



Web 2012-4

March 26, 2012

Dear Members & Rulebook Recipients:

The following Chapters have been amended:

<u>Chapter</u>	<u>Rule/Regulation/Resolution</u>	<u>Purpose</u>
1 Definitions		To remove outdated language and add clarifications.
21 Regulations	2105.00.	To better align the clearing member default procedures with final CFTC regulations.
	2105.01.	To better align the clearing member default procedures with final CFTC regulations.
	2105.02.	To better align the clearing member default procedures with final CFTC regulations.
	2105.04.	To better align the clearing member default procedures with final CFTC regulations.
	2107.00.	To better align the clearing member default procedures with final CFTC regulations.
	2108.00.	To better align the clearing member default procedures with final CFTC regulations.
72 Resolution	2102.00. C.	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. In the middle of the page, click "Click here to download changes to MGEX RULES AND REGULATIONS"

If you have any questions or problems accessing the Rulebook, please contact Jesse Marie Bartz at (612) 321-7122 or jbartz@mgex.com.

Sincerely,

A handwritten signature in black ink that reads 'Layne G. Carlson' followed by a stylized flourish.

Layne G. Carlson
Corporate Secretary

CLEARING HOUSE: A department of the Minneapolis Grain Exchange, Inc. (a Delaware corporation)

CLEARING MEMBER: A Member, or a Registered Firm or Corporation, who or which is a Member of the Minneapolis Grain Exchange Clearing House.

CLEARING MEMBER DEFAULT: “Defaulting Clearing Member” or “Default of a Clearing Member” shall mean the failure of a Clearing Member to meet any of its obligations to or the requirements of MGEX.

CLEARING MEMBER INSOLVENCY: “Insolvent Clearing Member” or “Insolvency of a Clearing Member” shall mean a Clearing Member will be deemed insolvent when:

1. It files a voluntary petition in bankruptcy or is adjudicated as bankrupt;
2. It becomes the subject of a receivership proceeding;
3. It fails to promptly fulfill its financial obligations to MGEX; or
4. Satisfactory proof is made to the Exchange that it is unable to pay its debts as they are due in the ordinary course of business.

CLOSING ORDER: An order to be executed at the closing of the market.

COMMISSION MERCHANT: A Member, or a Registered Firm or Corporation, who or which makes trades or transactions for others, but who makes such trades or transactions in his or its own name and becomes liable as principal therein.

COMMODITIES: Wheat, Durum Wheat, Corn, Oats, Rye, Barley, Flaxseed, Soybeans, Field Seeds, Buckwheat, Speltz, Grain Sorghums, Screenings and such other commodities as are customarily traded on this Exchange subject to its Rules.

CORPORATION: Refers to the Minneapolis Grain Exchange, Inc. (a Delaware corporation), also referred to as “Exchange” or “MGEX.”

CROSS TRADE: A simultaneous purchase and sale by a Broker, executing both sides of a trade involving a purchase order for one customer against a selling order of another.

DAY ORDER: An order which is in effect only until the close of the market session during which it is entered. Unless otherwise specified, all orders are considered to be day orders.

DELIVERABLE GRADES: Those grades of a commodity which, under the Rules, are deliverable on Futures Contracts in this market.

ELECTRONIC TRADING SYSTEM: The electronic trading platform utilized by the Exchange, market participants, customers, Members, nonmembers and Clearing Members to place orders and execute trades. Also known as or referred to as MGEXpress® or CME Globex®.

EXCHANGE: Refers to the Minneapolis Grain Exchange, Inc. (a Delaware corporation), also referred to as “Corporation” or “MGEX” and also to the Officers and authorized employees of the Exchange, as applicable.

EXCHANGE ROOM: The Room maintained by the Corporation for the transaction of business between Members.

EXERCISE: The conversions of an option into a position in the futures market. (See [Rule 1404.00](#))

FOLLOWING DAY (or other similar expression): The next business day.

FREIGHT BILLS: See [Rule 1019](#).

FUTURES, FUTURES CONTRACTS, FUTURES TRADES, CONTRACTS OR TRANSACTIONS FOR FUTURE DELIVERY: Contracts for the purchase or sale of commodities for delivery "In Store" in an elevator (eligible to make deliveries under the Rules of this Corporation) during some specified month, in accordance with the Rules.

GOOD STANDING: Having unrestricted ability to engage in business activities and in compliance with all obligations to and requirements of MGEX, and not under suspension.

HEARING COMMITTEE: A committee with the duty and responsibility under these Rules to conduct hearings and, when appropriate, to assess penalties in connection with violations of Exchange Rules or Regulations. (e.g. the Business Conduct Committee or the Futures Trading Conduct Committee).

HOURS OF TRADING: The hours, on business days, established by the Rules or Regulations for trading in the Exchange Room.

INCLUDES AND INCLUDING: The terms "Includes" and "Including" shall not be deemed to exclude other things otherwise within the meaning of the terms defined, except as expressly stated.

INITIAL MARGIN: See [Rule 760.00](#)

LIMITED ORDER: An order to buy at or below a specified price or to sell at or above a specified price.

MAINTENANCE MARGIN: See [Rule 760.00](#)

MARKET ORDER: An order to be executed immediately at the best price available.

MEMBER: A natural person or entity who is the Record Owner, provided, however, whenever these Rules refer to a Member where the services or functions contemplate that a natural person provide such services or perform such functions, "Member" shall mean the Record Holder or Holders designated by a Record Owner in accordance with these Rules.

MEMBER OF A FIRM: If such firm is a partnership, a General Partner; and, if such firm is a syndicate, group, trust, estate, joint venture, or association, an owner of a beneficial interest in such organization, who occupies a position therein comparable to that of a General Partner in a partnership.

MEMBER REPRESENTATIVE: A Member by virtue of whose Membership the registration of a firm or corporation has been effected.

MGEX: Refers to the Minneapolis Grain Exchange, Inc. (a Delaware corporation), also referred to

**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. Clearing Member 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

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 unduly insecure or hazardous, the Clearing House may direct that the Member close out all or a portion of his trades, or that the Member transfer all or a portion of his 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 Clearing House may, with the consent of the President or his designee, originate orders to transfer or close out all or a portion of the Member'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's failure to fulfill his obligations as set forth in this Regulation shall constitute the rule and measure of damages against the Member so failing, and the differences shall be calculated, adjusted and settled within the time and in the manner and form determined by the Clearing House and the Rules and Regulations of the Exchange.

Any financial obligations owed by a Clearing Member to the Clearing House, which remain outstanding after all the Member's trades have been closed out, may be satisfied through the Member'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.

Customer funds or margins shall not be used to discharge the Clearing Member's obligation unless the customer is directly involved in a default. The Clearing Member shall immediately make up any deficiencies in its security deposit resulting from such application prior to the close of business on the next banking day. The Exchange shall be under no obligation to forward any variation pays or settlement funds to a Defaulting Clearing Member.

In addition to application of the available assets of the Defaulting Clearing Member (the priority of which is further described in Regulation 2105.01.), the Exchange, President, Treasurer or other designee may take any other actions that it determines necessary to protect MGEX or other Clearing Members. Such actions include, but are not limited to, actions authorized elsewhere within the MGEX Rules and Regulations, the suspension of clearing privileges until revoked or reinstated by the Board or its designee, pursuit of legal action, retention of variation pays, and request for additional security deposit and/or performance bonds. The detailed implementation of the process of finalizing losses with respect to a Clearing Member Default, including the liquidation, allocation, auction or sale of positions or assets of the Defaulting Clearing Member shall be conducted by the Exchange.

The Exchange, Board, and any Clearing Member authorized by the Exchange to act in the place of the Defaulting Clearing Member shall have no liability arising from a failure by a Clearing Member to discharge its liabilities; neither shall they be liable for actions taken pursuant to MGEX Rules and Regulations, procedures, or actions allowed by law.

The Exchange may establish such procedures as necessary which prescribe in detail how the protections under Regulation 2105.00. and Chapter 21 will operate. Such procedures shall constitute part of MGEX Rules and Regulations. Furthermore, any documented information appropriate to assist the Clearing Members will be disseminated.

2105.01. LOSSES BORNE BY MGEX.

Should MGEX bear a loss resulting from the actions or a Default of a Clearing Member, including but not limited to the insufficiency of the security deposit, margins, bonds, guarantees or other assets of a Clearing Member to fully meet its obligations to MGEX, the Insolvency of a Clearing Member, the insolvency of a depository, or larceny, embezzlement, or for any other cause, such loss shall be met and made good promptly by the use and application of funds from the following sources, in the order of priority hereafter listed, with each source of funds to be completely exhausted, to the extent practical, before the next following source is applied. While such application of funds shall be mandatory, the detailed implementation of Regulation 2105.01. shall be the responsibility of the Exchange.

- A Security deposits of the Defaulting Clearing Member.
- B. Margins and performance bonds of the Defaulting Clearing Member on deposit with MGEX, payments made by a guarantor of the Defaulting Clearing Member, and any other assets of the Defaulting Clearing Member.
- C. Such assets of the MGEX Clearing House Reserve Fund.
- D. Security deposits of non-defaulting Clearing Members shall be applied toward meeting a loss in direct proportion to the total security deposit requirement of each Clearing Member.

- E. Such surplus funds of the Exchange as may be in excess of funds necessary for normal business operations. No such surplus shall be assumed until approved by the Finance Committee, Executive Committee or the Board.
- F. The balance of the loss to MGEX remaining after application of the above funds shall be assessed against Clearing Members (excluding any Insolvent or Defaulting Clearing Member) in direct proportion to the Clearing Members' total security deposit requirement, except no Clearing Member shall be assessed in excess of 200 percent of such Clearing Member's total security deposit requirement.
- G. A special assessment determined by the Board of Directors to be levied against Clearing Members.

Any assessment made pursuant to this Regulation shall be paid by wire or other acceptable method by each Clearing Member the same business day after notice of any such assessment has been delivered to each Clearing Member, provided wire transfer is open and operational. If wire transfer is not open, payment is due within one (1) hour the next business day after wire is open and operational.

A Clearing Member may withdraw from Membership by giving written notice to the Exchange; however, such Member shall continue to be liable for any assessments made pursuant to this rule to cover any default occurring prior to resignation.

The Exchange may borrow such funds or draw such funds as necessary against any line of credit at any time for such purposes under this Regulation to cover any obligations or losses of the Exchange. Any borrowing of funds shall not relieve any Clearing Member from their obligations under this Regulation, application of their security deposits or from any assessments.

The Exchange may obtain and maintain any default insurance. Such insurance shall inure to and shall be for the sole benefit of the Exchange. Proceeds from any default insurance and the right to any proceeds shall be paid to and belong solely to the Exchange.

2105.02. RIGHTS OF EXCHANGE FOR RECOVERY OF LOSS.

If the security deposits, margins, performance bonds, guarantees and other assets of a Clearing Member (excluding customer funds and margins unless directly involved in a liability) are insufficient to satisfy all of its obligations to MGEX, including all Claims against the Exchange by reason of its substitution for that Clearing Member pursuant to [Rule 701.00.](#), the Exchange shall nonetheless pay all such claims, which shall be deemed a loss to it and which shall be a liability of the Defaulting Clearing Member to the Exchange, which the Exchange may collect from the assets of such Clearing Member available to it or by process of law.

If a loss for which Clearing Members or their security deposits have been assessed is afterward recovered by the Exchange in whole or in part, the net amount of such recovery shall be credited to such persons or firms (whether or not they are Clearing Members at the time of recovery) in proportion to the amount of the assessment.

2105.03. SECURITY DEPOSITS TO BE RESTORED.

In the event it shall become necessary as provided above to apply all or part of the security deposits to meet obligations to the Clearing House (other than a Clearing Member's own obligation

resulting from the substitution of the Clearing House on its trades), the Clearing Member shall immediately make good any such deficiency in security deposits prior to the close of business the next business day.

2105.04. CLEARING MEMBER INSOLVENCY.

If a Clearing Member becomes insolvent, the Clearing Member must immediately notify the Exchange of such insolvency. The insolvency shall be announced by the Exchange and thereupon such Clearing Member shall be deemed automatically Suspended, unless otherwise permitted by the Exchange to continue limited operation for the purpose of transferring or liquidating positions, or otherwise mitigating losses. If a Clearing Member becomes insolvent or for other reasons is Suspended, the officers, owners or partners who are Members of the Exchange may also be Suspended by the Exchange.

When a Clearing Member is Suspended for insolvency, the Exchange may exercise any or all of its rights under MGEX Regulations 2105.00. and 2105.01.

2106.00. ACCEPTANCE OF GIVE-UP TRADES.

All give-up trades containing the necessary trade data pursuant to MGEX **Regulation 2100.00.** including customer identification, quantity, and price which are received by the carrying Clearing Member by two-fifteen o'clock (2:15) p.m. must be accepted and transferred to the account of the carrying Clearing Member on same business day. If the executing Clearing Member does not provide said information by two-fifteen o'clock (2:15) p.m., then the executing Clearing Member will retain the position until the following business day. All give-up transfer trades are due at the Clearing House at such time as determined by the Clearing House Committee. Submission times and fines for not accepting a give-up trade are set forth in **Resolution 2101.00.C.**

2107.00. FINANCIAL EMERGENCY.

If at any time the Exchange, in its sole discretion, determines that there is a substantial question as to whether a financial emergency exists with respect to any Clearing Member or that the Clearing Member is no longer in Good Standing, the Exchange may suspend or take any other action to protect the best interests of the marketplace, Clearing Members or the Exchange.

The Exchange shall have no liability regarding its use of the discretionary power described herein; neither shall the Exchange be liable for actions taken pursuant to MGEX Rules and Regulations, procedures, or actions allowed by law.

2108.00. FINALITY OF SETTLEMENT.

Provided there are no accounting and/or clerical errors, payments of funds or transfer of funds to and from MGEX, including but not limited to: intraday and end of day variation, margin payments and security deposits, are final and unconditional when effected and cannot be reversed.

Amended by the Board of Directors November 11, 2004, effective January 4, 2005.

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.

RESOLUTION 2102.00. C.

The Minneapolis Grain Exchange Board of Directors, or its designee, has adopted the following margins as the minimum amounts that are proper and adequate.

A. Margins on Futures

	<u>Amount Per Contract</u>
National Corn Index	\$1,700
National Soybean Index	\$2,500
Hard Red Winter Wheat Index	\$2,150
Hard Red Spring Wheat Index	\$2,150
Soft Red Winter Wheat Index	\$2,150
Hard Red Spring Wheat	\$2,150

Intra-Commodity Spreads

HRSW Intra-Crop Year*	\$500
HRSW Inter-Crop Years**	\$850

* Rate charged for spreads consisting of two HRSW contracts within the same crop year (Crop Year defined as September through July contract months).

** Rate charged for spreads consisting of two HRSW futures contracts, each within a different crop year (Crop Year defined as September through July contract months).

	Spread Credit <u>% Savings</u>
B. Inter-Commodity Spreads	
NCI vs. NSI	50%
HRWI vs. Spring Wheat	100%
HRSI vs. Spring Wheat	100%
SRWI vs. Spring Wheat	100%
HRWI vs. HRSI	100%
HRWI vs. SRWI	100%
SRWI vs. HRSI	100%
C. Inter-Exchange Spreads - MGEX Side	
MGEX NCI vs. CBOT Corn	100%
MGEX NSI vs. CBOT Soybeans	100%
MGEX HRWI vs. CBOT Wheat	100%
MGEX HRWI vs. KCBT Wheat	100%
MGEX HRSI vs. CBOT Wheat	100%
MGEX HRSI vs. KCBT Wheat	100%
MGEX SRWI vs. CBOT Wheat	100%
MGEX SRWI vs. KCBT Wheat	100%
MGEX Spring Wheat vs. CBOT Wheat	60%
MGEX Spring Wheat vs. KCBT Wheat	60%
D. Margins on Options. Under the provisions of Rule 760.00. , the Board of Directors, or its designee, hereby establishes that minimum margins for options transactions will be determined by the Standard Portfolio of Analysis of Risk margin calculations. SPAN [®] is a registered trademark of the Chicago Mercantile Exchange. The Chicago Mercantile Exchange assumes no liability in connection with the use of SPAN [®] by any person or entity.	

Effective March 2, 2012