



Web 2012-24

December 18, 2012

Dear Members & Rules and Regulations Book Recipients:

The following Chapters have been amended; additionally an updated table of contents page is included:

<b><u>Chapter</u></b>	<b><u>Regulations/Resolutions</u></b>	<b><u>Purpose</u></b>
20 Regulations	2011.00.	To remove the early hours of trading for Hard Red Spring Wheat options by open outcry on key USDA agricultural reporting days.
21 Clearing House Regulations	2101.00.	To remove potential for conflicting provisions for fine schedules.
	2102.00.	To clarify compliance with CFTC Regulation §39.13(g)(8) and remove unnecessary provisions.
72 Resolutions	210.01.F., 2101.00.C.,	To allow flexibility in adopting changes to submission and fine requirements.
	2102.00.C.	To remove resolution.
77 Hard Red Winter Wheat Index Futures		Housekeeping
78 Hard Red Winter Wheat Index Options		Housekeeping

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. Click "Latest changes to MGEX RULES, REGULATIONS AND RESOLUTIONS"

If you have any questions or problems accessing the Rules and Regulations, please contact Jesse Marie Bartz at (612) 321-7122 or [jbartz@mgex.com](mailto:jbartz@mgex.com).

Sincerely,

A handwritten signature in black ink that reads 'Layne G. Carlson'. The signature is written in a cursive, flowing style.

Layne G. Carlson  
Corporate Secretary

## TABLE OF CONTENTS

### Contents

Legal Status	Page 1
Certificate of Incorporation	Pages 2-3

### Rules

Ch. 1	Definitions	
Ch. 2	Government	
Ch. 3	Membership	
Ch. 4	Arbitration - Members	
Ch. 5	Arbitration - Customers	
Ch. 6	Discipline	
Ch. 7	Futures & Options Trading	Ch. 79 Soft Red Winter Wheat Index Futures
Ch. 8	Deliveries	
Ch. 9	Delivery Elevators	Ch. 80 Soft Red Winter Wheat Index Options
Ch. 10	Sales "To Arrive" & "For Shipment"	
Ch. 11	Cash Commodities	Ch. 81 Hard Red Spring Wheat Index Futures
Ch. 13	Vessel Trading	
Ch. 14	Option Specifications	Ch. 82 Hard Red Spring Wheat Index Options
Ch. 15	Option Definitions and Other Terms	
Ch. 17	Options Sales Practices	
Ch. 18	Electronic Trading	
Ch. 20	Regulations	
Ch. 21	Clearing House Regulations	
Ch. 50	Dormant Rules And Regulations	
Ch. 54	Apple Juice Concentrate Futures Regulations	
Ch. 55	Apple Juice Concentrate Options Regulations	
Ch. 56	Apple Juice Concentrate Delivery Warehouse Regulations	
Ch. 70	Forms	
Ch. 71	Interpretations	
Ch. 72	Resolutions	
Ch. 73	National Corn Index Futures	
Ch. 74	National Corn Index Options	
Ch. 75	National Soybean Index Futures	
Ch. 76	National Soybean Index Options	
Ch. 77	Hard Red Winter Wheat Index Futures	
Ch. 78	Hard Red Winter Wheat Index Options	

**2007.00. FRAUDULENT TRADING PROHIBITED.**

The Exchange prohibits any and all forms of fraudulent trading or attempted fraudulent trading on its markets.

**2008.00. ADJUSTMENT OF TRADE PRICES AND CANCELLATION OF TRADES.**

The Exchange has the authority to adjust trade prices and cancel trades when necessary to mitigate market disrupting events including, but not limited to, those caused by malfunctions in its electronic trading platform or errors in orders submitted by any Person, Member, Market Participant, Clearing Member, customer or Registered Firm or Corporation. Any trade price adjustment or trade cancellation shall be publicly disclosed.

**2009.00. RECORDS OF TRANSACTIONS.**

Any large trader, as defined by the CFTC, initiating or executing transactions on the Exchange must keep full, complete and systematic records of their activity, including, but not limited to, records of their activity in the underlying commodity and related derivatives markets. Such records must be retained for a minimum of five (5) years and must be made available at the request of the Exchange.

**2010.00. FUTURES AND OPTIONS MONTHS PRESCRIBED.**

- A. Pursuant to the provisions of **Rule 715.00.**, the Board of Directors has adopted the following Regulation:

Trading in Spring Wheat Futures shall be permitted in the current delivery month plus any month in the March, May, July, September, December delivery cycle which falls within the next succeeding twenty-three (23) months. The next delivery month in the sequence shall replace the expiring delivery month as of the close of business on the last business day of the expiring delivery month. This implicit approval shall take effect unless such listing is deemed inappropriate because of conflicts with other superseding Rules or Regulations, or unless otherwise determined by the Board of Directors.

- B. Pursuant to the provisions of **Rules 7305.00., 7505.00., 7705.00., 7905.00. and 8105.00.**, the Board of Directors has adopted this Regulation:

Trading may be conducted in every calendar month. The number of months available for trade shall include the current calendar month and the next twenty-three (23) calendar months. By notice posted on the Official Bulletin Board, the Board of Directors may, at its discretion, add such calendar months beyond those available for trade or remove from availability for trading those calendar months without open interest.

**2011.00. HOURS OF TRADING.**

Pursuant to the provisions of **Resolution 210.01.F.**, the Exchange has adopted this Regulation.

The Hours of Trading at the Exchange shall conform to Central Time.

**A. CASH MARKET**

The Hours of Trading in the cash market shall be from nine-thirty o'clock (9:30) a.m. to two o'clock (2:00) p.m.

**B. FUTURES AND OPTIONS**

1. Unless otherwise stated elsewhere in the MGEX Rules and Regulations, the Hours of Trading for any MGEX futures or options traded on the Electronic Trading Platform shall be the following:

Sunday to Friday: from five o'clock (5:00) p.m. to two-fifteen o'clock (2:15) p.m.

2. The Hours of Trading for Hard Red Spring Wheat options by open outcry shall be from nine-thirty o'clock (9:30) a.m. to two-fifteen o'clock (2:15) p.m.

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**CHAPTER 21**  
**CLEARING HOUSE REGULATIONS**

2100.00.	Method Of Clearing
2100.01.	Electronic Trading System Clearing
2101.00.	Fees And Fines - Amounts And Collections
2101.01.	Clearing Service Fee
2102.00.	Margins
2103.00.	Order Of Delivery
2104.00.	Security Deposit
2105.00.	Protection Of Clearing House: Default By A Clearing Member
2105.01.	Losses Borne By MGEX
2105.02.	Rights Of Exchange For Recovery Of Loss
2105.03.	Security Deposits To Be Restored
2105.04.	Clearing Member Insolvency
2106.00.	Acceptance Of Give-Up Trades
2107.00.	Financial Emergency
2108.00.	Finality Of Settlement
2109.00.	Settlement Banks Available For Use
2110.00.	Protection Of Customer Funds
2111.00.	Clearing Member Risk Management

## **2101.00. FEES AND FINES - AMOUNTS AND COLLECTIONS.**

The schedule of deadlines is subject to change at any time by the Exchange. The schedule of deadlines shall at all times be those requirements most recently adopted. The amount due for errors or any other fees charged or collected by the Exchange shall be billed on a monthly basis unless otherwise specified by the Exchange.

If the offense becomes frequent, the President or his designee may call for additional permanent margins or take such other action as is deemed necessary.

Any Member making an error in his daily statement to the Clearing House may be fined for each error made (see **Res. 2101.00.C.**).

### **2101.01. CLEARING SERVICE FEE.**

Pursuant to the provisions of **Rule 231.00.** the Board of Directors has adopted this Regulation:

- A. Clearing service fees shall be fixed from time to time by the Board of Directors (see **Res. 2101.01.B.**). The Board of Directors may elect to waive fees in a contract for a period they deem appropriate.
- B. Payment of the Clearing Service Fee will be due on receipt of invoice at the end of each month for the transactions (whether purchases, sales or deliveries) executed on the Exchange during that month. Payment is to be submitted to the Treasurer of the Corporation.

## **2102.00. MARGINS.**

The Exchange shall set margin requirements at a level that it believes protects the interests of Buyers and Sellers and the Exchange. The Exchange shall accept, as margin, cash or United States Treasury securities. Cash margin requirements shall be submitted by wire transfer of funds or other acceptable method approved by the Exchange. Cash and United States Treasury securities shall be submitted at times determined and posted by the Exchange. United States Treasury securities shall be maintained in multiples of \$5,000. The Exchange shall value securities as it deems appropriate. The President or his designee may, at their discretion, require of any Member or market participant a margin upon any or all of such Member or market participant's open trades which are deemed unduly insecure or hazardous in such amount as deemed advisable. Calls for such margin shall be paid by the Clearing Member within one business day or earlier if so requested. Further, the Exchange shall collect daily intra-day variations from Clearing Members apart from, and in addition to, any margin or daily settlement variation payments and collects.

Margin requirements are subject to change at any time but shall at all times be those requirements most recently adopted, publicly posted, and in compliance with the requirements of CFTC Regulation 39.13(g)(8), as amended.

Clearing Members called for margins under this Regulation shall pay by the deadline announced by the Exchange. An extension of time for such payments can only be granted by the President or his designee. In such cases the extension of time so granted shall be noted on the written call, and copy of said call shall be kept in the files of the Exchange.

Should a Clearing Member fail to deposit balances for additional margin as required in this Regulation, or should the President or his designee deem the transaction of any Member or market participant unduly insecure or hazardous, the Exchange may direct that the Member or market participant close out all or a portion of the trades, or that the Member or market participant transfer all or a portion of the trades to the books of another Clearing Member, as the situation may require. If such requests are not complied with within one (1) hour, the Exchange may, with the consent of the President or his designee, originate orders to transfer or close out all or a portion of the Member or market participant's trades, as the situation may require. Any such action shall be taken with due consideration to the positions of customers.

All differences between the contract price reported and accepted and the price at which the property may be bought or sold as a consequence of a Member or market participant's failure to fulfill the obligations as set forth in this Regulation shall constitute the rule and measure of damages against the Member or market participant so failing, and the differences shall be calculated, adjusted and settled within the time and in the manner and form determined by the Exchange.

Any financial obligations owed by a Clearing Member to the Exchange, which remain outstanding after all the Member or market participant's trades have been closed out, may be satisfied through the Member or market participant's security deposit with the Clearing House or such other assets, collateral or guarantees as necessary to satisfy the financial obligations.

#### **2103.00. ORDER OF DELIVERY.**

All balances of commodities for cash contract or cash delivery shall be made on the basis of the present Exchange Rule pertaining thereto. When deliveries are made, the oldest trades on the books shall be closed first.

#### **2104.00. SECURITY DEPOSIT.**

Each Clearing Member shall deposit with the Clearing House as security for its obligations thereto such amount as determined by the Exchange. The form of such deposit shall be determined by the Exchange but shall include cash or United States Treasury securities. The Exchange may change the amount and form of such deposit as necessary. Deposits may be withdrawn on written request when a Clearing Member ceases to be a Clearing Member and the Exchange has determined that all contracts and obligations with the Exchange have been settled.

#### **2105.00. PROTECTION OF CLEARING HOUSE: DEFAULT BY A CLEARING MEMBER.**

If a Clearing Member fails promptly to discharge any obligation to MGEX, its security deposits, its margins and performance bonds on deposit with MGEX (but not those belonging to a non-defaulting customer), and any of its other assets available to the Exchange shall be applied by the Exchange to discharge the obligation. Further, the Exchange may make immediate demand upon any Guarantor of the Clearing Member. Such Guarantor shall promptly pay upon demand and without waiting for application of all available assets of the Clearing Member or a formal accounting. Upon a Clearing Member Default, the Exchange may act immediately to attempt to transfer to alternate Clearing Members all customer positions and associated collateral (collateral held by the Exchange on behalf of the Defaulting Clearing Member for its customer). However, if a customer account is in default on payment obligations or shortfall in required collateral to the Defaulting Clearing Member, then the Exchange shall apply identifiable segregated customer collateral belonging to the defaulting customer to any payment obligations or losses arising from the Clearing Member Default.

12-18-12

**CHAPTER 72  
RESOLUTIONS**

210.01. F. Board Of Directors: Powers  
372.00. Delegation  
719.00. Exchange Of Futures For Physical or Risk Transaction Fees  
803.00. Contract and Other Deliverable Grades  
803.01. Delivery Of U.S. Origin Grain  
2020.00. Exchange Service Fee  
2024.00. Exchange Regulatory Fee  
2101.00. C. Fees And Fines – Amounts And Collections  
2101.01. B. Clearing Service Fee



## **CHAPTER 72 RESOLUTIONS**

### **RESOLUTION 210.01. F.**

Pursuant to the provisions of **Rule 210.01. F.**, the Board of Directors has adopted this Resolution.

Limited authority of the Board of Directors to amend Minneapolis Grain Exchange Regulations is hereby delegated to Exchange officers. Such authority includes amending hours of trading; margin requirements; declaration of holidays; reportable position limits; settlement procedures; open or closing periods; fees; fines; forms; notices; deadlines; dress and decorum policies; minimum financial requirements; notification, submission and reporting requirements; striking prices; cash market reporting; recordkeeping requirements; honorary memberships; default procedures; give-up procedures; and definition of emergencies. The President and Chairperson of the Board may determine whether a Regulation can be amended by Exchange officers. Regulation amendments shall be forwarded promptly to the Board of Directors.

Further, limited authority of the Board of Directors is hereby delegated to Exchange officers to exercise certain other powers including amending transfer procedures, approving registration and membership applications and cancellations, approving standing committee appointments, and amending the matching algorithm for the electronic trading system. Such approvals and changes shall be forwarded promptly to the Board of Directors.

### **RESOLUTION 372.00.**

Pursuant to **Rule 372.00. I.** and **J.**, the Minneapolis Grain Exchange Board of Directors has adopted the following requirements to be met by Delegates of the Exchange.

A Delegate shall deposit one thousand dollars (\$1,000.00) with the Exchange. No interest will be paid on the deposit.

A Delegate shall pay a fee of two hundred dollars (\$200.00) each month unless said Delegate trades a minimum of twenty five (25) MGEX futures and/or options contracts.

Approved by the Board July 9, 2009, effective September 1, 2009.

### **RESOLUTION 719.00.**

The Minneapolis Grain Exchange Board of Directors has adopted a \$0.70 fee to be paid to the Corporation by the buyer and the seller for each Minneapolis Grain Exchange contract involved in an exchange for risk or exchange for physical transaction.

Approved by the Board March 18, 2008, effective April 1, 2008.

### **RESOLUTION 803.00.**

Effective with the May 2013 contract month, all warehouse receipts issued for delivery against Hard Red Spring Wheat ("HRSW") futures contracts shall be marked with a deoxynivalenol ("vomitoxin") limit expressed in tenths as either (i) 2.0 parts per million or (ii) 3.0 parts per million.

Warehouse receipts marked as 2.0 parts per million or 3.0 parts per million shall represent a maximum vomitoxin level. Further, warehouse receipts marked as 2.0 parts per million shall be delivered at contract price, while receipts marked as 3.0 parts per million vomitoxin shall be delivered at a 20 cents per bushel discount.

The taker shall have the option, at taker's expense, to request for a determination of the level of vomitoxin at the time load-out instructions are submitted to the warehouse. Sampling shall be conducted at the point of load-out by the Federal Grain Inspection Service, a federally designated inspection agency or by a third party inspection service which is mutually agreeable to the warehouse and taker of delivery. The determination of the level of vomitoxin shall be based on the average test results of the HRSW. Vomitoxin test results up to and including 2.0 parts per million shall meet warehouse receipts marked 2.0 parts per million. Vomitoxin test results up to and including 3.0 parts per million shall meet warehouse receipts marked 3.0 parts per million. Vomitoxin test results greater than 3.0 parts per million shall not be deliverable. There will be no rounding of test results to a whole number. Taker may agree to accept HRSW with vomitoxin test results greater than 2.0 up to 3.0 parts per million for warehouse receipts marked 2.0 parts per million at the stated discount or at a discount mutually agreed by both parties.

The following methods are to be used for determining the level of acceptable vomitoxin for deliveries against HRSW futures:

1. Barges shall be based upon a single barge composite sample.
2. Vessels shall be based upon the average of subplot composite samples.
3. Trains shall be based upon an average of 5 railcar composite samples. A single composite sample shall be used for load-outs less than 5 railcars.
4. Warehouse and taker may mutually agree to utilize other sample averages.

#### **RESOLUTION 2020.00.**

The Minneapolis Grain Exchange Board of Directors has adopted the following schedule of Exchange service fees to be paid to the Corporation for each contract of Minneapolis Grain Exchange Futures bought, sold, exchanged for physical or risk, transferred, delivered, accepted for delivery or cash settled, or for each contract of Minneapolis Grain Exchange Options bought, sold, transferred, exercised or assigned.

##### First 15,000 Contracts per month

Member rate	\$0.80
Delegate rate	\$1.20
Non-Member rate	\$1.60

##### Next 15,000 Contracts per month

Member rate	\$0.60
Delegate rate	\$1.00
Non-Member rate	\$1.40

##### Each Additional Contract per month

Member rate	\$0.45
Delegate rate	\$0.85

Non-Member rate     \$1.25

Exchange service fees will be charged per account.

For purposes of computing fees, a “member” is the individual listed as the record holder of a membership and trades Exchange contracts for their own account. Further, member rates apply to a firm or corporation which is a record owner of a membership. Member rates do not apply to employees, associated persons, affiliate companies, subsidiary corporations or parent corporations of a member firm or corporation unless they also are a record owner of a membership.

A “delegate” is the individual listed as the record holder of a leased membership and trades Exchange contracts for their own account.

Approved by the Board April 19, 2011, effective May 1, 2011.

#### **RESOLUTION 2024.00.**

The Minneapolis Grain Exchange Board of Directors has adopted the following schedule of Exchange regulatory fees to be paid to the Corporation annually. The fee shall be prorated over the Corporation’s fiscal year for each month the entity is registered.

A fee of \$10,000 shall be paid by registered futures commission merchant members for which the Exchange is the self-regulatory organization responsible for monitoring and auditing for compliance with the minimum financial, segregation and related reporting and recordkeeping requirements. Such fee shall also apply if the Exchange has delegated its responsibilities to another designated self-regulatory organization. However, the fee shall be waived if the registered futures commission merchant member clears 50,000 contracts annually.

Approved by the Board on January 18, 2001.

#### **RESOLUTION 2101.00.C.**

The Exchange has adopted the following schedule of deadlines for reporting trading session activity to MGEX (all times listed shall conform to Central Time):

8:00 a.m.	Position reports
9:00 a.m.	Settlement and margin payment
11:15 a.m.	Weekly account position updates Daily Delivery/Exercise account updates
11:30 a.m.	Intraday variation payment
3:00 p.m.	Last submission of trades
3:45 p.m.	Give-up transfer trades Unmatched trade fixes
4:00 p.m.	Auto-Exercise Cancellation Notices

Hard Red Spring Wheat Options position reports on expiration day

4:15 p.m. Long position lists for delivery  
 Delivery Notices  
 Exercise Notices

Trading activity after five o'clock (5:00) p.m. to three o'clock (3:00) p.m. the following day will be cleared with said following day's trading activity.

Trades must be entered in "TEMS" within forty-five (45) minutes of the conclusion of each half (½) hour trading bracket.

Any unresolved unmatched trades may be suspended pending possible resolution the following business day as an "as of" trade. "As of" trades can be carried no longer than one business day.

All give up trades properly entered in accordance with **Regulation 2106.00** by the executing Clearing Member by three o'clock (3:00) p.m. must be accepted by the carrying Clearing Member by three forty-five o'clock (3:45) p.m.

Pursuant to **Regulation 2069.00. B.**, any deadline or submission listed herein that is missed, late, inaccurate or incomplete, may result in a fine or the matter being referred to the Disciplinary Committee as determined by the Exchange.

#### **RESOLUTION 2101.01.B.**

The Minneapolis Grain Exchange Board of Directors has adopted the following schedule of clearing service fees to be paid to the Corporation for each futures contract bought, sold, exchanged for physical or risk, transferred, delivered, accepted for delivery or cash settled, or for each options contract bought, sold, transferred, exercised or assigned.

Member rate	\$0.20
Delegate rate	\$0.20
Non-Member rate	\$0.20

For purposes of computing fees, a "member" is the individual listed as the record holder of a membership and trades Exchange contracts for their own account. Further, member rates apply to a firm or corporation which is a record owner of a membership. Member rates do not apply to employees, associated persons, affiliate companies, subsidiary corporations or parent corporations of a member firm or corporation unless they also are a record owner of a membership.

A "delegate" is the individual listed as the record holder of a leased membership and trades Exchange contracts for their own account.

Approved by the Board April 19, 2011, effective May 1, 2011.

**CHAPTER 77**  
**HARD RED WINTER WHEAT INDEX FUTURES**

7700.00.	Authority
7701.00.	Scope Of Chapter
7702.00.	Hard Red Winter Wheat Index: Definition
7703.00.	Contract Trading Unit
7704.00.	Minimum Price Fluctuation
7705.00.	Trading Months And Hours
7706.00.	Daily Price Limits
7707.00.	Last Trading Day
7708.00.	Position Limits
7709.00.	Exemption From Position Limits
7710.00.	Aggregation Of Positions
7711.00.	Reportable Positions
7712.00.	Offsets And Transfer Trades
7713.00.	Contract Modifications
7714.00.	Cash Settlement
7715.00.	Hard Red Winter Wheat Index: Calculation
7716.00.	Emergencies

## **CHAPTER 77 HARD RED WINTER WHEAT INDEX FUTURES**

### **7700.00. AUTHORITY.**

Trading in Hard Red Winter Wheat Index futures contracts may be conducted under such terms and conditions as the Board of Directors shall determine by Rule, Regulation or Resolution, subject to the Commodity Exchange Act, as amended, and Commodity Futures Trading Commission ("CFTC") regulations promulgated thereunder.

### **7701.00. SCOPE OF CHAPTER.**

This Chapter is limited in application to futures trading of the Hard Red Winter Wheat Index. The procedures for trading, clearing and settlement and any other matters not specifically covered herein shall be governed by the Rules and Regulations of the Exchange.

### **7702.00. THE HARD RED WINTER WHEAT INDEX: DEFINITION.**

The Hard Red Winter Wheat Index shall be a calculated average numerical value of the daily commercial bids placed for U.S. No. 1 Hard Red Winter Wheat throughout the United States.

### **7703.00. CONTRACT TRADING UNIT.**

The unit of trading shall be the Hard Red Winter Wheat Index multiplied by five-thousand (5,000) bushels.

### **7704.00. MINIMUM PRICE FLUCTUATION.**

The minimum price fluctuation shall be one-quarter cent (\$0.0025) or twelve dollars fifty cents (\$12.50) per contract. All prices shall be quoted in U.S. dollars.

### **7705.00. TRADING MONTHS AND HOURS.**

The months available for trading in Hard Red Winter Wheat Index futures, the number of months available for trade at one time and the hours of trading shall be determined by the Board of Directors. See [Regulations 2010.00.](#) and [2011.00.](#)

### **7706.00. DAILY PRICE LIMITS.**

Daily price limits shall be set by the Board of Directors. See [Regulation 2012.00.](#)

### **7707.00. LAST TRADING DAY.**

The last trading day shall be determined by the Board of Directors and shall be the trade day preceding cash settlement. See [Regulation 2011.01.](#)

**7708.00. POSITION LIMITS.**

- A. **Limits.** Position limits shall be determined by the Board of Directors. The position limits shall not apply to positions which are *bona fide* hedging transactions or positions. See [Regulation 2013.00](#).
- B. **Compliance.** The Exchange may direct any Member, Firm or Corporation owning, controlling or carrying a position for a person in excess of the limits set forth in this Rule to liquidate or otherwise reduce the position to achieve conformity with this Rule. However, for any futures position that exceeds position limits for passive reasons such as a market move or exercise assignment, the person shall be allowed one (1) business day to liquidate the excess position without being considered in violation of the limits.
- C. **Enforcement.** The carrying Member, Firm or Corporation shall maintain books and records in the United States, available to the Exchange, upon request, which disclose the identity of and positions held by any person carried by such Member, Firm or Corporation.

**7709.00. EXEMPTION FROM POSITION LIMITS.**

To be eligible for an exemption under this Rule, an applicant must submit a written request to the Department of Audits and Investigations. Such request shall include the following:

- A. a description of the size and nature of the proposed transactions;
- B. information which will demonstrate that the proposed transactions are *bona fide* hedging transactions;
- C. a statement indicating whether the person on whose behalf the request is made (i) maintains positions in the futures contract for which the exemption is sought with any other account holder or owner, and/or (ii) has made a previous or contemporaneous request pursuant to the Rule through another applicant, and if so, the relationship of the information set forth in such requests;
- D. a statement that the intended transactions will be *bona fide* hedges;
- E. a statement that the applicant will immediately supply the Exchange with any material changes to the information submitted pursuant hereto;
- F. such further information as the Exchange may request.

Within five (5) business days of the submission of the information set forth above, the Department of Audits and Investigations shall notify the applicant whether the exemption has been granted and the limitations placed thereon. An exemption will remain in full force and effect until (i) the applicant or person on whose behalf the request is made requests a withdrawal; or (ii) the Exchange revokes, modifies or places further limitations thereon.

Applicants must file separate written requests for exemptions from the notice period position limits and other position limits specified in this Chapter.

#### **7710.00. AGGREGATION OF POSITIONS.**

In determining whether any person has exceeded the position limits, all positions in accounts for which such person by power of attorney or otherwise directly or indirectly holds positions or controls trading shall be included with the positions held by such person. Such limits upon positions shall apply to positions held by two (2) or more persons acting pursuant to an expressed or implied agreement or understanding, the same as if the positions were held by a single person.

#### **7711.00. REPORTABLE POSITIONS.**

A position of twenty-five (25) or more Hard Red Winter Wheat Index futures on this Exchange, long or short, in any one (1) month shall be the reportable position level. All such positions shall be reported in a manner and form as designated by the Commission or the Exchange. See [Rule 1505.00](#).

#### **7712.00. OFFSETS AND TRANSFER TRADES.**

Except by same day trade activity, existing futures positions in a settlement month may not be offset during the period beginning two (2) business days prior to the settlement month and continuing through the end of the settlement month. Clearing Members will be responsible for compliance with the requirement by their omnibus accounts. This prohibition also applies to transfer trades where no change in ownership is involved when the date of execution or exercise of the position being transferred is not the same as the transfer date. Such positions are required to be offset by trading. If such positions are carried on the books of different Clearing Members, the receiving Clearing Member is responsible for compliance with this Rule.

#### **7713.00. CONTRACT MODIFICATIONS.**

Specifications shall be fixed as of the first day of trading of a contract. A change in any Federal Law, regulation, ruling, directive or order that conflicts with these Rules will become effective upon the affirmative vote of the Board of Directors.

The Board of Directors, to maintain the viability of the futures contract, is granted the authority to change such contract specifications as it deems appropriate and/or necessary for any unopened contract month.

#### **7714.00. CASH SETTLEMENT.**

Hard Red Winter Wheat Index futures positions open as of the close of business on the last trading day shall be cash settled. The cash settlement shall be based upon the simple average of the last three (3) published Hard Red Winter Wheat Index prices for days the contract is available for trade during the settlement month using standard rounding techniques and rounded to the nearest one-quarter cent (\$0.0025).



**7715.00. THE HARD RED WINTER WHEAT INDEX: CALCULATION.**

The Hard Red Winter Wheat Index is based upon a select sample of commercial bids placed for U.S. No. 1 Hard Red Winter Wheat throughout the United States. The sample will be conducted and obtained by an independent third party. The third party must meet collection and time parameters established by the Exchange. Additionally, the sample shall be taken from as many sources and locations as practical. The Hard Red Winter Wheat Index shall then be the calculated average numerical value of the sample using standard rounding techniques. Upon certification by the third party, and confirmation, review or verification of the data by the Exchange, the Hard Red Winter Wheat Index will be disseminated prior to the start of trading the next business day.

The Exchange reserves the right to refuse to use the data or the Hard Red Winter Wheat Index based upon evidence of an error in the data gathering process, manipulation of the data, faulty computation, or other unusual, questionable or suspicious activity involving the Hard Red Winter Wheat Index calculation. In the event the Exchange rejects the data, the procedures of **Rule 7716.00.** shall govern.

**7716.00. EMERGENCIES.**

In the event of an emergency, the Board of Directors shall have the powers and follow the procedures described in **Rule 210.02.**

An emergency shall include, but is not limited to, act of God, act of government, strike, quake, flood, interference, interruptions or breakage of communication, accident, or any event or occurrence that is causing or may cause disruption in the marketplace.

Additionally, in the event the MGEX is unable to timely receive sufficient data necessary to calculate, report or verify the Hard Red Winter Wheat Index or believes the data or the Hard Red Winter Wheat Index to be in error, the Board of Directors or Executive Committee shall have such authority and power to determine the Hard Red Winter Wheat Index. The Board of Directors or Executive Committee may utilize such sources, means or methods that it determines to be in the best interest of the Exchange and the market. The decision of the Board of Directors or Executive Committee shall be final and binding upon all parties. The Exchange shall not be liable to any party as a result of actions and decisions taken in good faith.

**CHAPTER 78**  
**HARD RED WINTER WHEAT INDEX OPTIONS**

7800.00.	Authority
7801.00.	Scope Of Chapter
7802.00.	The Hard Red Winter Wheat Index Put Options
7803.00.	The Hard Red Winter Wheat Index Call Options
7804.00.	Contract Trading Unit
7805.00.	Minimum Price Fluctuation
7806.00.	Trading Months And Hours
7807.00.	Daily Price Limits
7808.00.	Last Trading Day
7809.00.	Expiration Of Options
7810.00.	Striking Prices
7811.00.	Payment Of Option Premium
7812.00.	Position Limits
7813.00.	Exemptions From Position Limits
7814.00.	Aggregation Of Positions
7815.00.	Reportable Positions
7816.00.	Offsets And Transfer Trades
7817.00.	Contract Modifications
7818.00.	Option Exercises
7819.00.	Automatic Exercise

## **CHAPTER 78 HARD RED WINTER WHEAT INDEX OPTIONS**

### **7800.00. AUTHORITY.**

Trading in Hard Red Winter Wheat Index options contracts may be conducted under such terms and conditions as the Board of Directors shall determine by Rule, Regulation or Resolution, subject to the Commodity Exchange Act, as amended, and Commodity Futures Trading Commission ("CFTC") regulations promulgated thereunder.

### **7801.00. SCOPE OF CHAPTER.**

This Chapter is limited in application to trading in put and call options on Hard Red Winter Wheat Index futures contracts. The procedures for trading, clearing and settlement and any other matters not specifically covered herein shall be governed by the Rules and Regulations of the Exchange.

### **7802.00. HARD RED WINTER WHEAT INDEX PUT OPTIONS.**

The Buyer of one (1) Hard Red Winter Wheat Index put option may exercise such option at any time prior to expiration to assume a short position in one (1) Hard Red Winter Wheat Index futures contract of a specified contract month at a striking price set at the time the option was purchased. The Seller of one (1) Hard Red Winter Wheat Index put option incurs the obligation of assuming a long position in one (1) Hard Red Winter Wheat Index futures contract of a specified contract month at a striking price set at the time the option was sold, upon exercise by the put option Buyer.

### **7803.00. HARD RED WINTER WHEAT INDEX CALL OPTIONS.**

The Buyer of one (1) Hard Red Winter Wheat Index call option may exercise such option at any time prior to expiration to assume a long position in one (1) Hard Red Winter Wheat Index futures contract of a specified contract month at a striking price set at the time the option was purchased. The Seller of one (1) Hard Red Winter Wheat Index call option incurs the obligation of assuming a short position in one (1) Hard Red Winter Wheat Index futures contract of a specified contract month at a striking price set at the time the option was sold, upon exercise by the call option Buyer.

### **7804.00. CONTRACT TRADING UNIT.**

The unit of trading shall be a put or a call option exercisable for one (1) Minneapolis Grain Exchange Hard Red Winter Wheat Index futures contract.

### **7805.00. MINIMUM PRICE FLUCTUATION.**

The minimum price fluctuation shall be one-eighth cent (\$0.00125) or six dollars twenty-five cents (\$6.25) per contract. All prices shall be quoted in U.S. dollars. In the case of a cabinet trade, when both sides are closing transactions, the option premium may range from one dollar (\$1.00) to six dollars (\$6.00) in one dollar (\$1.00) increments per option contract.

#### **7806.00. TRADING MONTHS AND HOURS.**

Trading may be conducted in Hard Red Winter Wheat Index options in such contract months as may be determined by the Board of Directors. However, the Board of Directors may, at its discretion, restrict trading in any month should market conditions so warrant. There shall be no trading in Hard Red Winter Wheat Index options for months in which the underlying Hard Red Winter Wheat Index futures months have not yet traded. The hours of trading for Hard Red Winter Wheat Index options shall be determined by the Board of Directors. See [Regulations 2010.00.](#) and [2011.00.](#)

#### **7807.00. DAILY PRICE LIMITS.**

Trading is prohibited during any day in Hard Red Winter Wheat Index options at a premium of more than the trading limit for Hard Red Winter Wheat Index futures contracts above and below the previous day's settlement premium for that option. On the first (1<sup>st</sup>) day of trading, limits shall be set from the lowest premium of the opening range.

#### **7808.00. LAST TRADING DAY.**

The last trading day shall be the same day as the last day of trading for the underlying futures contract. See [Regulation 2011.01.](#)

#### **7809.00. EXPIRATION OF OPTIONS.**

The contractual rights and obligations arising from the option contract expire at ten o'clock (10:00) a.m. Central Time on the first business day following the last day of trading.

#### **7810.00. STRIKING PRICES.**

The Board of Directors shall set the procedure for introduction of striking prices and may modify the procedure as it deems appropriate in order to respond to market conditions. See [Regulation 2023.00.](#)

#### **7811.00. PAYMENT OF OPTION PREMIUM.**

The option premium must be paid in full by each Clearing Member to the Clearing House and by each option customer to their respective futures commission merchant at the time that the option is purchased.

#### **7812.00. POSITION LIMITS.**

- A. **Limits.** Position limits shall be determined by the Board of Directors. The position limits shall not apply to positions which are *bona fide* hedging transactions or positions within the meaning of [Rule 1503.00.](#), provided that the provisions of [Rule 1504.00.](#) have been satisfied. See [Regulation 2013.01.](#)
- B. **Compliance.** The Exchange may direct any Member, Firm or Corporation owning, controlling or carrying a position for a person in excess of the limits set forth in this Rule to liquidate or otherwise reduce the position to achieve conformity with this Rule. However, for any option

position that exceeds position limits for passive reasons such as a market move or exercise assignment, the person shall be allowed one (1) business day to liquidate the excess position without being considered in violation of the limits. In addition, if at the close of trading, an option position exceeds position limits when evaluated using the previous day's delta factors, but does not exceed the limits when evaluated using the delta factors for that day's close of trading, then the position shall not constitute a position limit violation.

- C. **Enforcement.** The carrying Member, Firm or Corporation shall maintain books and records in the United States, available to the Exchange, upon request, which disclose the identity of and positions held by any person carried by such Member, Firm or Corporation.

#### **7813.00. EXEMPTIONS FROM POSITION LIMITS.**

To be eligible for an exemption from the position limits, an applicant must submit a written request to the Department of Audits and Investigations. The request shall follow the requirements of [Rule 7709.00](#).

#### **7814.00. AGGREGATION OF POSITIONS.**

In determining whether any person has exceeded the position limits, all positions in accounts for which such person by power of attorney or otherwise directly or indirectly holds positions or controls trading shall be included with the positions held by such person. Such limits upon positions shall apply to positions held by two (2) or more persons acting pursuant to an expressed or implied agreement or understanding, the same as if the positions were held by a single person.

#### **7815.00. REPORTABLE POSITIONS.**

A position of twenty-five (25) or more Hard Red Winter Wheat Index put or call options on this Exchange, long or short, in any one (1) month shall be the reportable position level. All such positions shall be reported in a manner and form as designated by the Commission or the Exchange. See [Rule 1505.00](#).

#### **7816.00. OFFSETS AND TRANSFER TRADES.**

Except by same day trade activity, existing options positions in a settlement month may not be offset during the period beginning two (2) business days prior to the settlement month and continuing through the end of the settlement month. Clearing Members will be responsible for compliance with the requirement by their omnibus accounts. This prohibition also applies to transfer trades where no change in ownership is involved when the date of execution or exercise of the position being transferred is not the same as the transfer date. Such positions are required to be offset by trading. If such positions are carried on the books of different Clearing Members, the receiving Clearing Member is responsible for compliance with this Rule.

**7817.00. CONTRACT MODIFICATIONS.**

Specifications shall be fixed as of the first day of trading of a contract. A change in any Federal Law, regulation, ruling, directive or order that conflicts with these Rules will become effective upon the affirmative vote of the Board of Directors.

The Board of Directors, to maintain the viability of the options contract, is granted the authority to change such contract specifications as it deems appropriate and/or necessary for any unopened contract month.

**7818.00. OPTION EXERCISES.**

The Buyer of a Hard Red Winter Wheat Index option may exercise the option on any business day prior to the expiration date by giving notice of exercise to the Clearing House at such time as determined by the Clearing House Committee (see [Res. 2101.00.C.](#)) on such day. Notwithstanding the foregoing, the Buyer may exercise the option prior to ten o'clock (10:00) a.m. Central Time on expiration date:

- A. to correct errors or mistakes made in good faith;
- B. to take appropriate action as the result of unreconciled Exchange option transactions;
- C. in exceptional cases involving a customer's inability to communicate to the Clearing Member exercise instruction or the Clearing Member's inability to receive such instructions prior to such time as determined by the Clearing House Committee (see [Res. 2101.00.C.](#)) on the last day of trading.

**7819.00. AUTOMATIC EXERCISE.**

Notwithstanding the provisions of [Rule 7818.00.](#), based upon the Hard Red Winter Wheat Index cash settlement, the Clearing House shall automatically exercise all in-the-money options unless notice to cancel automatic exercise is given to the Clearing House.

Notice to cancel automatic exercise shall be given to the Clearing House at such time as determined by the Clearing House Committee (see [Res. 2101.00.C.](#)) on the last day of trading except that such notice may be given to the Clearing House prior to ten o'clock (10:00) a.m. Central Time on the expiration date:

- A. to correct errors or mistakes made in good faith;
- B. to take appropriate action as the result of unreconciled Exchange option transactions;
- C. in exceptional cases involving a customer's inability to communicate to the Clearing Member exercise instructions or the Clearing Member's inability to receive such instructions prior to such time as determined by the Clearing House Committee (see [Res. 2101.00.C.](#)) on the last day of trading.