

On the later of December 9, 2013 or the effective date of a CFTC order permitting the transfer of all KCBT-listed contracts and open interest to CBOT (the “Effective Date”), and subject to regulatory review and approval, CME Group plans to transfer all Kansas City Board of Trade (KCBT) contracts and open interest to the Chicago Board of Trade (CBOT). Thus, all KCBT products will become CBOT products at the start of business on the Effective Date and will become subject to the rules and regulations of the CBOT. On the business day following the completion of the transfer, the KCBT Designated Contract Market (DCM) license will be vacated.

The rules, terms and conditions of KCBT contracts will be transferred to the CBOT Rulebook. The products to be transferred are below:

<b>Product</b>	<b>Code</b>	<b>Current KCBT Rulebook Chapter</b>	<b>New CBOT Rulebook Chapter</b>
KC HRW Wheat Futures	KW	20	14H
KC HRW Wheat Calendar Swaps (Clearing Only)	KWS	21	14I
AUD KC HRW Wheat Swap (Clearing Only)	KAW	22	14J
MGEX-KC HRW Wheat Intercommodity Spread Options	MKW	24	14K
Options on KC HRW Wheat Futures Contracts	KW	25	14L
KC HRW Wheat Short-Dated New Crop Options	KWO	25	14L
KC HRW Wheat Weekly Options	OK1 – OK5	25	14L

Other changes effective with the transfer include: · KCBT Chapters 12 (Deliveries), 17 (Elevators and Warehouse Application), and 18 (Warehouse Receipts) will be incorporated into CBOT Rulebook Chapter 14H · KCBT Permit Holders as of the day prior to the Effective Date will become KC HRW Wheat Incentive Program Participants · The KCBT Markets Reports Committee will become an official CBOT Committee · The Globex Non-Reviewable Trading Range will continue at \$0.10 per bushel · Current fees applicable to KCBT contracts will be incorporated into the CBOT Fee Schedule Appendix A, attached, includes all proposed modifications to the CBOT Rulebook to be made in connection with the transfer. Questions regarding this Special Executive report may be directed to Chris Bowen, Managing Director and Chief Regulatory Counsel, at 212-299-2200 or [christopher.bowen@cmegroup.com](mailto:christopher.bowen@cmegroup.com), or John McKinlay, Staff Attorney, at 312-930-3028 or [john.mckinlay@cmegroup.com](mailto:john.mckinlay@cmegroup.com). For media

inquiries concerning this Special Executive Report, please contact CME Group Corporate Communications at 312-930-3434 or [news@cmegroup.com](mailto:news@cmegroup.com).

## APPENDIX A

### DEFINITIONS

#### **KCBT HRW INCENTIVE PROGRAM PARTICIPANT PERMIT HOLDER**

An individual or a firm ~~that has been granted the KCBT exchange privileges in accordance with KCBT rules associated with the KC HRW Incentive Program, formerly referred to as a KCBT Permit Holder or a KCBT Permit Holder firm.~~

#### **NON-MEMBER**

Unless otherwise specified in the rules, any Person who is not a Member or KC HRW Incentive Program Participant of the Exchange.

## CHAPTER 1A

### KC HRW WHEAT INCENTIVE PROGRAM PARTICIPANTS

#### **1A100. GENERAL**

As of December 9, 2013, individuals and firms that were KCBT permit holders will be deemed KC HRW Wheat Incentive Program Participants. Participation in the KC HRW Wheat Incentive Program is a personal privilege not subject to transfer or sale; provided the privileges conferred upon KC HRW Wheat Incentive Program Participants may be subject to lease-limited assignment in accordance with the Rules. Individuals and firms owning more than one KCBT trading permit as of December 9, 2013, will be deemed to have the equivalent number of interests in the KC HRW Wheat Incentive Program.

#### **1A101. KC HRW WHEAT INCENTIVE PROGRAM PARTICIPANT PRIVILEGES**

KC HRW Wheat Incentive Program Participants are entitled to receive preferential transaction fee rates in accordance with the terms set forth in the KC HRW Wheat Incentive Program.

#### **1A102. FIRMS REPRESENTED BY KC HRW WHEAT INCENTIVE PROGRAM PARTICIPANTS**

All provisions of the Rules shall apply to firms and corporations represented by a KC HRW Wheat Incentive Program Participant, and each KC HRW Wheat Incentive Program Participant who is a HRW Wheat Incentive member of a partnership, or an officer, director, or stockholder of a corporation, shall be responsible for the acts, default, or misconduct of such firm or corporation the same as though committed by the KC HRW Wheat Incentive Program Participant. The KC HRW Wheat Incentive Program Participant shall be subject to the payment of such claims, fines, suspensions, expulsions, and penalties for the acts, default, or misconduct of the firm or corporation, as it would be for the KC HRW Wheat Incentive Program Participant's individual acts.

#### **1A103. TERM**

The KC HRW Wheat Incentive Program shall expire on December 31, 2014, and all rights and privileges conferred upon KC HRW Wheat Incentive Program Participants shall terminate upon the earlier of the death of the KC HRW Wheat Incentive Program Participant or December 31, 2014, or such later date as may be determined by the Board.

In the case of the death of a KC HRW Wheat Incentive Program Participant who is registered as representing a firm under Rule 1A105, the rights conferred upon the KC HRW Wheat Incentive Program Participant may be transferred to another partner or executive of the firm upon their approval as a KC HRW Wheat Incentive Program Participant.

#### **1A104. QUALIFICATIONS AND RESPONSIBILITIES**

A determination as to whether an applicant for participation in the KC HRW Wheat Incentive Program satisfies the requirements shall be made by the CBOT Membership Committee or by staff in the applicable department. A person approved as a KC HRW Wheat Incentive Program Participant shall be subject to all Exchange Rules. Notwithstanding a transfer of the privilege conferred upon KC HRW Wheat Incentive Program Participants, a person shall continue to be responsible for violations of Exchange

Rules committed by him while he was a KC HRW Wheat Incentive Program Participant and also agrees to have any disputes, which arose while he was a KC HRW Wheat Incentive Program Participant and which relate to or arise out of any transaction upon the Exchange or status as a KC HRW Wheat Incentive Program Participant, resolved in accordance with Exchange Rules.

**1A105. KC HRW WHEAT INCENTIVE PROGRAM PARTICIPANT PRIVILEGES TO FIRMS, PARTNERSHIPS, AND CORPORATIONS; REGISTRATION**

No firm, partnership, or corporation shall be permitted the privilege accorded to KC HRW Wheat Incentive Program Participants unless one (1) of the general partners, or an executive officer of the corporation, has been approved as a KC HRW Wheat Incentive Program Participant in good standing and is registered as representing such firm's, partnership's, or corporation's activities on the Exchange, satisfactory to Exchange staff. Certification of the foregoing authority shall accompany the application of the executive officer applying for KC HRW Wheat Incentive Program Participant status and shall be deemed to be continuously in full force and effect until notice to the contrary has been duly filed with Exchange staff.

**1A106. REPRESENTATION REGISTRATION**

Every KC HRW Wheat Incentive Program Participant shall register with Exchange staff the name of the person, partnership, corporation or firm such KC HRW Wheat Incentive Program Participant represents. Such representation shall not be changed to any other person, partnership, or corporation except upon application made to and with the approval of Exchange staff.

**1A107. KC HRW WHEAT INCENTIVE PROGRAM PARTICIPANT REPRESENTATION – QUALIFIED CATEGORIES**

Representations registered with the Exchange pursuant to Rule 1A106 are limited to the following qualified categories:

1. Individual – A KC HRW Wheat Incentive Program Participant may only register as representing themselves as an individual if such KC HRW Wheat Incentive Program Participant has been deemed the KC HRW Wheat Incentive Program Participant pursuant to Rule 1A100 or is a bona fide [LessAssignee](#) pursuant to Rule 1A115.
2. Owner – A KC HRW Wheat Incentive Program Participant may register as representing an entity if such KC HRW Wheat Incentive Program Participant has a significant bona fide ownership interest or controlling authority in the entity, satisfactory to Exchange staff.
3. Employee – A KC HRW Wheat Incentive Program Participant may register as representing an entity if such KC HRW Wheat Incentive Program Participant is a bona fide employee of the entity.

If any KC HRW Wheat Incentive Program Participant shall, upon investigation, be found not to be a bona fide owner or employee of the entity such KC HRW Wheat Incentive Program Participant is registered with the Exchange as representing, such KC HRW Wheat Incentive Program Participant's rights and privilege as a KC HRW Wheat Incentive Program Participant shall immediately cease.

**1A108. MAY NOT REPRESENT TWO FIRMS**

No KC HRW Wheat Incentive Program Participant may represent more than one (1) partnership, corporation or firm for the purpose of giving more than one entity the privilege afforded a KC HRW Wheat Incentive Program Participant.

**1A109. CHANGE IN STATUS; UNAPPROVED PARTNERS OR CORPORATIONS**

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

**1A110. COMPLIANCE WITH THE COMMODITY EXCHANGE ACT**

All KC HRW Wheat Incentive Program Participants shall comply with the provisions of the Commodity Exchange Act and the rules and regulations duly issued pursuant thereto by the CFTC, including the filing of reports, maintenance of books and records, and permitting inspection and visitation by duly authorized representatives of the CFTC.

**1A111. VIOLATIONS OF COMMODITY EXCHANGE ACT**

Within a reasonable time following the receipt of final notice under Section 6(c) of the Commodity Exchange Act from the CFTC that any person has been found guilty of violating the provisions of the Commodity Exchange Act, Exchange staff shall take the necessary action to effectuate the order of the CFTC, as applicable, and shall report such action to the Board.

**1A112. TRADING PRIVILEGES**

A KC HRW Wheat Incentive Program Participant shall have the right, subject to the rules of the Exchange, to solicit customer business and to trade as principal and as broker for others only with respect to futures and options on KC HRW Wheat and MGEX-KC HRW Wheat Spread options. In order to solicit customer business, the KC HRW Wheat Incentive Program Participant must have proper industry registration. All solicitations must take place from the premises of an entity registered to conduct customer business and must be on behalf of the entity or one of its properly registered affiliates and such entity or affiliate must be an NFA member if required by NFA rules.

**1A113. EXPULSION OR INELIGIBILITY FOR REINSTATEMENT**

When a KC HRW Wheat Incentive Program Participant is expelled or becomes ineligible for reinstatement, the KC HRW Wheat Incentive Program Participant shall be deemed to have surrendered his participation in the KC HRW Wheat Incentive Program, and all rights, privileges, if any, pertaining thereto and resulting therefrom, and all privileges, if any, in said KC HRW Wheat Incentive Program shall be thereby terminated.

**1A114. APPLICATION FOR REINSTATEMENT**

When a KC HRW Wheat Incentive Program Participant has been suspended under the Rules, such KC HRW Wheat Incentive Program Participant shall not be readmitted as a KC HRW Wheat Incentive Program Participant until all outstanding claims with all of such KC HRW Wheat Incentive Program Participant's creditors, including all obligations owed the Exchange, have been adjusted and satisfactorily settled. All such applications for reinstatement shall be made in writing and shall include a list of such KC HRW Wheat Incentive Program Participant's creditors, a statement of the amounts originally owing, and the nature of the settlement in each case. All such applications shall be filed with Exchange staff. If the applicant furnishes satisfactory proof of settlement with all creditors and if no objections to reinstatement are made, the application may be approved by Exchange staff.

**1A115. LIMITED ASSIGNMENT OF KC HRW WHEAT INCENTIVE PROGRAM PRIVILEGE LEASERIGHTS**

A. ~~The~~ An individual who is a KC HRW Wheat Incentive Program Participant may assign, on a limited basis, his or her rights ~~and the privilege~~ of participation in the KC HRW Wheat Incentive Program ~~may be leased~~ to an individual (a "LessAssignee") upon the following terms and conditions:

a1. The LessAssignee shall be approved by Exchange staff or the Membership Committee under the standards of Rule 1A104, and shall sign a written agreement to observe and be bound by the Rules, and all amendments subsequently made thereto.

b2. The ~~lease-limited assignment~~ ~~a~~Agreement, any amendment thereto, and any termination, revocation, or renewal thereof, shall be in writing in such form as the Exchange may prescribe, ("Limited Assignment Agreement") and a copy thereof shall be filed by the KC HRW Wheat Incentive Program Participant with the Exchange as a pre-condition to its effectiveness: provided, however, the ~~lease-Limited Assignment a~~Agreement shall be automatically null and void upon the happening of any of the following events:

(a) ~~(1)~~ Loss of any of the qualifications for entering into a Limited Assignment ~~lease~~ Agreement, such as expulsion of the ~~LessAssignor~~ or the ~~LessAssignee~~; or

(b) ~~(2)~~ Bankruptcy of the ~~LessAssignee~~.

~~cB. Rights of LessAssignor After LeaseAssignment— Notwithstanding other provisions of this rule, anLessAssignor shall continue to have all of the obligations as provided in Rules, but during the time of such Limited Assignment Agreementlease, the rights and privileges of the LessAssignor shall be suspended.;~~

~~(2) Notwithstanding other provisions of this paragraph (b) and subparagraphs thereof, aAnLessAssignor may have all Exchange rights and the privilege associated with participation in the KC HRW Wheat Incentive Program by virtue of having multiple interests in the KC HRW Wheat Incentive Program as set forth in Rule 1A100, and may have the privilege attendant to another party's participation in the KC HRW Wheat Incentive Program such as a corporation or partnership leased-assigned to such person as an officer, employee or partner of such corporation or partnership, provided there has been a separate application, full disclosure, and approval by Exchange staff.~~

~~dC. Minimum LeaseLimited Assignment Agreement Term — No lease-aLimited Assignment Agreement shall have a term of less than three (3) months.~~

~~eD. Maximum LeaseLimited Assignment Agreement Term — No lease-Limited Assignment aAgreement shall have a term beyond December 31, 2014; however, all lease-aLimited Assignment Agreements are subject to any subsequent rule amendments adopted after execution of said agreement.~~

~~fE. Applications for LeaseLimited AssignmentAgreement — Notwithstanding any other Rules, each party applying for participation in the KC HRW Wheat Incentive Program must demonstrate a positive personal net worth and positive personal net liquid assets in order to qualify for approval.~~

~~gF. FFinancial Standards — LessAssignees must meet the same financial standards as do LessAssignors, or secure the same type of guarantee in lieu thereof.~~

~~iG. A firm or corporation may delegate the rights it has under the KC HRW Wheat Incentive Program with all attendant rights and privileges pertaining to such program.~~

(End Chapter 1A)

## Chapter 2 - Government

**B. 230. GENERAL** The Board shall, subject to applicable provisions in the relevant corporate charter and bylaws: a. Be the governing body of the Exchange; b. Have charge and control of all property of the Exchange; c. Provide, acquire and maintain suitable Exchange quarters and facilities; d. [Reserved]; e. [Reserved]; f. Designate and authorize specific appointed officers to act on behalf of the Board to execute contracts within specified budgetary limits; g. Fix, determine and levy all membership dues, fees and assessments when necessary; h. Act in a judicial capacity in the conduct of hearings with respect to any charges proffered against Members as defined in Rule 400 and non-members and, after such hearings, determine what disciplinary action, if any, should be taken by the Exchange with respect to those charges; i. Determine the commodities traded, the membership

Series ~~and/or KC HRW Incentive Program Participants~~ which shall be permitted to trade such commodities, the delivery months, hours of trading, the days of the contract month on which delivery may be made, and performance bond requirements; [The remainder of the Rule is unchanged.] **C. 234.**

**AVOIDING CONFLICTS OF INTEREST IN "SIGNIFICANT ACTIONS" 234.A. Definitions** For purposes of this rule: 1. "Significant Action" means (a) an Exchange action or rule change which addresses an "emergency" as defined in CFTC Regulation 40.1(h); or (b) any change in Exchange performance bond levels that is designed to respond to extraordinary market conditions such as an actual or attempted corner, squeeze, congestion or undue concentration of positions, or that otherwise is likely to have a substantial effect on prices in any contract traded or cleared at the Exchange. 2. "Committee" means the Board or any body that is authorized to take a Significant Action. 3. "Member's Affiliated Firm"

means a firm in which the member or KC HRW Incentive Program Participant is a "principal," as defined in CFTC Regulation 3.1(a), or an employee. [The remainder of the Rule is unchanged.] **D.**

#### **E. Chapter 3 - Committees**

**F. 300. COMMITTEES 300.A. General Provisions** The Board shall establish from time to time Board level committees and non-Board level committees necessary to conduct the business of the Exchange. Every committee of the Exchange must have a chairman or co-chairmen. For purposes of these Rules, each co-chairman shall have the powers and duties of a chairman if acting in the capacity of a chairman. The chairman or co-chairmen may either be members of the Board, if required by the Rules or applicable committee charter, Exchange members or employees of member

firms or KC HRW Incentive Program Participants, or non-members. [The remainder of Section A. and Section B. are unchanged.] **300.C. Non-Board Level Committees** The duties of non-Board level committees are to review investigation reports prepared by Exchange staff, conduct hearings and/or

advise and assist the Board and perform the specific duties assigned to them elsewhere in these Rules, in their charters or by the Board. The Board may refer to a committee any matter within the committee's jurisdiction and it shall be the duty of the committee to meet, consider the matter and make a complete report to the Board. The Chairman may appoint Exchange members or employees of member

firms or KC HRW Incentive Program Participants and non-members to all non-Board level committees to serve during the Chairman's term of office and until new committees are appointed. The Chairman may at any time remove any member of a committee, with or without cause, and all vacancies shall be filled as in the case of an original appointment. [The remainder of the Rule is unchanged.]

#### **Chapter 4 – Enforcement of Rules**

**G. 400. GENERAL PROVISIONS** The Board has adopted Rules, and from time to time adopts amendments and supplements to such Rules, to promote a free and open market on the Exchange, to maintain appropriate business conduct and to provide protection to the public in its dealings with the Exchange and its Members. The Board has created committees to which it has delegated responsibility for the investigation, hearing and imposition of penalties for violations of Exchange Rules. The Board has also delegated responsibility for the investigation and imposition of penalties for violations of Exchange Rules to Exchange staff as set forth in the Rules. The delegation of such responsibility and authority shall in no way limit the authority of the Board with respect to all Rule violations. Pursuant to CFTC Regulation §38.7, the Exchange may not use for business or marketing purposes any proprietary data or personal information collected or received, from or on behalf of any Person, for the purpose of fulfilling its regulatory obligations; provided however, that the Exchange may use such data or information for business or marketing purposes if the Person from whom it collects or receives such data or information clearly consents to the Exchange's use of such data or information in such manner. The Exchange may, where necessary or appropriate for regulatory purposes, share such data or information with one or more designated contract markets or swap execution facilities registered with the CFTC. The Exchange is precluded from conditioning access to its markets on a Person's consent to the use of such data for business or marketing purposes. For purposes of Chapter 4, the term "Member" shall mean: 1) members and clearing members of the Exchange, including retired members with floor access privileges and individuals and entities described in Rule 106; 2) associated persons ("APs") and affiliates of clearing members and member firms of the Exchange; 3) guaranteed introducing brokers of clearing members and member firms of the Exchange and their APs; 4) Exchange permit holders and any person or entity that has been granted cross-exchange trading privileges; 5) employees, authorized representatives, contractors, and agents of any of the above persons or entities, in regard to the Exchange related activities of such individuals; 6) regular firms; 7) individuals and entities that have agreed in writing or via electronic signature to comply with the Rules of the Exchange; and 8) CME members,

KC BT HRW Incentive Program Participants Permit Holders and other individuals who have access to the Floor. Members are deemed to know, consent to and be bound by all Exchange Rules. Former Members shall be subject to the continuing jurisdiction of the Exchange, including, without limitation, the application of Rule 432.L., with respect to any conduct that occurred while a Member. **H. 402. BUSINESS**

#### **CONDUCT COMMITTEE 402.A. Jurisdiction and General Provisions**

The Business Conduct Committee ("BCC") shall have: 1) jurisdiction over any party subject to the jurisdiction of the Exchange pursuant to Rule 418 with respect to matters relating to business conduct,

trading practices, sales practices, trading ethics and market manipulations or other actions that threaten the integrity of the market; 2) the authority, pursuant to Rule 402.C., to take emergency actions; 3) the authority, pursuant to Rule 413.B., to conduct hearings on denials of access pursuant to Rule 413.A., 4) the authority to conduct hearings, proceedings and appeals on all matters over which it has jurisdiction; and 5) the authority to make findings on Rule violations against any party subject to the jurisdiction of the Exchange pursuant to Rule 418.

The BCC shall act through a Panel ("BCC Panel") composed of a Hearing Panel Chair, two ~~M~~members of ~~CBOT or CME~~ or employees of ~~CBOT or CME~~ member firms and two non-members. Notwithstanding the foregoing, at least one of the ~~M~~members or employees of member firms must be from the contract market where the case originated. A quorum of a Panel shall consist of a majority of the panel, but must include at least the Hearing Panel Chair, one ~~M~~member or employee of a member firm from the contract market where the case originated and one non-member.

[The remainder of Section A. is unchanged.]

#### **402.B. Sanctions**

If the Panel finds that a party, including a Member, has violated a Rule, the Panel may take one or more of the following actions:

1. Order the party to cease and desist from the conduct found to be in violation of these Rules or from conduct which would violate the rules of any other exchange owned or controlled by CME Group or the Commodity Exchange Act;
2. Order a party to liquidate such portion of the open contracts in the party's proprietary or customers' accounts, or both, as the Panel deems appropriate to ensure the integrity of Exchange contracts or to ensure an orderly and liquid market;
3. Order a party or its customer to deposit such additional performance bonds with the Clearing House as the Panel deems appropriate to protect the integrity of open contracts;
4. Prescribe such additional capital or other financial requirements as it deems appropriate;
5. Restrict the ability of the party to have a business affiliation with, be employed by or have a financial or beneficial interest in a Member or broker association;
6. Restrict, suspend or terminate the party's access to the Globex platform or any other trading or clearing platform owned or controlled by CME Group or to supervise the entry of any orders into such platforms by others;
7. Restrict the party's access to any trading floor owned or controlled by CME Group;
8. Restrict the party's ability to trade, place, enter, accept or solicit orders in any or all products of any exchange owned or controlled by CME Group;
9. Suspend any or all of the Member's privileges of membership or the privilege afforded to KC HRW Incentive Program Participants;
10. Expel the Member from membership in any exchange owned or controlled by CME Group or from the KC HRW Incentive Program;

[The remainder of the Rule is unchanged.]

#### **I. 406. PROBABLE CAUSE COMMITTEE**

The Probable Cause Committee ("PCC") shall receive and review investigation reports from the Market Regulation Department when the Market Regulation Department has reasonable cause to believe an offense has occurred. The PCC shall act through a Panel comprised of a Hearing Panel Chair, two ~~M~~members of ~~CBOT or CME~~ or employees of ~~CBOT or CME~~ member firms and two non-members. Notwithstanding the foregoing, at least one of the ~~m~~members or employees of member firms must be from the contract market where the case originated. A quorum of a Panel shall consist of a majority of the Panel, but must include at least the Hearing Panel Chair, one ~~M~~member or employee of a member firm from the contract market where the case originated and one non-member. Each Panel shall consist of panelists who possess sufficiently diverse interests so as to ensure fairness.

#### **J. 410. [RESERVED] MARKET REPORTS COMMITTEE**

The Market Reports Committee shall be responsible for reporting to the Exchange at the close of the market each day, cash prices of the different varieties of grain, as evidenced by actual purchases and sales. Such prices will be published daily by the Exchange.

**K. L. 435. EFFECT OF SUSPENSION OR EXPULSION** Unless otherwise determined by the committee with jurisdiction over such matters, a suspended or expelled Member shall not be entitled to

any of the privileges of membership [or the privilege afforded to KC HRW Incentive Program Participants](#) during the period of such suspension or expulsion, including, but not limited to, the right to: A. access any trading floor owned or controlled by CME Group; B. access the Globex platform or any other electronic trading or clearing platform owned or controlled by CME Group; C. obtain member [or KC HRW Incentive Program Participant rates](#); and D. any applicable cross-exchange trading privileges. A member who has been expelled may not lease out an owned membership in any exchange owned or controlled by CME Group and must relinquish ownership of such membership(s) within 30 days of the date that the expulsion becomes the final decision of the Exchange. [AKC HRW Incentive Program Participant who has been expelled may not confer the program's privilege upon any other person.](#)

### Chapter 5 – Trading Qualifications and Practices

**M. 579. GLOBAL COMMAND CENTER 579.A. Customer Support** The Global Command Center ("GCC") provides Globex customer support and problem management only to members, clearing members, [KCBT HRW-Permit Holders Incentive Program Participants](#) and customers designated by clearing members. In addition, designated MGEX members and clearing members may also receive customer support and problem management from GCC with respect to contracts traded on Globex. In order to be eligible for GCC support, such persons must register with the GCC ("Registered Contacts"). The GCC provides customer support via a specified telephone number and during specified hours. GCC employees may not always be available to assist Registered Contacts. Persons other than Registered Contacts, including non-members with Globex access pursuant to Rule 574, must contact their clearing members to make support requests. [The remainder of the Rule is unchanged.] **N. O. 588. TRADE CANCELLATIONS AND PRICE ADJUSTMENTS [Sections A. – G. are unchanged.]**

<b>588.H. Globex Non-Reviewable Trading Ranges Futures</b>			
<b>Instrument</b>	<b>Non-Reviewable Range (NRR) in Globex format</b>	<b>NRR including Unit of Measure</b>	<b>NRR Ticks</b>
<b>Agriculture</b>			
<b>Grains and Oilseeds (CBOT)</b>			
Corn Futures	100	\$.10 per bushel	40
Mini-sized Corn Futures	100	\$.10 per bushel	80
Distillers' Dried Grain Futures	80	\$8.00 per short ton	80
Wheat Futures	100	\$.10 per bushel	40
<a href="#">Hard Red Winter Wheat Futures</a>	<a href="#">100</a>	<a href="#">\$.10 per bushel</a>	<a href="#">40</a>
Mini-sized Wheat Futures	100	\$.10 per bushel	80
Black Sea Wheat Futures	35	\$3.50 per metric tonne	35
Soybean Futures	100	\$.10 per bushel	40
Mini-sized Soybean Futures	100	\$.10 per bushel	80
Soybean Meal Futures	80	\$8.00 per short ton	80
Soybean Oil Futures	80	\$.008 per pound	80
Oats Futures	100	\$.10 per bushel	40
Rough Rice Futures	200	\$.20 per hundredweight	40

[CBOT FEE SCHEDULE FOR LEGACY KCBT PRODUCTS](#)

<a href="#">Level</a>	<a href="#">CBOT Account Owner</a>	<a href="#">Execution Type</a>	<a href="#">Platform</a>	<a href="#">KC HRW Wheat Future &amp; Options</a>	<a href="#">MGEX-KC HRW Intercommodity Spread Options</a>	<a href="#">KC HRW Wheat Calendar Swaps</a>	<a href="#">AUD KC HRW Wheat Swap</a>
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			<u>Exchange Fee</u>	<u>Exchange Fee</u>		
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**Individual Member**

1	<u>Individual Members</u>	<u>Member Trading</u>	<u>Open Auction</u>	<u>\$0.09</u>	<u>\$0.18</u>	<u>\$2.00</u>	<u>\$1.00</u>
		<u>Own Account</u>	<u>Electronic</u>	<u>\$0.14</u>	<u>\$0.28</u>		
	<u>Individual Delegates</u>	<u>Delegate Trading Own Account</u>	<u>Open Auction</u>	<u>\$0.24</u>	<u>\$0.48</u>	<u>\$2.25</u>	<u>\$1.25</u>
			<u>Electronic</u>	<u>\$0.29</u>	<u>\$0.58</u>		

**Equity Members (Individual Equity members, Clearing Firms and Equity Firms)**

2	<u>Equity Members<sup>1</sup></u>	<u>Member or Delegate</u>	<u>Open Auction</u>	<u>\$0.09</u>	<u>\$0.18</u>	<u>\$2.00</u>	<u>\$1.00</u>
			<u>Electronic</u>	<u>\$0.14</u>	<u>\$0.28</u>		
	<u>Equity Members<sup>1</sup></u>	<u>Non Member</u>	<u>Electronic</u>	<u>\$0.45</u>	<u>\$0.90</u>	<u>\$2.00</u>	<u>\$1.00</u>
			<u>(Exception) Rule 106.S. Family of Funds Equity Member Firms</u>	<u>Member, Delegate or Non Member</u>	<u>Open Auction</u>		
			<u>Electronic</u>	<u>\$0.45</u>	<u>\$0.90</u>	<u>\$2.00</u>	<u>\$1.00</u>

1 - Clearing Closely Held Corporate Members & Sole Proprietors, Rule 106.J. Equity Closely Held Corporate Members & Rule 106.I. Affiliate Equity Member Firms, Individual Equity Members (other member/delegate executing), Clearing FCMs, Rule 106.J. Equity FCMs, Clearing Corporate Members, Rule 106.J. Equity Corporate Members & Rule 106.I. Affiliate Equity Member Firm (Affiliate of Clearing FCM, Clearing Corporate Member or Rule 106.J Equity FCM or Equity Corporate Member), Rule 106.I. Affiliate Membership Umbrella - Qualified Affiliate - Unlimited Number of Affiliates (Execution Not a Factor in Membership Types Below)

<u>Level</u>	<u>CBOT Account Owner</u>	<u>Platform</u>	<u>KCBT HRW Wheat Future &amp; Options</u>	<u>MGEX-KCBT Inter-Market Options</u>	<u>KCBT</u>	<u>AUD</u>
			<u>Exchange Fee</u>	<u>Exchange Fee</u>	<u>Hard Red Winter</u>	<u>Hard Red Winter</u>
					<u>Wheat Swaps</u>	<u>Wheat Swaps</u>

**Trading Members (Individual Non-Equity Members and Non-Equity Member Firms)**

3	<u>Individual Non-Equity Members (other member/delegate executing); Rule 106.H. Corporate Trading Firms; Rule 106.H. Trading FCMs; &amp; Rule 106.I. Affiliate Trading Member Firms</u>	<u>Open Auction</u>	<u>\$0.20</u>	<u>\$0.40</u>	<u>\$2.25</u>	<u>\$1.25</u>
		<u>Electronic</u>	<u>\$0.75</u>	<u>\$1.50</u>		
	<u>Individual Delegates (Other Member or Delegate executing the trade) &amp; Rule 106.I. Affiliate Trading Member Firms</u>	<u>Open Auction</u>	<u>\$0.35</u>	<u>\$0.70</u>	<u>\$2.25</u>	<u>\$1.25</u>
		<u>Electronic</u>	<u>\$0.90</u>	<u>\$1.80</u>		
	<u>Rule 106.S. Family of Funds Equity Member Firms</u>	<u>Open Auction</u>	<u>\$0.20</u>	<u>\$0.40</u>	<u>\$2.25</u>	<u>\$1.25</u>
		<u>Electronic</u>	<u>\$0.75</u>	<u>\$1.50</u>		

**Electronic Corporate Member Firms**

4	<u>Electronic Corporate Members</u>	<u>Electronic</u>	<u>\$0.90</u>	<u>\$1.80</u>	<u>\$2.50</u>	<u>\$1.50</u>
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**Incentive programs / Non Members**

5	<u>International Incentive Program and International Volume Incentive Program (IVIP)</u>	<u>Electronic</u>	<u>\$0.75</u>	<u>\$1.50</u>	<u>\$2.50</u>	<u>\$1.50</u>
		<u>Latin American Commercial Incentive Program; Asian Incentive Program; Latin American Bank Incentive, formerly know South American Incentive Program, Central Bank Incentive Program, &amp; Latin American Fund Manager Incentive Program</u>	<u>Electronic</u>	<u>\$1.29</u>	<u>\$1.50</u>	<u>\$2.50</u>
	<u>Non Members</u>	<u>Open Auction</u>	<u>\$0.60</u>	<u>\$1.20</u>	<u>\$2.50</u>	<u>\$1.50</u>
		<u>Electronic</u>	<u>\$1.75</u>	<u>\$3.50</u>	<u>\$2.50</u>	<u>\$1.50</u>

**Ex-Pit Surcharges**

<u>Exchange for Physical - Agricultural Contracts</u>	<u>\$0.75</u>
<u>Exchange for Risk - Agricultural Contacts</u>	<u>\$1.25</u>

<u>Exchange Fees for Non-Trades</u>			
	<u>Member</u>	<u>Delegate</u>	<u>Non-Member</u>
<u>Non-Trades (Note 1)</u>	<u>\$0.05</u>	<u>\$0.20</u>	<u>\$0.50</u>
<u>Non-Trades - Expired Options (Note 2)</u>		<u>\$0.05</u>	
<u>Calendar Swap &amp; KC HRW Wheat Calendar Swaps</u>		<u>\$2.00</u>	
<u>AUD KC HRW Wheat Swaps</u>		<u>\$1.00</u>	

1. Non-trade fees - Exercises, Deliveries, Assignments, Futures from Options Exercises or Assignments, and Cash Settlement/Deliveries (No non-trade fee for Deliverable Interest Rate Swap Future).

2. Non-trade fees - Expired Options

<u>Facilitation Fee</u>	
<u>Facilitation Desk Fee for all products (except for Denatured Fuel Ethanol Forward Swap &amp; Option FAC Fee of \$0.10)</u>	<u>\$0.20</u>

<u>Clearing Division Fee Schedule</u>	
<u>Contracts Cleared (including give-up executions and EFPs, EFSs &amp; EFRs)</u>	<u>\$0.06</u>
<u>Wholesale/Block Transactions</u>	<u>\$0.06</u>
<u>Expired Options</u>	<u>\$0.05</u>
<u>Option Exercises and Assignments</u>	<u>\$0.05</u>
<u>Position Adjustments</u>	<u>\$0.10</u>
<u>Exercise or Assignment Surcharge</u>	<u>\$0.05</u>
<u>Futures Delivered or Cash Settled</u>	<u>\$0.05</u>
<u>Transfers</u>	<u>\$0.10</u>
	<u>(\$2,500 maximum per clearing firm per transfer)</u>

<u>Brokerage Fees</u>	
<u>Order filling (Trading without discretion)</u>	
<u>Members</u>	<u>\$0.04</u>
<u>Lessees (106D)</u>	<u>\$0.17</u>
<u>Firm Employee (106F) within the Family of Firms</u>	<u>\$0.04</u>
<u>Firm Employee (106F) Outside the Family of Firms</u>	<u>\$0.17</u>
<u>CMACE Permit Holders filling orders</u>	<u>\$0.17</u>
<u>Trading with discretion</u>	
<u>Lessees (106D)</u>	<u>\$0.15</u>
<u>Firm Employee (106F) Outside the Family of Firms</u>	<u>\$0.15</u>
<u>Firm Employee (106F) within the Family of Firms</u>	<u>\$0.00</u>

## **CHAPTER 14H** **KC HRW WHEAT FUTURES**

### **14H00. SCOPE OF CHAPTER**

This chapter is limited in application to futures trading of KC HRW Wheat Futures. The procedures for trading, clearing, inspection, delivery and settlement, and any other matters not specifically covered herein or in Chapter 7 shall be governed by the general rules of the Exchange.

## **14H01. CONTRACT SPECIFICATIONS**

Contracts for the delivery of Hard Winter Wheat shall be understood as for "Contract" Hard Winter Wheat, and the following grades may be tendered on contract at the premiums or discounts indicated:

No. 1 Hard Red Winter Wheat with eleven percent (11%) protein level or higher deliverable at one and one-half cents (1.5¢) per bushel over contract price

No. 2 Hard Red Winter Wheat with eleven percent (11%) protein level or higher deliverable at contract price All above grades are deliverable at protein levels equal to or greater than ten and one-half percent (10.5%) but less than eleven percent (11%) at a ten cent (10¢) per bushel discount to contract price. Protein levels of less than ten and one-half percent (10.5%) are not deliverable on the contract.

Electronic warehouse receipts delivered in satisfaction of futures contracts to the Clearing House and registered with the Exchange, must indicate thereon, if wheat, maximum of thirteen and one-half percent (13.5%) moisture.

Electronic warehouse receipts delivered in satisfaction of futures contracts to the Clearing House and registered with the Exchange must indicate thereon, for wheat, a maximum of ten (10) IDK (indicating no more than 10 insect damaged kernels per 100 grams). As of the effective date of this rule, any electronic warehouse receipts previously issued and outstanding (that do not indicate thereon a maximum of 10 IDK) shall be subject to the 10 IDK restriction of this rule.

Deliveries of the above grades may be made in such proportions as may be convenient to the seller; subject however, to the provisions of Rules 14H09 and 14H12.

In the event of a change in United States Grain Standards, contracts for future delivery maturing after the effective date of such change shall be made on the basis of the standards as changed; provided, that this shall not be construed to prevent the closing of trades made prior to the effective date of such change.

## **14H02. TRADING SPECIFICATIONS**

By custom and usage, the delivery/trading months for grain futures are March, May, July, September, and December. The number of months open for trading at a given time shall be determined by the Exchange.

### **14H02.A. Trading Schedule**

The hours for trading of wheat futures shall be determined by the Exchange.

On the last day of trading in an expiring future, the close of the expiring future shall begin at 12 o'clock noon and trading shall be permitted thereafter for a period not to exceed one minute. Quotations made during this one minute period shall constitute the close.

The hours for futures trading shall be between 8:30 a.m. and 1:15 p.m. local time on all regular trading days.

The place of wheat futures trading shall be the wheat futures trading pit on the Exchange floor.

The time and place of trading may be changed by the Exchange.

Futures trades at places and hours other than set forth in these rules are prohibited except that the time and place limitations shall not apply to Exchange for Related Position transactions and transfer trades transacted in accordance with Rules 538 and 853, respectively.

### **14H02.B. Trading Unit**

Contracts and deliveries on wheat futures shall be in units of five thousand (5,000) bushels.

### **14H02.C. Price Increments**

The minimum price fluctuation is one-quarter of one cent (1/4¢).

### **14H02.D. Daily Price Limits**

The Exchange may at any time, upon ten (10) hours' notice, provide that there shall be no trading in any specified contract for delivery in any specified month at prices more than a fixed limit above or below the official closing price of the preceding business day. Any Member or KC HRW Incentive Program Participant who enters into any contracts under the rules of the Exchange in violation of such resolution shall be subject to disciplinary action pursuant to Chapter 4.

Note: There shall be no trading in wheat futures at a price more than \$0.60 per bushel (\$3,000 per contract) above or below the previous day's settlement price. Should two or more wheat futures contract months within the first five listed non-spot contracts (or the remaining contract month in a crop year) close at limit bid or limit offer, the daily price limits for all contract months shall increase to \$0.90 per bushel the next business day.

Should two or more wheat futures contract months within the first five listed non-spot contracts (or the remaining contract month in a crop year) close at limit bid or limit offer while price limits are \$0.90 per bushel, daily price limits for all contract months shall increase to \$1.35 per bushel the next business day. If price limits are \$1.35 per bushel and no wheat futures contract month closes limit bid or limit offer, daily price limits for all contract months shall revert back to \$0.90 per bushel the next business day. If price limits are \$0.90 per bushel and no wheat futures contract month closes limit bid or limit offer, daily price limits for all contract months shall revert back to \$0.60 per bushel the next business day. There shall be no price limits on the current month contract on or after the second business day preceding the first day of the delivery month.

#### **14H02.E. Position Limits**

The applicable position limits and/or accountability levels, in addition to the reportable levels, are set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5.

A Person seeking an exemption from position limits for bona fide commercial purposes shall apply to the Market Regulation Department on forms provided by the Exchange, and the Market Regulation Department may grant qualified exemptions in its sole discretion.

Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.

In calculating a Spot Month position, the number of contracts against which delivery notices have been stopped (issued) during that delivery month minus the number of contracts against which delivery notices have been issued (stopped) during that delivery month shall be added to that Spot Month's long (short) futures position. As an example, if a person goes into a Spot Month with the maximum position of six hundred (600) net long contracts and takes delivery of warehouse receipts in satisfaction of five hundred (500) of such long contracts and does not establish a short position in that same Spot Month for purposes of redelivering such warehouse receipts, such person may not have a Spot Month futures position in excess of one hundred (100) net long contracts.

#### **14H02.F Termination of Trading**

No trade in futures contracts deliverable in a current month shall be made after the business day preceding the fifteenth (15th) calendar day of that month, except that outstanding futures contracts for such delivery may be liquidated by means of a bona fide exchange of such current futures for the actual cash commodity.

Note: The Exchange, pursuant to Rule 230(i) may alter the number of days trading is prohibited during the delivery month to conform with federal law and regulations. The seven (7) days come from a CFTC (former CEA) Regulation.

#### **14H03. CONTRACT FEE**

An Exchange contract fee will be set by the Exchange to cover its expenses. The Exchange may change the fee at any time on at least thirty (30) days' notice, such change to be effective on the first of a month.

#### **14H04. GRADES / GRADE DIFFERENTIALS**

A futures contract for the sale of wheat shall be performed on the basis of United States origin only upon written request by a taker of delivery at the time load-out instructions are submitted.

No. 1 Hard Red Winter Wheat with eleven percent (11%) protein level or higher deliverable at one and one-half cents (1.5¢) per bushel over contract price

No. 2 Hard Red Winter Wheat with eleven percent (11%) protein level or higher deliverable at contract price All above grades are deliverable at protein levels equal to or greater than ten and one-half percent (10.5%) but less than eleven percent (11%) at a ten cent (10¢) per bushel discount to contract price. Protein levels of less than ten and one-half percent (10.5%) are not deliverable on the contract.

Electronic warehouse receipts delivered in satisfaction of futures contracts to the Clearing House and registered with the Exchange, must indicate thereon, if wheat, maximum of thirteen and one-half percent (13.5%) moisture.

Electronic warehouse receipts delivered in satisfaction of futures contracts to the Clearing House and registered with the Exchange must indicate thereon, for wheat, a maximum of ten (10) IDK (indicating no more than 10 insect damaged kernels per 100 grams). As of the effective date of this rule, any electronic warehouse receipts previously issued and outstanding (that do not indicate thereon a maximum of 10 IDK) shall be subject to the 10 IDK restriction of this rule.

During the five (5) business days preceding the first intention day of the September 2011 wheat futures contract month (August 24 to August 30, 2011), warehouse receipts issued and registered with the Exchange prior to such time may be presented to the issuing warehouse by the holder and upgraded to reflect a deliverable protein level on such receipts. The issuing elevator must comply with such request and shall, in its sole discretion, make the determination as to the minimum protein level to designate on receipts presented for upgrading. The issuing elevator may charge the holder twelve cents (12¢) per bushel to upgrade the receipt with a designation of eleven percent (11%) minimum protein, or two cents (2¢) per bushel to upgrade the receipt with a designation of ten and one-half percent (10.5%) minimum protein. Warehouse receipts not upgraded pursuant to this rule shall not be deliverable against futures contracts from September 2011 forward.

Effective July 9, 1976, as to futures contracts for wheat for delivery in July, 1977, and thereafter, the maximum allowable moisture will be thirteen and one-half percent (13.5%).

#### **14H05. LOCATION DIFFERENTIALS**

Deliveries in satisfaction of Hard Red Winter Wheat futures contracts may be made by warehouse receipt issued by a regular elevator at any of the locations prescribed by Rule 14H06 at the following prescribed premiums/discounts (differentials):

Kansas City, Missouri/Kansas contract price

Wichita, Kansas at six cents (6¢) per bushel under contract price Hutchinson, Kansas at nine cents (9¢) per bushel under contract price Salina/Abilene, Kansas at twelve cents (12¢) per bushel under contract price.

#### **14H06. DELIVERY POINTS**

Regular elevators or warehouses shall be located in the switching limits of:

- 1.) Kansas City, Missouri/Kansas,
- 2.) Hutchinson, Kansas,
- 3.) Salina/Abilene, Kansas, or
- 4.) Wichita, Kansas.

#### **14H07. DELIVERIES; CLEARING HOUSE**

Deliveries on all futures contracts shall be made through the Clearing House. Delivery notices will be given and received, based upon positions (short and long) as shown on the records of the Clearing House as of the close of the business day next preceding the day of delivery notice.

##### **14H07.A. Seller; Delivery Notice**

A seller obligated to make delivery of commodities shall issue and deliver to the Clearing House a signed delivery notice which shall contain the name and business address of the issuer and which shall state the quantity and kind of grain to be delivered.

##### **14H07.B. Seller; Time**

Delivery notices must be issued and delivered to the Clearing House before 4:00 p.m. on the second business day preceding the day of delivery except that, on the last notice day of the delivery month, delivery notices may be delivered to the Clearing House until 2:00 p.m. on the last notice day (business day preceding the last delivery day).

##### **14H07.C. Seller; Warehouse Receipts Delivered**

When electronic warehouse receipts are to be delivered, notice shall describe the electronic warehouse receipts by giving the name of the elevator, the serial number, the quantity, and the grade of grain.

##### **14H07.D. Clearing House; Notice to Buyer**

The Clearing House, upon receipt of such notice of intention to deliver, shall immediately issue notice to the buyer to whom the delivery will be made. Delivery must be accepted by the said buyer.

##### **14H07.E. Time of Delivery; Application by Clearing House**

Deliveries on futures contracts shall be made to the Clearing House not later than 11:00 a.m. The Clearing House shall apply such deliveries as soon as possible that same day. This limit shall not be changed by any resolution of the Board advancing the hours of trading and other time limits contained in these rules. The Clearing House shall refuse to accept any tender of delivery after the time limit here provided.

##### **14H07.F. Longer Notice**

Whenever the CFTC by order requires the giving of longer notice of delivery than herein provided, such order shall be observed by sellers, but the time of delivery of notices to the Clearing House shall be as herein provided. No order of the CFTC shall apply to then existing contracts.

##### **14H07.G. Failure to Deliver**

Failure to make delivery of commodities within proper time after tender of notice as herein provided shall be deemed uncommercial conduct subject to the disciplinary procedures of Chapter 4. Further, such failure shall be deemed a default and the provisions of Rules 14H14.A through 14H14.D shall be applicable.

#### **14H08. DELIVERIES BY ELECTRONIC WAREHOUSE RECEIPT**

Except as otherwise provided, delivery of commodities shall be made by the delivery of registered electronic warehouse receipts issued by warehousemen against stocks in warehouses which have been declared regular by the Board.

#### **14H09. DELIVERABLE ELECTRONIC WAREHOUSE RECEIPTS**

All electronic warehouse receipts deliverable on futures contracts shall be for quantities or parcels sold, accompanied by a memorandum of the property to be delivered, with the price of the same, together with the amount due therefor. All electronic warehouse receipts which are tendered on a contract shall be for 5,000 bushels of grain.

#### **14H10. STORAGE CHARGES**

Effective with the September 2011 wheat futures contract month, no electronic warehouse receipts covering grain in store shall be valid for delivery on futures contracts unless the storage and insurance charges set forth in this Rule (but not load-out fee) on such grain have been paid up to the first calendar day of each contract delivery month (whether or not such receipts will be delivered in satisfaction of futures contracts) and such payment endorsed on the electronic warehouse receipt. Such endorsement may be made, at the option of the holder, by the regular warehouse issuing the receipt or Exchange staff upon payment to the Exchange Secretary as agent of the warehouse company. Unpaid accumulated storage and insurance charges and the load-out fee shall be assumed by the buyer. Failure to pay the storage and insurance charges by the business day preceding the first calendar day of each contract delivery month shall be deemed a violation subject to the disciplinary procedures set forth in Chapter 4 of the Rules.

On all deliveries by regular electronic warehouse receipts, the deliverer (seller) shall allow storage and insurance charges accrued to date of delivery.

Under the authority of Rule 14H16.G, effective September 1, 2011 the maximum storage and insurance charge for regular elevators on grain delivered on futures contracts is established at \$.00197 per bushel per day from December 1 to June 30, and \$.00296 per bushel per day from July 1 to November 30.

#### **14H11. LOADING OUT; DOCUMENTS REQUIRED**

Delivery of grain by regular warehouses when ordered loaded out by holders of regular electronic warehouse receipts shall be by tender of an Official Inspection Certificate and with a weight certificate supplied by a Federally licensed weigh master attached. All deliveries on regular electronic warehouse receipts shall be settled on weights and grades of the respective market.

Electronic warehouse receipts delivered to fulfill a futures contract obligation shall be interpreted as "in store" a regular elevator and that any and all charges to move or transport the grain from the elevator is for the account of the warehouse receipt holder. This includes elevation, weight certificates, grade certificates and other charges known or unknown at this time.

#### **14H11.A. No Freight Requirement**

The Warehouseman is not required to furnish transit billing on grain represented by electronic warehouse receipt deliveries. Delivery shall be flat.

#### **14H12. INSPECTION GOVERNING**

Grain loaded against electronic warehouse receipts that have been delivered on futures contracts shall grade at the loading elevator according to the Official Inspection Certificate the same grade as specified on warehouse receipt surrendered.

#### **14H13. LOAD OUT**

#### **14H13.A. Surrender Electronic Warehouse Receipts**

Members or KC HRW Incentive Program Participants who hold electronic warehouse receipts and desire delivery of grain shall surrender the electronic warehouse receipts to the issuer thereof with written load-out instructions in duplicate, stating the grade and amount of grain called for by said receipts. The parties issuing said electronic warehouse receipts shall deliver the amount and kind of grain called for into covered hopper rail cars (hereinafter referred to as cars), or such other equipment mutually agreed upon by the parties. The duplicate order shall be signed by the issuer to acknowledge receipt thereof, and returned to the holder.

Deoxynivalenol (also known as Vomitoxin) Restriction:

When electronic warehouse receipts are surrendered to the issuer for load-out pursuant to Rule 14H13, the taker of delivery shall have the option to, at taker's expense, request in such written load-out instructions that the wheat contain no more than 2 ppm (two parts per million) of deoxynivalenol (vomitoxin). A determination of the level of deoxynivalenol shall be made at the point of origin by the Federal Grain Inspection Service or such other third party inspection service mutually agreeable to the maker and taker of delivery. The determination of the level of deoxynivalenol shall be based on the average test results of the wheat loaded in a single day from a single warehouse for each taker of delivery. As of the effective date of this rule (September 1, 2011), any electronic warehouse receipts previously issued and outstanding shall be subject to the provisions of this Rule.

**14H13.B. Order Cars**

In accordance with trade practices, the issuer of electronic warehouse receipts shall be responsible for ordering, in writing, the cars necessary for the shipment ordered to be loaded against such receipts and shall give a copy thereof to the holder. However, the holder of the warehouse receipts may elect, in writing, to furnish cars to the elevator of the warehouse receipts issuer to expedite shipment and shall give notice to the loading elevator accordingly. Cars furnished by the taker on delivery shall apply against the delivering elevator's empty car order. Any charges incurred for the ordering or cancellation of car orders made at the request of the holder by written instructions shall be for the account of the holder.

**14H13.C. Evidence**

In case the receipt holder elects, in the notice given, to have the issuer order the cars necessary for the loading requested, or in the event that railroad companies will furnish empty cars only on the order of elevator operators, the issuer shall immediately place an order with the railroad for all of such cars as the notice specifies and furnish to the receipt holder the railroad order number or other communication from the respective railroad company giving satisfactory evidence that the cars have been ordered.

**14H13.D. Loading Cars**

Within five (5) business days after the receipt of the loading order request the delivering elevator shall commence loading all applicable rail equipment that has been actually placed or constructively placed to the delivering elevator at the applicable daily/weekly rate pursuant to subsections (a) and (b) below. The cars are to be loaded in the order they are placed and applied to the respective loading instruction in the order they were furnished. However, in the event cars for more than one set of loading instructions are on constructive placement, the loading elevator shall be required to order from constructive placement those cars furnished for the earliest loading request.

<u>a. Warehouse Receipted Wheat Delivered and Not Loaded Out</u>	<u>Load-Out Requirements In-Hopper Cars</u>	
	<u>Daily</u>	<u>Weekly</u>
<u>Up to 3,000,000 Bushels</u>	<u>30</u>	<u>150</u>
<u>3,005,000 to 4,000,000 bu.</u>	<u>40</u>	<u>200</u>
<u>4,005,000 to 5,000,000 bu.</u>	<u>50</u>	<u>250</u>
<u>Each Like Increment up, Add</u>	<u>10</u>	<u>50</u>

**b. Reporting requirements**

The operator of a facility that is declared regular for delivery is to report the total quantity delivered on current and prior contracts that has not yet been loaded-out as of the close of business on the last business day of the expiring contract month. Such information shall be reported to the Exchange not later than 9:00 a.m. on the next following business day (first business day of the month immediately following the expiring month).

**c. Publicizing the Load-Out Rate**

The Exchange is charged with publicizing the load-out rate for each warehouse declared regular whose load-out rate is above the minimum thirty (30) cars per day.

**d. Duration of Established Load-Out Rate**

The published load-out requirement is to remain in effect through the close of business on the last delivery day of the next following contract month, at which time the new load-out rate will be determined pursuant to subsections (a) and (b) above.

#### **14H13.F. Storage Charges Cease**

Storage charges for account of the holder of the warehouse receipts will cease on any amount on the date that amount is loaded. Furthermore, provided cars are actually or constructively placed, storage charges for the account of the holder will also cease on any bushels not meeting the minimum weekly load-out requirements on the final day that loading is due. In the event loading orders are subsequently cancelled before completion, storage charges will accrue on the total remaining balance.

#### **14H13.G. Default on Remaining Delivery Obligation**

A default on the entire remaining delivery obligation shall be deemed to have been made if the loading elevator becomes more than twenty (20) business days delinquent in maintaining the minimum load-out capacity, if applicable cars are available, or does not comply with other provisions of these rules.

#### **14H14. DEFAULT**

##### **14H14.A. Defaulted Delivery; Purchaser's Options**

In case any property contracted for future delivery is not delivered at maturity of contract, the purchaser may elect to:

- a. Consider the contract forfeited and cancel the same at the last settlement price as determined by Rule 813;
  - b. Purchase the property on the market for the account of the seller by 11:00 P.M. of the next business day and notify the seller of such purchase before 2:30 P.M. of the same day; or
  - c. Require a settlement with the seller at the average market price on the day of the maturity of contract.
- Any damage or loss due to the purchaser by reason of such purchase or declared settlement shall be due and payable by the seller immediately.

##### **14H14.B. Buyer's Default; Seller's Rights**

In case any property contracted for future delivery is not received and paid for when property tendered, it shall be the duty of the seller, in order to establish any claim on the purchaser, to sell the property at any time during the next twenty-four (24) hours after such default shall have been made. The purchaser shall be notified within one (1) hour of such sale. Any loss resulting to the seller shall be paid by the party in default.

##### **14H14.C. Unreasonable Charges Not Allowed**

Rules 14H14.A and 14H14.B shall not be construed as authorizing unjust or unreasonable claims based upon manipulated or fictitious markets. In case of any disagreement arising from any action taken under these Rules, the expressed willingness of either party to the controversy to submit the controversy to arbitration under these Rules shall be accepted and construed by the appropriate committee as evidence of the Member's or KC HRW Incentive Program Participant's readiness to equitably adjust and settle the disputed obligation. Such Member or KC HRW Incentive Program Participant shall not be subject to discipline while the matter is pending arbitration. Such Member or KC HRW Incentive Program Participant shall abide by the same in good faith and in case of an award, shall promptly perform such award.

##### **14H14.D. Parties To Arbitration On Default**

In case of default on any contract month's deliveries, when the transactions have been carried through the Clearing House, the arbitration of all disputes in reference thereto shall be in one (1) arbitration, so that all the controversies and rights of all parties for any one (1) month's deliveries may be settled at one and the same time. The parties to such arbitration shall be the Clearing House and all parties to whom deliveries were to have been made. All the provisions of the rules and regulations of the Exchange as to arbitration shall apply.

#### **14H15. DELIVERIES IN BANKRUPTCY SITUATION**

a. For purposes of this Rule:

- (i) The term "carrying Clearing Member" means a Clearing Member which carries accounts for customers of a debtor on an omnibus basis.
- (ii) The term "customer" shall mean any person for whom a Member or KC HRW Incentive Program Participant carries an Exchange futures contract.
- (iii) The term "debtor" shall mean any Member or KC HRW Incentive Program Participant with respect to which an order for relief is entered under the Bankruptcy Code.
- (iv) The term "person" shall include an individual, partnership, corporation, trust, association or any other organization.



(v) The term "order for relief" means the filing of a petition in bankruptcy in a voluntary case and the adjudication of bankruptcy in an involuntary case.

(vi) The term "tender" with respect to a notice of delivery shall mean:

A. In the case of a short Clearing Member that has presented such a notice to the Clearing House, the assignment of such notice by the Clearing House to a long Clearing Member;

B. In the case of a long Clearing Member, the acceptance by such Clearing Member of such notice from the Clearing House;

C. In the case of a short non-Clearing Member that has requested its Clearing Member to issue such a notice, the presentment by such carrying Clearing Member of such notice to the Clearing House; and

D. In the case of a long non-Clearing Member, the allocation of such notice to the debtor by its carrying Clearing Member and the allocation of such notice to a customer by the long non-Clearing Member.

b. This Rule shall apply only in the event and under the circumstances set forth in paragraph (c) hereof.

c. Any provision of the By-Laws or Rules to the contrary notwithstanding, in the event that a debtor carries for a customer any Exchange futures contract in the current delivery month with respect to which the underlying physical commodity has not become a part of the debtor's estate on the date of the entry of the order for relief, and with respect to which:

(i) Trading has ceased on the date of the entry of the order for relief; or

(ii) Notice of delivery has been tendered on or before the date of the entry of the order of relief; or

(iii) Trading ceases before such futures contract can be liquidated by the trustee of the debtor's estate; then, any customer for whose account such debtor is holding any such futures contract shall make delivery of and receive payment for, or receive delivery of and make payment for, the physical commodity as required to fulfill such contract as follows:

A. If the debtor is a Clearing Member, directly with the Clearing House and the Clearing House shall receive delivery of and make payment for, or make delivery of and receive payment for, such commodity in accordance with these Rules; provided, however, that in lieu of making and taking delivery, any such customer and the Clearing House may settle any such contract in any manner permitted under the Clearing House's rules.

B. If the debtor is not a Clearing Member, through the carrying Clearing Member that carried the customer's account in an omnibus account for the debtor in accordance with the provisions of paragraph (d).

d.

(i) Immediately upon learning that an order for relief under the Bankruptcy Code has been entered with respect to a debtor which is not a Clearing Member, the carrying Clearing Member shall communicate with the debtor or its trustee in bankruptcy to ascertain the identity and address of each customer of the debtor who is to make or take delivery pursuant to this Rule 14H15.

(ii) Immediately upon ascertaining such information, the carrying Clearing Member shall:

A. Notify each such customer that such customer is to make or take delivery, as the case may be, through the carrying Clearing Member as if the customer maintained an account directly with the carrying Clearing Member, and

B. Specify the actions which the customer is required to take to consummate such delivery.

(iii) If, prior to the time when delivery is required to be consummated pursuant to the By-Laws and Rules, the carrying Clearing Member, after good faith efforts, is unable to communicate with a customer or if the customer, for any reason fails or refuses to timely undertake the actions required pursuant to Rule 14H15, the carrying Clearing Member shall have no further obligation or liability to the debtor or such customer in connection with such delivery.

(iv) Nothing contained in this Rule 14H15 shall prevent a customer and a carrying Clearing Member from making mutually agreeable arrangements to settle deliveries on terms other than those set forth in paragraph (d).

e. The making or taking of delivery or payment with respect to any futures contract in accordance with paragraph (c) or (d) shall discharge in full the obligations of such customer and such opposite Clearing Member or carrying Clearing Member, as the case may be, to the debtor with respect thereto, but shall not discharge the debtor from any of its obligations with respect to such contract except to the extent that such delivery or payment is made.

Nothing contained in this Rule 14H15 shall relieve any customer of its obligation to make or take delivery under any Exchange futures contract for the sole reason that delivery must be made to or taken from a commodity broker which is a debtor.

#### **14H16. REGULARITY**

##### **14H16.A. Application For Regularity**

The owner or operator of any warehouse or elevator who desires to have such facility declared regular for the delivery of grain under the rules and regulations of the Exchange may make an application to Exchange staff for a Declaration of Regularity. Such application shall be made on a form prescribed by the Exchange and shall be accompanied with a description of the facility, including its capacity, strength, and receiving and loading facilities. The application shall also be accompanied by a financial statement certified by an independent certified public accountant as of the end of the fiscal year most recently preceding the date of application. All applications shall be subject to approval by the Exchange to determine compliance with the requirements of this Chapter.

##### **14H16.B. Board Prescribe**

Exchange staff by regulation may prescribe the conditions on which warehouses and warehousemen may become regular. To the extent required by the Commodity Exchange Act, as amended, the Exchange, in the case of federally licensed warehouses and warehousemen, may impose only such reasonable requirements as to location, accessibility, and suitability as may be imposed on other regular warehouses and warehousemen.

##### **14H16.C. Effective Date of Regularity**

For applications for regularity pertaining to a warehouse(s) that is not currently regular, the effective date of regularity shall be as follows:

- a. If the application for regularity is approved during a delivery month, the effective date shall be the first business day of the calendar month immediately following the date of the approval.
- b. If the application for regularity is approved during a month that is not a delivery month:
  1. And the calendar month immediately following the month during which approval was granted is not a delivery month, the effective date shall be the business day following the date of approval.
  2. And the calendar month immediately following the month during which approval was granted is a delivery month, the effective date shall be the business day following the last delivery day of such delivery month.

For applications for regularity pertaining to a warehouse(s) that is currently regular (regularity has not expired or been withdrawn, suspended or revoked prior to consideration of the new regularity application), and the application is for approval of a new operator of such warehouse(s), the effective date of regularity shall be the business day following approval.

##### **14H16.D. Conditions of Regularity**

No warehouse or elevator shall be made regular unless it conforms to the requirements set forth below.

1. The warehouse or elevator must be licensed as a public warehouse under the laws of the State of Missouri or Kansas, or under the United States Warehouse Act.
2. The warehouse or elevator must have a storage capacity of not less than one hundred thousand (100,000) bushels.
3. The warehouse or elevator must be equipped with bulk receiving and loading facilities adequate for the prompt dispatch of business.
4. The warehouse or elevator must be so situated that it is connected by railroad tracks with one (1) or more railway lines within the switching district as described in railroad tariffs of the city in which the elevator is located.
5. The individual, firm, or corporation operating the warehouse or elevator seeking to be declared regular, shall be of unquestioned good financial standing and credit. Such individual, firm, or corporation shall have and maintain a minimum net worth as may be fixed from time to time by the Exchange, provided that the same is uniform in principle as to all individuals, firms, or corporations. The Exchange shall have full authority to determine at any time whether such net worth, financial standing, and credit exists and is being maintained.

A minimum net worth of fifteen cents (15¢) per bushel upon the aggregate storage capacity at all locations in the United States be established and maintained by elevators regular for delivery.

6. The individual, firm, or corporation operating the warehouse or elevator seeking to be declared regular must comply with the rules and regulations of the Exchange and be a Permit Holder thereof.

7. The warehouse or elevator must be equipped to load covered hopper rail cars. The warehouse or elevator shall file with the Exchange, stating in bushels, the eight (8) hour load-out capacity of the facility for a five (5) day work week. This load-out capacity must at least meet the minimum load-out required for deliveries on electronic warehouse receipts. (See Rule 14H13.D). Further, the warehouse or elevator shall notify the Exchange of any change in such load-out capacity.

The Member or KC HRW Incentive Program Participant operating a regular warehouse shall notify the Exchange in writing no later than 4:30 p.m. local time on the business day following the date when such Member or KC HRW Incentive Program Participant becomes aware of any requirement of regularity pursuant to the rules and regulations of the Exchange that is no longer being met. Such requirements include, but are not limited to, Member or KC HRW Incentive Program Participant requirements under Chapters 1 & 1A, or applicable financial and suitability requirements under CBOT Rules. Failure to notify the Exchange shall be deemed an act detrimental to the best interests of the Exchange and subject to disciplinary action under Chapter 4 of the Rules.

Any regular warehouse may have their regularity revoked by the Board if it does not or cannot comply with the conditions of regularity set forth in this Chapter. Should the Board revoke the regularity of any warehouse, notice of such shall be posted.

#### **14H16.E Regularity Annual Review**

Each Declaration of Regularity shall expire each year on the 30th day of May. Application for renewal of such declaration must be filed with the designated Exchange staff at least thirty (30) days prior to such expiration and shall be processed in the same manner as the original application.

#### **14H16.F Regularity Requirements**

1. All regular warehouses or elevators shall file with the Exchange a copy of the bond(s), filed with and approved by the applicable licensing authority. All such bonds shall provide that the surety thereon shall notify the Exchange, without right of exoneration, by thirty (30) days' prior written notice of any change, expiration, termination, or cancellation thereof, together with a copy of any change made. Additional bonds may be required by the Exchange in such amount, and containing such conditions or provisions, as it may fix and determine.

2. All regular warehouses or elevators shall file with the Exchange copies of insurance policies covering all insurance filed with and approved by the applicable licensing authority. All such policies shall provide that the insurer shall notify the Exchange, without right of exoneration, by thirty (30) days' prior written notice of any change, expiration, termination, or cancellation thereof, together with a copy of any change made. If the policy requires periodical reports on stocks of grain on hand, certified copies of such reports shall be filed with the Exchange.

Firms may submit a certificate of insurance in lieu of submitting an insurance policy; provided that the certificate is issued by the insurance company, that there is a certificate for each location covered, that such certificate indicates the amount of coverage, the policy expiration date, the number of the policy, and includes the standard Kansas City thirty (30) day notification clause to the Exchange in the event of change or termination as required by this Rule (February 28, 1974).

3. All operators of warehouses or elevators regular under the Rules must weigh-up or measure-up their facilities when requested by the Exchange.

4. Operators of elevators or warehouses regular under these rules shall make such reports, keep such records, and permit such warehouse visitation as the Exchange, CFTC, or any other applicable government agency may require. Such books and records shall be kept for a period of five (5) years from the date thereof, and such books, records, and warehouses shall be open at all times to inspection by any representative of the Exchange, CFTC, or any other applicable government agency.

#### **14H16.G Elevator Charges; Delivery Grain**

The Exchange may, from time to time, establish and revise fees for regular elevators relating to grain delivered in satisfaction of futures contracts, including an elevation fee, a load-out fee, and an insurance and storage fee; provided that the effective date of such fees must be at least thirty (30) days after enactment to permit notice to the Member or KC HRW Incentive Program Participant.

Under the authority of this Rule, the maximum load-out fee for regular elevators on grain delivered on futures contracts is established at eight cents (8¢) per bushel.

#### **14H17. WAREHOUSE RECEIPTS**

Electronic warehouse receipts shall be eligible for delivery in satisfaction of futures contracts only if the electronic warehouse receipts comply with the following requirements:

a. Are freely negotiable;

- b. Have been issued by a regular warehouse or elevator;
- c. Designate the warehouse or elevator in which the grain is stored; and
- d. Have been registered by the Registrar of the Exchange.
- e. All electronic fields which are required to be completed in connection with an electronic warehouse receipt have been properly completed

#### **14H17.A Registration**

1. The owner or holder of an electronic warehouse receipt desiring to have such receipt registered for delivery in satisfaction of a futures contract shall present such receipt to the Registrar via the approved electronic warehouse receipt provider.
2. Registration must be effected by the owner or holder of the electronic warehouse receipt during the business day in which such person or entity files notice of intention of delivery with the Clearing House or during the next following business day.
3. Receipts registered as provided in Rule 14H17.A.2 shall not represent a total quantity in excess of the quantity stated in such notice of intention.

#### **14H17.B Duties Of Registrar On Presentation**

The Registrar shall register the electronic warehouse receipts if the warehouse or elevator on which the receipt is issued is currently regular. The electronic warehouse receipt shall be approved by the Registrar within the system of the approved electronic warehouse receipt provider of the Exchange and shall be recorded in the proper books of the Exchange.

#### **14H17.C Cancellation On Load-Out**

Registration or registered receipts must be cancelled upon the loading out of the grain represented thereby.

Immediately following such loading out, the operator of the warehouse or elevator shall deliver such receipt to the Registrar for cancellation. The Registrar is directed to hold such receipt until receipt of a certified report from the taker of the grain accepting the grain as delivered. Upon receipt of such report, the Registrar shall send the electronic warehouse receipt back to the issuer by the approved electronic warehouse provider, shall cancel such registration on the Registrar's books, and the registration of said electronic warehouse receipt shall thereafter be void.

Rule 14H17.C contemplates the records necessary in connection with the loading out of a delivery. The Registrar must receive from the loading elevator a "load-out" sheet showing the party for whom the load-out was made and the receipts covered thereby, and the load-out elevator shall deliver registered receipts to the Registrar for cancellation. The rule also requires that the "taker" of such grain furnish the Registrar a certified acceptance of the grain as delivered which shows that the delivery has been satisfactorily completed and the electronic warehouse receipts previously registered must be cancelled. Therefore, satisfaction of delivery of a futures contract on the Exchange is evidenced by a load-out report by the delivering elevator accompanied by the warehouse receipts applicable thereto and an acknowledgment of accepted delivery by the taker.

#### **14H17.D Cancellation On Proof Of Purchase**

Registration of registered receipts may be cancelled upon proof of purchase by the issuing warehouse or elevator by presentation of such receipts to the Registrar.

Should electronic warehouse receipts originally registered for delivery purposes be repurchased by the issuing elevator, the Registrar must be furnished with proof of such purchase accompanied by the registered electronic warehouse receipts whereupon the Registrar will cancel them from the records.

The Registrar shall cancel same in the manner provided in Rule 14H17.C.

## **INTERPRETATIONS & SPECIAL NOTICES**

### **RELATING TO CHAPTER 14H**

Note: Any examples used in this Interpretation are based on the minimum load-out rate of 30 cars per day or 150 cars per week. Any elevator subject to a higher load-out rate pursuant to Rule 14H13.D must take such higher rate of load-out into consideration and adjust such examples accordingly.

The delivery rules charge the loading elevator to begin loading requested delivery wheat within five (5) business days, which is on day six (6) following receipt of the taker's load-out instructions on day one. Business days do not count Saturdays, Sundays or holidays. Rules include loading requirements per day

or per week because some elevators may have to load on a daily basis rather than on a weekly basis. However, an elevator may choose to consolidate his loadings to even once a week. The stop storage rule is to be figured on a weekly basis. Under these rules neither prior business nor new business is of any consequence and does not affect loading requirements or applicable stop of storage. However, an elevator may choose to delay loading, for whatever reason, and allow storage to stop, but must load at a rate adequate to avoid default. Therefore, storage would stop with day ten (10) on 495,000 bushels if no wheat has been loaded or on any portion of this amount that has not been previously loaded. Storage charges would include day ten (10). Loadings made prior to a stop storage deadline would have charges due through the actual day of loading. Storage would stop in a like manner on additional 495,000 bushels at five (5) business day increments thereafter.

Because communications between parties is encouraged, any amendments to the loading request would continue to have time count for stop storage requirements. However, if the order is cancelled and reinstated at a later date, the time begins again at the reinstatement date. Also, if the order is cancelled, then storage charges will accrue from day one on the total remaining balance, whether or not any of the bushels had previously passed a stop storage date. Subsequent amendments or modifications of an existing load-out request do not constitute cancellation of a loading order. A taker may request any railroad covered rail hopper cars or elect to provide private car equipment. Any charges that may be incurred for the ordering or cancellation of car orders shall be paid by the taker. The intent is for the taker to be responsible for reasonable costs of placing and canceling car orders. If cars are not available, as requested in load-out instructions, then the obligation to load is suspended and time does not count until cars are available.

While an elevator may choose to load the required amount after a stop storage date, the intent is not to delay loading unreasonably. The intent of the default rule is therefore intended as only a serious extreme limit. An elevator would be in default on the entire remaining delivery obligation on day 31 if it has not loaded at least 495,000 bushels by day 30. Default on the entire remaining delivery obligation would also be deemed to have occurred after each following five day increment if the elevator becomes more than 20 business days delinquent in maintaining the minimum load-out schedule.

While communication is encouraged, throughout the delivery rules there are various requirements that communication be confirmed in writing. This is intended to provide a clear audit trail of the delivery process.

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**ELEVATORS IN KANSAS CITY (KC HRW WHEAT)**

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<b><u>CCL CODE</u></b>	<b><u>WAREHOUSE</u></b>	<b><u>ELEVATOR</u></b>	<b><u>CAPACITY IN BUSHELS</u></b>
1675	ADM Grain Company	Milwaukee	1,304,000
1676	ADM Grain Company	Wolcott	2,526,000
1665	Bartlett Grain Company, LP	KCT #1	4,307,000
1666	Bartlett Grain Company, LP	River Rail	10,039,000
1667	Bartlett Grain Company, LP	Fairfax	10,291,000
1685	Cargill, Inc.	Chouteau	927,000
1686	Cargill, Inc.	Katy	4,332,000
<b><u>Storage Capacity in Kansas City</u></b>			<b><u>33,726,000</u></b>

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**ELEVATORS IN HUTCHINSON (KC HRW WHEAT)**

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<b><u>CCL CODE</u></b>	<b><u>WAREHOUSE</u></b>	<b><u>ELEVATOR</u></b>	<b><u>CAPACITY IN BUSHELS</u></b>
1677	ADM Grain Company	Elevator A	4,071,000
1678	ADM Grain Company	Elevator B	1,869,000
1679	ADM Grain Company	Elevator I	6,836,000

<u>1680</u>	<u>ADM Grain Company</u>	<u>Elevator J</u>	<u>18,307,000</u>
<u>1687</u>	<u>Cargill, Inc.</u>	<u>Hutchinson</u>	<u>4,394,000</u>
<u>1688</u>	<u>Cargill, Inc.</u>	<u>Hutchinson W</u>	<u>4,448,000</u>
<b><u>Storage Capacity in Hutchinson</u></b>		<b><u>39,925,000</u></b>	

**ELEVATORS IN SALINA/ABILENE (KC HRW WHEAT)**

<b><u>CCL CODE</u></b>	<b><u>WAREHOUSE</u></b>	<b><u>ELEVATOR</u></b>	<b><u>CAPACITY IN BUSHELS</u></b>
<u>1681</u>	<u>ADM Grain Company</u>	<u>Salina A</u>	<u>4,197,000</u>
<u>1689</u>	<u>Cargill, Inc.</u>	<u>Salina</u>	<u>31,669,000</u>
<u>1695</u>	<u>Gavilon Grain, LLC</u>	<u>Abilene</u>	<u>1,392,000</u>
<u>1698</u>	<u>The Scoular Company</u>	<u>Salina</u>	<u>11,077,000</u>
<b><u>Storage Capacity in Salina/Abilene</u></b>		<b><u>48,335,000</u></b>	

**ELEVATORS IN WICHITA (KC HRW WHEAT)**

<b><u>CCL CODE</u></b>	<b><u>WAREHOUSE</u></b>	<b><u>ELEVATOR</u></b>	<b><u>CAPACITY IN BUSHELS</u></b>
<u>1668</u>	<u>Bartlett Grain Company, LP</u>	<u>Wichita</u>	<u>12,080,000</u>
<u>1696</u>	<u>Gavilon Grain, LLC</u>	<u>Wichita</u>	<u>30,542,000</u>
<u>1660</u>	<u>Horizon Milling, LLC</u>	<u>Wichita</u>	<u>5,682,000</u>
<b><u>Storage Capacity in Wichita</u></b>		<b><u>48,304,000</u></b>	

**Chapter 14I**

**KC HRW Wheat Calendar Swaps (Clearing Only)**

**P. 14I00. SCOPE OF CHAPTER**

The scope of this Chapter is limited to KC HRW Wheat Calendar Swaps negotiated between eligible swap participants (as defined in CFTC Regulation 35.2(b)(2)) in the Over-The-Counter (“OTC”) market and submitted to the Clearing House for clearing. When accepted for clearing, these KC HRW Wheat Calendar Swaps are not converted or substituted into futures contracts, but remain OTC products. KC HRW Wheat Calendar Swaps are not fungible with Exchange KC HRW Wheat futures or options contracts. KC HRW Wheat Calendar Swaps are subject to the general rules of the Exchange as may be applicable. The clearing and settlement of KC HRW Wheat Calendar Swaps are also subject to the rules and by-laws of Clearing House.

Any FCM registered with the CFTC that carries the account of a customer desiring to enter into KC HRW Wheat Calendar Swap transactions must execute a Participation Agreement with Exchange, in the form prescribed by Exchange, prior to the execution of any such swaps transactions, regardless of whether such FCM is a Permit Holder of Exchange.

Each customer of an FCM desiring to enter into KC HRW Wheat Calendar Swap transactions must be an Eligible Swap Participant (“ESP”), as defined by CFTC Regulation Section 35.1(b)(2). Accordingly, each FCM must verify a customer’s qualification as an ESP prior to allowing such customer to enter into a KC HRW Wheat Calendar Swap transaction and, upon request by Exchange, provide documentary evidence of a customer’s qualification as an ESP.

The Exchange may adopt additional rules or modify existing rules of this Chapter, subject to CFTC approval, if required.

KC HRW Wheat Calendar Swaps are negotiated and consummated off-exchange between eligible swap participants in the OTC market.

**Q. 14I01. CONTRACT SPECIFICATIONS 14I01.A. Unit of Clearing**

Each KC HRW Wheat Calendar Swap contract accepted for clearing must be for five thousand (5,000) bushels of wheat.

**14I01.B. Hours for Clearing Entry**

The Clearing House shall determine the business day hours during which KC HRW Wheat Calendar Swaps may be submitted for clearing. In order to be accepted for clearing, KC HRW Wheat Calendar Swaps trade data must either be entered into Clearing House's clearing system by Clearing Members or electronically transmitted directly to the Clearing House's clearing system, provided both participants of the swap trade have the required agreements and approvals in place with a Clearing Member to accept such electronically-submitted trade data for clearing.

**14I01.C. Minimum Price Increments**

The minimum trade price increment for KC HRW Wheat Calendar Swaps is one quarter of one cent (1/4¢), or \$12.50 per contract. Trades submitted for clearing must be priced in multiples of the minimum price increment.

**14I01.D. Months Cleared**

KC HRW Wheat Calendar Swaps may be entered into for any of the twelve (12) calendar months. The number of months in which clearing may occur shall be at the discretion of the Exchange and Clearing House.

For purposes of determining KC HRW Wheat Calendar Swaps daily and final settlement prices, the corresponding Exchange KC HRW Wheat futures contract shall be the futures contract month immediately following the swap's final settlement date.

**14I01.E. Position Limits**

KC HRW Wheat Calendar Swaps shall be subject to the same position limits prescribed for wheat futures contracts as set forth in Rule 14H02.E, except that spot month limits are not applicable since KC HRW Wheat Calendar Swap contracts expire prior to their corresponding futures contract delivery month.

**14I01.F. Last Day of Clearing**

The last clearing day (also referred to as the expiration day or final settlement day) for a particular KC HRW Wheat Calendar Swap contract month shall be the last business day of the calendar month immediately preceding such swap contract month.

The last month of trading for a particular swap contract month shall be the calendar month immediately preceding such swap contract month.

**14I01.G. Margin Requirements and Contract Fees**

Exchange minimum margins required for KC HRW Wheat Calendar Swaps shall be established by the Exchange, and may be changed from time to time in like manner.

The Exchange may establish an exchange fee and the Clearing House may establish a clearing fee for each KC HRW Wheat Calendar Swap contract cleared. Such fees are subject to change.

**R. 14I02. DELIVERY**

All open contracts as of the close of business on the last clearing day for a contract month shall expire at such time and be liquidated by means of cash settlement to the final settlement price determined in accordance with Rule 14I03. All balances due to or from the Clearing House shall be established at that time, the Clearing Member so advised, and handled in accordance with normal variation margin settlement procedures.

**S. 14I03. FINAL SETTLEMENT PRICE AND DAILY SETTLEMENT DURING THE LAST MONTH OF TRADING**

The daily settlement price for a KC HRW Wheat Calendar Swap contract month during the last month of trading for such contract shall be the cumulative average of the daily settlement prices for the corresponding Exchange KC HRW Wheat futures contract month for each clearing day during the last month of trading. As an example, for an April KC HRW Wheat Calendar Swap, the last month of trading would be March and the corresponding futures contract would be the May contract. Therefore, the daily settlement price for the April swap contract during the last month of trading would be the cumulative average of the daily settlement prices for the May futures contract month for each clearing day during March.

The final settlement price for a swap contract month, determined on the final settlement day, shall be the cumulative average of the daily settlement prices for the corresponding Exchange KC HRW Wheat futures contract month for each clearing day during the last month of trading. For example, the final settlement price for an April KC HRW Wheat Calendar Swap would be the cumulative average of the daily settlement prices for the May futures contract month for each clearing day during March.

**T. 14I04. DAILY SETTLEMENT PRICE**

The daily settlement price for a swap contract month prior to the last month of trading for such contract shall be the daily settlement price of the corresponding futures contract.

## Chapter 14J

### U. AUD KC HARD RED WINTER WHEAT SWAP (CLEARED ONLY)

#### V. W. 14J00. SCOPE OF CHAPTER

This chapter is limited in application to the clearing of AUD KC Hard Red Winter (HRW) Wheat Swaps, where the parties to the transaction are "Eligible Contract Participants" as defined in Commodity Exchange Act Section 1a(18). Transactions in AUD KC HRW Wheat Swaps shall also be subject to the general rules of the Exchange insofar as applicable. The clearing and settlement of transactions in AUD KC HRW Wheat Swaps shall also be subject to the rules and by-laws of the Clearing House.

#### X. 14J01. CONTRACT SPECIFICATIONS 14J01.A. Unit of Clearing

The unit of clearing shall be 27 metric tons of Wheat.

#### 14J01.B. Hours for Clearing Entry

The Exchange shall determine the hours during which AUD KC HRW Wheat Swaps may be submitted to the Clearing House. Positions shall be initiated or closed out using off-exchange transactions.

#### 14J01.C. Minimum Price Increments

Minimum price fluctuations shall be in multiples of AUD \$0.25 per metric ton which shall equal AUD \$6.75 per contract. Contracts shall not be made on any other price basis.

#### 14J01.D. Months Cleared

Clearing of AUD KC HRW Wheat Swaps is regularly conducted in all twelve months. The number of months in which clearing may occur shall be at the discretion of the Exchange.

#### 14J01.E. Position Limits

The applicable position limits and/or accountability levels, in addition to the reportable levels, are set forth in Chapter 5.

A Person seeking an exemption from position limits for bona fide commercial purposes shall apply to the Market Regulation Department on forms provided by the Exchange, and the Market Regulation Department may grant qualified exemptions in its sole discretion.

Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.

#### 14J01.F. Last Day of Clearing

The last day of clearing of AUD KC HRW Wheat Swaps deliverable in the current delivery month shall be the final settlement day as prescribed in Rule 14J05.

#### 14J01.G. Liquidation during the Delivery Month

After clearing of AUD KC HRW Wheat Swaps in the current delivery month has ceased, in accordance with Rule 14J01.F. of this chapter, outstanding contracts for such delivery shall be liquidated by cash settlement as prescribed in Rule 14J02.

#### Y. 14J02. CASH SETTLEMENT

Final settlement under these rules shall be on the final settlement day (as described in Rule 14J05) and shall be accomplished by cash settlement. Clearing members holding open positions in AUD KC HRW Wheat Swaps at the time of termination of clearing shall make payment to and receive payment through the Clearing House in accordance with normal variation settlement procedures based on a settlement price equal to the final settlement price (as described in Rule 14J03.).

#### Z. 14J03. FINAL SETTLEMENT PRICE AND DAILY SETTLEMENT

The final settlement price shall be determined on the final settlement day. The final settlement price shall be the settlement price for the corresponding KC HRW Wheat futures contract on the final settlement day of the AUD KC HRW Wheat Swap converted to Australian dollars using the midpoint between the BID/ASK of the Thomson Reuters "AUDH" exchange rate next published after the close of the Open Outcry KC HRW Wheat futures contract and converted to price per metric ton.

Daily settlement shall be the settlement price for the corresponding KC HRW Wheat futures contract on that day converted to Australian dollars using the midpoint between the BID/ASK of the Thomson Reuters "AUDF" exchange rate equating to and interpolating between the closest date(s) to contract expiration and next published after the close of the Open Outcry KC HRW Wheat futures contract and converted to price per metric ton. Both Daily and Final settlement shall be rounded to the nearest A\$0.001.

"Market Disruption Event" ("MDE") shall mean: (a) the termination or suspension of, or material limitation or disruption in the trading of the KC HRW Wheat futures contract on that day, including if due to the closing of the Exchange prior to the regularly scheduled closing time of the Exchange; (b) the settlement price of the underlying KC HRW Wheat futures contract reflects the maximum permitted price change



from the previous day's settlement price; or (c) the failure of the Exchange to publish an official Settlement Price for the underlying KC HRW Wheat futures contract. If an MDE occurs and the Exchange does not publish a settlement price for the corresponding KC HRW Wheat futures contract, the AUD KC HRW Wheat Swap settlement on that day shall revert back to the settlement price on the first preceding business day. If an MDE occurs and the Exchange publishes a settlement price for the Corresponding KC HRW Wheat futures contract, the AUD KC HRW Wheat Swap will settle that day to the settlement price for the corresponding KC HRW Wheat futures contract on that day converted to Australian dollars and priced per metric ton. If an MDE occurs on final settlement day, then final settlement for an expiring AUD KC HRW Wheat Swap shall be based on the next available KC HRW Wheat futures settlement price for which an MDE is no longer in effect, with a delay limited to 10 business days from the original expiration date. If, on the 10<sup>th</sup> business day, an MDE is still in effect, then the Exchange will determine an appropriate estimated settlement price.

#### **14J04. RESERVED**

#### **14J05 FINAL SETTLEMENT DAY**

The final settlement day shall be on the last Friday, which precedes by at least two business days, the last business day of the month preceding the swap month. If such Friday is not a business day, the final settlement day shall be the business day prior to such Friday.

#### **AA. 14J06. DISPUTES**

All disputes between interested parties may be settled by arbitration as provided in the Rules.

### **Chapter 14K**

#### **MGEX-KC HRW WHEAT INTERCOMMODITY SPREAD OPTIONS**

**14K00. SCOPE OF CHAPTER** This chapter is limited in application to put and call options on MGEX-KC HRW Wheat Intercommodity spreads. In addition to the rules of this chapter, transactions in MGEX-KC HRW wheat spread options shall be subject to the general rules of the Exchange insofar as applicable. **14K01. OPTIONS CHARACTERISTICS** **14K01.A. Contract Months**

Trading in MGEX-KC HRW Wheat Intercommodity spread options may be scheduled in such months as determined by the Exchange.

#### **14K01.B. Trading Unit**

One MGEX-KC HRW Wheat Intercommodity spread option reflects one (1) MGEX Wheat futures contract of a specified contract month on the Minneapolis Grain Exchange, Inc, and one (1) opposing KC HRW Wheat futures contract of a specified contract month on the Board of Trade of Kansas City, Missouri, Inc. The MGEX-KC HRW Wheat Intercommodity spread is calculated in cents/bushel as:  
MGEX Wheat futures price in cents/bu – KC HRW Wheat futures price in cents/bu.

#### **14K01.C. Minimum Fluctuations**

The premium for MGEX-KC HRW Wheat Intercommodity spread options shall be in multiples of one-eighth (1/8) of one cent per bushel, or six dollars and twenty five cents (\$6.250) per contract. However, a position may be initiated or liquidated in MGEX-KC HRW Wheat Intercommodity spread options at premiums ranging from \$1.00 to \$6.00, in \$1.00 increments per option contract.

#### **14K01.D. Trading Hours**

The hours for trading of MGEX-KC HRW Wheat Intercommodity spread options contracts shall be determined by the Exchange. MGEX-KC HRW Wheat Intercommodity spread options shall be opened and closed for all months and strike prices simultaneously.

#### **14K01.E. Exercise Prices**

Trading shall be conducted for put and call options with strike prices in integral multiples of five cents per bushel per MGEX-KC HRW Wheat Intercommodity spread option. At the commencement of trading for such option contracts, the following strike prices shall be listed: one with a strike price closest to the difference between the previous day's corresponding MGEX-KC HRW Wheat settlement prices (the at-the-money strike); the next ten consecutive higher and the next ten consecutive lower strike prices from the at-the-money strike. If the difference between the previous day's settlement prices is midway between two strike prices, the closest price shall be the larger of the two. New strike prices will be added through time to assure ten strikes above and below the at-the-money strike. When a new strike price is added for an option contract month, the same strike price will be added to all option contract months for which that strike price is not already listed.

All strikes will be listed prior to the opening of trading on the following business day. Upon demand and at the discretion of the Exchange, new out-of-current-range strike prices at regularly defined intervals may be added for trading on as soon as possible basis.

The Exchange may modify the procedures for the introduction of strikes as it deems appropriate in order to respond to market conditions.

#### **14K01.F. Position Limits**

MGEX-KC HRW Wheat Intercommodity Spread Options shall be subject to the same position limits prescribed for wheat futures contracts as set forth in Rule 14H02.E, except that spot month limits are not applicable since MGEX-KC HRW Wheat Intercommodity Spread Options expire prior to their corresponding futures contract delivery month.

#### **14K01.G. Reserved 14K01.H. Reserved 14K01.I. Termination of Trading**

Subject to the provisions of rule 14K01.D no trades in MGEX-KC HRW Wheat Intercommodity spread options expiring in the current month shall be made after the close of trading of the open outcry trading session on the last Friday which precedes by at least two business days, the last business day of the month preceding the earliest expiring leg in the spread underlying the MGEX-KC HRW Wheat Intercommodity spread option. If such Friday is not a business day, the last day of trading shall be the business day prior to such Friday.

For example, the July MGEX-KC HRW Wheat Intercommodity spread option (July MGEX Wheat minus July KC HRW Wheat) will expire on the last Friday which precedes by at least two business days the last business day of June; the September MGEX-KC HRW Intercommodity spread option (September MGEX Wheat minus July KC HRW Wheat) will expire on the last Friday which precedes by at least two business days the last business day of June; the December-December MGEX-KC HRW Wheat Intercommodity spread option (December MGEX Wheat minus December KC HRW Wheat) will expire on the last Friday which precedes by at least two business days the last business day of November.

#### **14K01.J. Contract Modification**

Specifications shall be fixed as of the first day of trading of a contract except that all options must conform to government regulations in force at the time of exercise. If the U.S. government, an agency, or duly constituted body thereof issues an order, ruling, directive, or law inconsistent with these rules, such order, ruling, directive, or law shall be construed to become part of the rules and all open and new options contracts shall be subject to such government orders.

#### **14K02. EXERCISE**

MGEX-KC HRW Wheat Intercommodity spread options will be cash settled on expiration day.

MGEX-KC HRW Wheat Intercommodity spread options cannot be exercised at any time during the life of the option.

#### **14K03. [RESERVED] 14K04. RESERVED 14K05. OPTION PREMIUM FLUCTUATION LIMITS**

Trading is prohibited during any day except for the last day of trading in a MGEX-KC HRW Wheat Intercommodity spread option at a premium of more than the sum of the trading limits for the KC HRW Wheat futures contract and the MGEX Wheat futures contract, above and below the previous day's settlement premium for that option as determined by the Clearing House.

#### **14K06. PAYMENT OF OPTION PREMIUM**

The option premium must be paid in full by each clearing member to the Clearing House and by each option customer to his futures commission merchant at the time that the option is purchased, or within a reasonable time after the option is purchased.

### **Chapter 14L**

## **OPTIONS ON CONTRACTS OF SALE ON KC HARD RED WINTER WHEAT FUTURES CONTRACTS**

### **BB. 14L00. SCOPE OF CHAPTER**

This chapter is limited in application to trading "put" and/or "call" options on the KC Hard Red Winter (HRW) Wheat Futures Contracts traded on the Exchange. The procedures for exchange government, rule enforcement, trading and other rights with privileges and obligations for trading options hereunder, and the procedures for trading, clearing, delivery, and settlement and all other matters not specifically covered herein shall be governed by and be subject to the general rules, regulations and resolutions of the. Whenever the rules of other chapters use words such as "grain," "wheat," or "commodity," those rules shall be deemed to refer to this Contract as well, if and as the context indicates. However, if there is any

conflict between this chapter and the general rules and regulations of the Exchange, the provisions of this chapter shall take precedence.

The Exchange has the authority to adopt additional rules and regulations, and alter existing rules and regulations, including the rules of this chapter, on ten (10) hours' notice, subject to CFTC approval, if required. Changes which materially alter the rights of the parties with open contracts must be delayed until there are no open contracts, except in the event of a market emergency.

Options may be written and traded in the "KC HRW Wheat Futures Contract" pursuant to Chapter 14H of the Rules as they exist or are amended from time to time.

Options shall not be transferred, assigned or otherwise disposed of other than on or subject to the rules of the Exchange, the Commodity Exchange Act and the rules and regulations of the CFTC.

No person shall solicit or accept orders (other than in a clerical capacity) for the purchase or sale of the option contract, or to supervise any person so engaged, unless that individual meets the requirements of 17 C.F.R. 33.3 (b) (1).

Permit Holders who are FCMs (or others who may trade the option contract pursuant to this rule) are prohibited from accepting customer orders from another FCM or introducing broker which does not qualify to trade the option contract as prescribed in this rule.

Each Clearing Member and each FCM Permit Holder that has customers trading options shall provide such information as the Exchange shall require to comply with the requirements that the CFTC may require of the Exchange pursuant to Part 16 of the Regulations of the CFTC.

The margin requirements will be set by the Exchange.

An Exchange contract fee will be set by the Exchange to cover its expenses. The Exchange may change the fee at any time on at least thirty (30) days' notice, such changes to be effective on the first of a month.

#### **CC. 14L01. OPTIONS CHARACTERISTICS 14L01.A. Contract Months**

Options shall be listed for trading in the following months:

a. For options months in the ordinary cycle of the underlying futures contract (i.e., July, September, December, March and May), the number of months listed shall be the same as the underlying futures contract, provided, however, that a new option contract based on the ordinary cycle will be introduced the day after trading has commenced in the underlying futures pursuant to Rule 14L01.A.

b. For options months outside the ordinary cycle (i.e., August, October, November, January, February, April and June, hereinafter referred to as "serial" months), the number of months listed shall be established by the Exchange. However, no serial months shall be listed outside of the months listed pursuant to subsection (a) above.

c. Weekly options expire on every Friday, except for those Fridays on which standard or serial options are scheduled to expire. A new weekly option will automatically be introduced the business day following the expiration of a weekly option so that three weekly options are always listed concurrently.

d. For short-dated new crop options, on the first trading day following the expiration of the September option, list at least 3 contract months: December, March, and May. A new listing cycle will begin on the first trading day following the expiration of the next September option.

For options that expire in the ordinary cycle (i.e., July, September, December, March and May), the underlying futures contract is the futures contract corresponding to the option expiration month. For serial options (options outside the ordinary cycle), the underlying futures contract is the next futures contract in the ordinary cycle nearest the option expiration month. For example, the underlying futures contract for an option contract expiring in October or November is the December futures contract. For weekly options, the underlying futures contract is the nearby futures contract. However, if the nearby futures are still trading but the standard option on that futures has expired, then weekly options expire into the second-listed futures contract. For short-dated new crop options, the underlying futures contract is the July futures contract that is nearest to the expiration of the options.

A new option based on a futures month within the ordinary cycle will be introduced the day after trading has commenced in the underlying futures contract for that contract month, (for example — if on February 1, the December futures contract had traded for the first time, then on February 2, an option month for the December futures contract is listed, having strike prices as specified in Rule 14L01.E). A new option based on a serial month (a month outside of the ordinary cycle) will automatically be introduced the day following the expiration of a serial month, so as to at all times have available for trading the number of serial months established by the Exchange for trading, (for example, if the Exchange has authorized the listing of three serial months, and those months currently traded are January, February and April, then the serial contract month of June will automatically be listed for trading the day following the expiration of the

January contract month). A new weekly option will automatically be introduced the business day following the expiration of a weekly option so that three weekly options are always listed concurrently. Weekly options expire on every Friday, except for those Fridays on which standard or serial options are scheduled to expire. On the business day following the expiration of standard or serial options, no new weekly option will be introduced. For short-dated new crop options, on the first trading day following expiration of the September option, list at least 3 contract months: December, March, and May.

**14L01.B. Trading Unit**

The size of the unit of trading in the options contract shall be five thousand (5,000) bushels, the same size as the underlying futures contract.

**14L01.C. Minimum Fluctuations**

Bids and offers for options shall be measured and expressed in increments of one-eighth of one cent (1/8¢) per bushel. However, for options valued at less than one-eighth of one cent (1/8¢), the option premium may range from \$1.00 to \$5.00 in \$1.00 increments per option contract.

**14L01.D. Trading Hours**

The trading hours are 8:30 a.m. to 1:15 p.m. local time. The trading hours may be varied by the Board of Directors.

Trading will occur on the trading floor of the Exchange.

**14L01.E. Exercise Prices**

At the commencement of trading a new standard option month, the following strike prices shall be listed: the strike price closest to the previous day's settlement price of the underlying futures contract (the at-the-money strike), and strikes in integral multiples of ten cents (10¢) per bushel in a range 50 percent above and below the at-the-money strike.

At the commencement of trading serial month options, weekly options and short-dated new crop options and for standard option months the business day they become the third listed month, the following strike prices shall be listed: the strike price closest to the previous day's settlement price of the underlying futures contract (the at-the-money strike), and strikes in integral multiples of five cents (5¢) per bushel in a range 25 percent above and below the at-the-money strike.

If the previous day's settlement price is midway between two strike prices, the closest price shall be the larger of the two. (For example – if a new futures month contract closes at \$3.75, the closest price is \$3.80.) The Exchange may modify the procedures for the introduction of strikes as it deems appropriate in order to respond to market conditions.

Any close which causes there to be less than the range of strike prices prescribed by Rule 14L01.E will cause new strike prices to be added the next day in order to have at least the range of strike prices pursuant to Rule 14L01.E available for trading. Upon demand and at the discretion of the Exchange, new out-of-current-range strike prices at regularly defined intervals may be added for trading on as soon as possible basis. The Exchange may modify the procedures for the introduction of strikes as it deems appropriate in order to respond to market conditions.

An option having a particular strike price outside the latest strike ranges prescribed by Rule 2511.01 and without open interest may be delisted.

Any strike price which has been delisted under Rule 14L01.E shall thereafter be relisted at any time any such option has a strike price required by Rule 14L01.E.

**14L01.F. Position Limits** Permit Holders shall comply with all applicable position limits adopted by the Exchange or by the CFTC. Positions in short-dated new crop and weekly options are equivalent to positions in standard and serial options and all Rules in Rulebook Chapter 14L apply including Rule 14L01.F (Position Reporting Limits). Option positions are aggregated with futures positions with respect to KC HRW Wheat futures speculative position limits, so Rule 14H02.E (Position Limits) also applies.

**14L01.G. Price Display and Dissemination**

Each series of options and prices opened for trading shall be displayed on the price display system on the Exchange floor and disseminated in such other manner as deemed appropriate by the Board.

**14L01.H. Nature of Options on KC HRW Wheat Futures**

The "option premium" shall be the sum paid to the writer of a call option who agrees to deliver the underlying futures contracts against payment of the exercise price upon being assigned an exercise notice. The premium with respect to the writer of a put option is the sum paid to the writer of the put option who agrees to purchase the underlying futures contract on which the put is written at the exercise price upon being assigned an exercise notice. Both put options and call options may be written.

The Clearing House must receive from each of its Clearing Members, and each Clearing Member must receive from each other party for whom it clears commodity option transactions, and each FCM must receive from each of its option customers, the full amount of each option premium at the time the option is purchased, or within a reasonable time thereafter.

The strike price is the price at which a party may purchase or sell the underlying futures contract upon exercise of an option. The strike price will be determined in accordance with the following Rules.

#### **14L01.I. Termination of Trading**

a. For options months in the ordinary cycle; no trades in options expiring in the current month shall be made after 1:15 p.m. on the last Friday which precedes by at least two (2) business days, the first notice day for the corresponding futures contract.

b. For serial options months (months outside the ordinary cycle); no trades shall be made after 1:15 p.m. on the Friday which precedes by at least two (2) business days, the last business day of the calendar month immediately preceding the option serial month, (for example, for November serial options contracts, the last trading day is the Friday which precedes by at least two (2) business days, the last business day in October). If such Friday is not a business day, the last day of trading shall be the business day prior to such Friday. ~~The option shall expire at 10:00 a.m. on the first Saturday following the option's last day of trading.~~ Unexercised options shall expire at 7:00 p.m. on the last day of trading.

c. For weekly options; no trades in weekly options shall be made after 1:15 p.m. on the Friday such a weekly option expires. If such Friday is not a business day, the last day of trading shall be the business day prior to such Friday. ~~The option shall expire at 10:00 a.m. on the first Saturday following the option's last day of trading.~~ Unexercised options shall expire at 7:00 p.m. on the last day of trading.

d. For short-dated new crop options, the last day of trading in any option for expiry in a given month shall be the last Friday which precedes by at least two business days the last business day of the calendar month preceding such option's named expiry month. If such Friday is not a business day, then the last day of trading in such option shall be the business day prior to such Friday. On their last day of trading, short-dated new crop options shall cease trading at the same time that its corresponding futures contract ceases trading. ~~The option shall expire at 10:00 a.m. on the first Saturday following the option's last day of trading.~~ Unexercised options shall expire at 7:00 p.m. on the last day of trading.

#### **14L01.J. Settlement of Trades**

Trades made in put and call options shall be settled at the end of each day's trading. Positions in the underlying futures contracts as a result of the exercise of options shall be made by book entry in the books of the Clearing House.

#### **14L01.K. Deep-Out-Of-The-Money Options**

1. A deep out-of-the-money option is defined as an out-of-the-money option whose strike price is more than X strike prices distant from the strike price closest to the settlement price of the underlying futures contract, where X equals two (2) plus the number of calendar months remaining until option expiration;

2. However, the Exchange Board may impose additional criteria as appropriate;

3. No Permit Holder who is a FCM shall accept an order for a deep out-of-the-money option without providing the customer with an explanation of the nature and the risks of the option prior to the transaction.

#### **DD. 14L02. EXERCISE AND ASSIGNMENT**

In addition to the applicable procedures and requirements of KC HRW Wheat futures deliveries, the following shall apply to the exercise and assignment of KC HRW Wheat Options.

##### **14L02.A. Exercise of Option**

The buyer of a KC HRW Wheat futures option may exercise the option on any business day prior to expiration by giving notice of exercise to the Clearing House by 6:00 p.m., or by such other time designated by the Exchange, on such day.

After the close on the last day of trading, all in-the-money options shall be automatically exercised, unless notice to cancel automatic exercise is given to the Clearing House. Notice to cancel automatic exercise shall be given to the Clearing House by 6:00 p.m., or by such other time designated by the Exchange, on the last day of trading. Unexercised KC HRW Wheat futures options shall expire at 7:00 p.m. on the last day of trading.

##### **14L02.B. Assignment**

Exercise notices accepted by the Clearing House shall be assigned through a process of random selection to clearing members' open short positions in the same series. A clearing member to which an

exercise notice is assigned shall be notified thereof as soon as practicable after such notice is assigned by the Clearing House.

The clearing member assigned an exercise notice shall be assigned a short position in the underlying futures contract if a call is exercised or a long position if a put is exercised. The clearing member representing the option buyer shall be assigned a long position in the underlying futures contract if a call is exercised and a short position if a put is exercised.

All such futures positions shall be assigned at a price equal to the exercise price of the option and shall be marked to market in accordance with Rule 814 on the trading day of acceptance by the Clearing House of the Exercise Notice.

#### **EE. 14L03. [RESERVED] FF. 14L04. CORRECTIONS TO OPTIONS EXERCISES**

Corrections to option exercises, including automatic exercises, may be accepted by the Clearing House after the 6:00 p.m. deadline and up to the beginning of final option expiration processing provided that such corrections are necessary due to: (1) a bona fide clerical error, (2) an un-reconciled Exchange option transaction(s), or (3) an extraordinary circumstance where the clearing firm and customer are unable to communicate final option exercise instructions prior to the deadline. The decision as to whether a correction is acceptable will be made by the President of the Clearing House, or the President's designee, and such decision will be final.

**GG. 14L05. OPTION PREMIUM LIMITS** Trading is prohibited during any day except for the last day of trading in a KC HRW Wheat futures option at a premium of more than the trading limit for the KC HRW Wheat futures contract above and below the previous day's settlement premium for that option. **HH.14L06. PAYMENT OF OPTION**

#### **PREMIUM**

The option premium must be paid in full by each clearing member to the Clearing House and by each option customer to his futures commission merchant at the time that the option is purchased, or within a reasonable time after the option is purchased.

#### **14L07. FAILURE TO PERFORM**

If the Clearing Member with a delivery commitment fails to perform all acts required by this chapter, then that Clearing Member shall be deemed in default, which may be punishable as a major violation. In the event of default, any defaulting party shall be liable for damages and any loss sustained as a result of the default, if any, by the Clearing House, an FCM, or any other FCM or customer thereof, plus a penalty of not less than \$500 per defaulted contract. An additional fee or penalty may also be imposed through Exchange disciplinary procedures.

The defaulting party may petition the Exchange for reconsideration of any penalty so assessed. Whenever, in the judgment of the Exchange, upon consideration, the default was not due to the fault of the appealing party, or for other good cause shown, the Exchange may, in its discretion, waive or reduce the penalty.

#### **14L08. PROCEDURE FOR CUSTOMER COMPLAINTS**

Each FCM who is a Permit Holder and engages in the offer or sale of commodity options shall, with respect to all written option customer complaints, comply with Rules 14L08.A through 14L08.C.

##### **14L08.A. Complaints**

Retain all such written complaints.

##### **14L08.B. Records**

Make and retain a record of the date the complaint was received, the associated person who serviced the account, or the introducing broker who introduced the account, and a general description of the matter complained of, and what, if any, action was taken by the FCM in regard to the complaint; and

##### **14L08.C. Copies**

Immediately send a copy of any such complaint to the FCM's "Designated Self-Regulatory Organization" (DSRO) and, upon final disposition thereof, immediately send a copy of the record of such disposition to the DSRO.

#### **14L09. FUTURES COMMISSION MERCHANTS**

Each FCM who is eligible to trade options pursuant to Rule 14L00 shall comply with the following:

##### **14L09.A. Written Procedures**

Adopt and enforce written procedures pursuant to which it will be able to supervise adequately each option customer's account, including but not limited to the solicitation of any such account, provided that "option customer" does not include another FCM; and

##### **14L09.B. Written Record**

Immediately upon the receipt of a customer's order, prepare a written record of the order. Said order shall be dated and time stamped to the nearest minute when the order is received and shall show the account designation. In addition, such written record also shall show the time to the nearest minute the order is transmitted for execution; and

#### **14L09.C. Notification**

Give immediate written notification to the FCM's DSRO of any disciplinary action taken against the FCM or any of its associated persons by the commission or by another self-regulatory organization; and

#### **14L09.D. Disclosure**

Each Permit Holder FCM which engages in the offer or sale of commodity options shall enforce the disclosure requirements set forth in CFTC Regulation Section 33.7.

#### **14L09.E. Option Promotional Material**

Each FCM which engages in the offer or sale of option contracts traded on this Exchange shall submit promptly to the Permit Holder's DSRO all promotional material pertaining to trading in such options. For the purposes of this rule, the term "promotional material" shall include those items described in CFTC Regulations 33.1 (b).

#### **14L09.F. Discretionary Accounts**

With respect to option customer accounts for which discretion is given for option trading:

(i) Provide the option customer with an explanation of the nature and risks of the strategy or strategies to be used in connection with the option customer's account; and

(ii) Require an officer, general partner, sole proprietor, or branch office manager of the FCM (other than any individual authorized to exercise discretion in trading the account) to approve, in writing, the discretionary authority prior to any trading for the account involved; and

(iii) Identify as discretionary each order for a discretionary account on the order at the time of entry and an officer, general partner, sole proprietor, or branch office manager of the FCM (other than any individual authorized to exercise discretion in trading the account) must approve, initial, and date all orders for a discretionary account; and Review frequently discretionary accounts pursuant to CFTC rules and regulations.

The provisions of Rule 14L09.F shall not apply to any option customer account: (A) of a commodity pool, the operator of which is registered with the Commission as a commodity pool operator; (B) where the person who has the discretionary authority is the spouse, parent, or child of the option customer, or (C) which is an omnibus account of another FCM.

#### **14L09.G. Prohibition**

Shall not engage in fraudulent or high pressure sales communications relating to the offer or sale of option contracts.

#### **14L09.H. Sales Practice Audits**

Comply with Exchange procedures and permit the Exchange or its agent to conduct sales practice audits of Permit Holder FCMs which engage in the offer or sale of the options contracts. The sales practice audits with which FCM must comply will be those in effect by the Exchange from time to time as adopted by the Exchange.

#### **14L09.I. Applicable CFTC Rules**

Comply with all applicable regulations and rules of the CFTC, and the National Futures Association applicable from time to time to trading in the options governed by this contract.

### **14L10. ADVERTISING GUIDELINES**

Advertising, market letters, and similar information issued by the Exchange, its Permit Holders, and their associates should not be false or misleading.

#### **14L10.A. File Copies**

All Permit Holders, Clearing Members, commodity representatives, and other employees of Permit Holders must file within seven (7) days after publication copies of all promotional material including prepared radio or television scripts, prepared lectures, mail solicitations, and market letters relating to commodities traded on the Exchange with the Exchange.

### **14L11. INTRODUCING BROKERS – OPTIONS SALES PRACTICES**

Each Rule pertaining to the options sales practices of Permit Holders or their employees shall apply with equal force and in effect to the options sales practices of introducing brokers who are operating pursuant to a guarantee agreement with a Permit Holder FCM and such Permit Holder FCM shall be fully responsible therefore until otherwise rescinded by the Exchange, or until such time as the National

Futures Association or other registered futures association adopts rules which are approved by the CFTC to govern the commodity option related activity of such guaranteed introducing brokers.