upon the weight of the evidence contained in the record of the proceeding and shall provide a copy to the charged party. The decision shall set forth:

- a. A description of the summary action taken;
- b. The reason(s) for the summary action;
- c. A brief summary of the evidence produced at the hearing;
- d. Findings and conclusions;
- e. A determination that the summary action should be affirmed, modified, or reversed;
- f. A declaration of any action to be taken pursuant to the determination specified in paragraph e. above; and
- g. The effective date and duration of such action.

3350.00 Appeal To Board Of Directors. The charged party may appeal promptly an adverse decision of the Business Conduct Committee. Such appeal shall be established in accordance with the requirements for an appeal in all other disciplinary matters.

Sanctions; Effective Date

3355.00 Effective Date. The effective date for any sanction imposed by the Business Conduct Committee or of any decision of the Board of Directors, or a panel thereof, on an appeal, except as otherwise provided, shall be ten (10) business days following the mailing of a copy of the written decision, return receipt requested, to the charged party at such party's last known address. The decision shall be final on such date, subject to the exceptions listed in Rule 3355.01.

3355.01 Exceptions. The effective date of sanctions as set forth by Rule 3355.00 shall not apply:

- a. Where there is reasonable belief that immediate action is necessary to protect the best interest of the market;
- b. Where the actions of a person within the jurisdiction of the KCBT impede the progress of a disciplinary hearing (see Rule 3327.01);
- c. Where a person has failed to timely submit accurate records required or to verify each day's transactions or other similar activities; or
- d. Where the person against whom the action is taken has consented to the sanction to be imposed.

3355.02 Notice Requirements. If the KCBT determines in accordance with these rules that the disciplinary action shall become effective prior to the expiration of ten (10) business days after written notice thereof, it shall by telegram or other means of written telecommunication immediately notify the person against whom the action is taken, stating the reason(s) for that determination.

3356.00 Notice Required For All Sanctions. Written notice of all disciplinary actions under these rules shall include:

- a. The name of the person against whom disciplinary action was taken;

- b. A statement of the reason(s) for the KCBT action together with a listing of any rule(s) which the person who was the subject of the disciplinary action was charged with having violated or which otherwise serve as the basis of the KCBT action;
- c. A statement of the conclusions and findings made by the KCBT with regard to each rule violation charged; or, in the event of an approved and accepted offer of settlement, a statement specifying those rule violations which the KCBT has reason to believe were committed; and
- d. The terms of the disciplinary action.

3357.00 Stay Of Sanction. If a written appeal to the Board of Directors, or a panel thereof, is filed with the Secretary within ten (10) business days following the release of the decision of the Business Conduct Committee which contains a request that the sanction be delayed pending the appeal, the Chairman may order such delay. The decision shall not be final until the appeal decision is rendered, or, if the appeal is withdrawn, ten (10) business days after notice has been given pursuant to Rule 3355.00.

3358.00 Bar To Further Discipline. When any member shall have been relieved from suspension or expulsion, in the manner provided by these rules and after due notice of such member's application has been given, such relief shall be a bar to any further discipline on account of any debts incurred prior to such relief; provided that said debts shall have been due and payable at the time of such relief.

Costs

3360.00 Costs Of Transcript. The costs of transcribing the record of any hearing shall be borne by a charged party requesting the transcript or the party appealing the decision.

Resolutions

RES 33-3300.00-1 Discipline; Staff To Conduct Investigation

Authority Of Audits And Investigations Staff; Confidentiality

RESOLVED, that during the course of any investigation or review conducted by the Audits and Investigations staff, the Audits and Investigations staff is authorized and empowered to review and, as necessary, copy any and all books, records, papers, reports, memoranda, financial data, customer data, or any other information or documents in the possession of any person, firm, partnership, or corporation within the jurisdiction of the KCBT which may have a bearing on the matter(s) under investigation or review. All such books, records, papers, etc., reviewed shall be maintained in strict confidence, except that relevant information so obtained may be disclosed only as necessary to the Futures Complaint Subcommittee, the Complaint Committee, the Compliance Advisory Committee, the Business Conduct Committee, and the Board of Directors in connection with matters pending before such bodies (December 30, 1980).

RES 33-3310.00-1 Discipline; Committee

Conflict Of Interest; Complaint Committee

RESOLVED, that whenever the Complaint Committee is convened for the purpose of reviewing matters involving possible rule violations, no member of such Committee may serve in the matter if such member or any person or firm, with which such member is affiliated, has a financial, personal, or other direct interest in the matter before the Committee. If a member is unable to serve, an alternate shall be selected by the Chairman of the Complaint Committee; provided, however, if all members of the Committee are disqualified, the Chairman shall appoint substitutes as necessary to constitute a quorum and to serve only as to the matter under consideration (December 30, 1980).

Chapter 34 Cash Grain Call

Applicable Rules

3400.00 Rules To Apply. Except as specified in this Chapter, KCBT rules shall apply.

3400.01 Amendments. These rules and terms may be amended by the Board of Directors or by the Cash Call Committee on ten (10) hours' notice.

Time And Place

3402.00 Time. The cash grain call session will be held each regular market trading day at 10:30 A.M. and will end promptly at 11:30 A.M., or sooner if there are no responses to the final call.

Notes: 1. First session was held June 6, 1977.

2. The starting times have varied beginning at 11:00 A.M., changing to noon on July 30, 1979, and changing to 10:30 A.M. on August 10, 1981.

3. Amended by Cash Call Committee August 4, 1981 to be effective Aug. 10, 1981.

3403.00 Place. The cash grain call session will be held at the south end of the trading floor.

3403.01 On Floor. All trades must be made between members of the KCBT who are on the floor.

Who Can Trade

3405.01 Brokers. Only members of the KCBT are authorized to be a broker in the Cash Grain Call.

3405.02 Nonmembers. A nonmember's bid or offer may be given through a member broker and posted on the Board for acceptance, subject to the following:

a. The nonmember principal must be identified by firm name as part of the posted bid or offer on the board.

b. Such nonmember must file with the member broker an agreement to be subject to the rules of the Cash Call Session.

3405.03 Members. A member's bid or offer may be given through a member broker and posted on the board for acceptance, without disclosure of the member principal's name on the board.

3405.04 Acceptance. Only a member may accept a trade by taking a posted bid or offer; such acceptance, however, may be conveyed through a member broker.

Notes: 1. See INTRP 34-3405.00-1.

2. Approved by the Board October 1, 1981.

Floor Procedure

3408.00 Calls. Initially there will be five (5) calls per session: multi-car corn—Kansas City basis; Gulf wheat; Gulf corn; Gulf sorghum; and then a last call for these four (4) commodities. (Other cash commodity calls may be held if requested by members, if and on terms approved by the Cash Call Committee.) The first four (4) calls will continue for approximately fifteen (15) minutes each, or they may be terminated sooner by the caller if there are no further bids or offers.

3409.00 Open And Close. The caller will declare the call session open and declare the call session ended when the time expires or when there are no further bids or offers, whichever occurs first. The decisions of the caller are final. **3409.01 Duties Of Caller.** The caller will perform the following duties:

a. Recognize members who raise their hands;

b. Take single bids and/or offers;

c. Declare sales;

d. Make a written record in three (3) copies for seller, buyer, and the Board of Trade; and

e. Make final calls.

3410.00 Marker. The marker will record bids and offers in the order received on the board. Following the close of the call, all member initials will be erased from the board.

3411.00 Bids And Offers. A bid or an offer will stay "live" on the board until the end of the call for that contract.

3411.01 Standard Terms. Unless otherwise specified, bids and offers will be for the standard market call session terms.

Note: See Rules 3425.00 and 3426.00 for standard terms.

3411.02 Format. Bids and offers will be in the following format:

- a. Bid or offer;
- b. Quantity;
- c. Quality (if necessary);
- d. Shipment period;
- e. Freight (if necessary);
- f. Any special terms; and
- g. Price.

For convenience in identification, bids and offers will be numbered on the board.

3411.03 Posting; Members Initials. Member's assigned badge initials will be posted with bids and offers.

3411.04 Minimum Quantity. So long as a seller or buyer books the minimum quantity set by contract terms, any portion can be booked unless a bid or offer is entered "all or none".

3411.05 Bids And Offers At Close. When a call is closed, all bids and offers for that commodity are "dead" and have no further force and effect.

3411.06 Fees Imposed. The following shall govern when fees are chargeable:

- a. **No Fee.** A bid may be raised, an offer lowered, a bid or an offer made less restrictive, or the quantity increased at no cost.
- b. **Fee Of \$25.00.** A fee of \$25.00 per bid or offer will be charged to lower a bid, to raise an offer, to decrease the quantity, to make a bid or offer more restrictive, or to "kill" or take a bid or offer off the board.
- c. **Fee Of \$5.00.** Each buyer and seller will pay \$5.00 each for each unit or part thereof traded.

3411.07 Fees Payable; When. All fees will be paid to the Board of Trade when billed.

Trading Procedure

3415.00 Transaction Consummated. A member may consummate a transaction at any time after a bid or offer is written on the board by calling out "buy" or "sell", identifying the bid or offer (or portion thereof), and identifying the principal. The caller must declare a sale and identify the successful taker (if more than one) to make it official.

3416.00 Give Up Name Immediately. Both the bidder/offeror and the taker must immediately publicly give up the name of another member or member firm in the event of a sale or the trade will be in their name.

3417.00 Taking Opposite Side Of Trade. Once a bid or offer is posted, a member acting as a broker can, by calling out buy or sell, become a principal and take the opposite side of the trade.

3418.00 Pricing. Basis contracts shall be priced according to Rule 3013.00 for shipments within thirty (30) days. Unless otherwise mutually agreed to by the parties, contracts calling for deferred shipments shall be priced by the first market day of the month of shipment or last business day prior to the first delivery day of pricing futures, whichever comes first.

Note: Rules 3080.00 through 3087.00 relating to margins on time contracts may be used for a sale made on the cash call session.

3419.00 Written Confirmation. All parties to a sale (buyer, seller, and broker) must exchange written confirmations.

3420.00 Record; Access. The Board of Trade will keep a permanent record of trades, bids, and offers. Media representatives shall have access to the information on the board following the session.

Trading Terms

3425.00 Multi-Car Corn, Export Wheat, Export Corn, Export Sorghum, and Multi-Car Sorghum. The following terms shall apply unless otherwise specified and declared at the time of the bid or offer:

a. **Quantity.** Minimum of 25,000 bushels on anything other than spot shipment; except on units of three (3) hoppers (one "multi"), minimum of 10,200 bushels of multi-car corn or sorghum.

b. **Quality.** Multi-Car Corn; No. 2 yellow corn, No. 3 yellow corn account FM to apply at one cent (1¢) discount.

All Export Wheat Offered; No. 1 hard red winter, with a discount of one-half cent (.05¢).

Export Corn; 52 — 15.5, 7 and 4, 1/2, 1/2, and 2.

Export And Multi-Car Grain Sorghum: The applicable grade will be No. 2.

c. **Shipment Date.** The time of shipment of the contract will be specified by each trader (bid or offer).

d. **Rail.** Shipments by rail.

e. **Documents.** Shippers order bill of lading.

f. **Weights.** All trades shall be made basis first official weights.

g. **Inspection.** All trades shall be made basis first official inspection (white certificate).

h. **Price.** Shall be basis delivered Houston or Galveston export, except this shall not apply to multi-car corn.

i. **Multi-Car Corn And Grain Sorghum Rate Basis.** F.O.B. Kansas City, Mo., non-transit Mo. Pac.

j. **Multi-Car Corn And Grain Sorghum Billing Time Allowed.** For buyer to provide billing to seller on applications on contract:

1. Cars applied by 2:30 P.M. must be billed by 5:00 P.M.;

2. Multis applied after 2:30 P.M. on a regular business day must be billed by 11:00 A.M. of the following day and where the following day is a holiday, they must be billed by 11:00 A.M. of the next business day; and

3. Failure to comply entitles seller to bill buyer \$20.00 per car per day for each twenty-four (24) hours or part thereof.

k. **Cool And Sweet.** Seller guarantees multi-car corn and grain sorghum to be cool and sweet on arrival at first billed destination.

Notes: 1. In some cases this will result in Saturday billing.

2. See INTRP 34-3425.00-1 regarding billing time on multi-car corn.

3426.00 25 Hopper K.C. Trains; Corn. Effective February 11, 1980, the call session for Gulf corn rail cars will also include 25 hopper Kansas City trains of corn. Such trains will be traded by the following rules and terms unless otherwise specified:

a. **Quantity.** Each train will be for 87,500 bushels of corn.

b. **Quality.** The grade maximum and minimum factors will be:

1. 52 lbs. TW on a 1/2¢ scale below 54 lbs.;

2. 15.0% moisture average for the train with no individual hoppers over 15.5% moisture to apply;

3. 7% maximum TD to apply on a 1/2¢ per bushel scale over 5%; and

4. 4% maximum FM to apply on a 2¢ per bushel scale over 3%.

c. **Rail.** Buyers and sellers must specify railroad.

d. **Cool And Sweet.** Trains are guaranteed "cool and sweet" on arrival at first billed destination.

e. **Inspection And Weights.** Trains will trade on first official grades and destination weights.

f. **Rate Basis.** Freight base will be delivered at Kansas City.

g. **Demurrage.** Trains will trade under the demurrage rules of the applicable railroad tariff.

3430.00 PNW Train Corn.

a. **Quantity.**

1. UP or ATSF or UP/CNW 25-car — 87,500

50-car — 175,000

75 car — 260,000

54 car — 190,000

2. ~~BN~~

b. **Quality.** The grade maximum and minimum factors will be:

1. 52 lbs. minimum test weight @ 1/2¢ per lb. below 54 lbs.
2. 15% moisture average for trains with no individual hopper over 15.5% moisture to apply.
3. 7% maximum T.D. to apply at 1¢ per bu. discount per each percent over 5%.
4. 5% maximum FM to apply at 3¢ per bu. discount 3% to 4% FM; an additional 4¢, 4% to 5% FM.

c. **Rail.** Buyer and seller must specify railroad.

d. **Cool and Sweet.** Trains are guaranteed "cool and sweet" on arrival at first billed destination.

e. **Inspection and Weights.** Trains will trade on first official grades (white certificate) and first certified weights.

f. **Documents.** Bill of lading or release order and if applicable weight and inspection certificate.

g. **Payment Terms.** Unless otherwise specifically agreed upon, *all bills for carload lots of grain, mill feed, or seeds, when accompanied with the proper papers and presented to the purchaser before 10:45 A.M., must be paid that day before 12:30 P.M. Bills presented after 10:45 A.M. must be paid not later than 11:30 A.M. the next following business day. Members, whose offices are in Kansas City located other than at 4800 Main Street, receiving invoices by the morning mail prior to 10:45 A.M., shall pay to the seller on the floor of the KCBT or leave a check for the same at the Office of the Secretary before 12:30 P.M. the day of the receipt of the invoice. The foregoing is to be maintained on a year-round basis. * Such as payment by draft (D) or wire transfer (W), which must be specified with the bid or offer.

h. **Billing.** For buyer to provide billing to seller on applications on contract —

1. Trains applied by 4:00; must be billed that day.
2. Failure to comply entitles seller to bill buyer for demurrage under the demurrage rules of the applicable railroad tariff.
3. Embargoes — If buyer fails to bill train because of embargo, buyer will pay seller upon receipt of proper documents.

Trade to begin Monday, August 31, 1981, under these rules as part of the KCBT call session, which begins at 10:30 A.M. C.T.