



July 31, 2015

Web 2015-3

Dear MGEX Members & Rules and Regulations Book Recipients:

The following Chapters have been amended:

| <u>Chapter</u> | <u>Citation</u> | <u>Purpose</u> |
|---------------------------------|-------------------------------|--|
| 7 – Futures And Options Trading | 743.00 | Clarify and elaborate on prohibited trading conduct |
| 11 – Cash Commodities | 1145.00 1146.00 | Reflect current industry practice on cash advances Reflect current industry practice on cash advances |
| 18 – Electronic Trading | 1806.00 | Clarify and elaborate on prohibited trading conduct |
| 21 – Clearing House Regulations | 2106.00 2106.01 2108.00 | Enhance transparency and CFTC regulatory compliance Housekeeping Housekeeping |

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,

Layne G. Carlson, Corporate Secretary

CHAPTER 7 FUTURES AND OPTIONS TRADING

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725.00. QUOTATIONS BASED ON TRADES.

Quotations of prices in Futures and Options Contracts made in this market shall be based on purchases or sales of such quantities as the Board of Directors shall have prescribed for each commodity, from time to time, by Regulation.

725.01. REPORTING OF TRADES.

Each party to an Options transaction made competitively in the Pit must promptly notify the Market Observer(s) of the price at which the trade has been executed.

726.00. "FAST" QUOTATIONS.

The symbol "FAST," when used in connection with market quotations, shall mean that a condition in the market similar, but not limited to the following, exists:

- A. Larger than normal price changes between Pit reported trades. "Normal price changes" is defined as orderly minimum tick moves in the most active contract months.
- B. Market is bid up or offered down rapidly. A market condition may occur with momentary spurts of bids and/or offers which may not be considered a "FAST" market.
- C. Trades, bids or offers are occurring too rapidly to be fully reported. However, during a "FAST" market every effort must be made to comply with [Rule 725.01](#).

The Exchange shall be the judge of when the symbol shall be used, and any trades made at intervening prices are to be considered officially quoted. The Market Observer(s) shall signal an end to the "Fast" market when appropriate.

After the "FAST" market is invoked, the Market Observer(s) will report the market to the best of their ability. The quotations during the "FAST" market shall be duly noted in the official time and sales.

727.00. "FAST" QUOTATIONS-UNEXECUTED ORDERS.

Whenever price fluctuations of the commodities traded on the Exchange are "FAST" and the volume of business is large, it is common that different prices are bid and offered for the same delivery in different parts of the Pit at the same time. This may, at times, result in the execution by Members of orders at prices not officially quoted, or the inability of a Member to execute an order at a limited price. This is unavoidable, but is in no way the fault of the Member and it is not permissible for Members to readjust the price at which orders have been filled, nor to report as filled orders those that have not been filled. To do so is a major offense.

Quotations sent must be based on transactions made in the open market. The term "open market" is defined as a bid or an offer openly and audibly made by public outcry and in such manner as to be open to all Members in the Pit.

Any quotations based on transactions made in the open market, already distributed or sent out over the wire, shall not be cancelled.

728.00. QUOTATION CHANGES.

The Exchange may make quotation changes when required as a result of an error or at any other time deemed necessary.

- A. The Exchange may approve the change of an opening range only within thirty (30) minutes after the opening of a specific contract month.
- B. The Exchange may approve the change of a closing range only within fifteen (15) minutes after the closing of each contract traded.

730.00. PREARRANGED PRICES PROHIBITED.

Purchase or sales or offers to purchase or sell commodity futures or options in this market may not be made at prearranged prices.

731.00. BIDS AND OFFERS ABOVE OR BELOW CURRENT MARKET.

Market Participants are forbidden to offer to buy any commodity Futures or Options on this Exchange at a price higher than the current asking price, or to offer to sell any commodity in Futures or Options on the Exchange at a price below the current bid price. [See Interpretation.](#)

732.00. FICTITIOUS BIDS OR OFFERS PROHIBITED.

No Member or Market Participant shall make any bids or offers in commodity futures or options in this market which are not made in good faith and intended to be carried out if accepted, and the making of pretended or fictitious bids or offers is hereby prohibited.

733.00. ATTEMPT TO UPSET MARKET PROHIBITED.

Purchase or sales of (or offers to purchase or sell) commodity futures or options in this market, made for the purpose of upsetting the equilibrium of the market or bringing about a demoralization of the market, so that prices will not properly reflect values, are forbidden. Any Member or Market Participant who makes or assists in making such purchases or sales or such offers to purchase or sell, with knowledge of the purpose thereof or who, with such knowledge, shall be a party to or assist in carrying out any plan or scheme for the making of such purchases or sales or such offers to purchase or sell, shall be deemed and held to be guilty of uncommercial conduct.

740.00. PRINCIPAL AND AGENT: ACTING AS BOTH PROHIBITED.

No Member or Market Participant shall be both principal and agent in any transaction for commodity futures or options made in this market, except under the following circumstances:

- A. When two Members meet in the execution of orders in the appropriate Pit or designated area and, without prearrangement, unintentionally consummate a contract for one and the same Clearing Member principal, such transactions shall not be considered a violation of the MGEX Rules and Regulations.
- B. If, after public outcry in the Pit a Member is unable to execute an order, the Member may, with the express prior consent of the person giving the order, become the Buyer in respect to a selling order or orders of such person, or may become the Seller in respect to a buying order or orders of such person.

In the exercise of this privilege prior consent may be given in the form of a written agreement which is separate and distinct from the customer agreement. No intermediary transmitting an order may give this consent without the prior knowledge and permission of the principal for whom the order is being executed. Provisions of subsections B. and C. of **Rule 742.00.** shall be followed in the execution of such trades.

- C. When a Broker receives a customer's order from a Clearing Member and on bidding or offering, finds that the best response comes from a Broker whose order is identifiably for the house account of the same Clearing Member, acceptance of that order will not be regarded as a violation of the MGEX Rules and Regulations. Such instances must be random and not arise from preferential trading nor represent a pattern of trading.

741.00. ACTING FOR BOTH BUYER AND SELLER PROHIBITED.

Except as expressly authorized by the provisions of **Rule 742.00.**, no Member or Market Participant shall allow himself or itself directly or indirectly, either by his own act or by the act of an employee or Broker, or by the act of any other Member or Market Participant, to be placed in the position of agent for both Buyer and Seller in connection with any transaction in futures or options made in this market.

742.00. CROSS TRADING-HANDLING BOTH BUYING AND SELLING ORDERS.

A Member, or an entity designated by the Member (called "the Member" for purposes of this **Rule 742.00.**), who shall have in hand at the same time both buying and selling orders from different principals for the same commodity in futures or options in the same delivery month, may execute such orders for and directly between such principals, at the market price, upon the following conditions:

- A. If such orders are first offered openly and competitively by open outcry in the Pit by both bidding and offering at the same price, and neither such bid nor offer is accepted;
- B. If such Member executes such orders in the presence of an official representative of the Corporation designated to observe such transactions and the Member himself clearly identifies all such transactions on the orders and trading cards at the time of execution as a cross trade, and promptly presents said orders and trading cards to the official representative of the Exchange for stamping and signature;
- C. Such transaction(s) shall be made a matter of permanent record by the Exchange. (See **Regulation 2019.00.**)
- D. The Member receiving or executing such orders shall have no interest therein, directly or indirectly, except as a Futures Commission Merchant, or as a Broker.

PROVIDED FURTHER, that when two Members meet in the execution of orders in the open market in the Pit and, without prearrangement, unintentionally consummate a contract for one and the same Clearing Member principal, such transaction shall not be considered a violation of the MGEX Rules and Regulations. The Board of Directors is authorized to adopt

regulations necessary to enable Members to utilize the provisions of this Rule.

743.00. PROHIBITION ON ACCOMMODATION OR WASH TRADES.

No Market Participant shall engage in wash, accommodation or any other risk-free trading. Risk-free or wash trading may involve entering into, or purporting to enter into, transactions that give the appearance that purchases and sales have been made, without incurring market risk or changing the Market Participant's market position. Accommodation trading may involve entering into, or purporting to enter into, transactions that assist in the execution of a Market Participant's offsetting orders.

Examples of prohibited conduct may include but are not limited to: entering offsetting orders for purchases and sales of the same month and/or strike price of the same commodity for the same account at the same or nearly the same price; entering offsetting orders for purchases and sales for different accounts with common beneficial ownership or control at the same or nearly the same price; entering offsetting orders for purchases and sales between one or more parties of the same month of the same commodity at the same or nearly the same price; or a series of transactions or related transactions over any period of time that have the appearance of accommodation or wash activity.

750.00. PRIORITY OF CUSTOMERS' ORDERS.

No Market Participant may buy or sell any commodity for future delivery for his own account or for any account in which he has an interest while holding an order for another person for the purchase or sale of the same commodity that is executable at the market price, or at the price at which such purchase or sale can be made for the Member's own account or the account in which he has an interest.

No Market Participant may execute any transaction for any account of another person for which buying and/or selling orders can be placed or originated, or for which transactions can be executed, by such Member without the prior specific consent of the account owner, regardless of whether the general authorization for orders or transactions is pursuant to a written agreement, except that orders of such an account may be placed with another Member for execution. However, a Member is not required to hand off orders for discretionary accounts or discretionary orders when orders originate on behalf of Members of Floor Brokers' immediate families, contract market members and proprietary accounts of contract market member firms. PROVIDED, however, that customers' orders, including price and time discretion orders, are executed before discretionary account orders for family members, contract market members or proprietary accounts of contract market firms.

For the purpose of this **Rule 750.00.**, immediate family members are defined as spouses, children and stepchildren, parents, brothers, and sisters.

751.00. DISCLOSING ORDERS PROHIBITED.

Market Participants are forbidden to disclose to any party the possession or receipt of orders to buy or sell commodity Futures or Options in this market.

A Market Participant may, however, use his discretion and bid or offer any quantity of contracts without violating this **Rule 751.00.** when the information may aid or expedite a fill.

A Market Participant acting pursuant to the second paragraph of **Rule 750.00.**, or when supplying information requested by an authorized representative of the Commodity Futures Trading Commission or an Exchange official, will not be in violation of this **Rule 751.00.**

- C. In the case of a sale made basis delivery "On Track" at an outside "Hold" or inspection point, or elsewhere, for shipment to an interior destination without moving through Minneapolis or Duluth, if and when the car has left its location at the time sale.

If commodities are sold (either upon arrival in Minneapolis or Duluth or at an outside "Hold" or inspection point) and billed by the Seller at the Buyer's request to some destination outside the Minneapolis-St. Paul or Duluth-Superior switching districts, the sale shall be considered as having been made basis delivery "On Track" unless the terms of the sale specifically provide that it is made basis "delivered destination."

If a sale specified that grades other than the destination grades shall govern, any change in grade upon arrival at destination (whether on Federal appeal or otherwise) shall not be material as between Buyer and Seller.

1140.00. DIVERSION OF CARS: BY BUYER.

Whenever a sale of a carload of any commodity has been made, basis delivery at a specified unloading industry (or basis delivery "On Track" but to unload at a specified industry or destination), the Buyer shall not reorder or divert the car from such specified industry or destination without having secured the consent of the Seller so to do, which consent must be secured upon every such change.

Any reordering or diversion of a car away from such specified industry or destination, unless otherwise agreed, shall constitute a final acceptance of the car and shall entitle the Seller to a cash advance on the commodity sold equal to ninety percent (90%) of its value (based on the sale price), and, unless official/ certified destination weights can be furnished, settlement shall be made basis shipper's affidavit weights, or other weights, or other weights satisfactory to the Seller.

1141.00. PROCEEDS OF INSURANCE PLACED BY OTHERS THAN OWNER.

In case of loss by fire or other causes, if insurance has been placed that is payable to someone other than the actual owner of the commodity, the proceeds of the insurance shall stand as security in favor of such actual owner (or the Buyer, if he has become liable for such loss) as their interests may appear; and any Member or entity collecting such proceeds shall hold them in trust to the extent of the interest of, and pay the same to, such actual owner, or Buyer, as their interests may appear.

1145.00. ADVANCES ON CARS SOLD TO UNLOAD LOCALLY.

Unless otherwise specified by a separate agreement between the Buyer and Seller, when a sale of a carload of any commodity is made to deliver within the Minneapolis-St. Paul or Duluth-Superior switching districts, the Seller shall have the right to demand a cash advance on the commodity equal to ninety percent (90%) of its value based on the sale price, but only if the car has not been unloaded within ten (10) days after being actually or constructively placed upon the tracks within the Minneapolis-St. Paul or Duluth-Superior switching districts.

1146.00. ADVANCES ON CARS SOLD TO UNLOAD AT OTHER DESTINATIONS.

Unless otherwise specified by a separate agreement between the Buyer and Seller, when a sale of a carload of any commodity has been made to deliver at a destination outside the Minneapolis-St. Paul or Duluth-Superior switching districts, the Seller shall have the right to demand a cash advance on the commodity equal to ninety percent (90%) of its value based on the sale price when documents passing title to the commodity have been delivered to the Buyer.

1147.00. DIRECT PAYMENT TO THE COUNTRY SHIPPER.

When making direct payment to the country shipper, payment shall be forwarded or credited to the shipper's account within five (5) business days after the date on the last applicable certificate.

1150.00. LOAD-OUT NOTICES.

The control of carloads of commodities loaded out of elevators within the switching districts of Minneapolis-St. Paul or Duluth-Superior shall be surrendered to the party for whose account the car was loaded by the delivery of a uniform elevator Load-out Notice covering such cars. Such Notices shall be in triplicate and in a form as prescribed or approved from time to time by the Board of Directors, (see [Regulation 2026.00.](#)) and no Notice shall represent more than five (5) cars.

The original and duplicate Load-out Notices shall be surrendered to the carrier's agent or his representative with Bills of Lading or Disposition Orders.

1151.00. PAYMENT OF TERMINAL ELEVATOR CHARGES.

Invoices for terminal elevator charges, including storage, cleaning, drying, and other handling charges, State weighing and inspection fees, insurance, switching and demurrage charges and all other proper charges must be paid within five (5) business days after their receipt.

1156.00. PAN TICKETS.

Pan Tickets shall be used in connection with all carloads of any commodity offered for sale in this market and shall show (a) the car number, initial and inbound carrier, (b) the outside "Hold" or inspection point, if any, and the location of the car if not in the yard of the inbound carrier or first position, (c) the grade of the commodity and all the grade factors or other notations, including protein tests, furnished with the grade, (d) information concerning any previous transit stop or transit billing used in shipping the car.

All the information furnished by the Sampling Department, including the date on which the sample was obtained, must be shown either on the Sampling Department's ticket or on the Pan Ticket, and none of such information may be omitted, erased or altered.

Protein tests must designate the laboratory by which produced if from other than a Minnesota State Laboratory.

1160.00. CASH MARKET PARTICIPANTS.

Entities having cash trading privileges may participate as principal and/or agent, or act as agent for both Buyer and Seller, in cash commodity transactions executed in the Exchange Room.

However, such participants must disclose to other participants in the Exchange Room and the Cash Grain Market Reporter when they act as both principal and agent, or as agent for both Buyer and Seller.

Any party that is not an entity having cash trading privileges may participate in cash commodity transactions executed in the Exchange Room as a Buyer or Seller only by consignment through an entity having cash trading privileges.

1161.00. CONSIGNMENT.

Any cash commodity consigned to an entity having cash trading privileges for sale must be displayed in the Exchange Room for competitive bids prior to sale. The consignee must also disclose to participants in the Exchange Room and the Cash Grain Market Reporter that the commodity is being sold on consignment. If the best bid is from the consignee or an affiliate of the consignee, then the consignor must be informed prior to the sale being completed.

1162.00. REPORTING CASH COMMODITY SALES.

Entities having cash trading privileges shall report all sales of loaded rail cash commodities made in the Exchange Room to the Cash Grain Market Reporter as soon as practicable after the sales are made.

The Board of Directors is authorized to prescribe by Regulations, the time, contents and method of reporting. All such reports shall be in accordance with the provision of such Regulations.

1163.00. CONFIRMATIONS.

Whenever a trade in a cash commodity is made, each party to the trade shall furnish to the other a signed Confirmation of the same not later than the next business day following the day of trade.

Members and entities, who or which has executed an order for the purchase or sale of any commodity, under the MGEX Rules and Regulations, when acting as a Commission Merchant, or as an agent for others, shall furnish to each customer or principal for whom he is acting a written statement containing the names of the parties from whom the property was bought or to whom it was sold (as the case may be), the time when, the place where and the price at which the same was either bought or sold. (See Minnesota Statute Section 624.70.)

1164.00. DELIVERY OF DOCUMENTS TO THE ORIGINAL CONSIGNEE.

When grain and oilseeds (truck and rail, spot and "To-Arrive") are unloaded in the Minneapolis-St. Paul and Duluth-Superior switching districts, the unloading industry must forward or must provide the responsible certificate agency instructions to forward weight, grade, protein and oil certificates to the original consignee within three (3) business days of the dates appearing on the certificates. In the event the above certificates bear different dates, the latest date shall govern.

If all settlement factors (grade, protein, oil, etc.) are determined in-house, it shall be the responsibility of the unloading industry to forward said certificates within three (3) business days of the date of unload.

The original shipper has the responsibility of furnishing a Bill of Lading or advice of shipment that clearly identifies the original consignee at the time of unload. If the shipper fails to identify the original consignee, certificates shall be forwarded within three (3) business days after the identify becomes known.

1165.00. CARS UNLOADED AT THE WRONG RECEIVING INDUSTRY.

In the event a car of grain, oilseed or byproduct is unloaded at the wrong receiving industry, the following methods for arriving at a settlement price shall govern. PROVIDED proper shipping advice, has been made in accordance with the Minneapolis Grain Exchange [Rule 1130.00](#). ORDERING CARS TO INDUSTRIES.

- A. The Seller and the unloading industry agree on a new sale price for the car (Seller agrees to replace car to original destination) or,
- B. If the Seller and the unloading industry cannot agree on a price, the unloading industry must replace a like quantity, quality and protein (when applicable) to the original destination. Replacement cars must carry transit privileges equal to the cars unloaded by mistake.

Settlement is to be made within five (5) business days after the mistake is known to both parties. Nothing in [Rule 1165.00](#). may be interpreted to limit carrier liability for misdelivery. Carrier liability is to be determined at Law.

1166.00. SPECIAL CONTRACTS.

The provisions of the Minneapolis Grain Exchange Cash Grain Trading Rules shall apply unless the terms of the contract otherwise provide. These Trading Rules shall not interfere with the rights of Buyers and Sellers to make contracts whose terms differ from those herein confirmed.

1167.00. CASH CALL MARKETS.

The Board of Directors, by its authority, may establish Cash Call Markets on the Exchange when in its opinion doing so is in the best interests of the Corporation. The commodities to be traded in the Call Market and the procedures, terms and conditions for trade will be established by Regulation. Furthermore, the Exchange may authorize such fees as necessary to cover the operation of the Call Market.

CHAPTER 18 ELECTRONIC TRADING

1800.00. APPLICABILITY OF RULES AND REGULATIONS.

The Rules contained in this Chapter govern those Exchange contracts which are traded through the Electronic Trading System. To the extent that the provisions in this Chapter conflict with Rules and Regulations in other sections of this Rulebook, this Chapter supersedes such Rules and Regulations and governs the manner in which contracts are traded through the Electronic Trading System. Otherwise, contracts traded on the Electronic Trading System, as well as Members and Market Participants, are fully subject to applicable MGEX Rules and Regulations unless specifically and expressly excluded therefrom. Members and Market Participants must also abide by the Commodity Exchange Act and the regulations promulgated thereunder, and any other applicable jurisdiction's laws, rules or regulations.

1801.00. ACCESS AND CLEARING MEMBER GUARANTEE.

All Members and nonmembers must sign a customer account agreement and establish an account with an Exchange Clearing Member before they are provided access and commence trading on the Electronic Trading System. However, Members or nonmembers who exclusively trade through an omnibus account at an Exchange Clearing Member will not be required to sign a customer account agreement with the Exchange Clearing Member. A Clearing Member guarantees and assumes financial responsibility for all orders it places and receives, and all contracts it clears through the Electronic Trading System. Further, Clearing Members shall promptly pay all fees and charges invoiced for the Electronic Trading System.

1802.00. INTERNET SERVICES.

Members and Market Participants are responsible for procuring their own Internet access providers. The Exchange does not warrant any order entry, quote or order execution speed.

1804.00. MISUSE OF ELECTRONIC TRADING SYSTEM.

Misuse of the Electronic Trading System is strictly prohibited. It shall be deemed an act detrimental to the interest and welfare of the Exchange to willfully or negligently engage in unauthorized use of the Electronic Trading System, to assist any person in obtaining unauthorized access to the Electronic Trading System, to trade on the Electronic Trading System without an agreement and an established account with a Clearing Member, to alter the equipment associated with the system, to interfere with the operation of the system, to intercept or interfere with information provided thereby, or in any way to use the system in a manner contrary to MGEX Rules and Regulations.

Members and Market Participants may not distribute, sell or retransmit information displayed on the Electronic Trading System to any third party.

1805.00. TRADING AGAINST CUSTOMERS' ORDERS PROHIBITED.

A Member or Clearing Member shall not knowingly cause to be entered, or enter into, a transaction in which the Member or Clearing Member assumes the opposite side of any order entered on behalf of a customer unless the Member or Clearing Member first enters the

customer order into the Electronic Trading System and then subjects such order to sufficient market exposure before entering an opposite order.

1806.00. TRADING AGAINST OWN ORDERS PROHIBITED.

A Market Participant shall not cause to be entered, or enter into, any transaction in which the Market Participant knows or reasonably should know that the Market Participant will assume the opposite side of an order entered on behalf of the respective Market Participant's own account or an account with common beneficial ownership or control.

1807.00. PRIORITY OF ENTRY.

Orders received by a Member or Clearing Member shall be entered into the Electronic Trading System in the order received. Orders that cannot be immediately entered into the system must be reduced to writing or another form of permanent record, and entered when the orders become executable in the sequence in which the orders were received. All customer orders must be entered before a Member or Clearing Member may enter orders for accounts in which the Member or Clearing Member has a personal, financial or proprietary interest.

1808.00. TRADE OPEN.

Orders entered into and received by the Electronic Trading System during the designated time period prior to the opening of the trading session shall be matched first at the commencement of trading by means of an algorithm. The opening price shall be determined by the algorithm.

1809.00. MATCHING ALGORITHM FOR THE ELECTRONIC TRADING SYSTEM.

Unless otherwise specified by the Exchange, orders entered into the Electronic Trading System will be matched according to an algorithm that gives priority to orders at the best price and that gives priority among orders with the same price based upon the time of entry into the system. The Exchange may use a different matching algorithm for particular contracts or change an algorithm by giving notice to the Membership and the Clearing Members using the Electronic Trading System at least ten (10) days before the change or different algorithm is implemented.

The Board of Directors and the Executive Committee shall have authority to approve any change to an algorithm.

1810.00. TRADE ERRORS.

A trade executed on the Electronic Trading System is binding notwithstanding an erroneous entry may have been made. A Clearing Member error in handling a customer order may be resolved by a monetary adjustment and/or placing a market order for the customer.

1812.00. DISCIPLINARY PROCEDURES.

All suspensions, expulsions and other restrictions imposed upon a Member or Clearing Member by the Exchange pursuant to disciplinary procedures contained in MGEX Rules and Regulations shall restrict with equal force and effect access to the usage of the Electronic Trading System by such Member or Clearing Member.

Members and Market Participants shall promptly respond, provide documentation, and cooperate in all inquiries by the Exchange. Failure to do so shall subject the person or entity to disciplinary procedures, including immediate termination of access to the Electronic Trading System.

1813.00. TERMINATION OF ACCESS.

The Exchange shall have the right to summarily terminate access to the Electronic Trading System.

1814.00. SYSTEM SECURITY.

Each Member and Market Participant shall be responsible for the security of their terminals having access to the Electronic Trading System and will be held liable for each order transmitted from any such terminals to the Electronic Trading System and any trade subsequently executed.

Each person assigned an individual user name and password shall not disclose such identifiers to any other person or permit any other person access to the Electronic Trading System using such person's individual user name and password. Each person shall be responsible for monitoring the security of their individual identifier.

1815.00. PHYSICAL EMERGENCIES.

If the Electronic Trading System experiences a full or partial breakdown in any area, the Exchange may, without warning, immediately suspend trading on the Electronic Trading System until the problem has been corrected.

1816.00. ELECTRONIC TRADING SYSTEM LIMITATION OF LIABILITY.

Except in instances where there has been a finding of willful or wanton misconduct, in which case the party found to have engaged in such conduct cannot avail itself of the protections in this Rule, neither the Exchange, Members, Clearing Members, other persons acting as agents nor any of their officers, directors or employees, shall be liable for any losses, damages or costs, including direct, indirect, special, incidental or consequential damages, and lost profits, regardless of whether any of them had been advised or otherwise made aware of the possibility of such damages, arising out of the use or performance of the Electronic Trading System, any component(s) thereof, or any fault, failure, malfunction or other alleged defect in the Electronic Trading System, including any inability to enter or cancel orders in the Electronic Trading System, or any fault in delivery, delay, omission, suspension, inaccuracy or termination, or any other cause in connection with the furnishing, performance, maintenance, use of or inability to use all or any part of the Electronic Trading System, including but not limited to, any failure to delay in transmission of orders or loss of orders resulting from malfunction of the Electronic Trading System, disruption of common carrier lines, loss of power, acts or failures to act of any third party, natural disasters or any and all other causes. The Exchange does not guarantee continuous, uninterrupted or secure access to the Electronic Trading System.

Each Member and Market Participant assumes all risks of trading on the Electronic Trading System, and waives any right to assert any claim against the MGEX that access or information was not provided by the MGEX or that access or information provided by the MGEX was improper, inaccurate or inadequate. Further, such Member and Market Participant waives any

right to contest the validity or enforceability of any trade executed on the Electronic Trading System, or that access was interrupted or denied, or that orders were delayed or lost.

There are no express or implied warranties or representations provided by the Exchange, Members, Clearing Members, other persons acting as agents or any of their officers, directors or employees, relating to the Electronic Trading System, including but not limited to, warranties of merchantability and warranties of fitness for a particular purpose or use.

1817.00. ELECTRONIC TRADING SYSTEM PROCEDURES.

The Exchange may immediately adopt, cancel or modify procedures of the Electronic Trading System, including but not limited to, access, order entry, open, execution, confirmation, closing, clearing, reporting, notification and recordkeeping procedures determined to be necessary so as to comply with the Commodity Exchange Act, Commission Regulations, Exchange Rules, Regulations, Resolutions and surveillance obligations, or other controlling or governing authority; or determined to be in the best interest of the Exchange, Membership, users or public; or required as a result of changes by the Electronic Trading System provider, or Internet access providers or servers.

1818.00. ELECTRONIC TRADING SYSTEM REGULATIONS.

The Board of Directors shall have the authority and power to approve and implement Regulations not inconsistent with this Chapter.

such affiliate to enter into) a master repurchase agreement with MGEX on terms substantially similar to those set forth by the Clearing House.

2106.00. PROTECTION OF CLEARING HOUSE: DEFAULT BY A CLEARING MEMBER.

If a Clearing Member fails promptly to discharge any obligation to MGEX, its security deposits, its margins and performance bonds on deposit with MGEX, and any of its other assets available to the Exchange shall be applied by the Exchange to discharge the obligation, provided that MGEX will not apply any collateral held in segregated customer accounts to any payment obligations arising from a default in a Clearing Member's proprietary account. Further, the Exchange may make immediate demand upon any guarantor of the Clearing Member. Upon demand and without waiting for application of all available assets of the Clearing Member or a formal accounting, such guarantor shall pay the Exchange by the time and date set by MGEX. Upon a Clearing Member Default, the Exchange may act immediately to attempt to transfer to alternate Clearing Members all customer positions and associated collateral (collateral held by the Exchange on behalf of the Defaulting Clearing Member for its customer).

If a default occurs in a segregated customer account, then the Exchange has the right to liquidate and apply toward the default all open positions and customer performance bond deposits in the account of the Defaulting Clearing Member. Accordingly, positions and collateral deposited by customers not causing the default are at risk if there is a default in their Clearing Member's segregated customer account.

The Clearing Member shall immediately make up any deficiencies in its security deposit resulting from the application of such funds prior to the close of business on the next banking day. The Exchange shall be under no obligation to forward any variation pays or settlement funds to a Defaulting Clearing Member.

In addition to application of the available assets of the Defaulting Clearing Member (the priority of which is further described in Regulation 2106.02.), the Exchange, President, Treasurer, Chief Risk Officer, or other designee may take any other actions that it determines necessary to protect MGEX or other Clearing Members. Such actions include, but are not limited to, actions authorized elsewhere within the MGEX Rules and Regulations, the suspension of clearing privileges until revoked or reinstated by the Board or its designee, pursuit of legal action, retention of variation pays, and request for additional security deposit and/or performance bonds. The detailed implementation of the process of finalizing losses with respect to a Clearing Member Default, including the liquidation, allocation, auction or sale of positions or assets of the Defaulting Clearing Member shall be conducted by the Exchange in its sole discretion. Any allocation of positions from a Defaulting Clearing Member to other non-Defaulting Clearing Members shall be proportional to the size of the participating or accepting Clearing Member's positions.

The Exchange, Board, and any qualified third party, including another Clearing Member, authorized by the Exchange to act in the place of the Defaulting Clearing Member shall have no liability arising from a failure by a Clearing Member to discharge its liabilities; neither shall they be liable for actions taken pursuant to MGEX Rules and Regulations, procedures, or actions allowed by law. The appointment of a qualified third party does not absolve a Defaulting Clearing Member of any of its obligations, and the actions of such qualified third party will be binding upon the Defaulting Clearing Member. Neither the Exchange, nor any of its officers, directors, or employees, shall be liable for any losses, damages, or costs, including direct, indirect, incidental, and consequential damages, arising out of the performance or decisions of the qualified third party or Defaulting Clearing Member.

The Exchange may establish such procedures as necessary which prescribe in detail how the

protections under Regulation 2106.00. and Chapter 21 will operate. Such procedures shall constitute part of MGEX Rules and Regulations.

2106.01. CLEARING MEMBER INSOLVENCY.

If a Clearing Member becomes insolvent, the Insolvent Clearing Member, as such term is defined in Chapter 1, must immediately notify the Exchange of such insolvency. The Insolvency of a Clearing Member 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 an Insolvent Clearing Member is Suspended, the Exchange may exercise any or all of its rights under MGEX Rules and Regulations.

2106.02. LOSSES BORNE BY MGEX.

Should MGEX bear a loss resulting from the actions or a Default of a Clearing Member, including but not limited to the insufficiency of the security deposit, margins, bonds, guarantees or other assets of such Clearing Member to fully meet its obligations to MGEX; the Insolvency of a Clearing Member; or the insolvency of a depository or settlement bank; or larceny, embezzlement, or for any other cause, such loss shall be met and made good promptly by the use and application of funds from the following sources, in the order of priority hereafter listed, with each source of funds to be completely exhausted, to the extent practical, before the next following source is applied. While such application of funds shall be mandatory, the detailed implementation of this Regulation shall be the responsibility of the Exchange.

- A. Excess funds of the Defaulting Clearing Member, including any partial payment amounts or settlement variation gains.
- B. Security deposits of the Defaulting Clearing Member.
- C. Margins and performance bonds of the Defaulting Clearing Member on deposit with MGEX, payments made by a guarantor of the Defaulting Clearing Member, and any other assets of the Defaulting Clearing Member.
- D. Such assets of the MGEX Clearing House reserve fund.
- E. Security deposits of non-defaulting Clearing Members shall be applied toward meeting a loss in direct proportion to the total security deposit requirement of each Clearing Member.
- F. 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 Executive Committee or the Board.

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 levied by MGEX pursuant to Regulations 2106.05. or 2112.00.

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.

2106.03. RIGHTS OF EXCHANGE FOR RECOVERY OF LOSS.

If the security deposits, margins, performance bonds, guarantees and other assets of a Defaulting Clearing Member 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 (hereinafter "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. For the avoidance of doubt and as set forth in Regulation 2106.00., MGEX will not apply any collateral held in segregated customer accounts to satisfy a payment obligation arising from a default in a Clearing Member's proprietary account.

If a Loss for which Clearing Members' security deposits or other assets have been accessed by MGEX 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 security deposit or assets accessed by MGEX.

2106.04. MANAGEMENT OF OBLIGATIONS FOR DEFAULT AND SUBSEQUENT CLEARING CYCLES.

As of the clearing cycle in which a default occurs, the Clearing House shall aggregate the following assets: any excess security deposits, any excess margins and performance bond from the prior clearing cycle, any partial payment by the Clearing Member for the default cycle, and any other available assets of the Clearing Member. Such assets shall be allocated first to any net settlement variation payment obligation of the Defaulting Clearing Member to the Clearing House. If the funds are not sufficient to satisfy the Clearing Member's settlement variation payment obligations for the default cycle, then the Clearing House shall apply the funds to such Clearing House obligations, pro rata relative to the size of such Clearing House obligations. If the Clearing House is unable to satisfy a settlement variation payment obligation from such assets, the deficiency shall be a Loss that the Clearing House shall satisfy pursuant to the procedures set forth in this Chapter 21. Any settlement variation gain to the Defaulting Clearing Member during subsequent clearing cycles shall be added to the available funds, and the Clearing House shall apply such collateral to the Defaulting Clearing Member's payment obligations. For the avoidance of doubt, the Clearing House shall not use customer funds and margins to satisfy a payment obligation to the Clearing House in respect of the Defaulting Clearing Member's proprietary account.

2106.05. SATISFACTION OF CLEARING HOUSE OBLIGATIONS.

Losses shall first be satisfied by applying the funds in the order of priority listed in Regulation 2106.02. The balance of any Losses remaining after the application of such funds shall be assessed against all Clearing Members (excluding any Insolvent or Defaulting Clearing Members). Each Clearing Member (excluding any Insolvent or Defaulting Clearing Member) shall be subject to an assessment in direct proportion to the Clearing Members' total security deposit requirement up to an amount that does not exceed (i) a total of three (3) times such Clearing Member's total security deposit requirement at the time of the default with respect to Losses that are attributed to the default of a single Clearing Member and (ii) a total of six (6) times such Clearing Member's total security deposit requirement at the time of the default with respect to Losses that are attributed to the default

of multiple Clearing Members during a Cooling Off Period (as defined below). Non-defaulting Clearing Members shall take no actions, including but not limited to, attempting to obtain a court order that would interfere with the ability of the Clearing House to collect and apply such assessments.

Each Clearing Member shall pay any assessment made pursuant to this Regulation by wire or other method acceptable to MGEX on the same business day as notice of the assessment has been delivered to Clearing Members. If a Clearing Member pays such assessment by wire and the wire transfer service is not open or operational, payment is due within one (1) hour on the next business day that wire is open and operational. Any Clearing Member that does not satisfy an assessment shall be in default, and any Loss that occurs as a result of such default shall itself be assessed by MGEX to non-defaulting Clearing Members.

If a Clearing Member has made payments of all assessed amounts and has replenished any deficiency in its security deposits in accordance with Regulation 2113.00., it may withdraw from Membership by giving written notice to and receiving approval from the Exchange.

2107.00. LIMITED RECOURSE AND TERMINATION EVENTS.

If one or more Clearing Members Default and the assets available to cover the default, including the funds described in Regulation 2106.02. and all assessments levied by the Exchange, are insufficient to satisfy the obligations of the Clearing House as a result of such default, the Clearing House shall discount its obligations as provided in Regulation 2107.01. Persons who have not been paid in full shall have no recourse to any other funds.

If at any time following a default, one or more of the following events (each, a "Termination Event") occur, MGEX shall comply with the procedures set forth below and in Regulation 2107.01. For purposes of this Regulation, a Termination Event shall occur when:

- A. The Clearing House is unable to cover a settlement variation payment obligation when due and has no expectation of accessing funds to permit it to cover such payment obligation;
- B. The Clearing House determines that the available funds will be insufficient to satisfy all Losses;
- C. MGEX is unable to comply with an obligation to pay money or deliver property to a Clearing Member that is properly due and owing in connection with a transaction cleared by the Exchange for a period of five (5) Business Days; or
- D. MGEX institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy.

Following a Termination Event, the Clearing House shall, as soon as reasonably practicable and in a manner consistent with the Commodity Exchange Act and the regulations adopted thereunder (including, without limitation Part 190 of the Regulations, if applicable), fix a U.S. dollar amount to be paid to or received from the Clearing House in respect of all contracts to be terminated by conducting a Haircut Settlement Cycle (as defined below) to determine a final settlement price for all open contracts as described in Regulation 2107.01.

2107.01. HAIRCUT SETTLEMENT CYCLES AND TERMINATION OF CONTRACTS.

If a Termination Event occurs, the Clearing House shall notify the non-defaulted Clearing Members and conduct a settlement cycle for all MGEX contracts to determine settlement prices for all contracts and the portfolio gain or loss for each non-defaulted Clearing Member and its customers as follows (such settlement cycle, a "Haircut Settlement Cycle"):

- A. The net portfolio gain of a non-defaulted Clearing Member (a "collect"), or the net portfolio loss of a non-defaulted Clearing Member to the Clearing House (a "pay"), shall be determined separately for (i) its proprietary positions in MGEX contracts (a "Proprietary Collect" or a "Proprietary Pay"), and (ii) the positions of its customers in MGEX contracts (collectively, a "Customer Collect" or a "Customer Pay").
- B. The Clearing House shall determine and calculate the sum of (i) the amount of each non-defaulted Clearing Member's remaining payment obligations, if any, with respect to assessments levied by MGEX; (ii) any other remaining available funds or collateral, (iii) all Proprietary Pays to be received by MGEX, (iv) and all Customer Pays to be received by MGEX, and deduct the amount of any uncovered Loss (the resulting amount, the "Aggregate Available Funds").
- C. The Clearing House shall then notify each Clearing Member of the amount of its remaining assessments, Proprietary Pay, and Customer Pay, and each Clearing Member shall pay all such amounts no later than the time specified by the Clearing House in such notice. If a Clearing Member does not make such payment to the Clearing House, such Clearing Member will be in default and the Exchange may take any of the actions specified elsewhere in the MGEX Rulebook with respect to such Clearing Member and its customers.
- D. If the amount of Aggregate Available Funds received by the Clearing House exceeds the sum of all Proprietary Collects and Customer Collects, the Clearing House shall use the excess amount to calculate reimbursements of Clearing Member assessments previously paid to the Exchange. Such reimbursements will be distributed pro rata to Clearing Members.
- E. If the sum of all Proprietary Collects and Customer Collects exceeds the amount of Aggregate Available Funds received, the Clearing House shall haircut the amount of each Proprietary Collect and Customer Collect on a pro rata basis based on the amount of Aggregate Available Funds received relative to the Proprietary Collect and Customer Collect.
- F. For non-defaulted Clearing Members, the Clearing House shall pay (i) the Proprietary Collect or the haircut amount of such Proprietary Collect, as applicable, and (ii) the Customer Collect or the haircut amount of such Customer Collect, as applicable, as soon as practicable after receipt of the Aggregate Available Funds.
- G. The Clearing Member shall allocate any haircut amount of Customer Collects pro rata among the Clearing Member's customers.

Upon the completion of payments, all MGEX contracts shall be extinguished, and the Clearing House shall have no further access to funds or collateral with respect to such contracts or clearing activity of a non-defaulting Clearing Member. Clearing Members, their affiliates, and their customers shall have no claim against the Exchange with respect to losses suffered as a result of the application of

MGEX Rules and Regulations, nor shall any beneficial holder of an MGEX contract have any claim against its non-defaulting Clearing Member.

2107.02. NON-PETITION.

No Clearing Member and no customer of a Clearing Member shall institute against, or join any other person in instituting against, the Exchange any bankruptcy, reorganization, arrangement, insolvency, moratorium, liquidation or examinership proceedings, or other similar proceedings under U.S. federal or state bankruptcy laws or other applicable law arising out of any claimed default by the Clearing House on an MGEX contract as a result of the termination of such contract and related payments in accordance with these Regulations.

2108.00. DETAILS OF IMPLEMENTATION.

While adherence to the provisions of the above MGEX Regulations is mandatory, the detailed implementation of the process of finalizing Losses with respect to a default, including the liquidation, auction, or sale of positions or assets of the Defaulting Clearing Member, shall be conducted by the Clearing House or the MGEX Risk Team.

In order to ensure that the process for liquidating open contracts results in competitive pricing, to the extent feasible under market conditions at the time of liquidation, liquidation of open contracts held for a house account or customer account of a Defaulting Clearing Member may occur by one or more of the following methods: (i) book entry that offsets open contracts on the books of the Defaulting Clearing Member; (ii) liquidation in the open market; and/or (iii) one or more private auctions amongst qualified market participants invited by the Clearing House to submit confidential bids. The Clearing House shall have discretion to select the best bid submitted for any portfolio in an auction, based on the totality of the circumstances, and no bid shall be binding upon MGEX unless accepted by it.

In the event that identical customer contracts are liquidated in the open market on the same date but cannot be liquidated at the same price, unless the Clearing House determines that it would be inappropriate, a weighted average of the liquidation prices for such contracts shall be used in determining the value of the liquidated contracts for each such customer. In the event that open contracts of multiple customers are liquidated in a bulk auction, the net proceeds of such auction shall be allocated on a pro rata basis amongst the affected customers based upon their applicable performance bond requirements for the clearing cycle immediately prior to the default.

2109.00. COOLING OFF PERIOD AND MULTIPLE DEFAULTS.

The provisions set forth in Regulations 2106.00. through 2108.00. apply with respect to each default by a Clearing Member. If more than one Clearing Member Default occurs at a time or in close sequence, including a default that occurs by reason of a Clearing Member's failure to satisfy an assessment demand, the Clearing House shall manage the defaults separately. Upon any default, non-defaulted Clearing Members shall be subject to a maximum obligation during the Cooling Off Period to pay assessments as set forth in Regulation 2106.05. This maximum shall apply from the date of the original default until the later of (i) the fifth Business Day thereafter and (ii) if another Clearing Member defaults during the five (5) Business Days following the initial or any subsequent default, the fifth Business Day following the last such default (such period, the "Cooling Off Period"), regardless of the number of defaults that occur during such Cooling Off Period.

The aggregate maximum contribution for the Cooling Off Period shall be based upon each Clearing Member's total security deposit requirement in effect at the commencement of the Cooling Off

Period. The maximum does not limit Clearing Members' obligations to restore their security deposit contributions as set forth in Regulation 2113.00. Following a Cooling Off Period, the Clearing House shall notify each Clearing Member of its security deposit obligation and its assessment exposure.

2110.00. NO ACTION; LIMITATION OF LIABILITY.

Non-defaulting Clearing Members shall take no actions, including but not limited to, attempting to obtain a court order that would interfere with the ability of the Clearing House to collect and apply assets and proceeds in accordance with any MGEX Regulations.

The liability of the Exchange shall be limited to losses resulting from the substitution of the Clearing House upon contracts between Clearing Members. The Exchange shall not be liable for any other obligations, including but not limited to, obligations of a non-Clearing Member, obligations of a Member, obligations of a Clearing Member to a non-Member, obligations of a Clearing Member to another Member of the Clearing House who is acting for him as broker, or obligations to a customer by a Clearing Member; nor shall the Exchange become liable to make deliveries to or accept deliveries from a customer of its Clearing Members.

2111.00. CLOSE-OUT NETTING AND OFFSET.

If at any time the Exchange (i) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding up or liquidation, and, in the case of any such proceeding or petition presented against it, such proceeding or petition results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for the Exchange's winding-up or liquidation, or (ii) approves resolutions authorizing any proceeding or petition described in clause (i) above (collectively, a "Bankruptcy Event"), all open positions in the Clearing House shall be closed promptly.

If at any time the Exchange fails to comply with an undisputed obligation to pay money or deliver property to a Clearing Member that is due and owing in connection with a transaction cleared by the Exchange, for a period of five (5) Business Days from the date that the Exchange receives notice from the Clearing Member of the past due obligation, the Clearing Member's open proprietary and customer positions at the Clearing House shall, at the election of that Clearing Member, be closed promptly.

At such time as a Clearing Member's positions are closed:

- A. The obligations of the Clearing House to such Clearing Member with respect to the Clearing Member's proprietary positions, accounts, collateral, and security deposits shall be netted against the obligations of such Clearing Member to the Clearing House and to the Exchange in respect of its proprietary positions, accounts, collateral, guarantees of the performance of its customers, and any obligations to guarantee funds ("Proprietary Netting"); and
- B. The obligations of the Clearing House to the Clearing Member with respect to such Clearing Member's customers' futures positions, futures accounts, and futures collateral shall be netted against the obligations of the Clearing Member to the Clearing House with respect to the futures positions, futures accounts, and futures collateral of such customers ("Futures Customer Netting").

Proprietary Netting and Futures Customer Netting shall be performed in accordance with the

Bankruptcy Code and the Commodity Exchange Act and the regulations promulgated thereunder. This Regulation shall be deemed to be a master netting agreement for Proprietary Netting and a master netting agreement for Futures Customer Netting.

After a Bankruptcy Event occurs, the authority of the Clearing House, pursuant to Regulation 2106.05., to make new assessments or require a Clearing Member to cure a deficiency in its security deposit, arising after the Bankruptcy Event, shall terminate.

All positions open immediately before being closed in accordance with this Regulation shall be valued in accordance with the following procedures.

As promptly as reasonably practicable, but in any event within thirty days of the (i) Bankruptcy Event, or (ii) if a Clearing Member elects to have its open positions closed in a default as described above, the date of the election, the Exchange shall, in a manner that is consistent with the requirements of the Commodity Exchange Act and the regulations adopted thereunder (including, without limitation Part 190 of the Regulations), fix a U.S. dollar amount (the "Close-out Value") to be paid to or received from the Exchange by each Clearing Member, after taking into account all applicable netting and offsetting pursuant to the provisions of this Regulation.

The Exchange shall value open positions subject to close-out by using the market prices at the moment that the positions were closed-out, assuming the markets were operating normally at such moment. If the markets were not operating normally at such moment, the Exchange shall exercise its discretion, acting in good faith and in a commercially reasonable manner, in adopting methods of valuation to produce reasonably accurate substitutes for the values that would have been obtained from the market if it had been operating normally at the moment that the positions were closed-out.

In determining a Close-out Value, the Exchange may consider any information that it deems relevant. If a Clearing Member has a negative Close-out Value, it shall promptly pay that amount to the Exchange.

2112.00. MEMBERSHIPS: ASSESSMENTS AND ISSUANCE.

Notwithstanding the provisions of Rule 221.01., in the event the Exchange requires additional funds to address any uncovered credit loss, liquidity shortfall, or capital inadequacy, MGEX may levy a special assessment against each and every Membership and may fix the dates upon which such assessments, in whole or in parts thereof, shall become due and payable.

In addition, and notwithstanding the provisions of Rule 360.00., in the event the Exchange requires additional funds to address any uncovered credit loss, liquidity shortfall, or capital inadequacy, the Exchange officers shall have the right to sell original Memberships. The sale price shall be determined by the Exchange officers and shall be within the current bid and offer range for memberships, provided that the officers consider such price to be reasonable. The person to whom such Membership is to be issued must comply with all the terms and conditions of MGEX Rules and Regulations concerning admission to Membership and recording the ownership of a Membership. Pursuant to Rule 360.00., the number of outstanding Memberships shall not exceed six hundred (600) unless an increase is approved by a vote of the Record Owners.

2113.00. 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. In the event of the insolvency or default of a depository or settlement bank, Clearing Members shall comply with any further instructions provided by MGEX regarding the restoration of such security deposits.

2114.00. USE OF CUSTOMER GROSS MARGIN FILES.

Unless otherwise expressly agreed to by the Exchange, in the event of a Clearing Member or customer default, insolvency, or other financial emergency, the Exchange shall use and rely upon the customer gross margin files reported daily by Clearing Members to determine the amount of a customer's pledged margin, associated with open positions, held at the Clearing House. The Exchange shall not be held liable to any party for its reliance upon and use of the customer gross margin files reported to MGEX.

2115.00. 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 three o'clock (3:00) 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 three o'clock (3:00) 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.**

2116.00. CLEARING MEMBER 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 or may exist 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.

2117.00. 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.

2118.00. 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.

2119.00. PROTECTION OF CUSTOMER FUNDS.

All funds deposited with the Exchange on behalf of customers of a Clearing Member shall be held in an account identifiable as "customer segregated" in accordance with the Commodity Exchange Act

and CFTC Regulation 1.20, as amended. All investment use of such funds shall comply with the investment standards of the Commodity Exchange Act and CFTC Regulation 1.25, as amended, including, but not limited to, concentration limits and permitted investments.

2120.00. 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.