



May 23, 2017

Web 2017-3

Dear MGEX Members & Rules and Regulations Book Recipients:

The following Chapter has been amended:

<b><u>Chapter</u></b>	<b><u>Citation</u></b>	<b><u>Purpose</u></b>
20- Regulations	2071.00.	To add new Regulation Exchange Officer Amendments

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](mailto:jgreen@mgex.com).

Sincerely,

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

Layne G. Carlson, Corporate Secretary



## **CHAPTER 20 REGULATIONS**

### **EXCHANGE ROOM**

- 2001.01. Regulations Governing Admission Of Floor Clerks To The Exchange Room
- 2002.00. Exchange Room
- 2003.00. Admittance Of Visitors To The Exchange Room
- 2004.00. Decorum And Dress While In The Exchange Room
- 2004.01. Exchange Room Enforcement
- 2004.02. Penalties For Boisterous Or Disorderly Conduct And/Or Outburst Of Vulgar And Abusive Language In The Exchange Room

### **TRADING**

- 2005.00. Substitutes
- 2005.01. Substitute Tickets: Issuance Of
- 2005.02. Substitute Tickets: Application For
- 2006.00. Cash Trading Privileges: Granting Of And Application For
- 2006.01. Cash Trading Privileges: Information To Be Furnished
- 2006.02. Cash Trading Privileges: Cancellation Or Suspension Of
- 2007.00. Fraud Or Attempted Fraud Prohibited
- 2007.01. "Spoofing" Practices Prohibited
- 2007.02. Manipulative Devices Prohibited
- 2008.00. Adjustment Of Trade Prices And Cancellations Of Trades
- 2009.00. Records Of Transactions
- 2010.00. Futures And Options Months Prescribed
- 2011.00. Hours Of Trading
- 2011.01. Last Trading Day
- 2011.02. Last Day For Exchange For Physical And Risk Transactions
- 2012.00. Trading Limits
- 2013.00. Futures Position Limits
- 2013.01. Options Position Limits
- 2013.03. Position Limits For Hard Red Spring Wheat Futures
- 2013.04. Exemption From Position Limits For Hard Red Spring Wheat Futures
- 2013.05. Aggregation Of Positions For Hard Red Spring Wheat Futures
- 2013.06. Reportable Positions For Hard Red Spring Wheat Futures
- 2014.00. Settlement Prices
- 2015.00. Settlement Premiums
- 2016.00. Filling Orders And Withholding Or Withdrawing Of Trades
- 2017.00. Recording Orders
- 2018.00. Opening The Market On A Spread Transaction
- 2019.00. Official Representative To Observe The Execution Of Buying And Selling Orders At The Same Price
- 2020.00. Exchange Fee
- 2023.00. Striking Prices
- 2024.00. Exchange Regulatory Fee

### **DELIVERIES AND DELIVERY GRAIN**

- 2025.00. Times For Delivery Of "Delivery Notices" And Delivery And Payment On Futures Contracts
- 2026.00. Load-Out Notices: Form Of

- 2027.00. Load-Out, Storage And Insurance Charges: Delivery Grain
- 2028.00. Loadings In Satisfaction Of Warehouse Receipts
- 2029.00. Minimum Financial Requirements For Regularity
- 2030.00. Minimum Financial Requirements For Entities With Cash Trading Privileges

## **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
- 2053.00. Limitations On Options Transactions-Solicitation And Acceptance
- 2054.00. Board Of Arbitration: Fees
- 2054.01. Customer Claims Arbitration Panel: Fees
- 2055.00. Members: Limitation On Parties For Whom They May Act
- 2055.01. When Authorization To Trade Is Not Required
- 2055.02. Acting As A Broker
- 2055.03. 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
- 2062.02. Electronic Audit Trail And Other Recordkeeping Requirements
- 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
- 2069.00. Reporting Requirements And Sanctions
- 2070.00. Duty To Supervise
- 2071.00. Exchange Officer Amendments

## **FINANCIAL REQUIREMENTS**

- 2084.00. Risk Requirements For Futures Commission Merchants
- 2085.00. Financial And Reporting Requirements
- 2086.00. Minimum Financial And Reporting Requirements For Futures Commission Merchants
- 2087.00. Minimum Financial And Reporting Requirements For Clearing Members
- 2088.00. Reduction Of Capital
- 2089.00. Election Of Fiscal Year

## **DELEGATED POWERS**

- 2090.00. Physical Emergencies
- 2090.01. Member Or Market Participant Emergencies
- 2091.00. Inclement Weather Or Transportation Breakdown
- 2092.00. Jurisdiction



brokerage activity, a request for exemption from registration may be made to the Department of Audits and Investigations. Such request must be made in writing with full disclosure as to the nature of the trade activity and individual relationships. The Department of Audits and Investigations has sole discretion to determine exemption which may be revoked for just cause at anytime.

#### **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.

#### **2069.00. REPORTING REQUIREMENTS AND SANCTIONS.**

- A. Members, Market Participants and all nonmembers approved as Regular are required to submit all data, records and other information requested by the Exchange or required by

MGEX Rules and Regulations in an accurate, complete and timely manner, and in a method and format agreeable to the Exchange.

- B. Failure to comply with such reporting requirements will subject the Member, Market Participant or nonmember approved as Regular to a summary fine or other disciplinary action including, but not limited to, the matter being referred to the Disciplinary Committee.

#### **2070.00. DUTY TO SUPERVISE.**

A party subject to MGEX Bylaws or Rules has a duty to supervise any agent, employee, or contractor under their direct or indirect control (for purposes of this Rule, an “agent”), who engages in this market or performs any Exchange-related activity. Any act, omission, or failure of any agent may be deemed to be an act, omission, or failure of the party.

Unless prohibited by MGEX Bylaw or Rule, a party may delegate the act of performance, but not the responsibility, of any MGEX Bylaw or Rule.

When assessing whether a party has violated MGEX Rule 2070.00., the Exchange may consider the party’s lack of sufficient internal controls as an exacerbating factor.

MGEX Rules do not prohibit the Exchange from bringing disciplinary action against both the party and the agent based on the same event or set of operative facts. If an agent is found to be in violation of any MGEX Bylaw or Rule, the Exchange may, in its discretion, take disciplinary action against the agent, the party, or both.

#### **2071.00. EXCHANGE OFFICER AMENDMENTS.**

The Exchange Officers, by majority vote, shall have the authority to amend any Rule without a vote of the Ownership or the Board of Directors when such amendment does not alter the intent of the Rule or is otherwise non-substantive. Examples of amendments include, but are not limited to, the modification or elimination of letters, numbers, words, phrases, sentences, Rule numbers, Rule titles, chapter numbers, chapter titles, and cross references (internal and to applicable law) necessary to maintain accurate and current Rules, or are necessary to comply with any change in law, statute or governing legal authority.

#### **2084.00. RISK REQUIREMENTS FOR FUTURES COMMISSION MERCHANTS.**

All FCMs who are Members of the Exchange must establish, maintain, and enforce a risk management program designed to manage and monitor the risks associated with activities associated with the FCM including, but not limited to, risks relating to operations, capital, and customer funds segregation. Such risk management program must include written policies and procedures and, at a minimum, must meet the requirements set forth in CFTC Regulation 1.11, as amended. The Exchange, at its discretion, may adopt risk management requirements for Member FCMs that are more stringent than those of the CFTC if it deems such requirements appropriate. Upon request of the Exchange or the CFTC, the written risk management policies and procedures and other related information and documentation must be promptly made available for review.



## 2085.00. FINANCIAL AND REPORTING REQUIREMENTS.

Financial requirements for Members may be established by the Exchange, provided that requirements for FCMs and IBs must, at a minimum, be established at levels equivalent to those required by CFTC regulations. The Exchange, at its discretion, may adopt financial requirements for such FCMs and IBs more stringent than those of the CFTC if it deems such requirements appropriate.

## 2086.00. MINIMUM FINANCIAL AND REPORTING REQUIREMENTS FOR FUTURES COMMISSION MERCHANTS.

- A. **Financial and Reporting Requirements.** All FCMs that have customers trading MGEX Futures and Options contracts must meet the minimum financial and reporting requirements set forth in CFTC Regulations 1.10, 1.12, 1.16, 1.17, and 1.18, as now in effect or hereafter amended. All such FCMs must file with the Exchange the reports required under such CFTC Regulations, including the reports enumerated below, by approving the Exchange as a receiver of such reports on the WinJammer™ Online Filing System. The Exchange may in its discretion require FCMs to file additional reports as it deems appropriate or necessary.
1. All FCMs must file daily segregated, secured 30.7 and cleared swaps segregation statements, as applicable, in a manner designated by the Exchange. These statements must be signed by the firm's Chief Executive Officer, Chief Financial Officer, or other representative as allowed by the Exchange.
  2. All FCMs must file bi-monthly Segregation Investment Detail Reports as required by the Exchange.
  3. All FCMs must provide immediate notice to the Exchange of all disbursements of customer segregated, secured 30.7, and cleared swaps segregation 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 cleared swaps segregation funds, as applicable. Any such disbursements by the FCM must also be pre-approved, in writing, by a principal of the FCM.
  4. At least one report in each fiscal year must be accompanied by an opinion of an independent Certified Public Accountant.
- B. **Extension of Time to File.** Upon written request in advance and for good cause shown, the Exchange may in its sole discretion grant an extension of the time for the filing of any reports or statements required by this Rule.

All costs associated with the requirements of this Rule will be borne solely by the FCM.

If an entity qualifies for more than one type of status (Clearing Member, FCM, Regular for delivery or holding cash trading privileges), then the entity must meet the highest capital and net worth requirements, and the earliest reporting requirements of their various registration status. Additionally, the entity must own the highest number of MGEX memberships required of their various registration status.

## **2087.00. MINIMUM FINANCIAL AND REPORTING REQUIREMENTS FOR CLEARING MEMBERS.**

- A. **Financial and Reporting Requirements.** All Clearing Members must meet the minimum financial and reporting requirements set forth in CFTC Regulations 1.10 and 1.17, as now in effect or hereafter amended.
- B. **Financial Statements for FCM Clearing Members.** All FCM Clearing Members must meet the requirements set forth in MGEX Rule 2086.00.
- C. **Financial Statements for Non-FCM Clearing Members.** Non-FCM Clearing Members must file monthly financial statements that include at a minimum, a balance sheet and income statement, with the Exchange within seventeen (17) business days of the date of such statement. Within sixty (60) days of the close of its fiscal year, Non-FCM Clearing Members subject to this Rule must file a certified financial statement accompanied by an opinion of an independent Certified Public Accountant.
- D. **Extension of Time to File.** Upon written request in advance and for good cause shown, the Exchange may in its sole discretion grant an extension of the time for the filing of any reports or statements required by this Rule.

All costs associated with the requirements of this Rule will be borne solely by the Clearing Member.

If an entity qualifies for more than one type of status (Clearing Member, FCM, Regular for delivery or holding cash trading privileges), then the entity must meet the highest capital and net worth requirements, and the earliest reporting requirements of their various registration status. Additionally, the entity must own the highest number of MGEX memberships required of their various registration status.

## **2088.00. REDUCTION OF CAPITAL.**

Any Members with clearing and/or cash trading privileges, FCMs with customers trading MGEX Futures and Options contracts or any other entity required by the Exchange to provide financial information must immediately notify the Exchange of any material reduction of its adjusted net capital, working capital and/or its net worth, including the incurring of a contingent liability that would materially affect adjusted net capital, working capital and/or net worth should such liability become fixed. Such notice must be in writing and signed by an authorized representative. 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 an 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 Regulations shall be deemed material. Likewise, for Members with clearing and/or cash trading privileges, 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 Regulations 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 an authorized representative.

#### **2089.00. ELECTION OF FISCAL YEAR.**

Any Members with clearing and/or cash trading privileges, FCMs with customers trading MGEX Futures and Options contracts or any other entity required by the Exchange to provide financial information 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. FCMs and Guaranteed IBs 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 the fiscal year of a Person required by the Exchange to provide financial information will not relieve such Person from its obligation to file such timely certified and interim financial statements as deemed appropriate by the Exchange.

#### **2090.00. PHYSICAL EMERGENCIES.**

Pursuant to the provisions of **Rules 210.01.** and **210.02.**, the Board of Directors has adopted this Regulation.

The Exchange shall have the power upon recognizing a problem to serve notice to Market Participants 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.

In no event shall a suspension of trading continue for more than five (5) calendar days.

#### **2090.01. MEMBER OR MARKET PARTICIPANT EMERGENCIES.**

If at any time the Exchange, in its sole discretion, determines that there is a substantial question as to whether a financial or other type of emergency exists or may exist with respect to any Member or Market Participant, the Exchange may take any actions necessary to protect the best interests of the Exchange and the marketplace.

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.

#### **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.

#### **2092.00. JURISDICTION.**

Any Person initiating or executing a transaction on or subject to the MGEX Rules and Regulations directly or through an intermediary, and any Person for whose benefit such a transaction has been initiated or executed, expressly consents to the jurisdiction of the Exchange and agrees to be bound by and comply with the MGEX Rules and Regulations in relation to such transactions, including, but not limited to, rules requiring cooperation and participation in investigatory and disciplinary processes.