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June 21, 2004

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 ("KCBT") hereby gives notification to the Commission pursuant to Commission Regulation Section 40.6, of its intention, pursuant to Rule 207.00(a), to amend Rules 199.00(k), 199.00(p) and Resolution 1-199.00-1 pertaining to membership delegation and to enact Rule 112.01 establishing qualified categories for membership representation (hereinafter referred to as the "amendments"). The Board of Directors, in a regular meeting held on May 25, 2004, acting pursuant to authority granted them under Rule 207.00(a), approved the amendments and submitted them to all Class AA members/shareholders for a shareholder vote. The shareholders, in a special meeting held June 21, 2004, ratified the Board action by a vote of 105 to 3. KCBT certifies to the Commission that these amendments are in compliance with the Commodity Exchange Act and the regulations thereunder.
- II. **Date of Implementation.** The effective date of the amendments to Rules 199.00(k) & 199.00(p) shall be Wednesday, June 23, 2004. The effective date of new Rule 112.01 shall be Monday, September 20, 2004. The effective date of Resolution 1-199.00-1 shall be Monday, January 3, 2005.
- III. **Substantive Opposing Views.** To the knowledge of the Board of Directors and staff, no substantive opposing views were expressed by members or others regarding the amendments. Some members expressed concerned about eliminating the maximum lease term, but in the opinion of the exchange, these concerns were not considered substantive in relation to the changes taken as a whole.
- IV. **Text of Amendments.** The text of the amendments is shown as follows, with additions underlined and deletions lined out.

Chapter 1 - Membership

Rule 112.01 Membership Representation – Qualified Categories. Representations registered with the exchange pursuant to Rule 112.00 are limited to the following qualified categories:

1. **Individual** – A member may only register as representing themselves as an individual if such member owns the membership (share of stock). A member may not register as representing another individual member.
2. **Owner** – A member may register as representing an entity if such member has a significant bona fide ownership interest or controlling authority in the entity.
3. **Employee** – A member may register as representing an entity if such member is a bona fide employee of the entity.

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

199.00 Delegation. 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 to an individual (a "delegate") upon the following terms and conditions:

- k. Maximum Delegation Term —None; however, all delegation agreements are subject to any subsequent rule amendments adopted after execution of said agreement. No person entering into a delegation agreement may be a party to one or more delegation agreements, which result in such person exercising membership privileges as a delegate over an aggregate period of time of more than two (2) years.
- p. In addition, Delegate must deposit by cash, Treasury Bill, or Letter of Credit, the sum of Twenty Five Thousand (\$25,000.00) Dollars, which sum shall be paid after the expiration or termination of the Delegation Agreement in accordance with KCBT Rules 185.00 or 188.00 as applicable, except that the surplus, if any, shall be paid to the delegate. This Resolution shall not limit or waive any other rights members or third parties may have against the Delegate or the member who Trade, and the cash, Treasury Bill or Letter of Credit must be deposited with the Board of Trade before the Delegate is approved by the Membership Committee.

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 \$150.00, ~~and that the KCBT impose a \$750.00 initial delegation fee to be paid to the KCBT on any delegation agreement to any person to whom a membership is delegated for the first time after January 28, 1992.~~ 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. ~~even though the present changes in fees shall be submitted to a membership vote.~~

V. **Rationale for Action Taken.** At the March executive and board of directors meetings, the topic of leasing was discussed, including not only regular membership delegations (pursuant to KCBT Rule 199.00) but also the practice of using (borrowing) memberships held by members owning multiple memberships. It was the general consensus of the Board that consideration should be given to revisiting the rules associated with such practices.

In that regard, the Board forwarded the matter to the rules committee for their review of the practices of leased/borrowed memberships and for their recommendations as to what rule amendments should be considered. Meetings of the rules committee ensued and resulted in several recommended rule changes (reflected in this proposition) in order to:

1. Eliminate the practice of using memberships of others under privately structured arrangements that closely resemble delegation arrangements without such arrangements operating pursuant to exchange delegation rules; and
2. Ease some of the exchange rule restrictions governing membership delegations.

The committee also offered the Board the following schedule of recommended implementation dates for the amendments:

1. Rules 199.00(k) & 199.00(p) - Effective two business days following membership ratification (to allow time for filing the CFTC rule certification).
2. Rule 112.01 – Effective 90 days following membership ratification (to allow time for members not in compliance with the rule to achieve compliance).
3. Resolution 1-199.00-1 – Effective January 1, 2005 (imposing such fee on persons entering into delegation agreements as the result of achieving compliance with Rule 112.01, but eliminating such fee at the end of the calendar year).

VI. **Closing.** Any questions regarding this submission should be directed to the undersigned at 816-753-7500.

Sincerely,

Jeff C. Borchardt
President

Cc: Rick Shilts – CFTC Washington
Tom Bloom – CFTC Kansas City