



Web 2012-8

May 18, 2012

Dear Members & Rulebook Recipients:

The following Chapters have been amended:

<b><u>Chapter</u></b>	<b><u>Regulations</u></b>	<b><u>Purpose</u></b>
14 Option Specifications	1402.00.	To expand the hours of trading for futures and options electronically traded on and cleared by MGEX.
20 Regulations	2011.00., 2060.00.	
21 Regulations	2106.00.	
72 Resolutions	2101.00.C.	

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

**CHAPTER 14**  
**OPTION SPECIFICATIONS**  
**HARD RED SPRING WHEAT FUTURES**

**1400.00. SCOPE OF CHAPTER.**

This Chapter is limited in application to the trading of put and call options exercisable for Minneapolis Grain Exchange (Exchange) Wheat Futures Contracts. Procedures for trading, clearing and any other matters not specifically covered herein shall be governed by the Rules of the Exchange.

**1401.00. UNIT OF TRADING.**

The unit of trading shall be a put or call option exercisable for one (1) five thousand (5,000) bushel Minneapolis Grain Exchange Hard Red Spring Wheat Futures Contract.

**1402.00. OPTION TRADING.**

- A. **Hours of Trading.** The hours of trading Spring Wheat Options shall be determined by the Board of Directors in accordance with **Regulation 2011.00.**
- B. **Months Traded In.** Trading may be conducted in Spring Wheat options in the same months that are listed for trading in the Spring Wheat Futures Contract (see **Rule 715.00.**). Additionally, trading may be conducted in Spring Wheat options in months that are not listed for trading in the Spring Wheat Futures Contract. No more than two (2) options months outside the delivery cycle shall be available to trade at one time and shall be limited to those months immediately preceding the current delivery month and the next delivery month. Trading in an options month outside the delivery cycle may begin the first business day of the month immediately preceding its month of expiration. The underlying Spring Wheat Futures Contract month for such options month shall be the next month in the delivery cycle. However, the Board of Directors may, at its discretion, restrict trading in any month should market conditions so warrant.
- C. **Last Trading Day.** The last trading day will be the Friday which precedes by at least two (2) business days, the last business day of the month preceding the option month. If such Friday is not a business day, the last trading day shall be the business day prior to such Friday (see **Res. 1402.00. C.**).
- D. **Option Expiration.** The contractual rights and obligations arising from the option contract expire on the last day of trading.
- E. **Option Premium Price Basis.** The premium for Spring Wheat futures options shall be in multiples of one-eighth of one cent (1/8) per bushel of a five thousand (5,000) bushel Spring Wheat futures contract or six dollars and twenty-five cents (\$6.25) per contract.

If a second infraction occurs within two (2) years of the first infraction, a recommendation will be forwarded by the Business Conduct Committee to the Board of Directors that the individual involved be suspended up to a period of two (2) weeks with the monetary fine to be set at the recommendation of the Board. Members, Firms or Corporations will be responsible for fines given to their employee(s).

Complaints relating to boisterous or disorderly conduct and/or outburst of vulgar and abusive language in the Exchange Room will be reviewed by the Business Conduct Committee. The decision of the Business Conduct Committee shall be final.

#### **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 one-fifteen o'clock (1:15) 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 o'clock (2:00) p.m.

The Hours of Trading for options will end at one-thirty o'clock (1:30) p.m. on the day of expiration of said option.

2. The Hours of Trading for options by open outcry shall be from nine-thirty o'clock (9:30) a.m. to one-thirty o'clock (1:30) p.m.

[THIS SPACE INTENTIONALLY LEFT BLANK.]

close of the futures market and fifteen (15) minutes after the close of the Options market. The Board of Directors, at its discretion, may require that trading documents be collected at the end of smaller intervals in order to ensure compliance with provisions of the Commodity Exchange Act.

- B. Partially-filled order tickets need not be submitted by the executing Member to the Clearing Member until the entire order has been executed. Once the entire order has been executed, the order must be submitted to the Clearing Member promptly, or at the latest, during the next required collection of trading documents by the Clearing Member.
- C. Trading cards collected pursuant to this Regulation must be time-stamped promptly to the nearest minute upon collection by the Clearing Member.

#### **2059.00. DESIGNATION OF OPEN AND CLOSE ON TRADING CARDS.**

Each Member is required to identify on his or her trading cards all trades executed during the designated opening and closing periods by drawing a line on the card to separate those trades from other transactions recorded on the trading card.

#### **2060.00. OFFICIAL CLOSING PERIOD: FUTURES.**

Unless otherwise stated elsewhere in the MGEX Rules and Regulations, the official closing period for all MGEX futures shall be from 1:14:00 p.m. to 1:14:59 p.m. (Central Time).

#### **2061.00. OFFICIAL CLOSING PERIOD: OPTIONS.**

The closing period shall be the last sixty (60) seconds of the Spring Wheat open outcry trading session.

#### **2062.00. TRADING CARDS: FORM, PREPARATION AND MAINTENANCE.**

- A. Trading cards used to record the execution of purchase or sale of any commodity for future delivery or commodity option on or subject to the Rules of the Exchange must contain:
  - 1. Pre-printed Member identification or other unique identifying information which would permit the trading cards of one Member to be distinguished from cards of all other Members;
  - 2. Pre-printed sequence numbers to permit the intra-day sequencing of trading cards; and
  - 3. Unique and pre-printed identifying information which would distinguish each of the trading cards prepared by a Member from his/her other trading cards for no less than a one (1) week period.
- B. A Member recording transactions on trading cards must use non-erasable ink to record each purchase and sale in exact chronological order of execution on sequential lines of the card. Skipping of lines on the trading card is prohibited. If blank lines remain after the last execution recorded on a

trading card the remaining lines should be marked through. When two-sided trading cards are used, blank lines on both sides of the card must be marked through.

- C. A Member must use a new trading card at the beginning of each designated interval required pursuant to Exchange **Regulation 2058.00**.
- D. A Member must be accountable for all trading cards prepared pursuant to Exchange Rules in exact numerical sequence, whether or not such trading cards are relied upon as original source documents.
- E. A Member must identify on his/her trading cards trades executed during opening and closing periods in the manner required by Exchange **Regulation 2059.00**.
- F. Trading cards prepared by the Member must include the following:
  - 1. Member's name
  - 2. Clearing Member's name
  - 3. Transaction date
  - 4. Quantity bought or sold
  - 5. Commodity
  - 6. Contract for future delivery or physical
  - 7. Future (month) or expiration date
  - 8. Price or premium
  - 9. Put or call and strike price
  - 10. Transaction time to the minute
  - 11. Opposite Broker/Trader
  - 12. Opposite Clearing Member
  - 13. Indicators for the following types of transactions: (C) cash exchange; (T) office transfer; (S) spread; (D) delivery
  - 14. Any other information required by the Exchange

Note: For single line entry differential spreads (SLEDS) the Member may record the spread on one side of the trading card.

#### **2062.01. TRADING RECORDS AND ERRORS.**

- A. All trading records including trading cards, order forms and order tickets that are prepared or used by a Member or Clearing Member to document requests or executions for Pit or ex-Pit transactions must be completed in non-erasable ink.
- B. The Member or Clearing Member may correct any errors on trading records by crossing out the erroneous information with a single line or an "X" and recording the correct information. The originally recorded information must not be obliterated or otherwise made illegible when it is crossed out.
- C. After the initial time-stamp, a Clearing Member may not correct erroneous information on trading records unless the party making the correction has initialed the trading document as near as possible to the correction.

to meet obligations to MGEX, the Clearing Member shall immediately make good any such deficiency in security deposits, by wire or other acceptable method, by established deadlines for current end of day variation cycle or sooner as may be required by the Exchange.

#### **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 entered by the executing Clearing Member by two-forty five o'clock (2:45) p.m. Central Time must be accepted and transferred to the account of the carrying Clearing Member on the same business day. If the executing Clearing Member does not provide said information by two-forty five o'clock (2:45) p.m. Central Time, then the executing Clearing Member will retain the position until the following business day. All give-up transfer trades are due at MGEX at such time as determined by the Exchange. 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.

#### **2109.00. SETTLEMENT BANKS AVAILABLE FOR USE.**

The Exchange shall have the authority to approve settlement banks used by the Exchange and its Clearing Members. Each Clearing Member must maintain an account at an Exchange approved

settlement bank for purposes of making daily cash settlements for variation and collateral margin with the Exchange.

#### **2111.00. CLEARING MEMBER RISK MANAGEMENT.**

All Clearing Members must maintain current written risk management policies and procedures, and ensure they are able to perform proper risk management and operational functions at all times. Upon request of the Exchange or the Commodity Futures Trading Commission (CFTC), the written risk management policies and procedures and other related information and documentation must be promptly made available for review.

The Exchange shall have authority to develop and implement risk control policies for customer and proprietary transactions. Further, the Exchange shall have authority to take such action, including but not limited to: imposing enhanced capital requirements, imposing enhanced margin requirements, prohibiting an increase or requiring a reduction in positions, and liquidating or transferring positions when, in the sole discretion of the Exchange, such action is necessary to effectively manage risk posed to the Exchange by a Clearing Member.



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:

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
2:45 p.m.	Last submission of trades Auto-Exercise Cancellation Notices Hard Red Spring Wheat Options position reports on expiration day
3:30 p.m.	Give-up transfer trades Unmatched trade fixes
4:00 p.m.	Long position lists for delivery Delivery Notices Exercise Notices

Trading activity after five o'clock (5:00) p.m. to two o'clock (2:00) p.m. the following day will be cleared with said following day's trading activity.

Submissions that are late will be charged with fines as follows: the first ten (10) minutes late will incur a charge of \$10; succeeding ten (10) minute periods will add additional \$25 charges each. (For example, eleven (11) minutes late will be \$35; twenty-five (25) minutes late will be \$60).

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.

The Exchange has adopted a fine of \$100 for position reporting errors in excess of two per month.

Spring Wheat Options position reports for the last trading day will incur the following fines:

Position reports not received by 2:45 p.m. expiration day \$1,000

All give-up trades properly entered in accordance with [Regulation 2106.00](#) by the executing Clearing Member by two-forty five o'clock (2:45) p.m. and not accepted by the carrying Clearing Member by three-thirty o'clock (3:30) p.m. shall result in the following fines:

First offense	\$1,000
Second offense	\$2,000
Third offense	as determined by the Exchange

Amended by the Exchange May 17, 2012, effective May 20, 2012.

### **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).