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**KANSAS CITY
BOARD OF TRADE**
CLEARING CORPORATION

August 21, 2003

SENT VIA E-MAIL

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

Re: Submission pursuant to Commission Regulation Section 40.6

Dear Ms. Webb:

- I. **Certification.** The Kansas City Board of Trade Clearing Corporation ("KCC") hereby gives notification to the Commission pursuant to Commission Regulation Section 40.6, of its intention, pursuant to Rule 3.04 of its Bylaws, to adopt new Rule 6.18 giving the KCC Board of Directors the power to suspend or revoke the clearing privileges of its clearing members and to levy fines for certain offenses. The KCC Board of Directors, in a regular meeting held on August 20, 2003, acting pursuant to authority granted them under Rule 3.04, approved new disciplinary Rule 6.18. KCC certifies to the Commission that giving the KCC Board the powers prescribed by Rule 6.18 is in compliance with the Commodity Exchange Act and the regulations thereunder, and is consistent with similar provisions at other Designated Clearing Organizations.
- II. **Date of Implementation.** KCC intends to make the provisions of new Rule 6.18 effective Monday, September 1, 2003.
- III. **Substantive Opposing Views.** To the knowledge of the KCC Board of Directors and staff, no substantive opposing views were expressed by members or others regarding provisions of Rule 6.18.
- IV. **Text of Amended Rules.** The text of new Rule 6.18 is as follows:

6.18 – The Board shall have the power to suspend or revoke the clearing privileges or levy fines against clearing members for the following:

- (a) **Conduct that is detrimental to the interest or welfare of the Company;**
- (b) **Conduct that is inconsistent with just and equitable principles of trade; or**
- (c) **Failure to comply with Company Bylaws or procedures established by the Board (other than those for which fines have been established pursuant to Bylaws 6.05 and 6.06).**

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V. **Rationale for Action Taken.** KCC has in the past operated under the premise that it had an implied right to take the actions set forth in Rule 6.18 against clearing members for conduct not in the best interests of KCC. In years past, this power has been exercised on the rare occasions when clearing members were late in meeting the deadlines prescribed by the Bylaws for making delivery of warehouse receipts in satisfaction on wheat futures contracts.

In an effort to formalize past practice and to further provide substantiation for such actions in the event the legitimacy of such actions is questioned, KCC has adopted Rule 6.18 which specifically sets forth the types of disciplinary actions that may be taken against clearing members as well as the types of conduct subject to disciplinary action under said Rule.

VI. **Closing.**

Any questions regarding this submission should be directed to the undersigned at 816-931-8964.

Sincerely,

Max Barney
Assistant Vice President & Manager

Cc: John Lawton, CFTC - Washington
Tom Bloom, CFTC - Kansas City