



January 8, 2015

Web 2015-1

Dear MGEX Members & Rules and Regulations Book Recipients:

The following Chapters have been amended:

<u>Chapter</u>	<u>Citation</u>	<u>Purpose</u>
1 – Definitions	-----	Define “U.S. Government Securities Broker-Dealer”
3 – Membership	301.00 360.00	Housekeeping Housekeeping
12 – Discipline Regulations	1231.00	Change Form SRM reporting deadline
20 – Regulations	Index 2007.00 – 2007.01 2015.00	Housekeeping Explicitly prohibit fraudulent and spoofing practices Describe process for HRSW Calendar Spread options settlement premiums
21 – Clearing House Regulations	Index 2100.00 2105.00 2105.01 2106.00 2106.01 2106.02 2106.03 2106.04 2106.05 2107.00 2107.01 2107.02 2108.00 – 2120.00	Housekeeping Amend Chapter 21 Regulations in order to comply with CFTC part 39 requirements for recovery and wind-down plans
57 – Hard Red Spring Wheat Calendar Spread Options Regulations	Index 5700.00 – 5721.00	Housekeeping Adopt regulations for trading HRSW Calendar Spread options

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

commodity in one market and sell the same commodity in another market. e.g. Minneapolis vs Kansas City. An example of an Inter-Commodity spread might be wheat vs corn or corn vs oats.

SPOT: A "spot" car or truck is one that has already been loaded and is offered for sale for immediate shipment. The "Spot Market" refers to grain that is traded on this basis.

STOP-LOSS ORDER: Normally, when entered, these are orders to sell at a specified price which is below the current market or to buy at a specified price which is above the current market. These orders become market orders when the market trades at the trigger price or, in the case of a buying order, when the market is bid at the trigger price or, in the case of a selling order, when the market is offered at the trigger price. Stop orders entered into MGEXpress® are activated when an outright trade occurs at the trigger price or better within the outright market which the stop is resting.

STOP-LOSS LIMIT ORDER: An order that is similar to a Stop-Loss order except that, when triggered, it becomes a limit order at the specified limit.

SUSPENSION: "Suspended" or "Under Suspension" shall mean the withdrawal during some period of time of all of the rights, benefits, and privileges conferred by Membership (except rights of ownership, if any), but including and not being limited to, the right to enter the Exchange Room during the Hours of Trading, the right to vote, the right to sell any Memberships, and trading privileges, if any.

TIME, COMPUTATION OF: Wherever in the Rules or Regulations any act is required to be performed within a certain number of days (or business days), the Rule for computing time shall be to exclude the day on which notice pertaining to such act is given, and to include the day on which such act shall take place.

TRADES: Purchases, or sales, or contracts for the purchase or sale, of commodities.

"TRANSFER" OR "OFFICE" TRADES: See [Rule 718.00](#).

TREASURER: The Treasurer of the Corporation.

TWENTY-FOUR HOURS--FORTY-EIGHT HOURS: Shall mean consecutive hours on business days.

UNEVENLY LOADED CAR: One in which the quality of the grain requires at least two (2) grades to describe the contents, sometimes referred to as a split grade.

U.S. GOVERNMENT SECURITIES BROKER-DEALER: a broker-dealer registered with the Securities and Exchange Commission that functions in the operation of markets for U.S. Treasuries. Such functions may include, but are not limited to: (i) acting as a channel for the U.S. Department of the Treasury and investors in primary market for U.S. Treasuries (for example, by participating in auctions); (ii) acting as providers of liquidity in primary and secondary markets for U.S. Treasuries; and (iii) acting as providers of asset transformation and market making services in the market for U.S. Treasuries.

VICE CHAIRMAN: A Member of the Exchange serving on the Board of Directors duly elected by the Directors to the Office of Vice Chairman.

WITH THE SECRETARY: Shall mean with the Corporation at the office of the Secretary.

**RULES
CHAPTER 3
MEMBERSHIP**

300.00. MEMBERSHIP: INDIVIDUALS ELIGIBLE.

Any adult whose character, credit and reputation for fair dealing are such as to satisfy the Board of Directors shall be eligible to become Record Holder of a Membership, and to entrust with the privileges and responsibilities thereof.

301.00. MEMBERSHIP: ADMISSION TO.

If the terms and conditions set forth below have been complied with, the Board of Directors may approve an application for Membership:

- A. An application for Membership must have been made;
- B. The application must be reviewed by the Exchange. The Exchange may, at its discretion, require any applicant to produce additional documentation and/or meet in person prior to any action by the Board of Directors;
- C. A Request to Transfer and Record the Ownership of a Membership form must have been posted on the Official Bulletin Board for ten (10) consecutive days prior to such action;
- D. If an objection to the approval of such applicant to Membership has been duly filed by a Member of MGEX, it must have been heard by the Board of Directors and dismissed;
- E. All the requirements of MGEX Rules and Regulations for the transfer of a Membership to the applicant must have been complied with or the applicant must have obtained an original Membership under the provisions of [Rule 360.00.](#) or [Regulation 2112.00.](#)
- F. An application fee shall be collected by the Exchange at the time of the application. This fee, in an amount to be determined by the Exchange, shall not be refunded in the event that the applicant fails, for any reason, to become a Member.
- G. If the applicant does not own a Membership at the time its application is approved nor have a Delegation Agreement in place, the applicant shall have sixty (60) days to obtain a Membership.

302.00. MEMBERSHIP: APPLICATION FOR.

Application for Membership shall be in writing and shall contain an agreement by the applicant that in consideration of being admitted to Membership the applicant will be bound by MGEX Rules and Regulations and all amendments and additions thereto, and that such agreement shall be binding on the applicant and its heirs, executors, administrators, successors, and assigns. Said application shall be in such form, and accompanied by such information and statements, as the Exchange shall prescribe. Such application shall be signed by the applicant.

338.00. CLAIMS AGAINST A MEMBERSHIP TO BE SOLD TO SATISFY DELINQUENT ASSESSMENTS.

Any Member claiming under the provisions of MGEX Rules and Regulations to have a lien against a Membership that is to be sold by the Exchange to satisfy delinquent assessments, must file a claim for such lien with the Exchange, together with a statement of the amount thereof, prior to the meeting at which such Membership is to be sold; and, failing to do so, will be deemed and held to have waived his or its right to such lien.

If any claims for liens have been so filed, the Board of Directors shall hold a meeting as soon after such sale as is practicable to hear and determine which claims for liens are valid. Notice of the time, place and purpose of such meeting shall be served on the claimants, and on the Record Owner of the Membership.

339.00. STOPPING THE SALE OF A MEMBERSHIP.

If, at any time prior to the actual sale of a Membership, that part of the assessment, if any, upon such Membership that has been delinquent for forty-five (45) days, together with accrued interest shall have been paid; or if the liens to satisfy which the Membership was to be sold have been satisfied, the proceedings for the sale shall be stopped, and notice to that effect shall be given to Members and posted on the Official Bulletin Board.

340.00. MEMBERSHIP SOLD BY THE EXCHANGE: APPLICATION OF PROCEEDS.

When and if a Membership has been sold by the Exchange, whether to satisfy delinquent assessments or liens, the proceeds of such sale shall be applied as follows:

- A. First: To the payment of unpaid assessments that have been levied against such Membership and that have become due and payable at the time of such sale, together with fines, accrued interest on any portions of such assessments that have become delinquent, and any fines assessed against the Record Owner and/or Record Holder or any other debts due to MGEX.
- B. Any portion of the proceeds remaining, after the payments prescribed in Subsection A. have been made in full, shall be applied to the payment of liens, if any, which have been determined to be valid by the Board of Directors; and, if such proceeds will not pay all of such liens in full, they shall be applied pro rata to such liens;
- C. After the payments prescribed in Subsections A. and B. have been made in full, any portion of such proceeds remaining shall revert to MGEX.

360.00. ORIGINAL MEMBERSHIPS: GENERAL ISSUANCE OF.

The number of MGEX Memberships may be increased and the Exchange has the right to sell original Memberships at a price to be determined by the Board of Directors. 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. The number of outstanding Memberships shall not exceed six hundred (600) unless an increase is approved by a vote of the Ownership.

1231.00. STOCKS REPORTING FACILITIES.

All Hard Red Spring Wheat Regular facilities must submit accurate stocks reports to the Exchange pursuant to the deadlines below.

Daily Stocks Reports (Form SRM):	1:00 p.m. (Central Time)
Weekly Stocks Reports (Form 38M):	1:00 p.m. (Central Time) Monday (Tuesday if Monday is a MGEX holiday)

All stocks reports received after the scheduled deadlines are subject to fines as follows:

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

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

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

1232.00. RECORDKEEPING FOR OPEN OUTCRY ACTIVITY.

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

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

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

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

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. Fraudulent Trading Prohibited
- 2007.01. "Spoofing" Practices 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
- 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

committee) such of his or its books, records of account and papers that are pertinent to the determination of the adequacy of his or its financial responsibility, as the Board of Directors shall require.

2006.02. CASH TRADING PRIVILEGES: CANCELLATION OR SUSPENSION OF.

The Exchange may cancel or suspend the cash trading privileges of a Member and/or of any entity designated by such Member having cash trading privileges:

- A. Upon the cessation of Membership in this Corporation for any reason.

PROVIDED, however, that in such cases the cancellation may be delayed, for such length of time as is reasonable in order to allow the execution of a new application.
- B. Upon the written request of the Member or entity having cash trading privileges;
- C. Upon the termination of the legal existence of the Member or entity having cash trading privileges;
- D. Whenever the Exchange determines that any Member or entity having cash trading privileges has failed within a reasonable time to comply with any MGEX Rules and Regulations, any terms and conditions set forth in the Application for Cash Trading Privileges, or any order of the Exchange; or whenever the Exchange shall determine that such Member or entity does not have adequate financial responsibility to insure the reasonable safety of his or its creditors and the prompt discharge by him or it of all liabilities and obligations incurred in connection with transactions made or likely to be made by him or it.

The cash trading privileges of an entity shall be suspended automatically during such time as the Member who designated his Membership for the entity is under suspension or at any other time deemed appropriate by the Exchange.

PROVIDED, however, that the cash trading privileges of an entity shall not be canceled if such entity is a party to any unsettled controversy before the Board of Arbitration or if any investigations or charges involving such entity are pending with the Department of Audits and Investigations, the Disciplinary Committee, the Hearing Committee or if any orders of the Disciplinary Committee or the Hearing Committee to such entity have not been complied with.

If the cash trading privileges of any Member or entity shall have been cancelled or suspended, such Member or entity may make application for restoration of cash trading privileges; and the Exchange may restore cash trading privileges to such Member or entity whenever the Exchange shall determine that he or it has adequate financial responsibility and has complied with all of the provisions of **Regulations 2006.00., 2006.01., and 2006.02.** and all orders of the Exchange issued thereunder.

The determinations and actions of the Exchange under the authority granted by this Regulation shall be final and binding.

2007.00. FRAUDULENT TRADING PROHIBITED.

The Exchange prohibits any and all forms of fraudulent trading or attempted fraudulent trading on its markets, regardless of whether such fraudulent or attempted fraudulent trading is intentional or is made with reckless disregard for the adverse impact of any such activity.

2007.01. “SPOOFING” PRACTICES PROHIBITED.

The Exchange expressly prohibits all trade practices that are, or are of the character of, what is commonly known within the derivatives trading industry as “spoofing,” regardless of whether any such trade practices are made intentionally or with reckless disregard for their adverse impact. Prohibited practices include, but are not limited to:

1. the entry of any and all bids, offers, or trades that are not made for the purpose of executing bona fide transactions, or made for any illegitimate purpose;
2. entering orders with the intent to cancel the bid or offer before execution, or modifying the order to avoid execution; and
3. bidding or offering trades and then cancelling said bids or offers prior to execution with reckless disregard for the adverse impact of such practices on the market in violation of these Rules and Regulations.

2008.00. ADJUSTMENT OF TRADE PRICES AND CANCELLATION OF TRADES.

The Exchange has the authority to adjust trade prices and cancel trades when necessary to mitigate market disrupting events including, but not limited to, those caused by malfunctions in its electronic trading platform or errors in orders submitted by any Member or Market Participant. Any trade price adjustment or trade cancellation shall be publicly disclosed.

2009.00. RECORDS OF TRANSACTIONS.

Any Member or Market Participant initiating or executing transactions on the Exchange must keep full, complete and systematic records of their activity, including, but not limited to, records of their activity in the underlying commodity and related derivatives markets as well as related cash and forward transactions. Such records may include, but are not limited to, all orders (filled, unfilled, or canceled), trading cards, signature cards, street books, journals, ledgers, canceled checks, copies of confirmations, copies of statements of purchase and sale.

Additionally, all Members and non-member FCMs and IBs are required to record and maintain all oral and written communications provided or received concerning quotes, solicitations, bids, offers, instructions, trading, and prices that lead to the execution of a transaction in a commodity or related derivative market, whether communicated by telephone, voicemail, facsimile, instant messaging, chat rooms, electronic mail, mobile device, or other digital or electronic media. However, this requirement to record oral communications shall not apply to:

- A. Oral communications that lead solely to the execution of a related cash or forward transaction;
- B. Oral communications provided or received by a floor broker that do not lead to the purchase or sale for any person other than the floor broker of any commodity for future delivery or commodity option;
- C. An Introducing Broker that has generated over the preceding three years \$5 million or less in aggregate gross revenue from its activities as an Introducing Broker;
- D. A floor trader;
- E. A commodity pool operator;

3. Notwithstanding the above, if such settlement price is not consistent with the settlements in other months or with market information, or if the settlement was inaccurately determined, a new settlement price may be established at a level consistent with such other settlement prices or market information and a written record setting forth the basis for any modification of such settlement price shall be prepared.

B. Reservation.

The Exchange reserves the right to modify the settlement price prior to the start of the day's final clearing process if the settlement price arose from data entry errors made by or on behalf of the Exchange, and modification of the settlement price is necessary to prevent market distortion. A written record shall be prepared setting forth the basis for any modification. In addition, the Exchange reserves the right to change which contract month is the lead month when, in its discretion, doing so is in the best interest of the marketplace. If any such change to the lead month is made pursuant to this reservation, the Exchange shall provide notification to the public via the MGEX website or other means it deems effective.

2015.00. SETTLEMENT PREMIUMS.

Pursuant to the provisions of Rule 210.01., the Board of Directors has adopted this Regulation.

A. Open Outcry/MGEXpress® Contracts.

Promptly after the close of trading in each Options Contract, the Exchange shall compute settlement premiums as follows. The settlement premium shall be price consistent with the minimum fluctuations of the Contract.

1. Exchange staff shall review all trades executed during the closing period, and subsequent higher bids and lower offers that were in existence at the close of the market, to determine the closing premium or range for each Open Outcry Contract. The Exchange shall then determine the settlement premiums by using a theoretical pricing model.
2. If the Exchange believes, based on its review of the market and market conditions that the settlement premium established above is not representative of market conditions, or if the settlement premium was inaccurately determined, then Exchange staff may establish a settlement premium based on the settlement price of the underlying Futures Contract and the previously prevailing differentials:
 - a. among the premiums for the listed striking prices for the option month;
 - b. among the premiums for the different option months listed for trading; and
 - c. between the premium for the relevant striking price and the price of the underlying Futures Contract.

3. In the case of HRSW Calendar Spread options, the Exchange may use current trade, bid, and offer information, along with correlation between underlying futures months or a theoretical option pricing model in determining daily settlement prices for the listed Calendar Spreads.

B. Reservation.

The Exchange reserves the right to modify the settlement premium prior to the start of the day's final clearing process if the settlement premium arose from data entry errors made by or on behalf of the Exchange, and modification of the settlement premium is necessary to prevent market distortion. A written record shall be prepared setting forth the basis for any modification.

2016.00. FILLING ORDERS AND WITHHOLDING OR WITHDRAWING OF TRADES.

Pursuant to the provisions of **Rule 616.00.**, the Board of Directors adopted this Regulation.

- A. **Filling of Orders.** Orders to buy or sell Futures or Options must be executed sequentially by completely filling an order bearing an earlier time stamp before proceeding with the next earliest time-stamped order at the same price. Any and all verbal orders received must be, as a minimum, immediately documented as to time of receipt, and the order with the earliest time must be filled first.

In the event orders carry identical time stamps or lack time stamps and it is necessary to allocate trades among these accounts, a record of the accounts, the amount assigned to each account, and why it was necessary to make the assignment must be documented.

- B. **Withholding or Withdrawing Trades.** No Member or Market Participant shall withhold or withdraw from the market any order or part of an order for another Member or Market Participant for the convenience of another Member.

2017.00. RECORDING ORDERS.

Each Clearing Member or Member who receives an order from a customer, including a customer who is a Floor Trader or Floor Broker, which is not in the form of a written record showing the account identification, order number and the date and time, to the nearest minute such order was transmitted or received, or cannot immediately be entered into the Electronic Trading System, shall immediately upon receipt thereof prepare a written record of such order, including an account identification and order number and shall record thereon, by time-stamp, the date and time, to the nearest minute, the order is received. Further, all option orders reduced to writing must be time-stamped, to the nearest minute, upon transmittal to the options pit for execution, and upon execution.

2018.00. OPENING THE MARKET ON A SPREAD TRANSACTION.

In the event the first daily transaction in a Contract market by open outcry is a spread transaction, the price associated with the spread transaction shall be reported as the opening quote in this Contract market. The opening price shall be reported at or within the current bid and offer.

CHAPTER 21 CLEARING HOUSE REGULATIONS

- 2100.00. Requirements For Clearing
- 2100.01. Electronic Trading System Clearing
- 2100.02. Clearing Privileges
- 2101.00. Fees And Fines - Amounts And Collections
- 2101.01. Clearing Fee
- 2102.00. Margins
- 2103.00. Order Of Delivery
- 2104.00. Security Deposit
- 2105.00. Liquidity Event
- 2105.01. Requirement To Establish Uncommitted Repurchase Agreement
- 2106.00. Protection Of Clearing House: Default By A Clearing Member
- 2106.01. Clearing Member Insolvency
- 2106.02. Losses Borne By MGEX
- 2106.03. Rights Of Exchange For Recovery Of Loss
- 2106.04. Management Of Obligations For Default And Subsequent Clearing Cycles
- 2106.05. Satisfaction Of Clearing House Obligations
- 2107.00. Limited Recourse And Termination Events
- 2107.01. Haircut Settlement Cycles And Termination Of Contracts
- 2107.02. Non-Petition
- 2108.00. Details Of Implementation
- 2109.00. Cooling Off Period And Multiple Defaults
- 2110.00. No Action; Limitation Of Liability
- 2111.00. Close-Out Netting And Offset
- 2112.00. Memberships: Assessments And Issuance
- 2113.00. Security Deposits To Be Restored
- 2114.00. Use Of Customer Gross Margin Files
- 2115.00. Acceptance Of Give-Up Trades
- 2116.00. Clearing Member Financial Emergency
- 2117.00. Finality Of Settlement
- 2118.00. Settlement Banks Available For Use
- 2119.00. Protection Of Customer Funds
- 2120.00. Clearing Member Risk Management

CHAPTER 21 CLEARING HOUSE REGULATIONS

2100.00. REQUIREMENTS FOR CLEARING.

All Futures or Options transactions shall be submitted to the Clearing House to be cleared. Upon acceptance by the Clearing House of such transactions, the Exchange assumes the position of Buyer to the Seller and Seller to the Buyer in respect to such transactions, and the last settling price shall be considered as the contract price.

It shall be the duty of each Clearing Member initiating, accepting or executing a transaction for Futures or Options under MGEX Rules and Regulations to submit each such transaction using "TEMS" to the Clearing House. Transactions shall be submitted at times determined by the Exchange (see [Res. 2101.00.C.](#)). The transactions shall be in a format approved by the Exchange and shall contain, at a minimum, the following information:

- A. Date of transaction
- B. Clearing Member code (two-digit alpha as assigned by the Exchange)
- C. Type of account or origin (Regular (R) or Segregated (S))
- D. Customer type indicator (CTI) as defined below:
 - CTI 1. Transactions initiated and executed by an individual member for his own account, for an account he controls, or for an account in which he has ownership or financial interest.
 - CTI 2. Transactions executed for the proprietary account of a Clearing Member.
 - CTI 3. Transactions where an individual member or nonmember executes for the personal account of another individual member, for an account the other member controls or for an account in which the other individual member has ownership or financial interest.
 - CTI 4. Any transaction not meeting the definition of CTI 1, 2 or 3.
- E. Quantity, commodity, contract month or expiration month, price or premium, whether the transaction involved a put or a call, strike price, buy or sell.
- F. Both the buying and selling Market Participant's identifier (trader ID/Member mnemonic for electronic trades, Broker ID for open outcry trades) and the opposite Clearing Member's symbol.
- G. Transaction time to the minute.
- H. Indicators for the following types of transactions: (C) cash exchange; (T) office transfer*; (S) spread; (D) delivery; (E) exercise; (R) risk

exchange.

*For office transfers, open and close information for the position (open (O), close (C)) must be submitted.

- I. Account number and identification. (For initial set-up and new accounts, provide a listing of account name, type, and position. This information will be available to the President and designated MGEX personnel only.)
- J. Any other information required by the Clearing House.

The Clearing House shall match the trades as submitted and shall list for each Clearing Member its cleared trades and unmatched trades. A recapitulation statement shall be produced, showing updated contract positions and settling all matched trades to the official MGEX settling prices. After completion of the clearing process, the Exchange shall notify each Clearing Member as to the net pay or collect amounts due by account (Regular and/or Segregated). Such amounts shall be submitted by wire transfer of funds or other acceptable method. Amounts due to the Exchange shall be submitted at times determined by the Exchange (see [Res. 2101.00.C.](#)). All clearing statements shall be disseminated by the Exchange to each Clearing Member's designated contact.

If the report of a trade by a Market Participant does not correspond to the report of the other party to the trade, the Clearing House shall reject the trade and notify both Clearing Members showing the discrepancy of the reports. The Clearing Members must thereafter submit corrections to the Clearing House at times determined by the Exchange (see [Res. 2101.00.C.](#)).

It shall be the primary responsibility of the Clearing Member to see that all trades are resolved. Each Clearing Member shall designate a person or persons to be available and responsible for reconciling the Clearing Member's unmatched trades. Failure to have a qualified representative available shall constitute negligence in the determination of responsibility for any unmatched trades.

If a Clearing Member, or one of its affiliated entities, has access to the Federal Reserve discount window, it shall notify the Clearing House if such access has been suspended, revoked, removed, terminated, or otherwise limited in any way as soon as practicable.

2100.01. ELECTRONIC TRADING SYSTEM CLEARING.

In addition to compliance with the applicable Regulations in this Chapter, all transactions for Futures or Options traded on the Electronic Trading System shall be submitted to the Clearing House for clearing. Submission of the data shall be at times determined by and in a format approved by the Exchange.

Except for exchange for physical transactions and qualified transfer trades, only those trades entered, executed and matched by the Electronic Trading System shall be submitted for clearing.

Upon acceptance of the submitted trade data and completion of the clearing process, a recapitulation statement of all trades and positions shall be produced and sent to the respective Clearing Member's electronic mail account.

Each Clearing Member shall be responsible for receipt and review of the recapitulation statement. The Exchange shall not be liable for the inability of a Clearing Member to receive a statement sent by the Exchange.

2100.02. CLEARING PRIVILEGES.

In order to clear trades at MGEX, a Clearing Member must be granted clearing privileges by the Exchange. The Exchange may revoke said clearing privileges for cause at any time.

Clearing privileges may be granted and retained only if and when the terms and conditions set forth below have been met:

- A. A Clearing Member must have completed and remain in compliance with the terms contained in the Application for Clearing Privileges and the Clearing Agreement.
- B. A Clearing Member must be in good financial standing and meet the minimum financial requirements as may be determined by the Exchange.
- C. A Clearing Member must have the personnel, and computer hardware and software to effectively communicate with MGEX and otherwise conduct the business of clearing in an efficient manner.
- D. A Clearing Member must be the Record Owner of one (1) or more Memberships which shall be pledged to MGEX. A pledged Membership shall mean the Exchange will have first claim to the proceeds of any sale of such Membership. This pledge shall have priority over any other claim or lien filed pursuant to Chapter 3 of the MGEX Rules and Regulations. At least one (1) Record Holder of such Memberships must be authorized by the Clearing Member to act or execute contracts on behalf of, and otherwise represent the interests of the Clearing Member. Furthermore, such Memberships shall not be included as part of the required security deposit with the Clearing House and shall not be used as value to meet the Clearing Member's margin requirements.
- E. If another Person(s) (individually or collectively known as the parent) owns or controls, directly or indirectly, twenty percent (20%) or more of a Clearing Member, the parent must guarantee the obligations of the Clearing Member's non-segregated accounts including those accounts held or controlled by the parent, whether or not such parent is a Member of MGEX. The Exchange shall determine whether a guarantee is adequate. This requirement may be waived at the discretion of the Exchange.

2101.00. FEES AND FINES - AMOUNTS AND COLLECTIONS.

The schedule of deadlines is subject to change at any time by the Exchange. The schedule of deadlines shall at all times be those requirements most recently adopted. The amount due for errors or any other fees charged or collected by the Exchange shall be billed on a monthly basis unless otherwise specified by the Exchange.

If the offense becomes frequent, the President or his designee may call for additional permanent margins or take such other action as is deemed necessary.

Any Member making an error in his daily statement to the Clearing House may be fined for each error made (see [Res. 2101.00.C.](#))

2101.01. CLEARING FEE.

Pursuant to the provisions of **Rule 231.00.** the Exchange has adopted this Regulation:

- A. The Exchange shall set clearing fees from time to time and shall make such fees publicly available. The Exchange may elect to waive or modify fees.
- B. Payment of the Clearing Fee will be due on receipt of invoice at the end of each month for the transactions (whether purchases, sales or deliveries) executed on the Exchange during that month. Payment is to be submitted to the Treasurer of the Corporation.

2102.00. MARGINS.

The Exchange shall set margin requirements at a level that it believes protects the interests of Buyers and Sellers and the Exchange. The Exchange shall accept, as margin, cash or United States Treasury securities. Cash margin requirements shall be submitted by wire transfer of funds or other acceptable method approved by the Exchange. Cash and United States Treasury securities shall be submitted at times determined and posted by the Exchange. United States Treasury securities shall be maintained in multiples of \$5,000. The Exchange shall value securities as it deems appropriate. The President or his designee may, at their discretion, require of any Member or market participant a margin upon any or all of such Member or market participant's open trades which are deemed unduly insecure or hazardous in such amount as deemed advisable. Calls for such margin shall be paid by the Clearing Member within one business day or earlier if so requested. Further, the Exchange shall collect daily intra-day variations from Clearing Members apart from, and in addition to, any margin or daily settlement variation payments and collects.

Margin requirements are subject to change at any time but shall at all times be those requirements most recently adopted, publicly posted, and in compliance with the requirements of CFTC Regulation 39.13(g)(8), as amended.

Clearing Members called for margins under this Regulation shall pay by the deadline announced by the Exchange. An extension of time for such payments can only be granted by the President or his designee. In such cases the extension of time so granted shall be noted on the written call, and copy of said call shall be kept in the files of the Exchange.

Should a Clearing Member fail to deposit balances for additional margin as required in this Regulation, or should the President or his designee deem the transaction of any Member or market participant unduly insecure or hazardous, the Exchange may direct that the Member or market participant close out all or a portion of the trades, or that the Member or market participant transfer all or a portion of the trades to the books of another Clearing Member, as the situation may require. If such requests are not complied with within one (1) hour, the Exchange may, with the consent of the President or his designee, originate orders to transfer or close out all or a portion of the Member or market participant's trades, as the situation may require. Any such action shall be taken with due consideration to the positions of customers.

All differences between the contract price reported and accepted and the price at which the property may be bought or sold as a consequence of a Member or market participant's failure to fulfill the obligations as set forth in this Regulation shall constitute the rule and measure of damages against the Member or market participant so failing, and the differences shall be calculated, adjusted and settled within the time and in the manner and form determined by the Exchange.

Any financial obligations owed by a Clearing Member to the Exchange, which remain outstanding after all the Member or market participant's trades have been closed out, may be satisfied through the Member or market participant's security deposit with the Clearing House or such other assets, collateral or guarantees as necessary to satisfy the financial obligations.

2103.00. ORDER OF DELIVERY.

All balances of commodities for cash contract or cash delivery shall be made on the basis of the present Exchange Rule pertaining thereto. When deliveries are made, the oldest trades on the books shall be closed first.

2104.00. SECURITY DEPOSIT.

Each Clearing Member shall deposit with the Clearing House as security for its obligations thereto such amount as determined by the Exchange. The form of such deposit shall also be determined by the Exchange. The Exchange may change the amount and form of such deposit as necessary. Deposits may be withdrawn on written request when a Clearing Member ceases to be a Clearing Member and the Exchange has determined that all contracts and obligations with the Exchange have been settled.

2105.00. LIQUIDITY EVENT.

In order to satisfy CFTC Regulations and prudential liquidity standards, the Exchange has established this Regulation.

In the event the Clearing House requires liquidity to enable it to promptly meet all of its payment obligations to Clearing Members for same day settlement, the Clearing House will first attempt to obtain liquidity through the asset sale of pledged collateral, followed by the application of any uncommitted funding arrangements, and then through the use of its committed lines of credit and any committed repurchase agreements. In the event the Clearing House is unable to obtain sufficient funds and liquidity to promptly meet same day settlement and payment through such means, the Clearing House may declare the occurrence of a Liquidity Event. In such an event, the Clearing House has the authority in its sole discretion to take the following actions, in the order listed, to secure same day liquidity:

- A. Substitution of Guaranty Fund Cash.** The Clearing House may substitute the cash deposited by one or more Clearing Members in a guaranty fund with U.S. Treasuries deposited as performance bond by the Clearing Member(s) that is(are) the initiating cause of the Liquidity Event. The amount of cash substituted shall be equivalent to U.S. Treasuries at a haircutted market value (determined by the Clearing House as of the prior day's close of business utilizing a recognized third party source). Any U.S. Treasuries transferred pursuant to this Regulation shall be applied as a guaranty fund deposit on behalf of any such Clearing Member whose cash was substituted and will be allocated pro rata among any Clearing Members with cash deposits who are not the initiating cause of the Liquidity Event. The substitution of U.S. Treasuries for the Clearing Member's guaranty fund deposit will be limited to the size of the Clearing Member's guaranty fund deposit at the time of the Liquidity Event. For any substitution of U.S. Treasuries for cash in a guaranty fund, the impacted Clearing Member may, within 24 hours of substitution, request that the Clearing House replace the cash within 29 business days of the date of the substitution. Any Clearing Member requesting cash replacement will receive the exact value in cash received by the Clearing House upon liquidation of the U.S. Treasuries.

- B. Substitution of Performance Bond Cash:** The Clearing House may substitute the cash deposited by one or more Clearing Members as performance bond with U.S. Treasuries held as collateral by the Clearing House. The amount of cash substituted shall be equivalent to the U.S. Treasuries at a haircutted market value (determined by the Clearing House as of the prior day's close of business utilizing a recognized third party source). Any U.S. Treasuries transferred pursuant to this Regulation shall be applied as a performance bond deposit on behalf of any such Clearing Member whose cash was substituted and will be allocated pro rata among any Clearing Members with cash deposits. The substitution of U.S. Treasuries for the Clearing Member's performance bond held by the Exchange will be limited to the size of the Clearing Member's performance bond at the time of the Liquidity Event. For any substitution of U.S. Treasuries for cash as performance bond, the impacted Clearing Member may, within 24 hours of substitution, request that the Clearing House replace the cash within 29 business days of the date of the substitution. Any Clearing Member requesting cash replacement will receive the exact value in cash received by the Clearing House upon liquidation of the U.S. Treasuries.

In order to ensure the Clearing House can obtain sufficient cash from the above paragraphs, the Clearing House may notify any Clearing Member that is a U.S. Government Securities Broker-Dealer or has a U.S. Government Securities Broker-Dealer affiliate to replace its non-cash performance bond assets with cash within 60 minutes from the time of notification. To the extent that a Clearing Member(s) fails to provide cash within 60 minutes or the request occurs after 3:00 p.m. Central Time, the Clearing House may debit cash from that Clearing Member's settlement bank account in the amount of the clearing member's non-cash performance bond assets.

- C. U.S. Treasury Sale to Meet Settlement Variation Obligations.** The Clearing House may offset its settlement variation obligations to any Clearing Member that is a U.S. Government Securities Broker-Dealer or has a U.S. Government Securities Broker-Dealer affiliate, up to the amount of such Clearing Member's guaranty fund contribution, by selling U.S. Treasuries valued based on the prior day's closing prices with a haircutted value in exchange for U.S. dollar cash from the Clearing Member. The U.S. Dollar cash received by the Exchange from the Clearing Member shall be in the form of the variation margin obligation owed by MGEX, and the Exchange shall deliver the purchased U.S. Treasury securities to the U.S. Government Securities Broker-Dealer.
- D. Transfer or Disbursement of Collateral as Compensation for Portfolio Auction, Sale, or Transfer.** In lieu of satisfying a payment owed from any auction, sale, or transfer of an insolvent, defaulted, or suspended Clearing Member's or customer's portfolio in cash to an auction winner, purchaser, or transferee, the Clearing House may satisfy such payment owed to such persons by transferring Federal Reserve discount window eligible securities with a haircutted market value (determined by the Clearing House as of the prior day's close of business utilizing a recognized third party source) equal to the amount of such obligation.

2105.01. REQUIREMENT TO ESTABLISH UNCOMMITTED REPURCHASE AGREEMENT.

Each Clearing Member that is a U.S. Government Securities Broker-Dealer or has a U.S. Government Securities Broker-Dealer affiliate shall, if required by MGEX, enter into (or arrange for

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 (but not those belonging to a non-defaulting customer), and any of its other assets available to the Exchange shall be applied by the Exchange to discharge the obligation. 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). However, if a customer account is in default on payment obligations or shortfall in required collateral to the Defaulting Clearing Member, then the Exchange shall apply identifiable segregated customer collateral belonging to the defaulting customer to any payment obligations or losses arising from the Clearing Member Default.

Customer funds or margins shall not be used to discharge the Clearing Member's obligation unless the customer is directly involved in a default. The Clearing Member shall immediately make up any deficiencies in its security deposit resulting from such application 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.

The Exchange, Board, and any 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 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. Furthermore, any documented information appropriate to assist the Clearing Members will be disseminated.

2106.01. CLEARING MEMBER INSOLVENCY.

If a Clearing Member becomes insolvent, the Clearing Member must immediately notify the Exchange of such insolvency. The insolvency shall be announced by the Exchange and thereupon such Clearing Member shall be deemed automatically Suspended, unless otherwise permitted by the Exchange to continue limited operation for the purpose of transferring or liquidating positions, or

otherwise mitigating losses. If a Clearing Member becomes insolvent or for other reasons is Suspended, the officers, owners or partners who are Members of the Exchange may also be Suspended by the Exchange.

When a Clearing Member is Suspended for insolvency, the Exchange may exercise any or all of its rights under MGEX 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 Clearing Member (excluding customer performance bonds unless directly involved in a liability) are insufficient

to satisfy all of its obligations to MGEX, including all claims against the Exchange by reason of its substitution for that Clearing Member pursuant to Rule 701.00., the Exchange shall nonetheless pay all such claims, which shall be deemed a loss (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.

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.

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.

CHAPTER 57
HARD RED SPRING WHEAT CALENDAR SPREAD OPTIONS REGULATIONS

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5700.00. AUTHORITY.

Trading in Hard Red Spring Wheat (“HRSW”) Calendar Spread options may be conducted under such terms and conditions as the Board of Directors shall determine by Rule, Regulation or Resolution, subject to the Commodity Exchange Act, as amended, and Commodity Futures Trading Commission (“CFTC”) regulations promulgated thereunder.

5701.00. SCOPE OF CHAPTER.

This Chapter is limited in application to trading in put and call options on HRSW Calendar Spreads. The procedures for trading, clearing and settlement and any other matters not specifically covered herein shall be governed by the MGEX Rules and Regulations, or delegated to the Exchange to establish policies and procedures that implement the MGEX Rules and Regulations.

5702.00. PUT OPTIONS ON THE HRSW CALENDAR SPREADS.

The buyer of one (1) HRSW Calendar Spread put option may exercise such option only upon option expiration, subject to [Regulation 5715.00.](#), to assume a short position in one (1) HRSW futures contract of a nearby specified contract month, and a long position in one (1) HRSW futures contract of a deferred specified contract month, at a strike price set at the time the option was purchased.

The seller of one (1) HRSW Calendar Spread put option incurs the obligation of assuming a long position in one (1) HRSW futures contract of a nearby specified contract month, and a short position in one (1) HRSW futures contract of a deferred specified contract month at a combination of prices such that the calendar spread equals the strike price set at the time the option was sold, upon exercise by a put option buyer.

5703.00. CALL OPTIONS ON THE HRSW CALENDAR SPREADS.

The buyer of one (1) HRSW Calendar Spread call option may exercise such option only upon option expiration, subject to [Regulation 5715.00.](#), to assume a long position in one (1) HRSW futures contract of a nearby specified contract month, and a short position in one (1) HRSW futures contract of a deferred specified contract month at a strike price set at the time the option was purchased.

The seller of one (1) HRSW Calendar Spread call option incurs the obligation of assuming a short position in one (1) HRSW futures contract of a nearby specified contract month and a long position in one (1) HRSW futures contract of a deferred specified contract month at a combination of prices such that the calendar spread equals the strike price set at the time the option was sold, upon exercise by a call option buyer.

5704.00. CONTRACT TRADING UNIT.

One (1) HRSW Calendar Spread Option reflects one (1) HRSW futures contract of a specified nearby contract month, and one (1) opposing HRSW futures contract of a specified deferred contract month on the Exchange.

The calendar spread is calculated in cents/bushel as:

Nearby HRSW futures price in cents/bushel – deferred HRSW futures price in cents/bushel = calendar spread cents/bushel.

5705.00. MINIMUM PRICE FLUCTUATION.

The minimum price fluctuation for HRSW Calendar Spread options shall be one-eighth cent (\$0.00125) or six dollars twenty-five cents (\$6.25) per contract. All prices shall be quoted in U.S. dollars. Notwithstanding the foregoing, a position may be initiated or liquidated in HRSW Calendar Spread options at premiums ranging from \$1.00 to \$6.00, in \$1.00 increments per option contract.

5706.00. TRADING HOURS.

The Hours of Trading for HRSW Calendar Spread options shall be Sunday to Friday: from seven o'clock (7:00) p.m. to one-thirty o'clock (1:30) p.m. A pause in trading occurs from seven forty-five o'clock (7:45) a.m. to eight-thirty o'clock (8:30) a.m. All times shall be Central Time.

5707.00. OFFICIAL CLOSING PERIOD.

The official closing period shall be from 1:29:00 p.m. to 1:29:59 p.m. Central Time.

5708.00. CONTRACT MONTHS AND STRIKING PRICES.

Trading shall be conducted for put and call options on futures calendar spreads consisting of the nearby futures month and the next available futures month with strike prices in integral multiples of one cent (\$0.01) per bushel per HRSW Calendar Spread option. Trading shall be conducted for put and call options on futures calendar spreads consisting of the nearby futures month and a futures month beyond the next available futures month with strike prices in integral multiples of five cents (\$0.05) per bushel per HRSW Calendar Spread option. Contract months for trade shall be determined by the Exchange but shall never consist of a month which is not available for trade for HRSW futures (see Regulation 2010.00).

At the commencement of trading for such option contracts, the following strike prices shall be listed: one (1) with a strike price closest to the previous day's HRSW Calendar Spread price settlement; the next ten (10) consecutive higher and the next ten (10) consecutive lower strike prices closest to the previous day's HRSW Calendar Spread price settlement. If the previous day's settlement price is midway between two (2) strike prices, the closest price shall be the larger of the two (2). When a sale in the underlying HRSW Calendar Spread occurs at a price greater than or equal to the tenth largest strike price, a new strike price one (1) increment higher than the existing strike prices will be added. When a sale in the underlying HRSW Calendar Spread occurs at a price less than or equal to the tenth smallest strike price, a new strike price one (1) increment lower than the existing strike prices will be added. When a new strike price is added for an option contract month, the same strike price will be added to all option contract months for which that strike price is not already listed. All new strike prices will be added prior to the opening of trading on the following business day.

All strikes will be listed prior to the opening of trading on the following business day. Upon demand and at the discretion of the Exchange, new out-of-current-range strike prices at regularly defined intervals may be added for trading on as soon as possible basis. The Exchange may modify the procedures for the introduction of months and strikes listed as it deems appropriate in order to

respond to market conditions.

5709.00. DAILY PRICE LIMITS.

Trading is prohibited in a HRSW Calendar Spread option at a premium that is greater than the trading limit for the HRSW futures contract above and below the previous day's settlement premium for that option. On the first day of trading, limits shall be set from the premium of the first trade.

5710.00. LAST TRADING DAY.

Subject to the provisions of **Regulations 5706.00. and 5708.00.**, no trades in HRSW Calendar Spread options expiring in the current month shall be made after the close of trading of the trading session on the day identical to the expiration of options corresponding to HRSW futures. Therefore, expiration will occur on the last Friday which precedes by at least two (2) business days, the last business day of the month preceding that earliest expiring corresponding option month. If such Friday is not a business day, the last day of trading shall be the business day prior to such Friday. For example, the March-May HRSW Calendar Spread (March HRSW minus May HRSW) will expire on the last Friday which precedes by at least two (2) business days the last business day of February; the December-July HRSW Calendar Spread (December HRSW minus July HRSW) will expire on the last Friday which precedes by at least two (2) business days the last business day of November.

5711.00. PAYMENT OF OPTION PREMIUM.

The option premium must be paid in full by each Clearing Member to the Exchange.

5712.00. MARGIN REQUIREMENTS.

Margin requirements shall be established in accordance with **Rule 760.00.** and **Regulation 2102.00.**

5713.00. OFFSETS AND TRANSFER TRADES.

Except by same day trade activity, existing options positions in a settlement month may not be offset during the period beginning two (2) business days prior to the settlement month and continuing through the end of the settlement month. Clearing Members will be responsible for compliance with the requirement by their omnibus accounts. This prohibition also applies to transfer trades where no change in ownership is involved when the date of execution or exercise of the position being transferred is not the same as the transfer date. Such positions are required to be offset by trading. If such positions are carried on the books of different Clearing Members, the receiving Clearing Member is responsible for compliance with this Regulation.

5714.00. CONTRACT MODIFICATION.

Specifications shall be fixed as of the first day of trading of a contract. A change in any Federal Law, regulation, ruling, directive or order that conflicts with these Regulations will become effective upon notice by the Exchange.

The Board of Directors or the Exchange, to maintain the viability of HRSW Calendar Spread Options, is granted the authority to change such contract specifications as it deems appropriate

or necessary for any unopened contract month.

5715.00. OPTION EXERCISES.

The buyer of a HRSW Calendar Spread option may exercise the option only on the business day such option expires. In the money options that have not been liquidated or exercised on the last day of trading shall be automatically exercised in the absence of contrary instructions delivered to the Exchange by 4:00 p.m. Central Time, or by such other time designated by the Exchange, on the last day of trading by the Clearing Member representing the option buyer.

The HRSW Calendar Spread is calculated using final settlement values for the underlying contracts on the business day the option expires in the following formula: (settlement price of specified nearby HRSW futures) – (settlement price of specified deferred HRSW futures). An option is in-the-money if the settlement price of the underlying calendar spread is greater in the case of a call, or less in the case of a put, than the exercise price of the option.

5716.00. AUTOMATIC EXERCISE.

Notwithstanding the provisions of **Regulation 5715.00.**, the Exchange shall automatically exercise all in-the-money HRSW Calendar Spread options unless notice to cancel automatic exercise is given to the Exchange at such time as determined by the Exchange (see **Res. 2101.00.C.**) on the last day of trading. Additionally, notice to cancel automatic exercise may be accepted by the Exchange (in its sole discretion) after the deadline but prior to final expiration processing:

- A. to correct errors or mistakes made in good faith;
- B. to take appropriate action as the result of unreconciled MGEX option transactions;
- C. in exceptional cases involving a customer's inability to communicate to the Clearing Member exercise instructions or the Clearing Member's inability to receive such instructions prior to such time as determined by the Exchange (see **Res. 2101.00.C.**) on the last day of trading.

5717.00. ASSIGNMENT.

The Exchange shall assign the exercise of a HRSW Calendar Spread option through a process of random selection or other approved method to a Clearing Member carrying a short position in the same option series. A Clearing Member to which an exercise notice is assigned shall be notified of the assignment as soon as practicable after such notice is assigned by the Clearing House. Both buying and selling Clearing Members shall have the obligation to inform their respective customer of the assignment promptly.

Upon the exercise of a HRSW Calendar Spread option the Exchange assigns prices to the legs of the HRSW Calendar Spread in the following manner:

- A. assigned nearby HRSW futures price equals the HRSW futures settlement price on the day of exercise;
- B. assigned deferred HRSW futures price equals the nearby HRSW futures

settlement price on the day of exercise minus the strike value of the option.

All such futures positions shall be marked to market in accordance with Exchange procedures on the trading day of acceptance by the Exchange.

5718.00. POSITION LIMITS.

- A. **Limits.** Position limits for HRSW Calendar Spread Options shall be those limits currently in effect for HRSW pursuant to Part 150 of the Regulations of the CFTC.
- B. **Compliance.** The Exchange may direct any Member, Market Participant, or Person owning, controlling or carrying a position for a person in excess of the limits set forth in this Rule to liquidate or otherwise reduce the position to achieve conformity with this Rule. However, for any option position that exceeds position limits for passive reasons such as a market move or exercise assignment, the person shall be allowed one (1) business day to liquidate the excess position without being considered in violation of the limits. If at the close of trading, an option position exceeds position limits when evaluated using the previous day's delta factors, but does not exceed the limits when evaluated using the delta factors for that day's close of trading, then the position shall not constitute a position limit violation.
- C. **Enforcement.** The carrying Member, Market Participant, or Person shall maintain books and records in the United States, available to the Exchange, upon request, which disclose the identity of and positions held by any person carried by such Member, Market Participant, or Person.

5719.00. EXEMPTIONS FROM POSITION LIMITS.

To be eligible for an exemption from position limits under this Regulation, an applicant must submit a written request to the Department of Audits and Investigations. Such request shall include the following:

- A. a description of the size and nature of the proposed transactions;
- B. information which will demonstrate that the proposed transactions are bona fide hedging transactions;
- C. a statement indicating whether the person on whose behalf the request is made (i) maintains positions in the futures contract for which the exemption is sought with any other account holder or owner, and/or (ii) has made a previous or contemporaneous request pursuant to the Regulation through another applicant, and if so, the relationship of the information set forth in such requests;
- D. a statement that the intended transactions will be *bona fide* hedges;
- E. a statement that the applicant will immediately supply the Exchange with any material changes to the information submitted pursuant hereto; and
- F. such further information as the Exchange may request.

Within five (5) business days of the submission of the information set forth above, the Department of Audits and Investigations shall notify the applicant whether the exemption has been granted and the limitations placed thereon. An exemption will remain in full force and effect until (i) the applicant or person on whose behalf the request is made requests a withdrawal; or (ii) the Exchange revokes, modifies or places further limitations thereon. At any time, MGEX may limit *bona fide* hedging positions, and deny or limit any request for exemption from position limits which MGEX determines in its sole discretion are not in accord with sound commercial practices or exceed the established or permitted amount which may be liquidated in an orderly fashion.

When applied to HRSW Calendar Spread options, MGEX will use as a guide, but not be limited by, the CFTC definition of a *bona fide* hedging position, as described in Commission Part 151, specifically 151.5, or elsewhere, as applicable.

5720.00. AGGREGATION OF POSITIONS.

In determining whether any person has exceeded the position limits, all positions in accounts for which such person by power of attorney or otherwise directly or indirectly holds positions or controls trading shall be included with the positions held by such person. Such limits upon positions shall apply to positions held by two (2) or more persons acting pursuant to an expressed or implied agreement or understanding, the same as if the positions were held by a single person. MGEX will follow the CFTC definition of aggregation and the procedures for aggregating positions as described in CFTC Part 151, specifically 151.7, or elsewhere, as applicable.

5721.00. REPORTABLE POSITIONS.

A position of twenty-five (25) or more HRSW Calendar Spread options on this Exchange, long or short, in any one (1) month shall be a reportable position level. All such positions shall be reported in a manner and form as designated by the CFTC or the Exchange.