



Web 2012-7

May 15, 2012

Dear Members & Rulebook Recipients:

The following Chapter has been amended:

<u>Chapter</u>	<u>Regulations</u>	<u>Purpose</u>
20 Regulations	2068.00.	To clarify stock reporting requirements for Regular facilities of MGEX.
	2086.00., 2087.00.	To update financial and reporting requirements of Futures Commission Merchant clearing members.

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.

Sincerely,

A handwritten signature in black ink that reads "Layne G. Carlson". The signature is written in a cursive style with a large, sweeping flourish at the end.

Layne G. Carlson
Corporate Secretary

05-15-12

CASH GRAIN

- 2035.00. Reporting Cash Commodity Sales
- 2036.00. Disposition Orders: Form Of
- 2038.00. Pan Tickets
- 2039.00. Delivery And Payment To Invoices And Requests For Advances On Truck/Rail Commodities
- 2040.00. Wheat Unfit For Human Consumption Not Deliverable On Futures Contracts

MISCELLANEOUS

- 2050.00. Holidays
- 2051.00. Honorary Membership
- 2053.00. Limitations On Options Transactions-Solicitation And Acceptance
- 2054.00. Board Of Arbitration: Fees
- 2054.01. Customer Claims Arbitration Panel: Fees
- 2055.00. Registration Of Floor Brokers/Floor Traders
- 2058.00. Collection Of Trading Documents
- 2059.00. Designation Of Open And Close On Trading Cards
- 2060.00. Official Closing Period: Futures
- 2061.00. Official Closing Period: Options
- 2062.00. Trading Cards: Form, Preparation And Maintenance
- 2062.01. Trading Records And Errors
- 2063.00. Time-Stamps
- 2064.00. Unmatched Trade Resolution
- 2065.00. Identification And Registration Of Broker Associations
- 2066.00. Market Maker Program
- 2067.00. Electronic And Open Outcry Trading
- 2068.00. Stocks Reporting Facilities

FINANCIAL REQUIREMENTS

- 2085.00. Financial And Reporting Requirements For All Members
- 2086.00. Minimum Financial Requirements For Futures Commission Merchants And Guaranteed Introducing Brokers
- 2087.00. Minimum Financial Requirements For Non-Futures Commission Merchant Member Firms And Independent Introducing Brokers
- 2088.00. Reduction Of Capital
- 2089.00. Election Of Fiscal Year

DELEGATED POWERS

- 2090.00. Physical Emergencies
- 2091.00. Inclement Weather Or Transportation Breakdown

2066.00. MARKET MAKER PROGRAM.

The Exchange may establish a Market Maker Program for any contract. The Program shall remain in effect for a period determined by the Exchange. The Exchange may end the Program at any time. The requirements and the number of participants for the Market Maker Program shall be established by the Exchange and are subject to change at any time. Any individual or entity that satisfies the requirements set forth by the Exchange may submit an application to the Corporate Secretary to become a Market Maker. The Exchange shall have sole discretion to approve or deny an application based on the applicant's business reputation, financial resources, trading activity in relevant futures, options, or related cash markets, or any other reason. Any individual or entity accepted into the Program must maintain compliance with the requirements established by the Exchange. The Exchange may, without notice, remove any individual or entity that fails to comply with Exchange requirements. Further, the individual or entity must comply with the Commodity Exchange Act and Regulations thereunder, and Exchange Rules, Regulations, Resolutions, procedures, and policies.

2067.00. ELECTRONIC AND OPEN OUTCRY TRADING.

Pursuant to the provisions of **Rule 1818.00.**, the Board of Directors has adopted this Regulation for Contracts permitted by the Board of Directors to trade on the Electronic Trading System and by open outcry:

- A. A clearing member and broker shall have a fiduciary responsibility in the handling and execution of all orders received, by whatever means, to obtain the best price available among trading platforms. However, members trading for themselves by open outcry and orders initiated directly by a user for electronic execution will not be subject to this regulation.
- B. The Electronic Trading System and open outcry may have separate opens, open ranges, highs, lows, closes and closing ranges. However, there shall be only one settlement price.
- C. The Electronic Trading System and open outcry may each have trade volume that is reported separately. However, there shall be only one combined open interest number reported by the Exchange.
- D. Contracts traded on both the Electronic Trading System and by open outcry shall be fungible. This means positions entered into on one platform may be offset by positions executed on the other platform. As a result, clearing members shall submit to the Clearing House only combined position reports.

2068.00. STOCKS REPORTING FACILITIES.

Pursuant to **Rule 901.01.** and any applicable MGEX Rules and Regulations, all facilities approved as Regular by the Exchange must submit accurate stocks reports to the Exchange pursuant to the deadlines below.

Daily Stocks Reports: 2:00 p.m. (Central Time)

Weekly Stocks Reports: 1:00 p.m. (Central Time) Monday (Tuesday if Monday is a MGEX holiday)

All submissions received after the scheduled deadline are subject to fines as follows:

Reports received within one (1) hour past the deadline will incur a \$100 fine.

Reports received in excess of one (1) hour past the deadline will incur an additional \$50 fine for each subsequent 15 minute period the report is late.

A single submission that is found to be inaccurate and has not been corrected by the designated deadline shall be deemed late until such submission is corrected.

The maximum fine amount shall not exceed \$2,000 for a single submission, however, assessment of a fine does not prevent the Exchange from taking further disciplinary action or presenting the matter to the Disciplinary Committee for recurring and/or significantly late submissions or inaccurate submissions.

The amount due or charged by the Exchange shall be billed on a monthly basis unless otherwise specified by the Exchange.

2085.00. FINANCIAL AND REPORTING REQUIREMENTS FOR ALL MEMBERS.

Financial requirements for all Members shall be established based upon the recommendations of the Finance Committee and approved by the Board of Directors, provided that requirements for Futures Commission Merchants ("FCM") and Guaranteed Introducing Brokers ("IB") must, at a minimum, be established at levels equivalent to those required by CFTC regulations. The Finance Committee, at its discretion, may adopt financial requirements for FCMs and Guaranteed IBs more stringent than those of the CFTC if it deems such requirements appropriate.

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. **FCM and IB Reports.** All FCMs and Guaranteed IBs who are Members of the Exchange shall file with the Exchange reports, as required by the Exchange, which shall be 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 Exchange may in its discretion, require such additional reports as it deems appropriate or necessary.
- C. **Additional FCM Clearing Member Reports.**
 - 1. All FCM Clearing Members shall file daily segregated, secured 30.7 and sequestered statements, as applicable, in a manner designated by the

Exchange. These statements must be signed off by the firm's Chief Executive Officer, Chief Financial Officer or other representative as allowed by the Exchange.

2. All FCM Clearing Members of the Exchange shall file bi-monthly Segregation Investment Detail Reports ("SIDRs") as required by the Exchange.
3. All FCM Clearing Members of the Exchange shall provide immediate notice to the Exchange of all disbursements of customer segregated, secured 30.7, and sequestered funds that are not made for the benefit of customers of the respective customer origin and that exceed 25% of the excess segregated, secured 30.7 and sequestered funds, as applicable. Any such disbursements by the FCM Clearing Member must also be pre-approved, in writing, by a principal of the FCM Clearing Member.

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 Exchange 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 Exchange. 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 Exchange 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.