

**KANSAS CITY BOARD OF TRADE
CLEARING CORPORATION**

of

Kansas City

Missouri

CHARTER PROVISIONS

and

BY-LAWS

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NOVEMBER 3, 2008

**ARTICLES OF INCORPORATION
(As Amended)
OF THE
KANSAS CITY BOARD OF TRADE CLEARING CORPORATION**

KNOW ALL MEN BY THESE PRESENTS, that we, the undersigned, do hereby associate ourselves together for the purpose of forming a private corporation under and pursuant to the laws of the State of Missouri, and do agree upon and adopt and sign the following Articles of Incorporation:

ARTICLE I

The name of this corporation shall be the KANSAS CITY BOARD OF TRADE CLEARING CORPORATION.

The general nature of its business shall be as follows:

- (a) To deal in all types of cash commodities, futures contracts, and securities. The term `to deal in`, as used herein, shall mean: to settle, to buy, sell, barter, exchange, store, deliver, receive or otherwise trade in such commodities, for its own account or for others, for immediate or future delivery and to settle, adjust and clear all such transactions, all in accordance with the by-laws, rules or regulations heretofore or hereafter adopted by the corporation.
- (b) To purchase and to sell the cash commodities, futures contracts, or securities which now are, or which may hereafter be dealt in or upon The Board of Trade of Kansas City, Missouri, Inc., and to acquire by purchase or otherwise, contracts made in accordance with the charter, by-laws, rules or regulations of The Board of Trade of Kansas City, Missouri, Inc., for the purchase or sale of cash commodities, futures contracts or securities dealt in or upon such Board of Trade; to assume the obligations arising under such contracts; to settle, adjust and clear, for compensation, contracts for the purchase and sale of cash commodities, futures contracts or securities upon and subject to the charter, by-laws, rules or regulations of The Board of Trade of Kansas City, Missouri, Inc.; to settle, adjust and clear, for compensation, money balances between members of The Board of Trade of Kansas City, Missouri, Inc.; and, in its discretion, to exercise all or any part of the powers above set forth with respect to cash commodities, futures contracts or securities dealt in or upon other exchanges, and contracts made upon and subject to the by-laws, rules or regulations of other exchanges whether in the State of Missouri or elsewhere.
- (c) To buy, sell, handle, receive and deliver securities of every kind and character, including stocks, bonds, notes, certificates of deposit, debentures, and any obligations of the Government of the United States or any state, city or other political or municipal subdivision thereof; or of any foreign state or city, or any municipal or political subdivision thereof; temporary receipts issued by any corporation or firm for part or full payment of subscriptions to issues or additional issues of bonds, stocks, securities or other obligations or the rights thereto, to handle such securities for a commission; and to settle, adjust and clear according to the rules of this corporation heretofore adopted, or that may thereafter be adopted, all transactions in respect thereto made upon The Board of Trade of Kansas City, Missouri, Inc.

- (d) To purchase or otherwise acquire, and to hold, own, maintain, work, develop, sell, lease, exchange, fire, convey, mortgage or otherwise dispose of and deal in, lands, and leaseholds, and any interest, estate and rights in real property, and any personal or mixed property, and any franchises, rights, licenses or privileges necessary, convenient or appropriate for any of the purposes herein expressed.
- (e) To do all matters incidental or necessary to carry out and perform any of the powers described herein, including any and all acts incidental, proper or necessary in connection with the operation of companies engaged in clearing transactions in commodities for future delivery, and securities, instruments and rights of the kind and character described herein.
- (f) To loan, invest, and reinvest money.
- (g) To conduct business in all other states, the District of Columbia, the territories, possessions and dependencies of the United States and in any or all foreign countries, to have one or more offices out of the State of Missouri, and to hold, purchase, lease, let, mortgage and convey real and personal property out of said state as well as therein:

ARTICLE II

The duration of the corporation is perpetual.

ARTICLE III

The aggregate number shares of the capital stock which the Corporation shall have authority to issue shall be One Hundred Thousand (100,000) shares with a par value of One Hundred Dollars (\$100.00) per share, amounting in the aggregate to Ten Million Dollars (\$10,000,000.00).

Article IV

The names and places of residence of the several shareholders with the number of shares subscribed by each, are as follows:

| Names of Shareholders | Place of Residence | Number of Shares Subscribed by Each |
|-----------------------|-----------------------|-------------------------------------|
| W.B. Lathrop | Kansas City, Missouri | 40 Shares |
| C.W. Lonsdale | Kansas City, Missouri | 40 Shares |
| George H. Davis | Kansas City, Missouri | 40 Shares |
| R.J. Thresher | Kansas City, Missouri | 40 Shares |
| E.D. Bigelow | Kansas City, Missouri | 40 Shares |

The number of the Board of Directors shall be seven, and the names of those agreed upon for the first year are: W.B. Lathrop, C.W. Lonsdale, George H. Davis, R.J. Thresher, E.D. Bigelow. Until an election by the Board of Directors, W.B. Lathrop shall act as President:

- C.W. Lonsdale shall act as first Vice-President;
- George H. Davis shall act as second Vice-President;
- E. D. Bigelow shall act as Secretary and Treasurer.

ARTICLE V

Each director or officer, or former director or officer of this corporation, and his legal representatives, shall be indemnified by the corporation against liabilities, expenses, counsel fees and costs reasonably incurred by him or his estate in connection with, or arising out of, any action, suit, proceeding or claim in which he is made a party by reason of his being, or having been, such director or officer, and any person who, at the request of this corporation, served as director or officer of another corporation in which this corporation owned corporate stock, and his legal representatives, shall in like manner be indemnified by this corporation; provided that in neither case shall the corporation indemnify such director or officer with respect to any matters as to which he shall be finally adjudged in any such action, suit or proceeding to have been liable for negligence or misconduct in the performance of his duties as such director or officer. The indemnification herein provided for, however, shall apply also in respect of any amount paid in compromise of any such action, suit, proceeding or claim asserted against such director or officer (including expenses counsel fees and costs reasonably incurred in connection therewith), provided the Board of Directors shall have first approved such proposed compromise settlement and determined that the officer or director involved was not guilty of negligence or misconduct; but in taking such action any director involved shall not be qualified to vote thereon, and if for this reason a quorum of the Board cannot be obtained to vote on such matter, it shall be determined by a committee of three persons appointed by the shareholders at a duly called special meeting or at a regular meeting. In determining whether or not a director or officer was guilty of negligence or misconduct in relation to any such matter, the Board of Directors or committee appointed by shareholders, as the case shall be, may rely conclusively upon an opinion of independent legal counsel selected by such Board or committee. The right to indemnification herein provided shall not be exclusive of any other rights to which such Director or officer may be lawfully entitled.

Witness our hands and seals this fifth day of May, A.D. 1913.

/S/ W.B. LATHROP
C.W. LONSDALE
GEO. H. DAVIS
R.J. THRESHER
E.D. BIGELOW

Certificate of Incorporation No. 29179 was issued by the Secretary of State of Missouri on May 6, 1913

Amended Articles became effective as follows:

Article I – July 18, 1966, January 17, 1979, January 1, 1986

Article II – May 4, 1962

Article III – December 15, 1965, April 17, 1969, November 15, 1973, February 19, 1975, January 16, 1980

Amended By-Laws become effective as follows:

Article III – March 30, 1988, March 5, 1999

Article IV – December 22, 1983 (changed only number directors)

Article V – May 12, 1964, June 22, 1987

Article VII – January 1, 1986

Article VIII – January 4, 1983, January 1, 1986, June 22, 1987, March 26, 1991, January 29, 1993, May 19, 1994, November 3, 2008, July 1, 2010

Article XI – January 4, 1983

Article XII – July 24, 1984

Article XIII – March 26, 1991

BY-LAWS

To accomplish the objects sought by the Company in its formation and organization, the Kansas City Board of Trade Clearing Corporation, hereinafter called the Company, has adopted for its direction and government the following By-Laws.

ARTICLE I

OFFICES

1.01.-The principal office of the Company shall be located in Jackson County, Missouri in the building of the Board of Trade of Kansas City, Missouri. The Company may have such other offices either within or without the State of Missouri as the Board of Directors may designate or as the business of the Company may require from time to time.

ARTICLE II

SHAREHOLDER'S MEETING

2.01.-All meetings of the shareholders shall be held at the office of the Company in Jackson County, Missouri, or at such other place as the directors may designate by resolution from time to time, such meetings may be adjourned to meet at such time and place as may be designated by vote of a majority of shareholders present or represented at such meeting.

2.02.-The annual meeting of the shareholders shall be held on the second Wednesday in January of each year, but if a legal holiday, then on the next business day, for the purpose of electing directors and for the transaction of such other business as may come before the meeting. The annual meeting shall be held at such place, within or without the State of Missouri, and at such time of day as may be designated by the Board of Directors or by the president.

2.03.-Special meetings of the shareholders, for any purpose may be called by the president, and shall be called by the president whenever directed so to do by resolution of the Board of Directors or upon the written request of a majority of the Board of Directors or upon the written request of the holders of record of a majority of the shares of the capital stock of the Company, issued and outstanding, provided, however, that any such request for the calling of a special meeting so made by directors or shareholders, as aforesaid, shall state the object for which such meetings to be called.

2.04.-A majority of the outstanding shares of the Company entitled to vote, represented in person or by proxy, shall constitute a quorum at a meeting of shareholders. If less than a majority of the outstanding shares are represented at a meeting, a majority of the shares so represented may adjourn the meeting from time to time without further notice. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally noticed. The shareholders present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough shareholders to constitute less than a quorum.

2.05.-Pertinent provisions of law where applicable shall take precedence over these By-Laws.

2.06.-Any defects in the manner in which any meetings, required by law or by these By-Laws, are called, convened or conducted shall be deemed waived by any shareholder or director who attends such meetings either in person or by proxy and who fails to object to such defect in writing at such meetings. Whenever any notice is required to be given under the provisions of these By-Laws, the Articles of Incorporation of the Company or any law, a waiver thereof in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed the equivalent to the giving of such notice.

ARTICLE III

DIRECTORS

3.01.-The business and property of the Company shall be managed by its Board of Directors who shall be elected at the annual meeting of the shareholders. Each director shall hold office until his successor is elected and shall have qualified, unless sooner removed, disqualified or resigned. No director need be a resident of the State of Missouri or a shareholder of the Company. To be qualified as a director of the Company, each director must be at all times during the term of his office a qualified unlimited member of The Board of Trade of Kansas City, Missouri, Inc, and , if the director fails to satisfy this qualification at any time, his office of director shall become vacant and shall be filled as hereinafter provided in the case of any vacancy which occurs in the Board of Directors.

3.02.-At a meeting of the shareholders expressly called for such purpose, the entire Board of Directors, or any director may be removed from office, with or without cause, by a vote of the holders of a majority of the shares then entitled to vote at an election of directors.

3.03.-At each annual meeting of shareholders, three directors shall be elected for a two-year term, and one shall be elected for a one-year term.

3.04.-The Board of Directors may adopt such rules and regulations for the conduct of the business and the management of the affairs of the Company as they may deem proper, consistent with the applicable laws, regulations, and orders of the United States, State of Missouri, the rules of The Board of Trade of Kansas City, Missouri, Inc., the Articles of Incorporation, and these By-Laws.

3.05.-The Board of Directors shall designate the officers, agents or employees who shall have authority to sign checks on behalf of the Company who shall be empowered to sign notes, drafts, acceptances or other instruments on behalf of the Company.

3.06.-No officer or director of the Company shall be paid any salary except upon vote of the Board of Directors, and the salaries and wages of all agents and employees of the Company shall be fixed from time to time by the Board of Directors, but the Board of Directors may from time to time delegate to the manager power to fix salaries or wages of subordinate employees.

3.07.-The Board of Directors shall have the power at any time to appoint such additional officers, agents and employees as they may deem necessary, and to fix and prescribe their authority, powers and duties.

3.08.-In case any vacancy or vacancies occur in the Board of Directors, the remaining directors, though less than a quorum, Shall have the power to fill the vacancy or vacancies, and the person or persons so elected shall hold office until their successor or successors are elected and qualified.

3.09.-A majority of the fully authorized Board of Directors as prescribed in the Articles of Incorporation shall constitute a quorum for the transaction of Business, but if less than such majority is present at a meeting, a majority of the directors present may adjourn the meeting from time to time without further notice. The act of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

3.10.-A regular meeting of the Board of Directors shall be held immediately following the annual election, at which meeting, officers of the Company shall be elected for the ensuing year and until their successors are elected and qualified, and such other business may be transacted as shall come before the meeting.

3.11.-Special meetings of the Board of Directors may be called by the President or vice president at any time and reasonable notice of such meetings shall be given which shall in no event be less than one hour; provided, however, that special meetings of the Board of Directors may be held at any time by consent or waiver of notice of all the directors.

3.12.-The officers of the Company shall hold office until their successors are chosen and qualified in their stead. Any officer appointed or elected by the Board of Directors, or any employee or agent of the Company may be removed at any time with or without notice by the affirmative vote of a majority of the whole Board of Directors with or without cause, but such removal shall be without prejudice to the contract rights, if any, of the person so removed.

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

3.14.-SERVICE ON GOVERNING BOARDS AND COMMITTEES

1) For purposes of this Rule, disciplinary offense means:

- (a) Any violation of the rules of a self-regulatory organization, as defined in Commission Regulation Section 1.63, except those rules related to:
 - i. Decorum or attire;
 - ii. Financial requirements, or
 - iii. Reporting or record keeping unless resulting in fines aggregating more than \$5000 within any calendar year.
- (b) Any rule violation described in 1(a)(i) through 1(a)(iii) above which involves fraud, deceit or conversion or results in a suspension or expulsion;
- (c) Any violation of the Commodity Exchange Act or the regulations promulgated thereunder, or
- (d) Any failure to exercise supervisory responsibility with respect to acts described in paragraphs 1(a) through 1(c) of this resolution when such failure is itself a violation of either the rules of this Corporation, the Commodity Exchange Act or the regulations promulgated thereunder.

- 2) No person may serve on any committee or governing board of this Corporation if such person is subject to any of the following conditions listed in subparagraphs (a) through (f) hereof, as follows:
- (a) Was found within the prior three years by a final decision of a self-regulatory organization, an administrative law judge, a court of competent jurisdiction or the Commodity Futures Trading Commission to have committed a disciplinary offense;
 - (b) Entered into a settlement agreement within the prior three years in which any of the findings or, in the absence of such findings, any of the acts charged included a disciplinary offense;
 - (c) Currently is suspended from trading on any contract market, is suspended or expelled from membership with any self-regulatory organization, is serving any sentence of probation or owes any portion of a fine imposed pursuant to either:
 - i. A finding by a final decision of a self-regulatory organization, an administrative law judge a court of competent jurisdiction or the commodity Futures Trading Commission that such person committed a disciplinary offense; or
 - ii. A settlement agreement in which any of the findings or, in the absence of such findings, any of the acts charged included a disciplinary offense.
 - (d) Currently is subject to an agreement with the Commodity Futures Trading Commission or any Self-regulatory organization not to apply for registration with the Commodity Futures Trading Commission or membership in any self-regulatory organization;
 - (e) Currently is subject to or has had imposed on him within the prior three years a Commodity Futures Trading Commission registration revocation or suspension in any capacity for any reason, or has been convicted within the prior three years of any of the felonies listed in Section 8a(2)(d)(ii) through (iv) of the Commodity Exchange Act;
 - (f) Currently is subject to a denial, suspension or disqualification from serving on the disciplinary committee, arbitration panel or governing board of any self-regulatory organization as that term is defined in Section 3(a)(26) of the Securities Exchange Act of 1934.
- 3) The following rules of this Corporation, if violated, would not constitute a disciplinary offense under paragraph 1(a) of this Resolution: 6.05, 6.06, 11.05 and 11.06.

3.15-VOTING BY INTERESTED MEMBERS OF BOARD AND COMMITTEES

- 1) **Definitions.** For purposes of this rule:
- (a) **“Board”** shall refer to the Board of Directors of the Kansas City Board of Trade Clearing Corporation and any subcommittee thereof.
 - (b) **“Committee”** shall refer to any committee established by the Kansas City Board of Trade Clearing Corporation and any subcommittee thereof.
 - (c) **“Family Relationship”** shall mean a person’s spouse, former spouse, parent, stepparent, child, stepchild, sibling, stepbrother, stepsister, grandparent, grandchild, uncle, aunt, nephew, niece or in-law.
 - (d) **“Member’s Affiliated Firm”** shall mean a firm in which the member is an “principal” as defined in CFTC Regulation Section 3.1(a), or an employee.
 - (e) **“Named Party In Interest”** shall mean a person or entity that is identified by name as a subject of any matter being considered by the Board or Committee.

- (f) **“Significant Action”** shall mean any actions or rule change which address an “emergency” as defined in CFTC Regulation Section 1.41(a)(4) (exclusive of physical emergencies), and any changes in margin levels that are designed to respond to extraordinary market conditions or are likely to have a substantial effect on prices in any contract cleared through the Kansas City Board of Trade Clearing Corporation.

2) Relationship With Named Party In Interest.

- (a) **Nature of Relationship.** A member of the Board or Committee must abstain from such body’s deliberations and voting on any matter involving a Named Party in Interest where such member:
- i. is a Named Party in Interest;
 - ii. is an employer, employee, or fellow employee of a Named Party in Interest;
 - iii. is associated with a Named Party in Interest through a “broker association”;
 - iv. has any other significant, ongoing business relationship with a Named Party In Interest; or
 - v. has a family relationship with a Named Party in Interest.
- (b) **Disclosure of Relationship.** Prior to the consideration of any matter involving a Named Party in Interest, each member of the Board or Committee must disclose to the Kansas City Board of Trade Clearing Corporation Board whether he or she has one of the relationships listed in Section 2 a. above with a Named Party in Interest.
- (c) **Procedure for Determination.** The Kansas City Board of Trade Clearing Corporation Board shall review items for consideration by the Board or Committee for purposes of determining whether any such member thereof is subject to a conflict restriction in any matter involving a Named Party in Interest. Such determinations shall be based upon information provided by the member pursuant to paragraph 2 b. above and any other information held by and reasonably available to the Board.

3) Financial Interest in a Significant Action.

- (a) **Nature of Relationship.** A member of the Board or Committee must abstain from such body’s deliberations and voting on any Significant Action if the member knowingly has a direct and substantial financial interest in the result of the vote based upon Kansas City Board of Trade Clearing Corporation’s position that could reasonably be expected to be affected by the action.
- (b) **Disclosure of Interest.** Prior to the consideration of any Significant Action, each member of the Board or Committee must disclose to the Kansas City Board of Trade Clearing Corporation Board the position information referred to in paragraph 3 c. below that is known to him or her. This requirement does not apply to members who choose to abstain from deliberations and voting on the subject of the Significant Action.
- (c) **Procedure for Determination.** The Kansas City Board of Trade Clearing Corporation Board shall review items for consideration by the Board or Committee for purposes of determining whether any such member thereof is subject to a conflict restriction in any significant action. Such determinations shall include a review of

- i. Kansas City Board of Trade and Kansas City Board of Trade Clearing Corporation gross positions held in the Member's personal accounts or accounts controlled by such Member;
 - ii. Kansas City Board of Trade and Kansas City Board of Trade Clearing Corporation gross positions held in proprietary accounts at the Member's affiliated firm;
 - iii. Kansas City Board of Trade and Kansas City Board of Trade Clearing Corporation gross positions held in accounts in which the Member is a principal;
 - iv. Kansas City Board of Trade and Kansas City Board of Trade Clearing Corporation net positions held in customer accounts at the Member's affiliated firm; and
 - v. any other positions, whether Kansas City Board of Trade, Kansas City Board of Trade Clearing Corporation or any other exchange, held in the Member's personal accounts or the proprietary accounts of the Member's affiliated firm that could reasonably be expected to be affected by the significant action.

- (d) **Basis for Determination.** Such determinations by the Board shall be based upon:
 - i. the most recent large trader and clearing records available;
 - ii. information provided by the member pursuant to paragraph 3 b. above with respect to positions; and
 - iii. any other source of information that is held by and reasonably available to the Board.

4. **Participation in Deliberations.** The Board or Committee may permit a member to participate in deliberations prior to a vote on a Significant Action for which such member otherwise would be required to abstain, pursuant to paragraph 3 above, if such participation would be consistent with the public interest and the member recuses himself or herself from voting on such action. The Board or Committee shall consider the following in determining whether to permit the member to participate in deliberations on a significant action:
 - i. whether such member's participation in the deliberations is necessary for achieving a quorum in the matter; and
 - ii. whether the member has unique or special expertise, knowledge or experience in the matter under consideration.

5. **Consideration of Position Information.** Prior to any determination pursuant to paragraph 4 above, the Board or Committee must fully consider the position information which is the basis for the member's direct and substantial financial interest in the result of a vote and the significant action pursuant to paragraph 3 above.

6. **Documentation of Determination.** The Board or Committee must reflect in its minutes or otherwise document that the conflicts determination procedures required by this Rule have been followed: Such records must also include:
 - i. the names of all members who attended the meeting in person or who otherwise were present by electronic means;

- ii. the name of any member who voluntarily recused himself or herself or was required to abstain from deliberations and/or voting on a matter and the reason for recusal or abstention, if stated; and
- iii. information on the position information that was reviewed for each member.

7. **Effective Date.** The effective date of this rule shall be March 5, 1999 but only following Commission approval.

ARTICLE IV

OFFICERS

4.01.-The officers of the Company shall be elected by the directors from the membership of the Board of Directors and shall be a president, two vice presidents, a secretary and a treasurer. Any two officers may be the same person, except that no person may hold the offices of president and secretary at the same time.

4.02.-The president shall be the chief executive officer of the Company, shall have general supervision and direction of the business of the Company, and shall preside at all meetings of the shareholders and directors at which he is present.

4.03.-It shall be the duty of vice presidents to perform duties of the president in the case of his absence, disability or refusal to act in the order of their seniority.

4.04.-The secretary, under the direction of the Board of Directors, shall keep a fair and regular journal of the Company; he shall take charge of the seal, books, papers and property belonging to the Company, and perform such general duties as are generally ascribed to a secretary.

4.05.-The treasurer shall oversee the handling of the funds of the Company. He shall cause to be made a full report of the Company, at its annual meeting of all the receipts and disbursements by him of funds received and of the balances, if any, remaining in his hands. The accounts of the Company shall be kept in books belonging to the Company.

4.06.-In the event of the absence of any officer of the Company, or in the event that the Board of Directors shall for any reason deem such action necessary or expedient, the board may from time to time delegate the powers or duties of such officer in whole or in part to any other officers or to any directors, provide a majority of the entire board concur therein.

MANAGER AND EMPLOYEES

5.01.-The Board of Directors shall have the power to appoint a manager of the business of the Company who need not be a director, officer or stockholder, and may by resolution fix and determine his powers, authority and duties consistent with the provisions of these By-Laws.

5.02.- (a) Disclosure of Information.

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

(b) Trading Prohibition.

An employee of the Company shall not trade, directly or indirectly, any commodity interest without regard to where a commodity interest is cleared.

(c) Definitions.

Terms used in this Rule shall have the same meaning as in Commodity Futures Trading Commission Regulation 1.59 (as from time to time amended), unless the context of this Rule clearly requires otherwise.

ARTICLE VI

METHOD OF CLEARING

6.01.-All contracts for future delivery made during the day shall be cleared through the Company. Upon the acceptance by the manager of such transactions, the Company assumes the position of buyer to the seller, and seller to the buyer, in respect to such transactions as between the Company and such clearing members.

6.02.-When a trade is cleared, and the contract price is less than the final market price of the day, the seller shall pay to the Company, and the buyer shall receive from the Company, the difference between the value of the commodity based upon the final market price of the day and the contract price. In like manner, if the contract price is more than the final market price of the day, the buyer shall pay to the Company, and the seller shall receive from the Company, the difference between the value of the commodity based upon the final market price of the day and the contract price. Thereupon, the seller shall be deemed to have sold such commodity to the Company, and the buyer shall be deemed to have bought such commodity from the Company, at the final market price of the day. Thereafter, from day to day, to the extent that such transaction remains open, similar payments shall be made to bring the trade to the final market price of that day, and after such payments have been made, the buyer shall be deemed to have bought and the seller shall be deemed to have sold such commodity to the Company at the final market price of such day.

6.03.-Except as may be expressly provided for in futures contracts utilizing a final cash settlement, where, as the result of any such substitution, any member has bought from the Company any amount of a given commodity for a particular delivery and subsequently, and prior to such delivery, such member sells to the Company any amount of the same commodity for the same delivery, the subsequent transaction shall be deemed pro tanto a settlement or adjustment of the prior transaction. In like manner, where a member sells, and subsequently, and before delivery, such member buys the same commodity for the same delivery, the second transaction shall be deemed pro tanto a settlement or adjustment of the prior transaction. Thereupon, such member shall become liable to pay the loss or entitled to collect the profit, as the case may be, upon such adjusted transactions, and shall be under no further liability to receive or make delivery with respect thereto.

6.04.-(a) Within the time intervals specified from time to time by the Company, it shall be the duty of each clearing member to deliver to collection boxes of the Company, trading cards reporting all transactions for his house account and for his customer account. Such trading cards shall be on forms approved by the Company and shall state the identity of the member or firm, the broker who recorded the transaction, the date and time of the transaction, the type of commodity, the quantity of the commodity, the month of delivery, the price, the name of the opposite member or firm to the trading transaction, the opposite broker, and the type of transaction. Subject to rules and regulations adopted by the Company, the Company may, in the exercise of its sole discretion, permit a member or firm to report the information from the trading cards to the Company in a form acceptable to the Company's data processing equipment. The Company shall record the information from the trading cards and shall return them to the clearing members.

From the information gathered from the trading cards, the Company shall prepare and deliver to each clearing member daily settlement reports which state for each clearing member by delivery month and by commodity, the net amount of all open trades carried over from the previous business day, the trades bought and sold during the business day of the report, the net amount of open trades at the close of trading on the business day of the report, and information as to any delinquent or erroneous trading cards for the business day of the report. The report shall figure all trades of the day and all trades carried over from the previous day to the closing price of the market on the day of the report, and shall disclose the net amount due him from, or from him to, the Company. When such report shows a balance due the Company, or when a balance is due a member or firm from the Company, funds shall be transmitted in such manner, as may be determined from time to time by the Board of Directors, subject, however, to the right of the Company to call for and retain additional margins.

(b) By 8:30 a.m., local time, or at such other time as may be designated by the Company, it shall be the duty of each clearing member to deliver to the Company, the following daily reports for the previous business day:

- i. A report designated as a cut out report which shall report to the Company all delinquent information, if any, and which shall reconcile all reported errors or discrepancies for the business day of the report; and
- ii. A gross position report which shall report by commodity and by delivery month all open contracts carried over from the business day immediately preceding the business day of the report, the trades bought and sold during the business day of the report, and all open contracts at the close of trading on the business day of the report.

6.05.-If any reports required by Rule 6.04 (b) are not delivered to the Company by the time specified herein, the defaulting members or firm shall be fined and amount set by the Board of Directors; and further, after the first offense during any calendar month, an additional penalty shall be assessed, set by the Board of Directors, for each daily report which is delinquent by thirty minutes or more.

6.06.- Any member or firm making one or more errors on a report required by Rule 6.04 (b) ii shall be fined an amount set by the Board of Directors for each such report.

6.07.-The charges for clearing all commodities shall be fixed by the Board of Directors and such charge may be increased or decreased at any time.

6.08.-The amount of margins to be maintained by members on all open futures contracts for delivery of commodities shall be fixed by the Board of Directors from time to time and such margins may be increased or decreased at any time by said Board. Margins in excess of maintained margins may be required and the amount of such additional margins shall be determined by the Board of Directors, using such standards as it deems appropriate. In addition, the manager of the Company may call in margins from purchasers as much below the market, and from sellers as much above the market, as in his judgment may be necessary for the protection of the Company.

Such margins to be placed to the credit of the party paying the same and to be retained by the manager, in whole or in part, as he may deem necessary until the trades for which such margins have been paid shall have been settled. Such margin calls shall be in writing, in the usual form in such case, and may be served upon the party called in person or upon his representative in charge, or by leaving notice at his place of business. In case the party called should have no regular place of business or his place of business should be unknown to the manager, a written notice left with the secretary of the Board of Trade, or an employee in his office, shall be deemed sufficient.

6.09.-The persons called for margins shall pay the same forthwith, unless time for such payment be granted, and in writing, by the president, and in such case, the time so granted shall be noted on the written call, and a copy thereof be kept by the manager, and be filed at his office.

6.10.-In all cases where default has been made in the payment of margins or balances on the part of any purchasers, as hereinbefore provided, the manager, or his representative for that purpose, shall have the right to sell the property of such purchaser held by this Company and in the quantity and for the time of delivery specified in the contract, or contracts, of purchases reported to, and accepted by, the manager of the Company by the party so in default.

6.11.-In all cases where default has been made in payment of margins or balances on the part of any seller, as hereinbefore provided, the manager, or his representative for that purpose, shall have the right to buy the property of such seller held by the Company, in the quantity and for the time of delivery specified in the contract or contracts of sales, reported to, and accepted by, the manager of this Company, by the parties so in default. The authority of the manager to buy or sell under this rule may be exercised by him before the margins called and paid have been entirely exhausted by market changes, as well as after.

6.12.-In either case all differences between the contract price so reported and accepted, and the price at which the property may have been bought or sold, as the case may be, in consequence of such default, shall constitute the rule and measure of damages against the party in default, and such differences shall be arrived at and shall be adjusted and settled within the time and in the manner and form provided in these By-Laws.

6.13.-If a margin call is made against a member, but cannot be served upon such member because of his death, nevertheless a default shall be deemed to exist and the manager or his representative may close out all open trades of such deceased member without awaiting the appointment of an administrator or executor of his estate, and any debit balance owing to the Company shall be immediately due and payable.

6.14.-Should the Board of Directors deem the transactions of any member, firm or corporation especially insecure and hazardous, all transactions with such member, firm or corporation may, at any time, be refused by the Company without previous notice, and the party making trades with said firm or member must be liable for the same. The manager shall have authority to refuse such trades without formal meeting or action of the Board of Directors, provided that he is instructed so to do by not less than three members of the Board of Directors of the Company.

6.15.-All deliveries of commodities must be made in accordance with the present Board of Trade rules or as they may be hereafter amended, and when deliveries are made, the oldest trades on the books must be closed first.

6.16.-All deliveries must be made through the Company. A member whose purchases are equal to, or in excess of his sales, and who therefore has no commodities sold to the Company, but who nevertheless wishes to make delivery on open sales on his books for customers, may deliver commodities to the Company against such sales; provided that he shall first notify the manager of the Company of his intention to deliver, and furnish a statement showing the date and amount of such sales on which delivery is to be made. The purpose of this section is to require actual and bona fide deliveries, and any member who attempts to utilize the provisions of this section for any ulterior or improper purpose may be denied clearing privileges. The Company shall cause to be posted on the day deliveries are made, the name of each clearing member making delivery and the amount of each commodity delivered together with the name of each member accepting delivery and the amount of each commodity accepted.

6.17.-Except as expressly authorized by the Board, no person other than the manager or staff of the Company, or the Business Conduct Committee of The Board of Trade of Kansas City, Missouri, Inc., or their duly authorized representative shall have access to the books or records of the Company which disclose the open contracts of any member.

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

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

ARTICLE VII

7.01.-All of the outstanding shares of the capital stock of this Company shall be issued to The Board of Trade of Kansas City, Missouri, Inc.

7.02.-Stock shall be transferred only upon the books of the Company by the holder thereof in person or by his attorney, upon the surrender and cancellation of certificates for a like number of shares of the same kind.

7.03.-The seal of the Company shall be in this form:

**KANSAS CITY BOARD OF TRADE CLEARING CORPORATION
(Corporate Seal)
MISSOURI**

7.04.-In matters requiring action by the sole shareholder of the Company, it may rely upon the presence of the President of The Board of Trade of Kansas City, Missouri, Inc. (or a Vice President), at a stockholders meeting, or upon a document signed by the President (or a Vice President) attested by the Secretary.

ARTICLE VIII

CLEARING MEMBER REQUIREMENTS

8.01. (a) Any person who is a member of The Board of Trade of Kansas City, Missouri, Inc., in good standing with full trading privileges, may apply for the privilege of doing business with the Company, individually, or as representing a partnership, firm or corporation, which shall guarantee his trades, provided, however,

- 1) any such person, individually, or the partnership, firm or corporation such person represents, which is guaranteeing his trades, shall own two shares of Class AA stock of the Board of Trade of Kansas City, Missouri, Inc. unless:
 - (a) such person is an individual who owns the one share of Class AA stock of The Board of Trade of Kansas City, Missouri, Inc. and operates as a Floor Trader at The Kansas City Board of Trade of Kansas City, Missouri, Inc. and clears trades made only for his account, whether he represents himself, his sole proprietorship or a corporation owned solely by him, or
 - (b) such person is approved for the privilege of doing business with the Company, even though he does not own 2 shares of Class AA stock of The Board of Trade of Kansas City, Missouri, Inc. but has elected not to clear trades through the Company at such time, said member being sometimes referred to as an “inactive member”, or
 - (c) is a person approved solely as a special clearing member pursuant to paragraph (b) below.
- 2) if the applicant is a sole owner, he must do business from an office in the Kansas City Metropolitan area or at such location as the contract is traded.
- 3) if the applicant is representing a partnership, he must do business from an office in the Kansas City Metropolitan area or at such location as the contract is traded.
- 4) If the applicant is representing a corporation, he must be an officer of the corporation, and he, or another member of the Board of Trade representing the company must do business from an office in the Kansas City Metropolitan area or at such location as the contract is traded.

The applicant further agrees to maintain facilities and personnel in such office considered by the Company to be adequate for prompt and orderly transaction of all business with the Company and with other members of the Company. He must at all times have available at such office all the firm's trading and clearing records for examination by proper and qualified personnel of the Company.

The applicant further agrees to obtain such Guaranty or Guaranties as the Board of Directors requires (from time to time) to secure the present and future obligations of the applicant to the Company. Such guarantees shall be in form acceptable to the Board of Directors in its sole discretion.

The application must be in writing in which the applicant agrees to be bound by all the Articles, By-Laws, rules, regulations, and usages of the Company and any amendments or changes therein or additions thereto, if admitted to clearing privileges. Such application shall include an audited financial statement prepared by a certified public accountant which describes all the assets and liabilities of applicant, or the partnership or corporation guaranteeing his trades on the floor of the Board of Trade, and of the individuals or entities that will guarantee the applicant's obligations to the Company.

(b) Any person who is a member of The Board of Trade of Kansas City, Missouri, Inc., in good Standing with full trading privileges, may apply for the status of "special clearing member" which shall permit such member the privilege of doing business with the Company on a limited basis for clearing only proprietary trades through the KCBTCC-OCC cross-margining system, individually or as representing a partnership, firm or corporation, which shall guarantee his trades. Said special clearing member shall have all the same duties and obligations as other clearing members but shall:

(1) Be limited to clearing Board of Trade stock index products approved for clearing under the KCBTCC-OCC cross-margining system.

(2) Not be required to have local representation in the Kansas City Metropolitan area or at such location as the contracts are traded, nor be required to maintain a business office in the Kansas City Metropolitan area at such location as the contracts are traded. However, such special clearing member shall maintain and file with Company an acceptable agreement with a regular clearing member under section (a) above who is authorized to clear trades with the company on any and all contracts traded on The Board of Trade of Kansas City, Missouri, Inc. Such agreement shall require such regular clearing member to maintain and have available for inspection all of the trading and clearing records of the special clearing member, and further shall authorize the regular clearing member to handle all necessary business with the Company and designate an individual associated with such regular clearing member to receive all notices, communications, requests, demands and other communications from the Company which individual shall be the designated representative for receiving such communications from the Company which shall, when given by the Company to such individual, be deemed to have been given to such special clearing member.

(3) Be required to substantially maintain a delta-neutral position with respect to all contracts within the special clearing member's cross-margining account and, upon request of Company, transfer or liquidate any or all positions deemed by the Company not to be a risk reducing position or to add off-setting positions to make the position substantially delta-neutral.

(4) Maintain a security deposit with the Company at the maximum level for future commission merchants as determined by the Company from time to time. If the security deposit is in the form of treasury bills, any safekeeping account for treasury bills shall be maintained at banks located in the Kansas City Metropolitan area and approved for such by the Company from time to time. If the security deposit is in the form of a letter of credit, such letter of credit must be in the form specified by the Company.

The applicant for special clearing member status further agrees to maintain facilities and personnel in such office location as indicated on its application and to notify Company of any change of such office facilities.

The applicant further agrees to obtain such Guaranty or Guaranties as the Board of Directors requires (from time to time) to secure the present and future obligations of the applicant to the Company. Such guaranties shall be in the form acceptable to the Board of Directors in its sole discretion.

The applicant further agrees to execute any and all necessary documents and to abide by the terms and conditions of the KCBTCC-OCC cross-margining system as well as to be bound by all the Articles, By-Laws, rules, regulations, and usages of the Company and any amendments or changes therein or additions thereto, if admitted to special clearing privileges. Such application shall include an audited financial statement prepared by the certified public accountant which describes all the assets and liabilities of applicant, of the partnership or corporation guaranteeing his trade on the floor of the Board of Trade, and of the individuals or entities that will guarantee the applicants obligations to the Company.

(c) New statements shall be immediately submitted in the event of any substantial change, which shall mean, twenty (20) percent decline in working capital or adjusted net capital from previous filing of such statement.

- 1) Written notification must be made to the Company within forty-eight (48) hours after such firm knows or should have known that its working capital or adjusted net capital has declined by 20% or more.
- 2) The company must receive written notice at least two (2) business days in advance of any extraordinary transaction (e.g. dividend payments, loan payments, etc.) that will cause a reduction of working capital or adjusted net capital by 20% or more.

(d) All clearing members shall submit to the Clearing Corporation an annual financial statement, and at least one (1) additional financial statement during the following fiscal year, or whenever requested by the manager of the Company. All financial statements shall be submitted in a manner acceptable to the Clearing Corporation. The additional financial statement shall be as of a date six (6) months subsequent to the end of the business year. These statements shall be certified by an officer, partner, or sole owner of the firm.

8.02.Security Deposits – The Board of Directors of the Kansas City Board of Trade Clearing Corporation shall determine the aggregate “base” amount of security deposits that must be deposited with the Company by clearing members. Each clearing member’s proportionate share of the required aggregate base amount shall be determined based on a formula determined by the Company. The required aggregate base amount and the formula for

determining each clearing member's proportionate share shall be reviewed each calendar quarter or such other times as necessary in response to changing conditions. The Company may require a clearing member's security deposit to be subject to a determined minimum amount in excess of its calculated proportional amount. The form of security deposits shall be determined by the Company, who may place limitations on certain forms.

8.03. Default Procedures – If a clearing member fails to meet its financial obligations to the Company (“default”), the Company may act immediately to take steps necessary to mitigate the risks associated by such default, including:

- (a) Clearing Member House (Proprietary) Account Default
 - 1) Attempt to transfer any segregated customer positions and monies of the defaulting clearing member to another clearing member;
 - 2) Take control of or liquidate the positions in the defaulting clearing member's house account;
 - 3) Apply the defaulting clearing member's house margin deposits and security deposit;
 - 4) Should a shortfall remain, the Company will then apply (on a pro-rata basis) the remaining aggregate base amount of security deposits of non-defaulting clearing members. Non-defaulting clearing members must restore their security deposits to pre-default levels by the next business day;
 - 5) Should a shortfall remain, the Company will then utilize its surplus funds (defined as funds in excess of that necessary for continuing Company operations) as determined by the Board of Directors in their discretion;
 - 6) Should a shortfall remain, the Company shall assess all non-defaulting clearing members on the basis of their proportional share of the aggregate base security deposit amount, up to a maximum of 200 percent of each such clearing member's proportional share of the aggregate base security deposit amount. Clearing members shall respond to the Company's assessment call via wire transfer of funds in the same prompt manner that they would a daily variation margin call. Any clearing member resignation does not relieve such clearing member of any and all obligations under Company rules and policies for defaults that occur prior to such resignation;
 - 7) Should a shortfall remain, the Company may apply any of its remaining funds or borrow funds to cover such obligations;
 - 8) The Company shall, through whatever means available (i.e., attaching other assets of the defaulting clearing member, invoking any parent company guarantee or other actions available by law), attempt to recover from the defaulting clearing member any losses sustained by Company and/or non-defaulting clearing members. Any such monies recovered (net of all costs incurred by Company in recovering such monies) shall be repaid to Company and non-defaulting clearing members in proportion to the total amount contributed to the loss.

(b) Clearing Member Customer Account Default

- 1) Attempt to transfer non-defaulting customer positions of the defaulting clearing member to another clearing member;
- 2) Take control of or liquidate customer and house positions of the defaulting clearing member;
- 3) Apply the defaulting clearing member's customer and house margin deposits and security deposit;
- 4) Should a shortfall remain, the Company will then apply (on a pro-rata basis) the remaining aggregate base amount of security deposits of non-defaulting clearing members. Non-defaulting clearing members must restore their security deposits to pre-default levels by the next business day;
- 5) Should a shortfall remain, the Company will then utilize its surplus funds (defined as funds in excess of that necessary for continuing Company operations) as determined by the Board of Directors in their discretion;
- 6) Should a shortfall remain, the Company shall assess all non-defaulting clearing members on the basis of their proportional share of the aggregate base security deposit amount, up to a maximum of 200 percent of each such clearing member's proportional share of the aggregate base security deposit amount. Clearing members shall respond to the Company's assessment call via wire transfer of funds in the same prompt manner that they would a daily variation margin call. Any clearing member resignation does not relieve such clearing member of any and all obligations under Company rules and policies for defaults that occur prior to such resignation;
- 7) Should a shortfall remain, the Company may apply any of its remaining funds or borrow funds to cover such obligations.
- 8) The Company shall, through whatever means available (i.e., attaching other assets of the defaulting clearing member, invoking any parent company guarantee or other actions available by law), attempt to recover from the defaulting clearing member any losses sustained by Company and/or non-defaulting clearing members. Any such monies recovered (net of all costs incurred by Company in recovering such monies) shall be repaid to Company and non-defaulting clearing members in proportion to the total amount contributed to the loss.

8.04 Close-Out Netting

(a) Insolvency of the Corporation. If at any time the Corporation: (i) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding up or liquidation, and, in the case of any such proceeding or petition presented against it, such proceeding or petition results in a judgment of insolvency or bankruptcy or the entry of an Order for Relief or the making of an order for the Corporation's winding-up or liquidation, or (ii) approves resolutions authorizing any proceeding or petition described in clause (i) above (collectively, a "Bankruptcy Event"), all open positions in the Corporation shall be closed promptly.

(b) Default of the Corporation. If at any time the Corporation fails to comply with an undisputed obligation to pay money or deliver property to a Clearing Member that is due and owing in connection with a transaction cleared by the Corporation, for a period of thirty days from the date that the Corporation receives notice from the Clearing Member of the past due obligation, the Clearing Member's open proprietary and customer positions at the Corporation shall, at the election of that Clearing Member, be closed promptly.

(d) Netting and Close-Out. At such time as a Clearing Member's positions are closed pursuant to this Rule 8.04, the obligations of the Corporation to a Clearing Member in respect of all of its proprietary positions, accounts, collateral and Security Deposits shall be netted, in accordance with the Bankruptcy Code, the Act and the regulations adopted thereunder in each case, against the obligations of that Clearing Member in respect of both its proprietary and its customers' positions, accounts, collateral and Security Deposits to the Corporation. All obligations of the Corporation to a Clearing Member in respect of its customer positions, accounts, and collateral shall be separately netted against the positions, accounts and collateral of its customers in accordance with the requirements of the Bankruptcy Code, the Act and the regulations adopted thereunder in each case. At the time a Bankruptcy Event takes place, the authority of the Corporation, pursuant to Rule 8.03 to make new assessments and/or require a Clearing Member to cure a deficiency in its Security Deposits, arising after the Bankruptcy Event, shall terminate, and all positions open immediately prior to the close-out shall be valued in accordance with the procedures of paragraph (d) of this Rule.

(d) Valuation. As promptly as reasonably practicable, but in any event within thirty days of (i) the Bankruptcy Event, or (ii) if a Clearing Member elects to have its open positions closed as described in paragraph (b) of this Rule, the date of the election, the Corporation shall fix a U.S. dollar amount (the “Close-Out Amount”) to be paid to or received from the Corporation by each Clearing Member, after taking into account all applicable netting and offsetting pursuant to paragraph (c) of this Rule. The Corporation shall value open positions subject to close-out by using the market prices for the relevant market (including without limitation any over-the-counter markets) at the time that the positions were closed out, assuming the relevant markets were operating normally at such time. If the relevant markets were not operating normally at such moment, the Corporation shall exercise its discretion, acting in good faith and in a commercially reasonable manner, in adopting methods of valuation expected to produce reasonably accurate substitutes for the values that would have been obtained from the relevant market if it were operating normally. In determining a Close-Out Amount, the Corporation may consider any information that it deems relevant, including, but not limited to, any of the following:

- (i) prices for underlying interests in recent transactions, as reported by the market or markets for such interests;
- (ii) quotations from leading dealers in the underlying interest, setting forth the price (which may be a dealing price or an indicative price) that the quoting dealer would charge or pay for a specified quantity of the underlying interest;
- (iii) relevant historical and current market data for the relevant market, provided by reputable outside sources or generated internally; and
- (iv) values derived from theoretical pricing models using available prices for the underlying interest or a related interest and other relevant data.

Amounts stated in a currency other than U.S. dollars shall be converted to U.S. dollars at the current rate of exchange, as determined by the Corporation. If a Clearing Member has a negative Close-Out Amount, it shall promptly pay that amount to the Corporation.

(e) Interpretation in Relation to FDICIA. The Corporation intends that certain provisions of this Rule be interpreted in relation to certain terms (identified by quotation marks) that are defined in the Federal Deposit Insurance Corporation Improvement Act of 1991 (“FDICIA”), as amended, as follows:

- (i) The Corporation is a “clearing organization.”
- (ii) An obligation of a Clearing Member to make a payment to the Corporation, or of the Corporation to make a payment to a Clearing Member, subject to a netting

agreement, is a “covered clearing obligation” and a “covered contractual payment obligation.”

- (iii) An entitlement of a Clearing Member to receive a payment from the Corporation, or of the Corporation to receive a payment from a Clearing Member, subject to a netting contract, is a “covered contractual payment entitlement.”
- (iv) The Corporation is a “member,” and each Clearing Member is a “member.”
- (v) The amount by which the covered contractual payment entitlements of a Clearing Member or the Corporation exceed the covered contractual payment obligations of such Clearing Member or the Corporation after netting under a netting contract is its “net entitlement.”
- (vi) The amount by which the covered contractual payment obligations of a Clearing Member or the Corporation exceed the covered contractual payment entitlements of such Clearing Member or the Corporation after netting under a netting contract is its “net obligation.”
- (vii) The By-Laws and Rules of the Corporation, including this Rule, are a “netting contract.”

ARTICLE IX

9.01.-In order to comply with the Act of Congress known as the Commodity Exchange Act, all By-Laws of the Company shall be construed with reference to, and shall be deemed to be subject to, and modified by, the provisions of said Act and any lawful regulation or order made by authority of said Act.

ARTICLE X

10.01.-The foregoing By-Laws may be amended by a vote of the sole stockholder. The sole stockholder may act through its President, by action of its Board of Directors, or by a two-thirds vote of all members as is may elect.

ARTICLE XI

METHOD OF CLEARING—OPTIONS

11.01.-All options traded during the day shall be cleared through the Company. Upon the acceptance by the manager of such transactions, the Company assumes the position of buyer to the seller, and seller to the buyer, in respect to such transactions as between the Company and such clearing members.

11.02.-The clearing Company must receive from each of its clearing members, in cash, the full amount of each option premium at the time the option is purchased. Likewise, the Company must pay to each of its clearing members, in cash, the full amount of each option premium at the time the option is sold.

11.03.-Except as may be expressly provided for, where, any member has bought from the Company any amount of a given option and subsequently, and prior to exercise, such member sells to the Company any amount of the same option, the subsequent transaction shall be deemed pro tanto a settlement or adjustment of the prior transaction. In like manner, where a member sells, and subsequently, and before exercise such member buys in the same option, the second transaction shall be deemed pro tanto a settlement or adjustment of the prior transaction. Thereupon, such member shall become liable to pay the loss or entitled to collect the profit, as the case may be, upon such adjusted transactions, and shall be under no further liability to exercise.

11.04.-(a) Within the time intervals specified from time to time by the Company, it shall be the duty of each clearing member to deliver to the Company, or its agent, trading cards or acceptable Data Processing input records reporting all transactions for his house account and for his customer account. Such trading cards shall be on forms approved by the Company and shall state the identity of the member or firm, by house or customer, the broker who recorded the transaction, the date and time or time period of the transaction, type of option, the quantity of the option, strike price, the month of contract, the premium the name of the opposite member or firm to the trading transaction, the opposite broker, the type of transaction, and whether it is a new or liquidating transaction. Subject to rules and regulations adopted by the Company, the Company may, in the exercise of its sole discretion, permit a member or firm to report the information from the trading cards to the Company in a form acceptable to the Company's data processing equipment. The Company shall record the information from the trading cards or other input and shall return them to the clearing members. From the information gathered from the trading cards, the Company shall prepare and deliver to each clearing member daily settlement reports which state for each clearing member by month and strike, the net amount of all open options carried over from the previous business day, the options bought and sold during the business day of the report, the net amount of open options at the close of trading on the business day of the report, and information as to any delinquent or erroneous trades for the business day of the report.

(b) By 4:00 p.m., local time, or at such other time as may be designated by the Company, it shall be the duty of each clearing member to deliver to the Company a report stating the clearing member's house and customer gross ending positions by option type, month and strike price.

(c) At such time as may be designated by the Company, it shall be the duty of each clearing member to deliver to the Company, the following daily reports for the previous business day:

- i. A report designated as a cut out report which shall report to the Company all delinquent information, if any, and which shall reconcile all reported errors or discrepancies for the business day of the report; and
- ii. A gross position report which shall report by customer house strike and put or call all open options carried over from the business day immediately preceding the business day of the report, the options bought and sold during the business day of the report, and all open options at the close of trading on the business day of the report.
- iii. In addition to information supplied by 11.04 (c) (ii), clearing members will supply the Company all necessary information required of the Company by the CFTC pursuant to Part 16 of the regulations of the CFTC. This includes weekly large trader reports, and monthly commercial/non-commercial clearing member summaries. The Company may require the submission of any additional information that the CFTC may require at a later date. The method of submission to the Company shall be in a manner acceptable to the Company.

11.05.-If any reports required by Rule 11.04 are not delivered to the Company by the time specified herein, the defaulting members or firm may be fined an amount set by the Board of Directors; and further, after the first offense during any calendar month, an additional penalty may be assessed, set by the Board of Directors, for each daily report which is delinquent by thirty minutes or more.

11.06.-Any member or firm making one or more errors on a report required by Rule 11.04 (c) (ii) may be fined an amount set by the Board of Directors for each such report.

11.07.-The charges for clearing all options shall be fixed by the Board of Directors and such charge may be increased or decreased at any time.

11.08.-The amount and form of margins to be maintained by members on all short option contracts shall be fixed by the Board of Directors from time to time and such option contracts margins may be increased or decreased at any time by said Board. Margins in excess of maintained margins may be required and the amount of such additional margins shall be determined by the Board of Directors, using such standards as it deems appropriate.

11.09.-The persons called for margins shall pay the same forthwith, unless time for such payment be granted, and in writing, by the president, and in such case, the time so granted shall be noted on the written call, and a copy thereof be kept by the manager, and be filed at his office.

11.10.-In all cases where default has been made in payment of margins or balances on the part of any seller, as hereinbefore provided, the manager, or his representative for that purpose, shall have the right to liquidate the property of such seller held by the Company, in the quantity and for the option, reported to, and accepted by, the manager of this Company, by the parties so in default. The authority of the manager to buy or sell under this rule may be exercised by him before the margins called and paid have been entirely exhausted by market changes, as well as after.

11.11.-In either case all differences between the contract price so reported and accepted, and the price at which the property may have been bought or sold, as the case may be, in consequence of such default, shall constitute the rule and measure of damages against the party in default, and such differences shall be arrived at and shall be adjusted and settled within the time and in the manner and form provided in these By-Laws.

11.12.-If a margin call is made against a member, but cannot be served upon such member because of his death, nevertheless a default shall be deemed to exist and the manager or his representative may close out all open trades of such deceased member without awaiting the appointment of an administrator or executor of his estate, and any debit balance owing to the Company shall be immediately due and payable.

11.13.-Should the Board of Directors deem the transactions of any member, firm or corporation especially insecure and hazardous, all transactions with such member, firm or corporation may, at any time, be refused by the Company without previous notice, and the party making trades with said firm or member must be liable for the same. The manager shall have authority to refuse such trades without formal meeting or action of the Board of Directors, provided that he is instructed so to do by not less than three members of the Board of Directors of the Company.

11.14.-All exercise notices must be made in accordance with the present Board of Trade rules or as they may be hereafter amended, and exercise is made, on a non preferential random basis.

11.15.-All exercises must be made through the Company. All positions will be maintained by the Company on a gross basis.

11.16.-At the close of the market on the expiration date of a specific option, any outstanding unexercised option positions in that option will be removed from the records of the Company.

11.17.-Except as expressly authorized by the Board, no persons other than the manager or staff of the Company, or the Business Conduct Committee of the Board of Trade of Kansas City, Missouri, Inc., or their duly authorized representative shall have access to the books or records of the Company which disclose the open contracts of any member.

ARTICLE XII

DELIVERIES IN BANKRUPTCY SITUATIONS

12.01.-This Rule shall apply solely to deliveries made pursuant to Exchange By-Law Section 1270.

12.02.-For the purposes of this Rule:

- (a) The term “**Customer**” shall mean any person for whom a Clearing Member carries an Exchange futures Contract.
- (b) The term “**Debtor**” shall mean any Clearing Member with respect to which an order for relief is entered under the Bankruptcy Code.
- (c) The term “**Person**” shall include an individual, partnership, corporation, trust, association or any other organization.
- (d) 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.
- (e) The term “**Tender**” with respect to a notice of delivery shall mean, in the case of a short Clearing Member that has presented such a notice to the Company, the assignment of such notice by the Company to a long Clearing Member, and, in the case of a long Clearing Member, the acceptance by such member of such notice from the Corporation.

12.03.-By not later than 12:00 o’clock noon on the second business day following the date of the entry of the order for relief with respect to the debtor or on the date payment and delivery are required under the by-laws and rules of the Exchange, whichever is sooner (the “customer notification date”), each customer of the debtor shall notify the Company in writing that he is seeking to make or take delivery pursuant to Exchange By-Law Section 1270 and

- (a) If the customer is seeking to make delivery, such notice shall be accompanied by (A) evidence, satisfactory to the Company, that the debtor presented a delivery notice to the Company on behalf of the customer; (B) a warehouse receipt that complies with the requirements of Board of Trade By-Law 1800.00, duly endorsed, for the commodity which is the subject of the delivery notice; and (C) such other documents as are required pursuant to the By-Laws and Rules and the by-laws and rules of the Exchange to make delivery in fulfillment of Exchange contract for such commodity; or
- (b) If the customer is seeking to take delivery, such notice shall be accompanied by (A) the delivery notice which had been issued by the Company to the debtor and allocated by the debtor to the customer; and (B) a wire transfer or cashier’s or certified check, in the full amount payable on delivery of the commodity.

A customer who gives notice pursuant to this paragraph 12.03, shall be deemed to agree to perform all obligations of the debtor under the By-Laws and rules and under the by-laws and rules of the Exchange with respect to the commodity described in said notice. The Company, as a condition to permitting the customer to make or take delivery pursuant to this Article XII may require such customer to execute and deliver to the Corporation a written agreement, in form and substance satisfactory to the Company, embodying the preceding sentence and providing that the customer consents to being sued in federal or state court located in the City and State of Kansas City, Missouri in any dispute arising out of such delivery, plus a written release, in form and substance satisfactory to the Corporation, embodying the provisions of paragraph 12.05.

12.04.-Nothing contained in the rule shall prevent a customer and the Clearing House from making mutually agreeable arrangements to settle delivery on terms other than those set forth in Article XII.

12.05.-The making or taking of delivery or payment or other settlement with respect to any Exchange futures contract in accordance with this Article XII shall discharge in full the obligations of the opposite Clearing Member and the Corporation with respect thereto: provided, however, that nothing contained in this Article XII shall relieve or discharge a debtor from any obligation or liability it may have to the Corporation, any Clearing Member or any customer by reason of its default.

ARTICLE XIII

CROSS-MARGINING

13.01.-Definitions

- a) **Cross-Margining Affiliate:** An affiliate of a Participating Clearing Member with which such clearing member is cross-margining its position at the Kansas City Board of Trade Clearing Corporation (hereafter in this chapter referred to as “KCBT Clearing Corp.”) and a Cross-Margining Clearing Organization.
- b) **Participating Clearing Member:** A clearing member that is cross-margining its position at the KCBT Clearing Corp. with its own or a Cross-Margining Affiliate’s positions at a Cross-Margining Clearing Organization.
- c) **Cross-Margining Clearing Organization:** A clearing organization that has entered into a Cross-Margining Agreement with the KCBT Clearing Corp.

13.02.-Cross-Margin Accounts

A clearing member may become a participating clearing member by establishing with the KCBT Clearing Corp. one or more cross-margin accounts for cross-margining positions with either its own positions or those of a Cross-Margining Affiliate at a Cross-Margining Clearing Organization. The KCBT Clearing Corp. shall determine what positions will be eligible for cross-margining.

In order to establish a cross-margin account, a clearing member shall enter into a Cross-Margined Account Agreement and Security Agreement with the KCBT Clearing Corp., the Cross-Margining Clearing Organization, and, if applicable, the clearing member’s Cross-Margining Affiliate. This Agreement shall provide, among other things, that the KCBT Clearing Corp. and the Cross-Margining Clearing Organization shall jointly have a first lien on and security interest in all positions held in the cross-margin account, all related margin, and all proceeds of the foregoing, as security for the obligations of the clearing member, and, if applicable, its Cross-Margining Affiliate, to the KCBT Clearing Corp. and the Cross-Margining Clearing Organization. Failure to comply with the terms of that Agreement may constitute a major rule violation.

The provisions of the rules constituting Article XIII and any corresponding or overlapping rules of the KCBT Clearing Corp. shall apply to all KCBT Clearing Corp.-cleared positions held in cross-margin account and shall supercede all other provisions of the KCBT Clearing Corp. rules to the extent inconsistent therewith.

13.03.-Margins for Cross-Margin Accounts

Margin requirements for cross-margin accounts shall be determined as set forth in the Cross-Margining Agreement and that Agreement shall also govern what forms of margin will be permitted and how much margin will be held.

13.04.-Close-Out of Cross-Margin Account

A Participating Clearing Member may be suspended if it or its Cross-Margining Affiliate, if any, is in default in payment of any obligation with respect to cross-margin accounts at the KCBT Clearing Corp. or a Cross-Margining Clearing Organization. The cross-margin account of a clearing member may be liquidated by the KCBT Clearing Corp. at the request of a Cross-Margining Clearing Organization whether or not the KCBT Clearing Corp. suspends, or is permitted under the Rules to suspend, such clearing member. Upon the suspension of a Participating Clearing Member, or upon receiving notice from a Cross-Margining Clearing Organization of its suspension of a Participating Clearing Member or its Cross-Margining Affiliate, the KCBT Clearing Corp. shall have the right to liquidate the positions in the cross-margin account, convert to cash the margin therefor, and dispose of the proceeds thereof, all in accordance with the terms of the Cross-Margining Agreement.

13.05.-Default by Clearing Member

In addition to the right of the KCBT Clearing Corp. provided elsewhere in the rules, if a clearing member fails promptly to discharge any obligation to the KCBT Clearing Corp., its margins on deposit with the KCBT Clearing Corp., and any its other assets available to the KCBT Clearing Corp. shall be applied by the KCBT Clearing Corp. to discharge the obligation. For the purposes of this paragraph, the positions in the cross-margin account of a Participating Clearing Member or its Cross-Margining Affiliate at a Cross-Margining Clearing Organization, and the margin thereon, shall be considered assets of the Participating Clearing Member available to the KCBT Clearing Corp., to the extent provided in the Cross-Margining Agreement between the KCBT Clearing Corp. and the Cross-Margining Clearing Organization. The Clearing Member shall immediately make up any deficiencies in its margin or the deposits of assets at the KCBT Clearing Corp. resulting from such application. Pursuant to Section 8 of the Cross-Margining Agreement, if the funds in a suspended joint or affiliated cross-margining clearing member's non-proprietary and proprietary liquidating accounts are insufficient to offset the aggregate of the liquidating deficits in all of the members cross-margining accounts at both clearing organizations, the KCBT Clearing Corporation may utilize either its existing bank lines of credit or capital of the Corporation to equalize the loss borne by each clearing organization.

13.06.-Rights of KCBT Clearing Corp. for Recovery of Loss

In addition to any other rights that the KCBT Clearing Corp. may have under its Rules for the recovery of loss and damages resulting from a default by a clearing member including, with respect to a Participating Clearing Member, assets of its Cross-Margining Affiliate at a Cross-Margining Clearing Organization available to the KCBT Clearing Corp. are insufficient to satisfy all of its obligations to the KCBT Clearing Corp., as provided in the KCBT Clearing Corp. Rules, the KCBT Clearing Corp. May collect such loss and damages from any other assets of such clearing member or by process of law.

13.07.-False Entries on Clearing Memoranda and Reports

No member shall place any false or inaccurate entries on any clearing memoranda and reports, including with respect to a Participating Clearing Member, the clearing memoranda and reports of a Cross-Margining Clearing Organization, or knowingly pay or receive any money therein not representing bona fide transactions or the actual differences due thereon.

13.08.-Settlement to Settlement Price Daily

When a clearing member is long or short any amount of any futures contract at the end of the day, as indicated by its clearing memoranda and reports, settlement shall be made with the KCBT Clearing Corp. to the settlement price for that day, and such member shall be liable to pay to, or entitled to collect from, the KCBT Clearing Corp. any loss or profit, as the case may be, represented by the difference between the price at which the commodity was bought or sold and the settlement price of the commodity at the end of the day. After making such settlement with the KCBT Clearing Corp., such member shall be deemed long or short (or long and short) such commodity, as the case may be, at the settlement price of the day. Notwithstanding the forgoing, the KCBT Clearing Corp. shall not be required to pay any profit to a Participating Clearing Member in the event that such member or its Cross-Margining Affiliate fails to make any required settlement for that day with a Cross-Margining Clearing Organization.

13.09.-Emergency Margins

When the Board of Directors of the KCBT Clearing Corp. shall be of the opinion that any clearing member is carrying commitments in its proprietary, customer and/or cross-margin accounts, that are larger than is justified by the financial condition of the clearing member, then the KCBT Clearing Corp. may require additional margins of such clearing member which shall be deposited with the KCBT Clearing Corp. during the next banking hour after demand therefor, or at such time as may be specified or the KCBT Clearing Corp. may require that a portion of the open positions of said clearing member be transferred to the books of another clearing member.

