



September 4, 2014

Web 2014-4

Dear MGEX Members & Rules and Regulations Book Recipients:

The following Chapters have been amended:

| <u>Chapter</u> | <u>Citation</u> | <u>Purpose</u> |
|-----------------------------|---|--|
| 2 Government | Index | Housekeeping. |
| | 211.02. | To reduce the number of directors needed for a Quorum from seven to five. |
| | 259.00. | To specify that the Nominations Committee is a committee of the Board, and related housekeeping. |
| 6 Disciplinary Rules | | Moved to consolidate the MGEX Disciplinary Regulations into Chapter 12 of the MGEX Rulebook. |
| 12 Disciplinary Regulations | Index | Housekeeping. |
| | 1200.00., 1201.00., 1202.00., 1203.00., 1204.00., 1205.00., 1206.00., 1207.00., 1208.00., 1209.00., 1210.00., 1211.00., 1212.00., 1212.01., 1213.00., 1214.00., 1214.01., 1215.00., 1216.00., 1217.00. | To consolidate the MGEX Disciplinary Regulations into Chapter 12 of the MGEX Rulebook. |

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 B. Green at (612) 321-7122 or jgreen@mgex.com.

Sincerely,

A handwritten signature in black ink that reads 'Layne G. Carlson'.

Layne G. Carlson
Corporate Secretary

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- P. without Member vote, amend the Charter as necessary to conform to the Rulebook of the Exchange or to cause the Corporation to become a Delaware nonstock, for profit corporation.

Any authority or discretion by these Rules vested in the Chairperson, President, Clearing House Manager or any committee shall not be construed to deprive the Board of such authority or discretion and, in the event of a conflict, the determination of the matter by the Board shall prevail.

210.02. BOARD OF DIRECTORS: EMERGENCY POWERS.

When in the opinion of the Board of Directors ("Board") an emergency exists, the Board shall have the power to:

- A. close the Exchange;
- B. suspend trading in any or all Futures or Options Contracts, including trading in settlement of any then existing Futures or Options Contracts;
- C. prohibit trading in any or all Futures or Options Contracts at prices above or below such limits as are specified by the Board;
- D. limit the total amount of open speculative Futures or Options trades that any Market Participant may have at any one time in any or all commodities, and to increase, decrease or cancel such limitations as the Board of Directors deems advisable. The Board of Directors may require such reports and may make such Regulations as it deems necessary to enforce such limitations;

PROVIDED, however, that the establishing of any such limit shall not be deemed to require that total amounts of such trades acquired before the effective date of such limitations be reduced to such limit;

- E. take other appropriate emergency action.

If and when the Board of Directors has acted under the authority granted by this Rule, it may make such Regulations and Resolutions as the Board deems necessary and proper and for the best interests of all concerned. Notice of any action taken by the Board pursuant to the authority granted by this Rule shall be posted on the Official Bulletin Board and shall be given to Members in such other manner as the Board shall direct. Such action shall become effective when, and for such period of time, as determined by the Board, but not prior to the time of the posting of notice thereof on the Official Bulletin Board.

210.03. VACANCIES: OCCURRING DURING TERM OF OFFICE.

- A. Officers: If a vacancy occurs in the office of Chairperson, other than by expiration of the term of office, the First Vice Chairperson, or if the First Vice Chairperson is unable to act, then the Second Vice Chairperson, shall assume all the duties and powers of the Chairperson until such time as the Board of Directors elects a successor to fill the vacancy pursuant to **Rule 200.00**.

- B. Member Directors: In the event a vacancy occurs on the Board of Directors, the Nominations Committee shall recommend to the Board of Directors one (1) but not more than two individuals to fill the vacancy, each of which must confirm their acceptance of such nomination.

211.00. FIRST MEETING OF THE BOARD OF DIRECTORS.

The first meeting of the newly elected Board of Directors after each Annual Election shall be held within one month after such Annual Election, or as soon thereafter as is practicable at the discretion of the President.

211.01. REGULAR AND SPECIAL MEETINGS.

Regular meetings of the Board of Directors shall be held quarterly as determined by the Board of Directors. Special meetings may be called by the Chairperson and shall be called by the Chairperson upon the written request of five (5) Directors.

Notice of regular or special meetings of the Board of Directors may be given to any Director personally, by telephone, by electronic communication or by delivery of such notice in writing to the Director's usual place of business. Any and all business may be transacted at regular or special meetings of the Board of Directors; PROVIDED, however, that the provisions of the Rules requiring special notice for meetings at which certain business is to be transacted must be complied with.

Any Director having three (3) consecutive absences during that Director's term of office from regular meetings or the first meeting of the newly elected Board of Directors may be removed effective immediately as a Director by majority vote of the Board of Directors. Upon removal, the vacancy shall be filled pursuant to **Rule 210.03. VACANCIES: OCCURRING DURING THE TERM OF OFFICE.**

211.02. QUORUM.

Five (5) members of the Board of Directors shall constitute a quorum for the transaction of business at any regular or special meeting of such Board, but a lesser number may meet and adjourn such meeting, from time to time, up to the time of the next regular or special meeting of the Board of Directors.

211.03. PROCEDURE AT MEETINGS.

The Board of Directors may, from time to time, adopt such regulations for its own government and the conduct of its meetings as are not contrary to the provisions of the General Corporation Law of the State of Delaware as amended, and the Charter and Rules of the Corporation. Except as otherwise specifically provided in said Act or in the Charter and Rules of this Corporation, meetings of the Board of Directors shall be conducted according to the established practices of Parliamentary Law and, in case of dispute, "Robert's Rules of Order" shall govern.

215.00. CHAIRPERSON OF THE BOARD: GENERAL DUTIES.

The Chairperson of the Board of Directors shall be the senior officer of the Board and perform the usual duties incident to the office. Unless otherwise specified by Rule, the Chairperson shall

place as may be designated by the Executive Committee. The Chairperson of the Board shall be the Chairperson of the Executive Committee and shall have voting privileges.

The Committee shall have the duties and powers to:

- A. Investigate issues and pursue opportunities related to the business of the Corporation, and recommend actions to the Board.
- B. Recommend changes to any guidelines, policies or procedures of the Corporation, including those which may govern employee conduct, donations and participation in trade or industry associations.
- C. Reallocate funds within the approved budgets as priorities change, provided that any such reallocation will not endanger necessary financial commitments or requirements.
- D. Act on behalf of the Board of Directors when an emergency exists and the Board is unable to convene in a timely manner. Emergencies shall include, but not be limited to: discovery of possible illegal activities, security of the building, threats to the financial integrity of the Corporation, Force Majeure, threats to Exchange trading activity due to inclement weather, transportation breakdown or market manipulation. In such instances the Committee may take such actions as necessary including: not opening the markets, delaying the open of the markets, closing the markets early, or order liquidation of a party's positions. Such actions shall not continue beyond such time as the emergency warrants and shall not violate applicable laws and regulations.
- E. Offer guidance and provide consultation to the officers of the Corporation.
- F. Extend or delay the opening of river or lake navigation.
- G. Prescribe and approve the forms required by Exchange Rules and Regulations.
- H. Approve an applicant or Delegate for membership, provided there are no objections or any unresolved issues to be heard by the Board.
- I. Approve changes in Exchange margins as market conditions require, giving due consideration to Risk Management Committee recommendations.
- J. Report and make recommendations to the Board of Directors.

253.00. AUDIT COMMITTEE.

There shall be established a Committee of the Board of Directors to be known as the Audit Committee which shall be composed of five (5) Directors including the Chairperson of the Board, the President, and three (3) Public Directors elected by the Board of Directors.

The Committee shall have the duties and powers to oversee the appointment of the Corporation's independent auditor, review any audit reports, and report to the Board.

256.00. PERSONNEL AND COMPENSATION COMMITTEE.

There shall be established a Committee of the Board of Directors to be known as the Personnel and Compensation Committee. It shall be composed of five (5) Directors.

The Committee shall have the duties and powers to fix the compensation and benefits of the President.

257.00. REGULATORY OVERSIGHT COMMITTEE.

There shall be established a Committee of the Board of Directors to be known as the Regulatory Oversight Committee. It shall be composed of three (3) Public Directors elected by the Board. The Committee shall have the duties and powers as described and required under Core Principle 16 described in 17 CFR Part 38.

258.00. RISK MANAGEMENT COMMITTEE.

There shall be established a Committee of the Board of Directors to be known as the Risk Management Committee. The Committee shall have the duties and powers as described and required under Core Principle D of 17 CFR Part 39, as amended.

259.00. NOMINATIONS COMMITTEE.

There shall be established a Committee of the Board of Directors to be known as the Nominations Committee which shall be composed of five (5) directors, including the Chairperson of the Board and three (3) Public Directors elected by the Board of Directors. The chair of the Nominations Committee shall be a Public Director.

The Committee shall have the duties and powers to:

- A. Identify individuals qualified to serve on the Board of Directors, consistent with criteria approved by the Board, and with the composition requirements set forth in **Rule 210.00**.
- B. Administer a process for the nomination of individuals to the Board of Directors.

In addition, the Board of Directors has delegated the following duties and powers to the Nominations Committee:

- A. Determine the standards and requirements for initial and continuing membership eligibility.
- B. Review appeals of staff denials of membership applications and overturn any staff denial if the application meets relevant standards and requirements.
- C. Review and approve any MGEX Rules or Regulations that would result in different categories or classes of Members receiving disparate access to the Exchange.

The Committee shall not restrict access or impose burdens on access in a discriminatory manner on Members or applicants for Membership.

260.00. COMMITTEES OF THE CORPORATION.

Committees of the Corporation shall be established by Rule. Such Committees shall consist of an odd number of individuals. Unless otherwise specified by Rule, a majority of the members of a Committee shall constitute a quorum and a majority of the quorum shall be required to take action. In addition to the duties and powers specified by Rule, Committees of the Corporation shall also have such duties and powers as may be specified by the Board of Directors.

264.00. DISCIPLINARY COMMITTEE: APPOINTMENT.

There shall be established a committee to be known as the Disciplinary Committee, which shall be composed of five (5) members with voting privileges as hereinafter provided:

- A. Two (2) of such members shall be appointed from Members of the Corporation who are not serving as Officers or Directors or serving on the Hearing Committee.
- B. One (1) member of the Disciplinary Committee shall consist of the President of the Corporation and one (1) member of the Disciplinary Committee shall consist of a member of the Board of Directors appointed by the President of the Corporation.

The President of the Corporation may appoint a member of the Board of Directors to serve in his/her stead as a member of the Disciplinary Committee. If no member of the Board of Directors is available for such an appointment, the President of the Corporation may appoint a Member of the Corporation.

No member who is to serve as a substitute member in the place of the President of the Corporation shall be appointed as a member of the Disciplinary Committee if the Member is a member of the Hearing Committee.

- C. One (1) member shall be an individual who qualifies as a Public Director.

The Members of the Disciplinary Committee shall be as representative as practicable of the Membership. Three (3) members of the Disciplinary Committee shall be required to constitute a quorum and must include an individual who meets the qualifications of a Public Director.

264.01. DISCIPLINARY COMMITTEE: QUALIFICATIONS OF MEMBERS.

No person shall serve as a member of the Disciplinary Committee when the person or entity with which the person is affiliated has a financial, personal or prejudicial interest or concern in the matter under consideration or action. For the purpose of this Rule, at a minimum, a financial, personal or prejudicial interest shall be defined and determined pursuant to **Rule 275.00.B**. The other members of the Disciplinary Committee with guidance by the Department of Audits and Investigations shall determine whether any member has a financial, personal or prejudicial interest not addressed by **Rule 275.00.B**.

No member may serve on the Disciplinary Committee if he or she has participated in or been involved in adjudicating any other stage of the same proceeding.

264.02. DISCIPLINARY COMMITTEE: APPOINTMENT OF ALTERNATES.

If the Disciplinary Committee shall determine that it is improper for any or all of its members to serve during the consideration of and action upon any particular matter, or if any or all of the regular members shall be unable to serve during such consideration and action, the Disciplinary Committee may request the President to appoint, and the President shall appoint, an alternate or alternates to sit throughout the consideration of and action upon such matter. If an alternate is substituting for a Member position, the alternate must be a Member of the Corporation who is not a member of the Board of Directors. If an alternate is substituting for the individual who meets the qualifications of a Public Director, the alternate must also qualify as a Public Director. When so appointed, any alternate shall, with respect to the consideration of and action upon such particular matter, have all the powers and duties of the regular member for whom the alternate is acting; and such Disciplinary Committee, so constituted and consisting of such alternate or alternates and the remaining regular members of the Disciplinary Committee, if any, shall with respect to the consideration of and action upon such particular matter have all the duties and powers of the regular Disciplinary Committee. During the period that such a Disciplinary Committee appointed with respect to a particular matter is functioning, the regular Disciplinary Committee and the regular members thereof shall continue to have all their usual powers and to perform all their usual duties concerning matters other than that before a Disciplinary Committee appointed with respect to a particular matter.

264.03. DISCIPLINARY COMMITTEE: DUTIES AND POWERS.

The Disciplinary Committee shall be charged with the duty and authority:

- A. To prevent manipulation of prices as provided in the Commodity Exchange Act.
- B. To review all investigation reports submitted to the Disciplinary Committee by the Department of Audits and Investigations in respect to all matters relating to activity conducted under the jurisdiction of MGEX and in respect to alleged violations of the MGEX Rules and Regulations.
- C. To direct the Department of Audits and Investigations to conduct such further investigation in respect to any such report as the Disciplinary Committee deems appropriate or advisable.
- D. To promptly review and determine whether or not any or all charges included in the investigation report submitted to the Disciplinary Committee have, in its opinion, a reasonable foundation in fact.
- E. To dismiss any or all charges included in any investigation report submitted to the Disciplinary Committee that are, in its opinion, without reasonable foundation in fact.
- F. To authorize the issuance of a Notice of Charges against person(s) alleged to have committed such violations if the Disciplinary Committee has found that the investigation report shows a reasonable basis for a violation and that the matter should be adjudicated.

CHAPTER 12 DISCIPLINE REGULATIONS

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CHAPTER 12 DISCIPLINE REGULATIONS

1200.00. ENFORCEMENT OF RULES AND PUNISHMENT FOR VIOLATIONS.

It shall be the duty of the Board of Directors to enforce compliance with the MGEX Rules and Regulations, and the prohibitions therein contained.

Enforcement shall be delegated to, and carried out by, the Disciplinary Committee and the Hearing Committee in accordance with **Rules 264.03.** and **265.03.**

Parties who have requested a hearing and are found guilty by the Hearing Committee as described in Chapter 12 shall be subject to such penalties as the Hearing Committee shall determine. (See **Rule 265.03.** and **Regulations 2004.01.** and **2004.02.**)

1201.00. CHARGES: WHO MAY FILE AND FORM OF.

Any Committee of the Corporation, any Officer thereof, or any Member, Clearing Member, or entity having cash trading privileges, or any customer thereof, may file charges against any Member, Clearing Member, or entity having cash trading privileges for Uncommercial Conduct or violation of any of the Rules, Regulations, customs or usages of the Corporation.

Such charges shall be in writing, signed by the party bringing the same, shall state specifically the default, misconduct, offense or violation charged and shall be filed with the Secretary, who shall immediately thereafter transmit such charges to the Department of Audits and Investigations.

1202.00. INVESTIGATIONS: WHEN REQUIRED.

It shall be the duty of the Board of Directors in case any offense committed by any Member or Market Participant, against the good name and dignity of the Corporation, or any serious violation of the MGEX Rules and Regulations, shall come to its knowledge by public rumor, report or complaint, or otherwise, to refer such matter to the Disciplinary Committee for a determination on whether a reasonable basis exists for finding a violation.

It shall be the duty of the Board of Directors to inquire into matters affecting the welfare of the Corporation and to report upon the same to the Corporation, together with such recommendations as may be deemed advisable.

The Board of Directors shall have general supervision over the business conduct of any Member or Market Participant, insofar as such conduct affects: (a) non-member customers and the public at large, (b) the State and Federal Governments, (c) public opinion and the good name of this Corporation. The Board of Directors may refer reports of improper business conduct to the Disciplinary Committee, as appropriate, to conduct a formal investigation. If it is found that a particular course of conduct is, or thereafter would be, unfair or unjust or in violation of law or would impair the good name of the Corporation, all parties concerned shall be notified in writing of the conclusions and directed to cease and desist from such conduct. Failure to comply with such orders shall be deemed and held to be Uncommercial Conduct.

1203.00. DISCIPLINARY COMMITTEE: INVESTIGATION.

If the Disciplinary Committee finds that a violation exists, any affected Member or Market Participant shall receive Notice of Charges and an opportunity to request a hearing by the Hearing Committee. Such Notice of Charges shall include:

- A. The acts, conduct, or practices in which the affected parties are alleged to have engaged.
- B. The MGEX Rules and Regulations alleged to have been violated.
- C. The period within which a hearing on the charges may be requested.
- D. The right to a hearing on said charges and a right to be represented at said hearing.

The Disciplinary Committee shall also provide the affected parties with a reasonable time to file an answer to the charge(s). Failure to answer or deny expressly a charge may be deemed to be an admission of such charge. Failure to request a hearing within a period set forth in the Notice of Charges, may be deemed a waiver of the right to a hearing.

The affected parties may submit a written offer of settlement at any time after the Disciplinary Committee completes its investigation report. The Disciplinary Committee may accept the offer of settlement, but may not alter the terms of the offer unless the affected parties agree. The Disciplinary Committee may accept a penalty without the affected parties admission or denial of the alleged MGEX Rules and Regulations violations. If the Disciplinary Committee accepts the offer of settlement, the acceptance must be in writing specifying the alleged rule violations, the basis or reasons for the Disciplinary Committee's conclusions and any penalty to be imposed. The Disciplinary Committee may delegate some or all of the settlement authority.

1204.00. CHARGES: INVESTIGATION BY DEPARTMENT OF AUDITS AND INVESTIGATIONS.

The Department of Audits and Investigations shall immediately proceed to investigate all charges referred to it by the Secretary pursuant to **Regulation 1201.00.**, or any matters that it is requested to investigate by the Commodity Futures Trading Commission, its Executive Director or his delegate, or otherwise upon the discovery or receipt by it of information that, in the judgment of the Department of Audits and Investigations, indicates a possible basis for a finding that close up the Rules, Regulations, customs or usages of the Corporation have been or may be violated. Members and Market Participants shall cooperate in all respects with the Department of Audits and Investigations in its investigations.

1205.00. HEARING COMMITTEE: APPEARANCE BEFORE

If the Disciplinary Committee issues Notice of Charges to any Member or Market Participant, the affected parties may request a hearing conducted by the Hearing Committee. At said hearing, the affected parties have a right to be present at the hearing, to be represented by counsel of their choice and may offer such evidence, testimony and argument in refutation, explanation, avoidance, justification or defense as they may wish.

The Hearing Committee may issue notices or citations requiring any Member or Market Participant to appear before it and answer any question that is proper and pertinent to the matter under consideration and to submit to it for examination any of his or its books, papers, records or documents that are pertinent to the matter under consideration. No testimony shall be admitted that, in the opinion of the Hearing Committee, is irrelevant to the case in hearing. A copy of the hearing must be made and be part of the proceeding.

If the Hearing Committee finds that the affected parties are not guilty of the alleged charge(s), the Hearing Committee shall dismiss the charge(s) and shall notify the affected parties in writing of its findings and conclusions.

If the Hearing Committee finds that affected parties are guilty of the alleged charge(s), the Hearing Committee shall notify the affected parties in writing of its findings and conclusions pursuant to **Regulation 1215.00**.

Findings and conclusions of the Hearing Committee are final.

1206.00. HEARING ON CHARGES: QUALIFICATIONS OF DIRECTORS OR MEMBERS OF DISCIPLINARY COMMITTEE OR HEARING COMMITTEE TO SERVE.

No member of the Board of Directors, the Disciplinary Committee or the Hearing Committee shall serve or act as a member of such Board, Disciplinary Committee or Hearing Committee in hearing or deciding charges against a Member or Market Participant (or in determining or ratifying any penalty in connection therewith) if such Director, Disciplinary Committee Member or Hearing Committee Member has any financial, personal or prejudicial interest or concern in the result of such hearing or is a business partner, officer, director, stockholder, employer or employee of any party so interested. The other members of the Board, Disciplinary Committee or Hearing Committee shall determine whether any Director, Disciplinary Committee Member or Hearing Committee Member has such an interest or concern.

1207.00. HEARING ON CHARGES: TIME AND PLACE OF.

The time and place of any hearing by the Hearing Committee shall be set by the Hearing Committee. Such hearing may be held at any regular, special or adjourned meeting of the Board or the Hearing Committee not fewer than six (6) days (or in the case of a Member or Market Participant having no place of business or residence in Minneapolis, fifteen (15) days), after the accused Member or Market Participant shall have been served with written notice of the time and place of hearing. Such notice shall also state:

- A. The acts, practices or conduct that form the basis for the charge or charges;
- B. Each MGEX Rule or Regulation alleged to have been violated (or about to be violated);
- C. The predetermined penalty, if any, provided in respect to such violation or violations;

- D. The accused Member or Market Participant has the right to attend and participate in the hearing.

1208.00. HEARING ON CHARGES: NOTICE OF.

Upon the setting of the time and place for such hearing, it shall be the duty of the Secretary forthwith to serve each accused Member or Market Participant with the notice provided for in [Regulation 1207.00](#).

1209.00. HEARING ON CHARGES: RIGHTS OF ACCUSED.

The accused Member or Market Participant shall have the right at the time prior to the hearing to file a written answer to the charges as filed and shall be entitled in advance of the hearing to examine all books, documents or other tangible evidence in the possession or under the control of the Corporation, which are to be relied upon by the Department of Audits and Investigations in presenting the charges contained in the notice of charges or which are relevant to those charges. The accused shall have the further right, following receipt of the notice of charges and at all times subsequent thereto, to be represented by legal counsel or any other representative of his choosing, have the right to appear at the hearing to confront and cross-examine any witnesses who may appear and to adduce such relevant evidence, testimony and argument in refutation, explanation, justification or other defense against the charge or charges, or any of them, as he or it may deem appropriate.

1210.00. HEARING OF CHARGES: PROCEDURE.

The Hearing Committee may issue notices or citations requiring any Member or Market Participant to appear before the Hearing Committee and to answer any question that is proper and pertinent to the matter being heard and to submit to it for examination any of his or its books, papers, records or documents that are pertinent to such matter. The Hearing Committee shall make reasonable efforts to secure the presence of all other persons called as witnesses whose testimony would be relevant. The statements and testimony of all witnesses shall be made under oath. The Department of Audits and Investigations shall be a party to the hearing and shall present its case on those charges and penalties that are the subject of the hearing. Evidence and testimony which is material and relevant to the matter under consideration shall be received by the Hearing Committee. The Hearing Committee may, in its discretion, examine witnesses separately and may exclude other witnesses from the hearing room until it becomes their turn to testify. Should the accused fail to appear at any such hearing, and the Hearing Committee shall find that service has been duly made upon him, the Hearing Committee may proceed with the hearing in his absence and may make such determination as it deems proper upon the charges and the evidence before it. The Hearing Committee may summarily impose an appropriate penalty upon any Person within its jurisdiction whose actions impede the progress of a hearing.

Should any hearing require more than one session, the Hearing Committee may adjourn from time to time, as in its discretion it may deem necessary or proper; PROVIDED, however, that no member of the Hearing Committee shall be competent to vote upon the guilt or innocence or fine, censure, suspension or expulsion of any Member under the provisions of this Rule unless he has attended all sessions of the Hearing Committee at which evidence relative to such matter has been considered or has read the record of proceedings had at all such meetings he has failed to attend.

1211.00. HEARING ON CHARGES: RECORD OF.

A substantially verbatim record of the hearing shall be made and shall become a part of the record of the proceeding. Such record may be a stenographic record, electronic tape recording or any other record capable of being accurately transcribed. Such record need not be transcribed unless a transcript is requested by the accused or by the staff of the Commodity Futures Trading Commission or is reviewed by the Commission pursuant to Section 8c. of the Commodity Exchange Act or the regulations thereunder. Any accused who requests a transcript, or whose application for review by the Commodity Futures Trading Commission of the disciplinary action has been granted, shall bear the cost of transcribing the record, and in all other instances the cost of transcription shall be borne by the Corporation.

1212.00. PUNISHMENT: LIABILITY FOR.

Any Member or Market Participant, who or which has been found guilty (in accordance with the provisions of this Chapter) of Uncommercial Conduct, or of a violation of any of the Rules, Regulations, customs or usages of the Corporation shall be subject to punishment by an appropriate Committee or the Board of Directors as hereafter provided in this Chapter.

1212.01. UNCOMMERCIAL CONDUCT: DEFINITION.

The Expression "Uncommercial Conduct" shall include, but shall not be limited to, the following:

- A. Improper conduct of a personal character in the rooms of the Corporation including boisterous or disorderly conduct and/or outbursts of vulgar and abusive language. (Refer to **REGULATION 2004.02. PENALTIES FOR BOISTEROUS OR DISORDERLY CONDUCT AND/OR OUTBURST OF VULGAR AND ABUSIVE LANGUAGE IN THE EXCHANGE ROOM.**)
- B. Making or reporting any false or fictitious purchases or sales.
- C. Any attempt at extortion.
- D. Any act not in accordance with just and equitable principles of trade, or of fair dealing, or contrary to the spirit that should govern all commercial transactions, and particularly the transactions of Members.
- E. Any act of bad faith, dishonorable or dishonest conduct, or making of willful false statements.
- F. Being convicted by any Court of competent jurisdiction of a felony or misdemeanor involving moral turpitude.

- G. Conduct unbecoming a Member of this Corporation, whereby the high standing of this Corporation and membership therein may be prejudicially affected or brought in reproach.
- H. Failure to comply promptly with any contract, either oral or written, that is governed by or made subject to the Rules of this Corporation.
- I. Any act or omission specified elsewhere in these Rules as Uncommercial Conduct.
- J. Any illegal act in connection with any trade or transaction subject to the Rules, Regulations, customs and usages of this Corporation.

1213.00. PENALTY: IMPOSITION OF.

If, after a fair hearing as provided in this Chapter, the Hearing Committee sustains the penalty and charges in whole or in part, the Hearing Committee may also penalize the accused by fine, censure, suspension or expulsion (or by two or more of such penalties) as, in its opinion, is warranted by the nature and gravity of the offense found to have been committed; PROVIDED, however, that the penalty imposed for the violation of a MGEX Rule or Regulation that contains a specific limitation or requirement with respect to the penalty shall be in accordance with the provision of such Rule or Regulation.

1214.00. SUSPENSION.

The Hearing Committee shall have the power in case of the imposition of any sentence of suspension to impose such conditions of reinstatement as in its discretion it may deem appropriate. Except as so provided, all suspensions shall be for a definite term, and, unless conditions of reinstatement have been imposed, the offender, upon the expiration of the term of his suspension, shall be reinstated automatically to the rights and privileges of membership without action by the Hearing Committee.

1214.01. REINSTATEMENT OF MEMBERS: FROM SUSPENSION.

When any Member or entity shall have complied with the conditions for reinstatement, if any, which were imposed in connection with his or its sentence, he or it may, upon application, be reinstated by the Board of Directors.

A suspended Member or entity may, upon application, be reinstated prior to the expiration of the term of his suspension by a majority vote of a quorum of the Directors, there being not fewer than seven (7) votes in favor of such reinstatement; and such reinstatement may be made to depend upon such conditions to be observed and performed by the suspended Member or entity as the Board of Directors, by the same vote, may see fit to prescribe.

When a Member or entity, who or which has been suspended has been reinstated, notice of such reinstatement shall be served upon such Member or entity, given to Members, and posted upon the Official Bulletin Board.

1215.00. DETERMINATIONS OF THE HEARING COMMITTEE: RECORD AND NOTICE OF.

Promptly following any hearing conducted pursuant to this Chapter, the Hearing Committee shall render a written decision upon the weight of the evidence contained in the record of the proceeding, and the Secretary shall serve a copy of such decision upon the accused. Such decision shall include:

- A. The notice of charges or a summary of the charges and the answer, if any, or a summary of the answer filed by the accused.
- B. A brief summary of the evidence produced at the hearing or, where appropriate, incorporation by reference to the investigation report of the Department of Audits and Investigations.
- C. A statement of findings and conclusions with respect to each charge, including the specific MGEX Rules or Regulations that the accused is found to have violated.
- D. A declaration of any penalty imposed and the effective date of such penalty.

Such decision of the Hearing Committee shall be final.

Notice of a penalty assessed to a Member or Market Participant shall be given to Members, posted upon the Official Bulletin Board, and a copy forwarded to the Commodity Futures Trading Commission.

1216.00. COMMODITY EXCHANGE ACT: ENFORCEMENT OF.

The Board of Directors shall have the power to make such regulations and take such steps as it may deem necessary or advisable to comply with and enforce the provisions of the Commodity Exchange Act or any regulations issued thereunder.

1217.00. SERVICE ON GOVERNING BOARDS OR COMMITTEES BY PERSONS WITH DISCIPLINARY HISTORIES.

- A. A Member shall be ineligible to serve on Exchange disciplinary committees, arbitration panels or governing boards if such Member:
 1. Was found within the prior three (3) years by a final decision of a self-regulatory organization, and administrative law judge, a court of competent jurisdiction or the Commission to have committed a disciplinary offense;
 2. Entered into a settlement agreement within the prior three (3) years in which any of the findings or, in the absence of such findings, any of the acts charged included a disciplinary offense;
 3. Currently is suspended from trading on any contract market, is suspended or expelled from membership with any self-

regulatory organization, is serving any sentence of probation or owes any portion of a fine imposed pursuant to either:

- a. A finding by a final decision of a self-regulatory organization, an administrative law judge, a court of competent jurisdiction or the Commission that such person committed a disciplinary offense; or,
 - b. A settlement agreement in which any of the findings or, in the absence of such findings, any of the acts charged included a disciplinary offense.
4. Currently is subject to an agreement with the Commission or any self-regulatory organization not to apply for registration with the Commission or membership in any self-regulatory organization;
 5. Currently is subject to or has had imposed on him within the prior three (3) years a Commission registration revocation or suspension in any capacity for any reason, or has been convicted within the prior three (3) years of any of the felonies listed in section 8a(2)(D)(ii) through (iv) of the Commodity Exchange Act;
 6. Currently is subject to a denial, suspension or disqualification from serving on the disciplinary committee, arbitration panel or governing board of any self-regulatory organization as that term is defined in section 3(a)(26) of the Securities Exchange Act of 1934.
- B. The terms "disciplinary committee", "arbitration panel", "disciplinary offense", "final decision", "settlement agreement", and "self-regulatory organization" shall be defined for purposes of paragraph A of this rule in accordance with the definitions detailed in CFTC Regulation 1.63(a). Commission as used above shall refer to the Commodity Futures Trading Commission.

1225.00. SUMMARY FINES.

- A. The Exchange shall have the authority to impose summary fines on Members, Market Participants and all nonmembers approved as Regular, not to exceed \$5,000 per offense for individuals and not to exceed \$10,000 per offense for entities, for violations of the requirements set forth in the summary fine schedules of the Exchange.
- B. Notwithstanding anything to the contrary, the Department of Audits and Investigations may, at any time, take further disciplinary action including, but not limited to, referring violations to the Disciplinary Committee.

- C. In the event a fine is imposed, the Exchange will issue a notice of the offense and fine amount to the offending party. Any fines must be paid within thirty (30) days of issuance unless otherwise stated by the Exchange.

1226.00. GENERAL REQUESTS.

All general requests are to be submitted to the Exchange by their designated deadlines. Such requests include, but are not limited to, the following documents:

- Tag 50 Information Forms
- EFR/EFP Document Requests
- Audit Trail Requests
- Trading Cards and Orders
- Account Statements

All submissions received after their designated deadlines are subject to a warning letter or a fine plus an additional \$200 fine for every one (1) day late. The fine schedule is as follows:

| | |
|--------------------------|----------------|
| 1 st Offense: | Warning Letter |
| 2 nd Offense: | \$1,000 fine |
| 3 rd Offense: | \$2,500 fine |
| 4 th Offense: | \$5,000 fine |

The 5th offense and every subsequent offense will be referred to the Disciplinary Committee. Unless otherwise stated, offenses and fines shall be based upon events occurring within a rolling twelve (12) month period. The Exchange may determine whether a warning letter or fine is warranted based on the facts and circumstances, and may take further disciplinary action, increase the fine amount, or present the matter to the Disciplinary Committee. The Exchange may also grant an extension for any given document request.

In the event a fine is imposed, the Exchange will issue a notice of the offense and fine amount to the offending party. Any fines must be paid within thirty (30) days of issuance unless otherwise stated by the Exchange.

1227.00. TRADING SESSION SUBMISSIONS.

The following submissions must be submitted accurately pursuant to the deadlines below (unless an extension is granted by the Exchange):

| | |
|--|--------------------------|
| Position Reports | 8:00 a.m. (Central Time) |
| Last Submission of Trades | 3:00 p.m. (Central Time) |
| Give-Up Transfer Trades | 3:45 p.m. (Central Time) |
| Unmatched Trade Fixes | 3:45 p.m. (Central Time) |
| Auto-Exercise/Cancelation Notices/Expiration | 4:00 p.m. (Central Time) |

| | |
|-----------------------------------|--------------------------|
| Long Positions Lists for Delivery | 4:15 p.m. (Central Time) |
| Delivery Intent | 4:15 p.m. (Central Time) |
| Exercise Notices | 4:15 p.m. (Central Time) |

All submissions received after the respective deadlines are subject to a warning letter or a fine. The schedule is as follows:

| | |
|--------------------------|----------------|
| 1 st Offense: | Warning Letter |
| 2 nd Offense: | \$1,000 fine |
| 3 rd Offense: | \$2,500 fine |
| 4 th Offense: | \$5,000 fine |

The 5th offense and every subsequent offense will be referred to the Disciplinary Committee. Offenses and fines shall be based upon events occurring within a rolling twelve (12) month period. The Exchange may determine whether a warning letter or a fine is warranted based on the facts and circumstances, and may take further disciplinary action, increase the fine amount, or present the matter to the Disciplinary Committee.

In the event a fine is imposed, the Exchange will issue a notice of the offense and fine amount to the offending party. Any fines must be paid within thirty (30) days of issuance unless otherwise stated by the Exchange.

1228.00. FINANCIAL STATEMENTS.

All FCMs, Clearing Members, non-FCMs with trading privileges, and Regular facilities are required to submit accurate financial statements by their designated deadline.

All submissions received after their designated deadlines are subject to a warning letter or a fine plus an additional \$200 fine for every one (1) day late. The fine schedule is as follows:

| | |
|--------------------------|----------------|
| 1 st Offense: | Warning Letter |
| 2 nd Offense: | \$1,000 fine |
| 3 rd Offense: | \$2,500 fine |
| 4 th Offense: | \$5,000 fine |

The 5th offense and every subsequent offense will be referred to the Disciplinary Committee. Offenses and fines shall be based upon events occurring within a rolling twenty-four (24) month period. The Exchange may determine whether a warning letter or a fine is warranted based on the facts and circumstances, and may take further disciplinary action, increase the fine amount, or present the matter to the Disciplinary Committee. The Exchange may also grant an extension for any required statement.

In the event a fine is imposed, the Exchange will issue a notice of the offense and fine amount to the offending party. Any fines must be paid within thirty (30) days of issuance unless otherwise stated by the Exchange.

1229.00. FINANCIAL OBLIGATIONS.

The following payments must be submitted accurately pursuant to the enforcement deadlines below (unless an extension is granted by the Exchange):

| | |
|--------------------------------|---------------------------|
| Settlement and Margin Payments | 9:00 a.m. (Central Time) |
| Intraday Variation Payments | 12:00 noon (Central Time) |

All payments received after the respective deadlines are subject to a warning letter or a fine. The schedule is as follows:

| | |
|--------------------------|----------------|
| 1 st Offense: | Warning Letter |
| 2 nd Offense: | \$2,500 fine |
| 3 rd Offense: | \$5,000 fine |
| 4 th Offense: | \$10,000 fine |

The 5th offense and every subsequent offense will be referred to the Disciplinary Committee. Offenses and fines shall be based upon events occurring within a rolling twelve (12) month period. The Exchange may determine whether a warning letter or fine is warranted based on the facts and circumstances, and may take further disciplinary action, increase the fine amount, or present the matter to the Disciplinary Committee.

In the event a fine is imposed, the Exchange will issue a notice of the offense and fine amount to the offending party. Any fines must be paid within thirty (30) days of issuance unless otherwise stated by the Exchange.

1230.00. REGULAR FACILITIES.

All Regular facilities must submit their renewal applications by their designated deadlines.

All renewal applications received after the scheduled deadlines are subject to a warning letter or a fine plus an additional \$200 fine for every one (1) day late. The fine schedule is as follows:

| | |
|-------------------------|----------------|
| 1 st Offense | Warning Letter |
| 2 nd Offense | \$1,000 fine |

The 3rd offense and every subsequent offense will be referred to the Disciplinary Committee. Offenses and fines shall be based upon events occurring within a rolling thirty-six (36) month period. The Exchange may determine whether a warning letter or a fine is warranted based on the facts and circumstances, and may take further disciplinary action, increase the fine amount, or present the matter to the Disciplinary Committee. The Exchange may also grant an extension for any application.

In the event a fine is imposed, the Exchange will issue a notice of the offense and fine amount to the offending party. Any fines must be paid within thirty (30) days of issuance unless otherwise stated by the Exchange.

1231.00. STOCKS REPORTING FACILITIES.

All Hard Red Spring Wheat Regular facilities 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 stocks reports received after the scheduled deadlines are subject to fines as follows:

| | |
|--------------------------|----------------|
| 1 st Offense: | Warning Letter |
| 2 nd Offense: | \$1,000 fine |
| 3 rd Offense: | \$2,000 fine |
| 4 th Offense | \$3,000 fine |

The 5th offense and every subsequent offense will be referred to the Disciplinary Committee. Offenses and fines shall be based upon events occurring within a rolling twelve (12) month period. The Exchange may determine whether a fine is warranted based on facts and circumstances, and may take further disciplinary action, increase the fine amount, or present the matter to the Disciplinary Committee.

In the event a fine is imposed, the Exchange will issue a notice of the offense and fine amount to the offending party. Any fines must be paid within thirty (30) days of issuance unless otherwise stated by the Exchange.

1232.00. RECORDKEEPING FOR OPEN OUTCRY ACTIVITY.

All open outcry trading cards, order forms, or order tickets required to be prepared and maintained pursuant to MGEX Rules and Regulations, as well as all trade data recorded and submitted in connection with such documents, must be accurate, complete, and in compliance with such rules and regulations.

The Exchange will conduct regular audits of each Clearing Member or Member with open outcry activity to evaluate compliance with such rules and regulations. An audit will be based on a sampling of trading cards, order forms, and order tickets drawn from a set period of time from a particular Clearing Member or Member. The number of documents containing a deficiency(ies) will be divided by the total number of documents examined to determine the percentage of documents with deficiencies.

The audit threshold for trade data recordkeeping and submission deficiencies is 20%. The audit threshold for non-trade data recordkeeping and submission deficiencies, including, but not limited to, time stamps, illegible writing, and crossing out unused lines, is 30%. Clearing Members and Members will be subject to a fine for any occurrence exceeding the threshold in accordance with the following fine schedule:

| | |
|-----------------------------|----------------|
| 1 st Occurrence: | Warning Letter |
| 2 nd Occurrence: | \$1,000 |

Unless otherwise stated, occurrences and fines shall be based upon audits occurring within a rolling twelve (12) month period. The Exchange may determine whether a warning

letter or fine is warranted based on the facts and circumstances, and may take further disciplinary action, increase the fine amount, or present the matter to the Disciplinary Committee. If a recordkeeping and/or submission deficiency is found outside of an audit, the Exchange has the discretion to include the occurrence under this fine schedule.

In the event a fine is imposed, the Exchange will issue a notice of the offense and fine amount to the offending party. Any fines must be paid within thirty (30) days of issuance unless otherwise stated by the Exchange.