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Chapter 2 Government

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.

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.

232.031†

a. **Disclosure and Trading By Employees.** An employee of the Board of Trade shall not disclose to a non-employee of the KCBT any material, non-public information which such employee obtains as a result of his employment at the KCBT 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 KCBT 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 Rule clearly requires otherwise.

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

232.04 Trading Floor. The Board of Directors shall, on all business days, cause the facilities to be opened for the admission of members during the hours set apart for business therein. They 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.

232.05 Appeals. The Board of Directors (excluding the First Vice Chairman and any public director serving on the Business Conduct Committee) shall hear and determine all appeals from disciplinary sanctions imposed by the Business Conduct Committee for alleged violations of KCBT rules, provided that notice of such matter is given at least ten (10) business days before the meeting. However, a warning letter with no finding of guilt, and a fine under \$100 are not appealable to the Board of Directors.

232.06† Disclosure. No member of the Board of Directors or a member of a committee shall use or disclose, for any purpose other than in the performance of such member's official duties as a board or committee member, material, non-public information obtained as a result of participation on the board or a committee.

Note: Approved at Board of Directors meeting February 23, 1988, see page 1162 of the Board's minutes.

Powers

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.

241.05 Marketing, Education and Public Relations Committee. There shall be appointed each year by the Chairman, with the approval of the Board of Directors, a standing Marketing, Education and Public Relations Committee, which shall consist of a minimum of nine (9) members. A minimum of two (2) members from each product area with at least one (1) cash-oriented member and one (1) futures-oriented member shall comprise the Committee. The Committee shall:

- (a) Develop policy guidelines for education's and public relations materials, make presentations, handle public affairs, and generally seek to enhance the image of the Board of Trade; and
- (b) Advise and supervise the publication of the Grain Market Review, the Quarterly KCBT Report, and other publications and periodicals published by the Board of Trade.

241.06 Regulatory Oversight Committee. There shall be appointed each year by the Chairman, with the approval of the Board of Directors, a standing Regulatory Oversight Committee (“ROC”) consisting of only public directors to assist it in minimizing actual and potential conflicts of interest. The ROC shall oversee the Board of Trade’s regulatory program on behalf of the Board of Directors. The Board of Directors shall delegate sufficient authority, dedicate sufficient resources, and allow sufficient time for the ROC to fulfill its mandate. The ROC shall:

- (a) Monitor the Board of Trade’s regulatory program for sufficiency, effectiveness and independence;
- (b) Oversee all facets of the program, including trade practice and market surveillance; audits, examinations and other regulatory responsibilities with respect to member firms (including ensuring compliance with financial integrity, financial reporting, sales practice, recordkeeping and other requirements); and the conduct of investigations;
- (c) Review the size and allocation of the regulatory budget and resources; and the number, hiring, termination and compensation of regulatory personnel;
- (d) Supervise the Board of Trade’s chief regulatory officer, who will report directly to the ROC;
- (e) Prepare an annual report assessing the Board of Trade’s self-regulatory program for the Board of Directors which sets forth the regulatory program’s budget, describes its staffing and structure, catalogues disciplinary actions taken during the year and reviews the performance of disciplinary committees;
- (f) Recommend changes that would ensure fair, vigorous and effective regulation; and
- (g) Review regulatory proposals and advise the Board of Directors as to whether and how such changes may impact regulation.

242.00 Nominating Committee. The Nominating Committee shall consist of six (6) elected members, whose terms of office shall be for three (3) years, and one (1) member appointed for a term of one (1) year by the Chairman with the approval of the Board of Directors. The seven (7) members shall elect their own chairman. A member of the Nominating Committee shall not be eligible for nomination to any elective office except upon petition as provided in Rule 210.04. A member of the Nominating Committee shall not be eligible for election or appointment as a member of said Committee for a period of three (3) years from the expiration of such term of office.

243.00 Membership Committee. There shall be appointed each year by the Chairman, with the approval of the Board of Directors, a standing Membership Committee consisting of at least five (5) members.

244.00 Business Conduct Committee. The Business Conduct Committee shall consist of five (5) members: three (3) elected; the First Vice Chairman; and either a public director or someone who would qualify as a public director as defined in Rule 230.05. The public director member of the Committee shall be appointed each year by the Chairman with the approval of the Board of Directors. The elected members shall serve for a three-year staggered or overlapping term, so that each year one (1) new member is elected to replace an elected member who has served three (3) years. The terms will begin and end on the same date in January as do those of the Directors and Officers. The Committee shall be constituted so:

- (1) That more than fifty percent of the Committee includes persons whose primary membership interest (i.e., floor broker, floor trader, futures commission merchant, commercial, etc.) is representing membership interests other than the primary membership interest of the subject of the disciplinary proceeding being considered. If the makeup of the Committee is such that this subparagraph could not be complied with, the Chairman of the Exchange shall appoint a substitute member(s) pursuant to Rule 244.02 in such a manner as to insure compliance with this subparagraph. For the purposes of compliance with this paragraph, the Chairman of the Exchange shall be the final judge of which membership interest each Committee member and the subject of the disciplinary proceeding primarily represents.
- (2) That the Committee shall include sufficient different membership interests so as to ensure fairness and to prevent special treatment or preference for any person in the conduct of the Committee's responsibilities.

244.01 Quorum. Five (5) members of the Business Conduct Committee shall be required to constitute a quorum.

244.02 Inability To Serve. Should any member of the Business Conduct Committee be unable to serve on a particular matter, the Chairman shall appoint a substitute. Should an elected member of the Business Conduct Committee resign or become permanently unable to serve, the Chairman shall appoint a replacement to serve the balance of the term of the member subject to approval of the Board of Directors.

245.00 Products Committee. There shall be appointed each year by the Chairman, with the approval of the Board of Directors, a standing Products Committee, which may be subdivided to reflect different futures contracts, if any. The purpose of the Products Committee shall be:

- a. To report the opening and closing ranges, and to establish the daily settlement price; and
- b. To consult with the Directors, Officers, floor traders, brokers, other members, and the staff on matters regarding each product.

246.00 Finance Committee. There shall be appointed each year by the Chairman, with the approval of the Board of Directors, a standing committee of five (5) members to be known as the Finance Committee. Such Committee shall review the financial status of members and member applicants. They may consider staff analysis and recommendations, and may consult with outside experts. When such Committee believes that a member, or a firm a member represents, is in or is approaching financial difficulties, they shall report the matter to the Business Conduct Committee with recommendations for consideration by the Business Conduct Committee of limitations or suspension of trading activities, or other appropriate action.

247.00 Complaint Committee. There shall be appointed each year by the Chairman, with the approval of the Board of Directors, a standing Complaint Committee. The Complaint Committee shall have a minimum of ten (10) members which shall consist of a diversity of membership interests as described in Rule 244.00. One (1) of the ten (10) members of the Complaint Committee shall be either a public director or someone who would qualify as a public director as defined in Rule 230.05. The public director member of the Committee shall be appointed each year by the Chairman with the approval of the Board of Directors. Such Committee(s) shall:

- a. review staff reports of investigations into possible cash grain trading rule and futures trading 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; and
- b. to receive evidence and make decisions regarding disputes as set forth in Rule 3085.00 of these Rules;
- c. to make adjustments where differences may arise between seller and buyer on spot grain transactions. This does not deny the right of either party to arbitrate the matter as provided elsewhere in the rules.

248.00 Arbitration Committee. An Arbitration Committee, which shall consist of ten (10) members, five futures oriented and five cash oriented, of the Board of Trade who are not members of the Board of Directors, shall be elected at the annual meeting and hold office for one (1) year, or until their successors are elected.

248.01 Committee Of Appeals. There shall be appointed each year by the Chairman, with the approval of the Board of Directors, a standing Committee of Appeals, which shall consist of five (5) members.

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.

250.00 Special Committees. The Board of Directors may also from time to time authorize the appointment by the Chairman of such special committees as they may deem necessary.

251.00 Confidentiality. All members of the Business Conduct Committee, Futures Complaint Subcommittee, Complaint Committee, Compliance Advisory Committee, Finance Committee, Arbitration Committee, Arbitration Appeals Committee, the Board of Directors, and the staff shall, as to any alleged rule violations, disciplinary proceedings, arbitration cases, appeals, and financial matters, except as to matters contained in written decisions to the extent they may be made public, pledge themselves, and are duty bound to maintain strict confidentiality regarding the matters before them.

251.01 † Insider Trading, Prohibition. For purposes of this rule, "material" and "non-public" information shall be defined by CFTC Regulation 1.59.

1. No KCBT employee, member of the Board of Directors, or member of any committee shall:
 - A. Trade for such person's own account, or for or on behalf of any other account, in any commodity interest on the basis of any material, non-public information obtained through special access related to the performance of such person's official duties as an employee or member; or
 - B. Disclose for any purpose inconsistent with the performance of such person's official duties as an employee or member any material, non-public information obtained through special access related to the performance of such duties.

2. No person shall trade for such person's own account, or for or on behalf of any account, in any commodity interest, on the basis of any material, non-public information that such person knows was obtained in violation of paragraph (1) above from a KCBT employee, member of the Board of Directors, or member of a committee.

252.00 Non liability. The members of the Business Conduct Committee, Futures Complaint Subcommittee, Complaint Committee, Compliance Advisory Committee, Finance Committee, Arbitration Committee, Arbitration Appeals Committee, the Board of Directors, and the staff shall not be held liable for actions taken in good faith and for good cause, even if the trier would have made a different decision.

253.00 Committee Meetings. Notice, Quorum, Procedure and Minutes.

253.01 Notice. Insofar as possible, meetings will be scheduled by the committee chairman upon consultation with the Secretary to avoid conflicts, and written notice given a week ahead. Notices will also be posted on the bulletin board in a designated spot.

253.02 Quorum. In order that committee business can be handled, unless otherwise set forth in the rules a quorum shall be the number of committee members present at a called meeting, so long as at least three (3) are present.

253.03 Procedure. Committee Meetings shall be informal in order to permit free discussion, with a minimum of parliamentary procedure, unless otherwise provided. However, decisions should be made by motion or by consensus.

253.04 Minutes, Reports. Often a staff member will meet with the committee, and that person, the chairman, or a designated member should prepare brief minutes, to be kept by the KCBT Secretary. Reports or recommendations to the Board of Directors shall be signed by all who attended the meeting.

Disciplinary Offense

260.00 † Service On Governing Boards And Committees.

1. For purposes of this Resolution, disciplinary offense means:
 - A. Any violation of the rules of a self-regulatory organization, as defined in Regulation Section 1.63 of the Commodity Exchange Act, except those rules relating to:
 - (i) Decorum or attire;
 - (ii) Financial Requirements, or
 - (iii) Reporting or record keeping unless resulting in fines aggregating more than \$5,000 within any calendar year.
 - B. Any rule violation described in 1 (A) (i) through 1 (A) (iii) above which involves fraud, deceit or conversion or results in a suspension or expulsion;
 - C. Any violation of the Commodity Exchange Act or the regulations promulgated thereunder, or

- D. Any failure to exercise supervisory responsibility with respect to acts described in paragraph 1(A) through 1(C) of this resolution when such failure is itself a violation of either the rules of the KCBT, the Commodity Exchange Act or the regulations promulgated thereunder.
2. No person may serve on a disciplinary committee, arbitration panel or governing board of the KCBT if such person is subject to any of the following conditions listed in subparagraphs A through F hereof, as follows:
- A. Was found within the prior three years by a final decision of a self-regulatory organization, an administrative law judge, a court of competent jurisdiction or the Commodity Futures Trading Commission to have committed a disciplinary offense;
- B. Entered into a settlement agreement within the prior three years in which any of the findings or, in the absence of such findings, any of the acts charged included a disciplinary offense;
- C. Currently is suspended from trading on any contract market, is suspended or expelled from membership with any self-regulatory organization, is serving any sentence of probation or owes any portion of a fine imposed pursuant to either:
- (i) A finding by a final decision of a self-regulatory organization, an administrative law judge, a court of competent jurisdiction or the Commodity Futures Trading Commission that such person committed a disciplinary offense; or
 - (ii) A settlement agreement in which any of the findings or, in the absence of such findings, any of the acts charged included a disciplinary offense;
- D. Currently is subject to an agreement with the Commodity Futures Trading Commission or any self-regulatory organization not to apply for registration with the Commodity Futures Trading Commission or membership in any self-regulatory organization;
- E. Currently is subject to or has had imposed on him within the prior three years a Commodity Futures Trading Commission registration revocation or suspension in any capacity for any reason, or has been convicted within the prior three years of any of the felonies listed in Section 8a(2)(D)(ii) through (iv) of the Commodity Exchange Act;
- F. Currently is subject to a denial, suspension or disqualification from serving on the disciplinary 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.
3. The following rules of the KCBT, if violated, would not constitute a disciplinary offense under paragraph 1(A) of this Resolution:

RULE NUMBER

103.00 **
 105.00 **
 110.00 ***
 111.01 ***
 112.00 ***
 140.01 ***
 140.02 ***
 160.00 ***
 170.00 **
 301.00 **
 322.00 **
 400.01 *
 402.05 (e) *
 408.00 *
 408.01 *
 408.02 *
 505.00 ***
 505.01 ****
 1001.00 ***/****
 1111.00 (note) ***
 1115.00 ****
 1115.02 ****
 1127.01 ***/****
 1128.01 ***/****
 1128.02 ****
 1137.00 ***
 1146.00 (d) ***
 1146.00 (e) ****
 1160.00 **
 1160.02 **
 1165.00 ****
 1165.01 ****
 1175.02 ****
 1177.00 *
 1197.00 **
 1198.00 **
 1199.00 **
 Res. 11-1130.00-1 ****
 Res. 11-1160.00-1 **

RULE NUMBER

Chapter 13 (all)**
 1706.05 **
 1708.00 ***
 1712.00 ***
 1713.00 ***/****
 Res. 17-1706.05-1 **
 1915.01 ***
 1916.00 ****
 1920.00 **
 1940.01 ***
 1952.00 (h) **
 1952.00 (i) **
 2000.03 **
 2008.00 ****
 2108.00 ****
 2110.00 **
 2111.05 ***
 2415.01 ***
 2416.00 ****
 2420.00 **
 2440.01 ***
 2513.00 **
 2515.02 ****
 2515.05 ***
 2517.01 ****
 2517.02 ****
 2517.03 ***
 2518.01 ****
 2518.02 ****
 2518.03 ***
 2518.04 ***/****
 2518.05 ***
 2518.06 ***/****
 2519.01 ***
 2521.01 ***
 2523.00 ****
 2523.01 ****
 Res. 25-2521.02-1 (b) ***

* Pertains to decorum or attire
 ** Pertains to financial requirements
 *** Pertains to reporting information
 ****Pertains to record keeping

261.00 Voting By Interested Members Of The Board And Certain Committees.

(a) Definitions. For purposes of this Rule:

(1) Committee shall refer to any of the following:

- (i) Complaint Committee
- (ii) Business Conduct Committee
- (iii) Appeals Committee
- (iv) Compliance Advisory Committee

(2) Family relationship shall mean a person's spouse, former spouse, parent, stepparent, child, stepchild, sibling, stepbrother, stepsister, grandparent, grandchild, uncle, aunt, nephew, niece or in-law.

(3) Member's affiliated firm shall mean a firm in which the member is a "principal," as defined in CFTC Regulation Section 3.1(a), or an employee.

(4) Named party in interest shall mean a person or entity that is identified by name as a subject of any matter being considered by the Board or Committee.

(5) Significant action shall mean any actions or rule changes which address an "emergency" as defined in CFTC Regulation Section 1.41(a)(4) (exclusive of physical emergencies), and any changes in margin levels that are designed to respond to extraordinary market conditions or are likely to have a substantial effect on prices in any contract traded at KCBT.

(b) Relationship with named party in interest.

(1) Nature of relationship. A member of the Board or Committee must abstain from such body's deliberations and voting on any matter involving a named party in interest where such member:

- (i) is a named party in interest;
- (ii) is an employer, employee, or fellow employee of a named party in interest;
- (iii) is associated with a named party in interest through a "broker association" as defined in Rule 1130.02(a);
- (iv) has any other significant, ongoing business relationship with a named party in interest;
or
- (v) has a family relationship with a named party in interest.

(2) Disclosure of relationship. Prior to the consideration of any matter involving a named party in interest, each member of the Board or Committee must disclose to the KCBT compliance department whether he or she has one of the relationships listed in section (b)(1) above with a named party in interest.

(3) Procedure for determination. KCBT compliance department staff shall review items for consideration by the Board or Committee for purposes of determining whether any such member thereof is subject to a conflict restriction in any matter involving a named party in interest. Such determinations shall be based upon information provided by the member pursuant to paragraph (b)(2) above and any other information held by and reasonably available to KCBT compliance.

(c) Financial interest in a significant action.

(1) Nature of relationship. A member of the Board or Committee must abstain from such body's deliberations and voting on any significant action if the member knowingly has a direct and substantial financial interest in the result of the vote based upon either KCBT or other exchange positions that could reasonably be expected to be affected by the action.

(2) Disclosure of interest. Prior to the consideration of any significant action, each member of the Board or Committee must disclose to the KCBT compliance department the position information referred to in paragraph (b)(3) below that is known to him or her. This requirement does not apply to members who choose to abstain from deliberations and voting on the subject of the significant action.

(3) Procedure for determination. KCBT compliance department staff shall review items for consideration by the Board or Committee for purposes of determining whether any such member thereof is subject to a conflict restriction in any significant action. Such determinations shall include a review of:

- (i) KCBT gross positions held in the member's personal accounts or accounts controlled by such member;
- (ii) KCBT gross positions held in proprietary accounts at the member's affiliated firm;
- (iii) KCBT gross positions held in accounts in which the member is a principal;
- (iv) KCBT net positions held in customer accounts at the member's affiliated firm; and
- (v) any other positions, whether KCBT or other exchange, 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.

(4) Basis for determination. Such determinations by the compliance department shall be based upon:

- (i) the most recent large trader and clearing records available;
- (ii) information provided by the member pursuant to paragraph (c)(2) above with respect to positions; and,
- (iii) any other source of information that is held by and reasonably available.

(d) Participation in deliberations. The Board or Committee may permit a member to participate in deliberations prior to a vote on a significant action for which such member otherwise would be required to abstain, pursuant to paragraph (c) above, if such participation would be consistent with the public interest and the member recuses himself or herself from voting on such action. The Board or Committee shall consider the following in determining whether to permit the member to participate in deliberations on a significant action:

- (i) whether such member's participation in the deliberations is necessary for achieving a quorum in the matter; and
- (ii) whether the member has unique or special expertise, knowledge or experience in the matter under consideration.

(e) Consideration of position information. Prior to any determination pursuant to paragraph (d) above, the Board or Committee must fully consider the position information which is the basis for the member's direct and substantial financial interest in the result of a vote on the significant action pursuant to paragraph (c) above.

(f) Documentation of determination. The Board or Committee must reflect in its minutes or otherwise document that the conflicts determination procedures required by this Rule have been followed. Such records must also include:

- (i) the names of all members who attended the meeting in person or who otherwise were present by electronic means;
- (ii) the name of any member who voluntarily recused himself or herself or was required to abstain from deliberations and/or voting on a matter and the reason for the recusal or abstention, if stated; and
- (iii) information on the position information that was reviewed for each member.

Resolutions

RES 2-233.01-1 Government; Enumerated Powers

Board Of Trade Holidays

RESOLVED, that the following days are declared to be holidays on which the Exchange will be closed: New Year's Day, Washington's Birthday (the third Monday in February), Good Friday, Memorial Day (the last Monday in May), the Fourth of July, Labor Day, Thanksgiving Day, Christmas Day, and the days on which the general elections for members of the House of Representatives are held.

When any such holiday falls on Saturday, the Friday immediately preceding shall be considered such holiday. When such holiday falls on Sunday, the Monday next following shall be considered such holiday (November 10, 1970).

RES 2-233.01 (m) Election Day Business

The Board of Trade will be open for business as usual on any day on which there is a general election unless a contrary resolution is adopted by the Board of Directors after the date of this Resolution (September 19, 1984). This Resolution supersedes RES 2-233.01-1.

RES 2-249.00-1 Government; Market Reports Committee.

Guidelines Of Cash Price Reporting Committees

Cash Grain — Wheat

1. The Chairman of the KCBT, to the extent possible, shall appoint Committee members from various segments of the industry so as to secure balanced representation of buyers and sellers.
2. Only sales with official grades on track in Kansas City or carlots inspected outside Kansas City that are diverted to or through Kansas City, are to be used in reporting the cash wheat basis (see 2a). All sales reported should be traded on a "delivered" Kansas City basis. Both country origin and terminal wheat shall be reported on a delivered basis. Off grade wheat (See guideline 10) or sales of carlots not delivered to or shipped through Kansas City would not be applicable. The reports shall include the prices and quantities of all transactions made during the trading session, but only carlots openly displayed on the trading floor are to be used in reporting the cash wheat basis.
 - 2a. By action of the Board of Directors, effective July 12, 1979, the reporting area considered as part of the Kansas City "spot" or cash grain market, includes, in addition to railroad cars in the Kansas City, Kansas/Missouri market, railroad cars on track in adjacent areas, provided that:
 - (1) The "papers" (grades, quantity, etc.) are displayed for sale competitively on the floor;
 - (2) The sale occurs between members on the floor; and
 - (3) If, following the sale, the railroad car will move to or through Kansas City.

3. The cash basis for a particular day shall be reported between 12:00 noon and 1:15 P.M. at a time when the Committee reasonably believes that substantially all available grain has been sold.
4. Carlots traded basis the export market are to be reported as an equivalent to the Kansas City basis, determined by subtracting the prevailing average freight rate difference between the export market and the Kansas City market from the export bid.
5. The cash basis shall be raised on a bid higher than the last reported basis in the event there is not a trade to report at that basis level.
6. Lower basis levels shall be reported if a trade is reported at that basis level.
7. Lower bids for carlots in which there is none offered on the trading floor during trading hours, shall not be reported in that day's cash basis report, but reported by the Cash Basis Committee to the Grain Market Review for publication. The cash basis shall not be lowered on a bid lower than the last reported basis in the event there is not a trade to report at that basis level.
8. If carlots on the trading floor during trading hours are not bid at the last reported basis and subsequently offered at a lower basis, but do not trade at that basis, the basis shall be lowered to that figure.
9. Premiums or discounts for particular origin characteristics (such as tonnage, flat, country run, terminal load outs, etc.) shall be reported as a trading range for that particular protein category. The committee shall have the authority to disregard any sale based on unusual circumstances. These unusual trades shall be reported to and recorded by the Grain Market Review.
10. Off-grade wheat (#3, #4, #5, sample, moisture, #1 or #2 with over five IDK) trades at levels different than the reported basis will not affect the trading range. These trades are to be considered "off-grade" or unusual. These trades shall be reported to and recorded by the Grain Market Review.
11. Any member may dissent from the final quotation by notifying the chairman of the Committee either orally or in writing.
12. Nominal prices for basis categories that are not tested will be reported to the Grain Market Review.
13. The Grain Market Review will keep records of sales reported for the Cash Market Reports Committee.
14. Records of the Committee are to be maintained for at least five (5) years as required by current laws and regulations, or otherwise if the laws or regulations change.
15. The records, which may be physically maintained in different places, shall include:
 - (1) A record of the members, including the Chairman, serving on the Committee, their firms, and their addresses.
 - (2) Dissents (if any) presented to the Committee Chairman.
 - (3) The prices and quantities of all sales of inbound country origin track grain made on the floor which must be reported in writing to the Grain Market Review for the Cash Market Reports Committee, within fifteen (15) minutes after the sale is made.
 - (4) The worksheet on which the basis is listed by the Committee Chairman.
 - (5) A report of any unusual or unrepresentative sale, bid, or offer (sometimes called "odd-ball") with a brief explanation of same (Grain Market Review).

16. The Committee may, by its collective judgment, make limited adjustments in the basis of quality levels when there are no trades, bids, or offers, if adjustments have been made in related quality levels and the Committee determines that reporting the previous day's price would be misleading.
17. The Grain Market Review report shall include to the extent practicable the quantity and prices of all spot transactions.
18. Effective June 26, 1978, the protein basis scale shall be reported by fifths rather than quarter percents to more closely conform to current protein test standards.

Grain — Coarse Grain

1. The Chairman of the KCBT, to the extent possible, shall appoint Committee members from various segments of the industry so as to secure balanced representation of buyers and sellers.
2. It shall be the duty of this Committee to observe trades of coarse grains on the Kansas City Board of Trade and report the trading ranges and basis. Coarse grains being reported now are yellow corn, white corn, grain sorghum, and soybeans. (Grains reported may be changed as necessary, due to changes in marketing patterns.)
3. Only sales with official grades of inbound or country origin carlots on track in Kansas City or country origin carlots inspected outside Kansas City that are diverted to or through Kansas City, are to be used in reporting the cash coarse grain basis. Cash coarse grain basis reports are to reflect sales of carlots deliverable to Kansas City (excluding off-grade, odd-ball, or sales of out-of-town carlots that would not be applicable to similar cars at Kansas City). The reports shall include the prices and quantities of all transactions made during the trading session, but only car lots openly displayed on the trading floor are to be used in reporting the cash coarse grain basis.
4. The cash quotation basis for a particular day shall be reported between 12:00 noon and 1:15 P.M. at a time when the Committee reasonably believes that substantially all available grain has been sold.
5. The cash basis shall be raised on a bid higher than the last reported basis in the event there is not a trade to report at that level. Lower basis levels shall be reported if a trade is reported at that basis level.
6. Lower bids for carlots in which there is none offered on the trading floor during trading hours, shall not be reported in that day's cash basis report, but reported by the Committee to the Grain Market Review for publication. The cash basis shall not be lowered on a bid lower than the last reported basis in the event there is not a trade to report at that level.
7. If carlots on the trading floor during trading hours are not bid at the last reported basis and subsequently offered at a lower level, but do not trade at that level, the basis shall be lowered to that figure.
8. Off-grade grain (#3, #4, #5, sample, moisture) trades at levels different than the reported basis will not be reported within the basis. These trades are to be considered "odd-ball" or unusual. These trades shall be reported to and recorded by the Grain Market Review.
9. Any member may dissent from the final quotation by notification to the Chairman of the Committee.
10. Nominal prices for basis categories that are not tested will be reported to the Grain Market Review.
11. The Grain Market Review will keep records of sales reported for the Cash Market Reports Committee.

12. Records of the Committee are to be maintained for at least five (5) years as required by current laws and regulations, or otherwise if the laws or regulations change.
13. The records, which may be physically maintained in differed places, shall include:
 - (1) A record of the members, including the Chairman, serving on the Committee, their firms, and their addresses.
 - (2) Dissents (if any) presented to the Committee Chairman.
 - (3) The prices and quantities of all sales of inbound country origin track grain made on the floor which must be reported in writing to the Grain Market Review for the Cash Market Reports Committee, within fifteen (15) minutes after the sale is made.
 - (4) The worksheet on which the basis is listed by the Committee Chairman and on which the nominal ranges are constructed.
 - (5) A report of any unusual or unrepresentative sale, bid, or offer (sometimes called "oddball") with a brief explanation of same (Grain Market Review).
14. The Committee may, by its collective judgment, make limited adjustments in the basis of quality levels when there are no trades, bids, or offers, if adjustments have been made in related quality levels and the Committee determines that reporting the previous day's price would be misleading.
15. The Grain Market Review report shall include to the extent practicable the quantity and prices of all spot transactions.

Yellow Corn

Basis

Low end: Trading basis of short rate proportional billing corn.

High end: Trading basis of prime billing corn.

Nominal range of yellow corn is determined by computing the day's low of the appropriate corn future adjusted to the low side basis as low end, and the day's high of the same future adjusted to the high side of the basis as high end. These nominals reflect the range of trade for quality grain with appropriate discounts for lower grades.

White Corn

The high side of white corn is determined by the value of good milling quality white corn. The low end is established by the value of non-milling white corn with appropriate discounts for lower grades. White corn nominals generally are not influenced by the grain futures.

Grain Sorghum

Sorghum's nominal values are the day's trade prices with appropriate billing applied. High side is determined by prime billing; low side is determined by short rate proportional billing, with appropriate discounts for lower grades. Nominal values also are equated to per-bushel values.

Soybeans

Soybeans basis the Kansas City market reflect bids of Kansas City based merchandisers and processors with high and low side determined by the same method as that of yellow corn.

Cash Millfeed

1. The Chairman of the KCBT, to the extent possible, shall appoint Committee members from various segments of the industry so as to secure balanced representation of buyers and sellers. If an insufficient number of members are willing to serve, or to give information to member-composed committees, the Chairman may appoint a member of the staff to perform the function of price discovery and reporting.
2. Price
 - (1) Pricing is based on Kansas City load-out hopper cars.
 - (2) In general, the reported price will be at or near the level where the bulk of the actual trades are occurring, taking into account all attendant circumstances.
 - (3) Shipment, five (5) market days, not counting current day (usually one (1) week).
 - (4) Exclude "unusual" situations, including:
 - a. Special equipment; or
 - b. Out-of-position cars.
 - (5) The reported price will be expressed in terms of a fifty-cent (50¢) range, unless the spread between reported prices is abnormally wide, the range may be greater.
3. Time
 - (1) Some information sources call in between 11:00 and 11:30 A.M.
 - (2) Call others that do not call between 11:00 and 11:50 A.M.
 - (3) Report results 11:50 A.M. to 12:00 noon.
4. Sources
 - (1) Up to eleven (11) representative individuals and organizations who regularly trade millfeeds, including buyers and sellers, depending upon availability that day.
 - (2) Member and non-member firms.

5. Any member may dissent from the final quotation by notification to the Chairman of the Committee.
6. The Grain Market Review will keep records of sales reported for the Cash Market Reports Committee.
7. Records of the Committee are to be maintained for at least five (5) years as required by current laws and regulations, or otherwise if the laws or regulations change.
8. The records, which may be physically maintained in different places, shall include:
 - (1) A record of the members, including the Chairman, serving on the Committee, their firms, and their addresses.
 - (2) Dissents (if any) presented to the Committee Chairman.
 - (3) The prices and quantities of all sales of inbound track millfeed made on the floor which must be reported in writing to the Grain Market Review for the Cash Market Reports Committee, within fifteen (15) minutes after the sale is made.
 - (4) The worksheet on which the prices are listed by the Committee Chairman and on which the nominal ranges are constructed.
 - (5) A report of any unusual or unrepresentative sale, bid, or offer (sometimes called "odd-ball") with a brief explanation of same (Grain Market Review).
9. The Committee may by its collective judgment make limited adjustments in the basis of quality levels, when there are no trades, bids, or offers, if adjustments have been made in related quality levels and the Committee determines that reporting the previous day's price would be misleading.
10. The Grain Market Review report shall include to the extent practicable the quantity on 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.