



Web 2008-19

July 17, 2008

Dear Members & Rulebook Recipients:

The following Chapter has been amended:

<u>Chapter</u>	<u>Regulation</u>	<u>Purpose</u>
20 Regulations	2087.00.	To require quarterly financial statements from non-FCM members with clearing privileges effective August 1, 2008.

You can view these changes by visiting the MGEX website at <http://www.mgex.com>:

1. On the top, go to "RESOURCES" and click "Rules and Regulations"
2. In the middle of the page, click "Click here to download changes to MGEX RULES AND REGULATIONS"
3. Then print if you wish to obtain an updated hard copy for your book.

If you have any questions or problems accessing the Rulebook, please contact Layne G. Carlson at (612) 321-7169 or [lcarlson@mgex.com](mailto:lcarlson@mgex.com).

Layne G. Carlson  
Corporate Secretary

## **2086.00. MINIMUM FINANCIAL REQUIREMENTS FOR FUTURES COMMISSION MERCHANTS AND GUARANTEED INTRODUCING BROKERS.**

Pursuant to **Rule 616.00.**, the Board of Directors adopted this Regulation.

- A. **Financial Requirements.** All Futures Commission Merchants ("FCM") and Guaranteed Introducing Brokers ("IB") who are Members of the Exchange must meet the minimum financial requirements set forth in CFTC Regulation 1.17 as now in effect or hereafter amended.
- B. **Reports.** All FCMs and Guaranteed IBs who are Members of the Exchange shall file with the Exchange reports in the form and setting forth the information required by CFTC Regulation 1.10 as now in effect or hereafter amended, at least one of which reports in each year must be certified in accordance with CFTC Regulation 1.16; provided, however, that the Finance Committee may in its discretion, require such additional reports as it deems appropriate or necessary.

All costs associated with the requirements of this Regulation shall be charged to the Member involved.

## **2087.00. MINIMUM FINANCIAL REQUIREMENTS FOR NON-FUTURES COMMISSION MERCHANT MEMBER FIRMS AND INDEPENDENT INTRODUCING BROKERS.**

- A. **Financial Requirements.** All Non-Futures Commission Merchants ("FCM") and Independent Introducing Brokers ("IB") who are Members of the Exchange must meet the minimum financial requirements set forth by the Finance Committee pursuant to MGEX Rule 253.00. as now in effect or hereafter amended.
- B. **Financial Statement Content.** All Non-FCM Member Firms and Independent IBs must submit financial statements in the manner and form prescribed by the Finance Committee. At a minimum, all annual audited financial statements must include a balance sheet, footnotes, and be accompanied by an opinion of an independent Certified Public Accountant indicating that an examination of the annual statement has been made. Interim statements, which are those financial statements prepared for periods other than the Member Firm's fiscal year end, must contain, at a minimum, a balance sheet.
- C. **Reports.** All Non-FCM Member Firms and Independent IBs must submit to the Exchange an annual certified financial statement for its fiscal year (or calendar year if the Member Firm is on a calendar year basis.) The certified annual financial statement must be submitted to the Exchange within ninety (90) days after the Member Firm's fiscal year end.

Additionally, all Non-FCM Member Firms and Independent IBs must submit an interim financial statement to the Exchange. Such interim statement shall be as of a date six (6) months subsequent to the Member Firm's fiscal year end and must be submitted to the Exchange within forty-five (45) days from the date of the statement.

All Non-FCM Member Firms with clearing privileges must submit quarterly financial statements to the Exchange subsequent to the Member Firm's fiscal year end. Such financial statements must be submitted to the Exchange within forty-five (45) days from the date of the statement.

The Finance Committee may require additional financial statements or financial information as it deems appropriate or necessary.

- D. **Extension of Time to File.** Upon request in advance and for good cause shown, the Finance Committee may grant a Non-FCM Member Firm and Independent IB an extension of the time for the filing of its annual or interim financial statement.

All costs associated with the requirements of this Regulation shall be borne by the Member Firm involved.

#### **2088.00. REDUCTION OF CAPITAL.**

Any Member, Firm, Corporation or Guaranteed Introducing Broker ("IB") registered with the Exchange must immediately notify the Exchange of any material reduction of its working capital and/or its net worth, including the incurring of a contingent liability that would materially affect working capital and/or net worth should such liability become fixed. Futures Commission Merchants ("FCM") and Guaranteed IB Members must immediately notify the Exchange of any material reduction in its adjusted net capital. Such notice must be in writing and signed by a Member of the Firm, Corporation or Guaranteed IB whose Membership is registered on behalf of the Firm, Corporation or Guaranteed IB. Failure to so notify the Exchange shall be considered an act detrimental to the interest and welfare of the Corporation.

For the purposes of this Regulation, a reduction amounting to twenty percent (20%) or more from the adjusted net capital of a FCM or Guaranteed IB reported as of the last date for which a financial statement or answer to a financial questionnaire was filed under these Rules shall be deemed material. Likewise, for non-FCM and non-Guaranteed IB Member Firms or Corporations, a reduction amounting to twenty percent (20%) or more from the working capital and/or net worth reported as of the last date for which a financial statement or answer to a financial questionnaire was filed under these Rules shall be deemed material. Working capital, for the purpose of this Regulation, shall be defined as total current assets minus total current liabilities. In defining net worth for the purposes of this Regulation, owner's equity, whether shareholder's equity, partnership equity or other equity capital, shall be considered as well as equities and deficits in proprietary accounts which are properly included in determining net worth. Adjusted net capital is defined in accordance with CFTC Regulation 1.17.

Any entity declared "Regular" for delivery on any Exchange contract must comply with this Regulation. Information submitted must be signed by the designated representative to the Exchange.

#### **2089.00. ELECTION OF FISCAL YEAR.**

A Member Firm or Corporation registered with the Exchange must notify the Exchange immediately of any change in its fiscal year end.

Such notification of a change in its fiscal year must be made in writing by submitting a letter explaining the change and the reasons therefore. Futures Commission Merchant and Guaranteed Introducing Broker Members requesting such a change must also submit written evidence that its designated self-regulatory organization has approved the change in its fiscal year.

A change in a Member Firm or Corporation's fiscal year will not relieve such Member from its obligation to file such timely certified and interim financial statements as deemed appropriate by the Finance Committee.

#### **2090.00. PHYSICAL EMERGENCIES.**

Pursuant to the provisions of **Rules 210.01.** and **210.02.**, the Board of Directors has adopted this Regulation.

The Market Observer(s) shall have the power upon recognizing a problem to serve notice to the Pit(s) population that trading will be suspended immediately.

A problem may be the result of the following:

- A. fire or other casualty,
- B. bomb threat,
- C. power failure,
- D. communications breakdown,
- E. computer malfunction, or
- F. other - technical difficulties.

When the Market Observer's decision to suspend trading is announced, the available chairman of the Quotations Committee will assemble and choose from among the Board's previously approved procedures.

In no event shall a suspension of trading continue for more than five (5) calendar days.

#### **2091.00. INCLEMENT WEATHER OR TRANSPORTATION BREAKDOWN.**

Pursuant to the provisions of **Rules 210.01.** and **210.02.**, the Board of Directors has adopted this Regulation.

In the event that the functions of the Exchange are, or are threatened to be severely and adversely affected by inclement weather or transportation breakdown, the Executive Committee of the Board of Directors can make the decision to:

- A. not open the market(s).
- B. delay the opening of the market(s); or
- C. close the market(s).

In no event shall a suspension of trading continue for more than five (5) calendar days.