

# Memo

**TO:** MGEX Clearing Members

**FROM:** MGEX Clearing House

**SUBJECT:** Proposed Rule Change Impacting Margin Rates for Bitnomial Exchange Contracts

**DATE:** January 13, 2023

MGEX provides clearing services to Bitnomial Exchange, LLC (“Bitnomial”) for certain physically delivered bitcoin futures contracts. Clearing Members approved to clear such contracts must comply with the provisions set forth in Chapter 23 of the MGEX Rulebook, including those involving delivery and margin requirements. MGEX is issuing this memo to notify all Clearing Members of a potential change to Rule 23.12.4. and seek any feedback related to such.

Under MGEX’s current margining procedures, the Clearing House increases initial margin rates throughout the delivery month of an expiring Bitnomial contract until both the long and short positions are fully collateralized five days prior to the last trading day. If approved, the proposed deletion would allow MGEX to increase margin rates in the delivery month as needed, but not require that margin be equal to the full notional value of the contract. MGEX will continue to impose initial margin levels that are equal to or greater than the prevailing initial margin rates. In addition, MGEX will continue to hold margin for contracts through the completion of delivery.

Please see below for specifics of the proposed Rule change. MGEX welcomes any comments or concerns Clearing Members may have on this proposed amendment. Please direct any comments to Lindsay Hopkins at [lhopkins@mgex.com](mailto:lhopkins@mgex.com) by February 10, 2023.

## **23.12.4. DELIVERY PROCEDURES AND REPORTING.**

Unless stated otherwise, the Clearing House will electronically issue notices and reports to relevant Clearing Members.

Delivery of a Bitnomial Exchange Contract is based upon open positions after contract expiration. The delivery process, as set forth below, consists of the following requirements and deadlines (all references to days are Business Days and times are noted in Central time):

**MINNEAPOLIS GRAIN EXCHANGE, LLC**

400 South 4<sup>th</sup> Street | 130 Grain Exchange Building | Minneapolis, MN 55415

612-321-7101

[mgex.com](http://mgex.com)

<b>T-5</b>	<b>5 Days Prior to Last Trading Day</b>		All end of day positions (long and short) must be margined at full notional value in USD with the MGEX Clearing House.
		<b>5:10 p.m.</b>	Clearing Members file Bitnomial delivery files and all other requested information at the end of each day with the Clearing House.
<b>T-2</b>	<b>2 Days Prior to Last Trading Day (start of Delivery Period)</b>	<b>5:00 p.m.</b>	Settlement Facility opens to delivering Market Participants.
<b>T</b>	<b>Last Trading Day of Contract</b>	<b>9:30 a.m.</b>	Clearing Members are responsible for ensuring all Market Participants making delivery deliver underlying asset through Settlement Facility.
		<b>5:10 p.m.</b>	Clearing Members file Bitnomial delivery files with the Clearing House, which will serve as a binding Delivery Notice to MGEX.
		<b>8:45 p.m.</b>	Clearing House issues final Delivery Report and corresponding payment information.
<b>T+1</b>	<b>Delivery Day</b>	<b>11:30 a.m.</b>	All payments for delivery are due to the delivering Clearing Member.
		<b>12:30 p.m.</b>	Clearing Member notification to Bitnomial Exchange and Clearing House regarding receipt of final payment is due.
		<b>By 7:00 p.m.</b>	Delivery process and movement of corresponding Digital Assets is completed.
<b>T+2</b>	<b>Release of Margin</b>	<b>By 9:00 a.m.</b>	Provided that notification of delivery has been received by the applicable Delivery Day deadlines, MGEX will release margins.

Any discrepancies or material reporting errors may result in MGEX disciplinary action.

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