



Web 2012-6

May 4, 2012

Dear Members & Rulebook Recipients:

The following Chapter has been amended:

<u>Chapter</u>	<u>Regulations</u>	<u>Purpose</u>
21 Regulations	2105.03., 2109.00., 2111.00.	To update clearing member compliance requirements in accordance with CFTC regulations.

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, flowing style.

Layne G. Carlson
Corporate Secretary

**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
2109.00.	Settlement Banks Available For Use
2111.00.	Clearing Member Risk Management

- 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 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 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.

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.