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Dear MGEX Members & Rules and Regulations Book Recipients:

Updates have been made to the following Chapters:

<b><u>Chapter</u></b>	<b><u>Citation</u></b>	<b><u>Purpose</u></b>
Title Page	N/A	Update to Title Page
Table of Contents	N/A	Update to Table of Contents.
2- Universal Provisions	Index Rules 2.1.2., 2.1.3.	Update to Index. Amendments to MGEX Rules 2.1.2. and 2.1.3. to expand the scope of the Exchange's jurisdiction to include foreign entities that charge a commission or fee in connection with transactions on the Exchange.
3-Trading Rules	Index Rules 3.1.1., 3.1.2., 3.1.3., 3.1.4., 3.1.5., 3.1.6., 3.1.7., 3.1.8., 3.1.9., 3.1.10.	Update to Index. Amendments to MGEX Rules 3.1.1. (formerly 710.00.), 3.1.2. (formerly 714.00.), 3.1.3. (formerly 2067.00. – Paragraph B), 3.1.4. (formerly 2067.00. – Paragraph C), 3.1.5. (formerly 2067.00. – Paragraph D), 3.1.6. (formerly 766.00.), 3.1.7. (formerly 718.00.), 3.1.8. (formerly 718.01.), 3.1.9. (formerly 2062.02.), and 3.1.10. (formerly 725.00.) are part of a larger, ongoing initiative to better organize the MGEX Rulebook.
7- Futures And Options Trading	Index Rules 710.00., 714.00., 718.00., 718.01., 725.00., 766.00.	Update to Index. Removal of MGEX Rules 710.00., 714.00., 718.00., 718.01., 725.00., and 766.00 as they were moved to Chapter 3.
13- Vessel Trading Rules For The Ports Of Duluth And Superior	Rule 1307.00.	Amendments to MGEX Rule 1307.00. to align with industry standards.
20- Regulations	Index Rules 2062.02., 2067.00.	Update to Index. Removal of MGEX Rules 2062.02. and 2067.00. (Paragraphs B, C, & D) as they were moved to Chapter 3.

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 & Regulations"
2. Click "Latest changes to MGEX RULES, REGULATIONS AND RESOLUTIONS"

If you have any questions or problems accessing the Rules and Regulations, please contact Jesse Marie B. Green at (612) 321-7122 or [jgreen@mgex.com](mailto:jgreen@mgex.com).

Sincerely,

Layne G. Carlson, Corporate Secretary





**BYLAWS  
AND  
RULES**

OF THE

**MINNEAPOLIS GRAIN  
EXCHANGE, INC.**

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## **CHAPTER 2 UNIVERSAL PROVISIONS**

### **SECTION 1 - GENERAL**

#### **2.1.1. SCOPE.**

This Chapter prescribes Rules applicable to general Exchange activities.

#### **2.1.2. JURISDICTION.**

Any Person initiating or executing a transaction on or subject to the Rules of the Exchange directly or through an intermediary, or any Person for whose benefit such a transaction has been initiated or executed, expressly consents to the jurisdiction of the Exchange and agrees to be bound by and comply with MGEX Rules in relation to such transactions, including, but not limited to, rules requiring cooperation and participation in investigatory and disciplinary processes. Any Futures Commission Merchant, Introducing Broker, associated Person, or foreign Person performing a similar role, that charges a commission or fee in connection with transactions on or subject to the Rules of the Exchange also expressly consent to the Exchange's jurisdiction.

#### **2.1.3. RESERVED.**

#### **2.1.4. MGEX RULES, INTERPRETATION, AND ENFORCEMENT AUTHORITY.**

The Exchange has adopted the MGEX Rules, and from time to time adopts amendments to such Rules (See Bylaw 204.01. and 204.02.), to promote a free and open market on the Exchange, to maintain appropriate business conduct, and to provide protection to the public. The Exchange, in its sole discretion, will interpret and enforce the MGEX Rules not inconsistent with applicable provisions of the Commodity Exchange Act, as amended, and Commodity Futures Trading Commission ("CFTC") Regulations promulgated thereunder.

#### **2.1.5. COOPERATION WITH INVESTIGATORY AND DISCIPLINARY PROCESSES.**

A Market Participant shall promptly respond, provide documentation, and cooperate in all inquiries by the Exchange. Failure to do so will subject the Market Participant to disciplinary processes, which may include immediate termination of usage and access to the Electronic Trading System. Disciplinary processes may be initiated by the Exchange pursuant to the MGEX Bylaws and Rules and may include public or private actions, summary fines, fines, suspensions, expulsions or other restrictions as determined to be necessary by the Exchange.

#### **2.1.6. DUTY TO SUPERVISE.**

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

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

When assessing whether a Person has violated MGEX Rule 2.1.6., the Exchange may consider the Person's lack of sufficient internal controls as an exacerbating factor.

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

#### **2.1.7. HOLIDAYS.**

The following days are declared to be holidays, during which the Exchange will not be open for business: New Year's Day, Dr. Martin Luther King, Jr. Day, Presidents' Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day. When a holiday falls on a Saturday it will be observed the preceding Friday. When a holiday falls on a Sunday it will be observed the following Monday. The Exchange may, in its discretion, declare additional holidays and details of observance.

#### **2.1.8. EMERGENCIES.**

The Exchange has the power to immediately delay, suspend, or close trading upon recognizing a problem. A problem includes, but is not limited to the following:

- A. fire or other casualty,
- B. bomb threat,
- C. power failure,
- D. communications breakdown,
- E. computer malfunction, or
- F. other - technical difficulties.

If such an event occurs, the Exchange will provide reasonable notice to the public.

#### **2.1.9. INCLEMENT WEATHER OR TRANSPORTATION BREAKDOWN.**

The Exchange has the power to immediately delay, suspend, or close trading upon recognizing the functions of Exchange are, or are threatened to be, severely and adversely affected by inclement weather or transportation breakdown. In such case, the Exchange will provide reasonable notice to the public.

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

If the Exchange, in its sole discretion, determines that there is a substantial question as to whether a financial or other type of emergency exists or may exist with respect to any Member or Market Participant, the Exchange may take any action necessary to protect the best interests of the Exchange and the marketplace or take any other actions allowed by law. The Exchange will have no liability regarding its use of this discretionary power.

#### **2.1.11. MARKET MAKER PROGRAM.**

The Exchange may establish a Market Maker Program for any contract. The Exchange may end the Market Maker Program at any time. The Exchange will determine the effective period of the

Market Maker Program and establish the requirements of the Market Maker Program, which the Exchange may change at any time. Any individual or entity that wishes to participate in the Market Maker Program must submit an application to the Exchange. The Exchange has sole discretion to approve or deny an application based on, but not limited to, the following factors: the applicant's business reputation; financial resources; and trading activity in relevant futures, options, or related cash markets. Any individual or entity accepted into the Market Maker Program must maintain compliance with the Market Maker Program's requirements. Further, any individual or entity who is participating in the Market Maker Program must comply with the Commodity Exchange Act (and Regulations thereunder as now in effect or hereafter amended) and Exchange Rules. The Exchange may, in its sole discretion, remove any individual or entity from the Market Maker Program.

#### **2.1.12. PROMOTIONAL MATERIAL.**

Promotional material and similar information issued by Market Participants must comply with the requirements of National Futures Association Rule 2-29, as amended. A Market Participant must not state or give the appearance that the Market Participant represents the Exchange.

#### **2.1.13. EXCHANGE OFFICER AMENDMENTS.**

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

### **SECTION 2 – FINANCIAL REQUIREMENTS**

#### **2.2.1. FINANCIAL REQUIREMENTS AUTHORITY.**

The Exchange may from time to time adopt financial and reporting requirements. These requirements may be more stringent than those provided in the Commodity Exchange Act, as amended, Commodity Futures Trading Commission Regulations, and other applicable authority. Such requirements may be posted through reasonable means by the Exchange and need not be codified in MGEX Rules.

#### **2.2.2. FINANCIAL AND REPORTING REQUIREMENTS.**

Financial and reporting requirements for Persons may be established by the Exchange, provided that requirements for FCMs are established at levels no lower than those required by the Commodity Exchange Act, as amended, and Commodity Futures Trading Commission Regulations.

#### **2.2.3. MINIMUM FINANCIAL REQUIREMENTS FOR HARD RED SPRING WHEAT REGULARITY.**

A Person who operates an elevator or warehouse, or who is a merchandiser, that is Regular for delivery of Hard Red Spring Wheat must maintain certain minimum financial requirements set by

the Exchange. The Exchange has established the following working capital and net worth financial requirements for Regularity:

<b>Contract</b>	<b>Working Capital</b>	<b>Net Worth</b>
Hard Red Spring Wheat	\$2,000,000.00	The greater of \$5,000,000.00 or the equivalent of \$1 per bushel of approved storage capacity

Additionally, any combination of the elevator, merchandiser, warehouse, parent company, employee, partner, or officer of such Person must be a Record Owner of a minimum of two (2) Memberships.

The Exchange may consider and approve, at its discretion, a Person for Regularity that is unable to meet the applicable minimum financial requirements above. As financial conditions warrant, the Exchange may, at any time, require a Person that is approved or applying for Regularity to provide irrevocable letters of credit, guarantees, pledges of memberships, and/or other forms of security that the Exchange determines to be acceptable. Failure to meet any minimum financial requirements or comply with the Exchange's request for additional financial security will be deemed a failure to meet the minimum financial standing requirement.

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

#### **2.2.4. MINIMUM FINANCIAL REQUIREMENTS FOR CASH TRADING PRIVILEGES.**

- A. **Financial Requirements.** Any Person with cash trading privileges must meet the minimum financial requirements set forth by the Exchange, which are set as follows:

<b>Working Capital</b>	<b>Net Worth</b>
\$1,000,000.00	\$2,000,000.00

The Exchange may consider and approve, at its discretion, Persons with cash trading privileges that are unable to meet the applicable minimum financial requirements above. As financial conditions warrant, the Exchange may, at any time, require a Person with cash trading privileges to provide irrevocable letters of credit, guarantees, pledges of memberships, and/or other forms of security that the Exchange determines to be acceptable. Failure to meet any minimum financial requirements or comply with the Exchange's request for additional financial security will be deemed a failure to meet the minimum financial standing requirement.

- B. **Annual Financial Statements.** Regardless of whether the Person is required to file with the CFTC, all Persons with cash trading privileges must file with the Exchange, within ninety (90) days of the close of their fiscal year, an audited financial statement that includes at a minimum, a balance sheet and income statement with footnotes. Such annual financial statement must be accompanied

by an opinion of an independent Certified Public Accountant. The Exchange may in its discretion require such additional reports as it deems appropriate or necessary.

- C. **Interim Unaudited Financial Statements.** Regardless of whether the Person is required to file with the CFTC, any Person with cash trading privileges must file with the Exchange quarterly unaudited financial statements that include at a minimum, a balance sheet and income statement, forty-five (45) days of the date of such quarterly statement.
- D. **Extension of Time to File.** Upon written request in advance and for good cause shown, the Exchange may in its sole discretion grant an extension of the time for the filing of any reports or statements required by this Rule.

All costs associated with the requirements of this Rule will be borne solely by the Person with cash trading privileges.

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

#### **2.2.5. MINIMUM FINANCIAL AND REPORTING REQUIREMENTS FOR FUTURES COMMISSION MERCHANTS.**

- A. **Financial and Reporting Requirements.** All FCMs that have customers trading MGEX Futures and Options contracts must meet the minimum financial and reporting requirements set forth in CFTC Regulations 1.10, 1.12, 1.16, 1.17, and 1.18, as now in effect or hereafter amended. All such FCMs must file with the Exchange the reports required under such CFTC Regulations, including the reports enumerated below, by approving the Exchange as a receiver of such reports on the WinJammer™ Online Filing System. The Exchange may in its discretion require FCMs to file additional reports as it deems appropriate or necessary.
  1. All FCMs must file daily segregated, secured 30.7 and cleared swaps segregation statements, as applicable, in a manner designated by the Exchange. These statements must be signed by the firm's Chief Executive Officer, Chief Financial Officer, or other representative as allowed by the Exchange.
  2. All FCMs must file bi-monthly Segregation Investment Detail Reports as required by the Exchange and CFTC Regulation 1.32.
  3. All FCMs must provide immediate notice to the Exchange of all disbursements of customer segregated, secured 30.7, and cleared swaps segregation funds that are not made for the benefit of customers of the respective customer origin, and that exceed 25% of the excess segregated, secured 30.7, and cleared swaps segregation funds, as applicable. Any such disbursements by the FCM must also be pre-approved, in writing, by

a principal of the FCM.

4. At least one report in each fiscal year must be accompanied by an opinion of an independent Certified Public Accountant.
- B. **Extension of Time to File.** Upon written request in advance and for good cause shown, the Exchange may in its sole discretion grant an extension of the time for the filing of any reports or statements required by this Rule.

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

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

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

- A. **Financial and Reporting Requirements.** All Clearing Members must meet the minimum financial and reporting requirements set forth in CFTC Regulations 1.10 and 1.17, as now in effect or hereafter amended.
- B. **Financial Statements for FCM Clearing Members.** All FCM Clearing Members must meet the requirements set forth in MGEX Rule 2.2.5.
- C. **Financial Statements for Non-FCM Clearing Members.** Non-FCM Clearing Members must file monthly financial statements that include at a minimum, a balance sheet and income statement, with the Exchange within seventeen (17) business days of the date of such statement. Within sixty (60) days of the close of its fiscal year, Non-FCM Clearing Members subject to this Rule must file a certified financial statement accompanied by an opinion of an independent Certified Public Accountant.
- D. **Extension of Time to File.** Upon written request in advance and for good cause shown, the Exchange may in its sole discretion grant an extension of the time for the filing of any reports or statements required by this Rule.

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

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

#### **2.2.7. NOTIFICATION OF FISCAL YEAR.**

Any Person required by the Exchange to provide financial information must immediately notify the

Exchange of any change to its fiscal year. Such notification must be made in writing and submitted to the Exchange explaining any change and the reasons therefore. If applicable, the Person making a change in its fiscal year must also submit written evidence that its designated self-regulatory organization has approved the same.

Any change in fiscal year pursuant to this Rule does not relieve any obligation to file timely certified and interim financial statements deemed necessary by MGEX Rules or the Exchange.

#### **2.2.8. REDUCTION OF CAPITAL.**

Any Person required by the Exchange to provide financial information must immediately notify the Exchange of any material reduction of its net capital, adjusted net capital, working capital, and/or its net worth, including the incurring of a contingent liability that would materially affect net capital, adjusted net capital, working capital, and/or net worth should such liability become fixed. Such notice must be in writing and signed by an authorized representative. Failure to so notify the Exchange will be considered an act detrimental to the interest and welfare of the Exchange.

Circumstances that may trigger this Rule and/or be considered a material reduction include, but are not limited to:

1. A reduction amounting to twenty percent (20%) or more from the net capital or adjusted net capital reported as of the last date for which a financial statement or answer to a financial questionnaire was filed under the MGEX Rules.
2. A reduction amounting to twenty percent (20%) or more from the working capital and/or net worth, for any Person declared Regular for delivery on any Exchange contract or with clearing and/or cash trading privileges, reported as of the last date for which a financial statement or answer to a financial questionnaire was filed under the MGEX Rules.

For purposes of this Rule, working capital is defined as total current assets minus total current liabilities.

For purposes of this Rule, net worth is defined as equities, whether shareholder's equity, partnership equity or other equity capital, minus deficits, in proprietary accounts or which are properly included in determining net worth.

For purposes of this Rule, adjusted net capital is defined in accordance with CFTC Regulation 1.17.

For purposes of this Rule, net capital is defined in accordance with SEC Rule 15c3-1.

#### **2.2.9. RISK MANAGEMENT PROGRAM FOR FUTURES COMMISSION MERCHANTS.**

All FCMs who are Members of the Exchange must establish, maintain, and enforce a risk management program designed to manage and monitor the risks associated with the FCM's activities. The risk management program should include, but is not limited to, risks relating to operations, capital, and customer funds segregation.

Such risk management program must include written policies and procedures and, at a minimum,

must meet the requirements set forth in CFTC Regulation 1.11. However, the Exchange may, in its discretion, adopt risk management requirements for Member FCMs that are more stringent than those of the CFTC if it deems such requirements appropriate.

Upon request of the Exchange, the written risk management policies and procedures and other related information and documentation must be promptly made available for review.

## **SECTION 3 – RECORDKEEPING**

### **2.3.1. RECORDS OF TRANSACTIONS.**

Any Person subject to CFTC Regulation 1.35 shall keep full, complete, and systematic records (including all pertinent data and memoranda) of all transactions relating to its business of dealing in commodity interests and any related cash or forward transactions. Such records may include, but are not limited to, records of electronic trading, all orders (filled, unfilled, or canceled), electronic audit trails, trading cards, signature cards, street books, journals, ledgers, wire transfer, canceled checks, copies of confirmations, and copies of statements of purchase and sale, and all other records which have been prepared in the course of business of dealing in commodity interests and any related cash or forward transactions.

Additionally, such Person is required to keep 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 commodity interests and any related cash or forward transactions, whether transmitted by telephone, voicemail, facsimile, instant messaging, chat rooms, electronic mail, mobile device, or other digital or electronic media. The requirement to record oral communications does not apply to oral communications that lead solely to the execution of a related cash or forward transaction.

All records of oral communications must be retained for a period of not less than one year from the date of such communication in accordance with CFTC Regulation 1.31. All other records must be retained for a period of not less than five years from the date on which the record was created in accordance with CFTC Regulation 1.31. Additionally, all records must be produced for inspection to the Exchange and any representative of the CFTC or the United States Department of Justice.

### **2.3.2. RECORDING ORDERS.**

Each Clearing Member, FCM, and Person who is authorized to, and who receives an order from a customer 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, must 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 Exchange Room for execution, and upon execution.

### **2.3.3. OMNIBUS ACCOUNTS.**

An omnibus account is utilized for placing and clearing the trades of one or more undisclosed customers of the account.

An omnibus account may be carried only for a Person that is in compliance with the registration requirements of the Commodity Futures Trading Commission. It will be the responsibility of the Person handling an omnibus account to be aware of and vouch for the registration status of the account.

The Person responsible for an omnibus account must at all times disclose, upon request of the Clearing Member carrying that account, the gross long and short positions held by that account in each commodity. The Person responsible for an omnibus account must, at least two (2) business days prior to the first delivery day in a contract month, provide the Clearing Member carrying that account, with a complete list of the purchase and sale dates of all open positions for that contract month. Such list must be kept up to date throughout the delivery month. Clearing Members carrying omnibus accounts must maintain a complete list of all omnibus accounts maintained on their books.

A Clearing Member carrying an omnibus account (except an omnibus account of another Clearing Member) will indemnify and hold harmless the Exchange for any loss of damage suffered by the Exchange by reason of fraudulent dealings with, or management of, customer funds and transactions within the omnibus account. Each Clearing Member that maintains an omnibus account with another Clearing Member shall also bear financial responsibility to the Exchange for that omnibus account.

#### **2.3.4. DISCRETIONARY ACCOUNTS.**

No Clearing Member will accept or carry an account over which any Person, other than the Person in whose name the account is carried, exercises discretionary trading authority or control without first obtaining a written and dated power of attorney, trading authorization, or similar document (hereinafter "Power of Attorney") by which trading authority is given. Such Power of Attorney must be signed and submitted to the Clearing Member and must designate the trading authority or control given and precisely to whom the trading authority or control is given. Such Power of Attorney will remain in effect until it is terminated by written revocation signed by the Person for whom the account is carried or by the death or incapacity of such Person. Termination may also be made by written revocation signed by the Person to whom such authority or control has been given or by the death or incapacity of such Person.

The records of the Clearing Member must clearly identify each discretionary account it carries. The Clearing Member agrees to promptly provide the Exchange with a list of such accounts upon request.

This Rule does not apply to the following: (1) accounts maintained by Members for their families (spouse, parent, child, grandparent, grandchild, brother, sister, aunt, uncle, nephew, niece, or in-law); (2) accounts belonging to other Exchange Members; and (3) proprietary accounts of Clearing Members.

#### **2.3.5. REPORTING REQUIREMENTS AND DISCIPLINARY ACTION.**

Persons subject to MGEX Rules must submit all data, records and other information required by MGEX Rules or requested by the Exchange in an accurate, complete and timely manner, and in a method and format agreeable to the Exchange. Failure to comply with such reporting requirements will subject said Person to a summary fine or other disciplinary action including, but

not limited to, the matter being referred to the Disciplinary Committee.

#### **2.3.6. ACCEPTANCE OF ACCOUNTS FROM OTHERS THAN PRINCIPALS.**

Except as provided in omnibus accounts and discretionary accounts, no Member or Market Participant shall make a purchase or a sale of any commodity in futures or options in this market for the account of another Person, nor shall any Member or Market Participant accept or carry such an account for such other Person, if such other Person is known to be acting as an agent for and on behalf of others, unless such other Person is properly registered with the CFTC or the National Futures Association.

No purchase or sale of commodities in futures or options shall be made in this market, and no account for such purchase or sale shall be accepted or carried for the account of any Person if such purchases or sales are made pursuant to trading authority given by such Person to another Person (not a member of the same family) to trade in his or her name, except on the following terms and conditions:

- A. A monthly statement must be sent directly to the Person for whose account such purchases or sales have been made, showing the exact position of the account, including all open trades figured to the market;
- B. Each transaction must be specifically designated with the name of the Person for whose account such purchase or sale has been made at the time the order is accepted;
- C. Confirmations of all trades must be sent promptly, both to the Person for whose account such purchases or sales have been made and to the Person authorized to act for his/her account;
- D. Written evidence of such delegation of authority by such Person to such other Person to trade in his/her name must have been furnished to the Member or Market Participant making the trade.

### **SECTION 4 – FEES**

#### **2.4.1. FEES: COLLECTIONS.**

The Exchange may from time to time issue invoices for fees or other money owed to the Exchange and collect the same. Furthermore, the Exchange has the authority to take disciplinary action under MGEX Rules and enforce such collections to the fullest extent allowable by law.

#### **2.4.2. FEES: EXCHANGE FEES.**

The Exchange will set exchange fees from time to time and make such fees publicly available. The Exchange may elect to waive or modify such fees. Payment of such fees is due to the Exchange upon receipt of invoice.

#### **2.4.3. FEES: EXCHANGE REGULATORY FEES.**

As a self-regulatory organization, the Exchange may assess an exchange regulatory fee or fees. The exchange regulatory fee or fees shall be set from time to time by the Exchange. The Exchange may, in its sole discretion, waive all or part of the exchange regulatory fee or fees.



## **CHAPTER 3 TRADING RULES**

### **SECTION 1 – GENERAL**

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## **CHAPTER 3 TRADING RULES**

### **SECTION 1 - GENERAL**

#### **3.1.1. FUTURES AND OPTIONS CONTRACTS.**

Futures and Options contracts must be approved by the Board of Directors, certified with the CFTC, and established in MGEX Rules.

#### **3.1.2. TIME AND PLACE FOR MAKING.**

Except in the case of non-competitive trades, all purchases and sales, and all offers to purchase or sell Futures and Options must be made electronically on the Electronic Trading System. However, purchases and sales, and offers to purchase or sell Hard Red Spring Wheat Options may also be made by open outcry in the Exchange Room during the Hours of Trading. Consequently, Members and Market Participants are prohibited from assembling in any place, public or private, other than in the Exchange Room or designated area to form a market for the purpose of making purchases or sales, or offers to purchase or sell Futures or Options.

#### **3.1.3. ELECTRONIC AND OPEN OUTCRY: SETTLEMENT PRICE.**

The Electronic Trading System and open outcry may have separate opens, open ranges, highs, lows, closes and closing ranges. However, there must be only one settlement price.

#### **3.1.4. ELECTRONIC AND OPEN OUTCRY: VOLUME AND OPEN INTEREST REPORTING.**

The Exchange has adopted the MGEX Rules, and from time to time adopts amendments to such Rules (See Bylaw 204.01. and 204.02.), to promote a free and open market on the Exchange, to maintain appropriate business conduct, and to provide protection to the public. The Exchange, in its sole discretion, will interpret and enforce the MGEX Rules not inconsistent with applicable provisions of the Commodity Exchange Act, as amended, and Commodity Futures Trading Commission ("CFTC") Regulations promulgated thereunder.

#### **3.1.5. ELECTRONIC AND OPEN OUTCRY: COMBINED POSITION REPORTS.**

Contracts traded on both the Electronic Trading System and by open outcry must be fungible. This means positions entered into on one platform may be offset by positions executed on the other platform. As a result, Clearing Members shall submit to the Clearing House only combined position reports.

#### **3.1.6. CONFIRMATION OF FUTURES OR OPTIONS TRADES.**

A Clearing Member shall confirm to the customer every transaction made for the customer's account no later than the following business day. Such confirmation must be in electronic or written form and must show the relevant transaction terms, including the Commodity bought or sold, the quantity, the price or premium, the delivery month, and, if an option, whether a put or call, and the strike price.

### **3.1.7. TRANSFER TRADES AND OFFICE TRADES.**

“Transfer” trades and “Office” trades are limited to the following transactions:

- A. Transactions made for the purpose of (1) transferring open Futures or Options positions from one account to another on the books of the same Clearing Member where no change in ownership is involved; or (2) transferring open Futures or Options positions from an account on the books of one Clearing Member to another Clearing Member where no change of ownership is involved; PROVIDED, however, that no such transfer is made after receipt from the Exchange of a Delivery Notice on such contracts if such transfer is for the apparent purpose of avoiding delivery on such contract.

Notwithstanding the requirements of 3.1.7.A., the Department of Audits and Investigations, in its sole discretion, may approve a transfer that results in a change of beneficial ownership when such transfer is made as a result of a merger, asset purchase, consolidation or similar non-recurring transaction between two (2) or more Persons.

- B. Transactions consisting of the exchange or transfer of Futures in connection with cash commodity transactions or transactions consisting of the exchange of Futures for cash commodities.
- C. Transactions consisting of the exchange or transfer of Futures in connection with risk transactions or transactions consisting of the exchange of Futures for risks.

Except for situations involving insolvency or default (see generally Chapter 21), Futures positions may be transferred using either the original trade price or the most recent settlement price. Options positions may be transferred using either the original trade price or a trade price of zero. All transfers in physically delivered Futures contracts must be recorded and carried on the books of the receiving Clearing Member at the original trade dates. All other contracts may be recorded and carried at either the original trade date or the transfer date.

All records and memoranda pertaining to Transfer and Office trades must be marked or identified by appropriate symbols or designations. All Office trades, where such trades remain on the books of one and the same Clearing Member and where no change in ownership is involved, may or may not be cleared at the discretion of the Clearing Member. All Transfer trades, which involve two Clearing Members in which no change of ownership is involved, must be included and identified in daily reports to the Exchange. Transfer trades involving the transfer of a customer's positions and related collateral from an account on the books of one Clearing Member to another Clearing Member do not require the close-out and re-booking of the positions prior to the requested transfer; PROVIDED, the following conditions are met: (1) the customer instructed the carrying Clearing Member to make the transfer; and (2) the receiving Clearing Member has consented to the transfer.

### **3.1.8. OFFSETS AND TRANSFER TRADES.**

Offsets and/or position change data must be reported to the Clearing House each day by the established deadlines and in a manner that meets the provisions of MGEX Resolution 2101.00.C. Positions that have been offset at the Exchange may not subsequently be re-opened at the Exchange.

Except by same day trade activity, existing futures positions in a delivery month may not be offset during the period beginning two (2) business days prior to the delivery month and continuing through the end of the delivery month. Clearing Members will be responsible for compliance with this 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 Rule.

In its sole discretion, the Department of Audits and Investigations may permit an offset via netting, transfer, or position adjustment. Such adjustments are permissible to correct a bona fide clerical or operational error for an amount less than five percent (5.0%) of the published open interest reported the same morning for which the offset will be reported by the Clearing Member's morning position reporting deadline. Moreover, such adjustments are only permissible if the Department of Audits and Investigations reasonably believes the offset will not adversely impact the market. Such permission does not prohibit the Department of Audits and Investigations from investigating or taking disciplinary action for any alleged violation of the MGEX Rules.

### **3.1.9. ELECTRONIC AUDIT TRAIL AND OTHER RECORDKEEPING REQUIREMENTS.**

All Clearing Members are required to maintain or cause to be maintained the order routing and front-end audit trail for all electronic orders including, but not limited to: order entry, modification, cancellation and responses to such messages entered into the Electronic Trading System by the Clearing Member or its customers.

The Clearing Member may assign the recordkeeping requirements contained in this Rule to a customer subject to the following conditions: (1) the Clearing Member and the customer must have applicable written agreements assigning the recordkeeping requirements with particularity; and (2) upon request, either the Clearing Member or the customer must provide such agreements to the Exchange.

The Clearing Member must ensure that any written agreements assigning recordkeeping requirements of this Rule are being followed by any customers. The Clearing Member and/or the customer may be held accountable for failure to maintain or causing to be maintained the recordkeeping requirements of this Rule.

Audit trail data must contain a complete and accurate record of information and fields that are required by the Electronic Trading System and this Rule. Changes to required audit trail data for the Electronic Trading System may occur from time to time, and are hereby incorporated into this Rule. Required audit trail data means a record of all FIX Tag and/or iLink information and fields, including, but not limited to: transaction date, product, Exchange code, quantity, order type, order qualifier, price, buy/sell indicator, stop/trigger price, order number, account number, session ID, Tag 50 ID, automated or manual indicator (Tag 1028), host order number, trader order number, clearing member, type of action, customer type indicator, origin, and timestamps. In addition, for executed orders, records must include the execution time of the trade along with all fill information.

### **3.1.10. QUOTATIONS.**

Price quotations in Futures and Options are based on purchases or sales of such quantities

prescribed by the Exchange for each Commodity.

## **CHAPTER 7 FUTURES AND OPTIONS TRADING**

### **CLEARING HOUSE**

- 700.00. Futures And Options Contracts: Clearing Of
- 701.00. Clearing House: Substitution Of
- 702.00. Clearing House: Substitutions For
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### **FUTURES AND OPTIONS CONTRACTS**

- 711.00. Futures Contracts: Grades Deliverable
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## **CHAPTER 7 FUTURES AND OPTIONS TRADING**

### **700.00. FUTURES AND OPTIONS CONTRACTS: CLEARING OF.**

All Futures and Option Contracts made in this market, including all "Scratch" trades, must be made in the name of and between Clearing Members, and all such contracts must be submitted to the Clearing House.

All such contracts that have been accepted for clearing shall be subject to the Rules and Regulations of the Minneapolis Grain Exchange and to the exercise of the powers reserved therein to the Minneapolis Grain Exchange.

### **701.00. CLEARING HOUSE: SUBSTITUTION OF.**

In every case where Futures and Options Contracts have been accepted for clearing by the Clearing House, the Clearing House shall thereupon be substituted as Buyer to the Seller, and as Seller to the Buyer, and (except as provided in **Rule 805.00.**) shall have all the rights and be subject to all the liabilities under the contracts of the original Clearing Member parties with respect to such contracts.

### **702.00. CLEARING HOUSE: SUBSTITUTIONS FOR.**

If Futures Contracts are not offset and a Clearing Member being a Seller tenders a Delivery Notice to the Clearing House and the Clearing House in good faith passes such notice to another Clearing Member who is a Buyer (all as provided in Chapter 8), the Clearing Member who tenders such notice shall be substituted in lieu of the Clearing House as Seller to such Buyer on the contracts.

### **704.00. GIVE-UPS.**

A Market Participant must have prior permission from a Clearing Member to give-up the Clearing Member's name for a trade executed. A Clearing Member whose name is so given up must enter the trade into the Clearing House in his name.

### **711.00. FUTURES CONTRACTS: GRADES DELIVERABLE.**

All Futures Contracts made in this market shall call for the delivery of a Contract Grade, or other Deliverable Grade, of the commodity in accordance with the provisions of **Rules 802.00.** and **803.00.**

### **712.00. FUTURES AND OPTIONS CONTRACTS: QUANTITIES TRADED IN.**

All Futures and Options Contracts made in this market must be for such quantities of the commodity as specified in the contract as may, under the Rules, be delivered on such contracts. (See **Rule 801.00.**)

### **713.00. FUTURES AND OPTIONS CONTRACTS: PRICE BASIS.**

- A. Futures Contracts. The minimum fluctuation shall be one-quarter (1/4) cent, including spreads.

- B. Options on Futures Contracts. The minimum fluctuation shall be one-eighth (1/8) cent, including spreads.

#### **715.00. MONTHS TRADED IN.**

The months available for trading in Spring Wheat Futures and the number of months available for trade at one time shall be determined by the Board of Directors. See [Regulation 2010.00](#).

#### **715.01. TRADING IN DELIVERY MONTH.**

No trades in Hard Red Spring Wheat futures contracts that are deliverable in the current month shall be made after the business day preceding the fifteenth (15th) calendar day of that month. Any futures contracts remaining open after the last day of trading must be:

- A. settled by delivery no later than the seventh (7th) business day following the last trading day, or
- B. liquidated pursuant to [Regulation 2011.02](#).

#### **717.00. OPTIONS CONTRACTS: ACCEPTANCE OF OFFERS.**

All offers to purchase or sell commodity Futures or Options in this market shall be open for immediate acceptance by any Member (but only in the name of a Clearing Member), and such offers shall not be restricted to or specified for any particular Member as against any other Member.

An offer to buy or sell any commodity for future delivery shall be deemed an offer to buy or sell all or any part of the quantity specified in the offer and shall be subject to total or partial acceptance up to the total quantity bid for or offered.

#### **718.02. CONCURRENT LONG AND SHORT POSITIONS.**

Concurrent long and short positions are long and short positions traded in the same Futures for the same delivery month, or Options contract with the same strike price for the same expiration date.

Concurrent long and short positions may be held by a Clearing Member, or non-member FCM, at the discretion of a customer or on behalf of an omnibus account. It is the duty of the FCM carrying the account(s) holding concurrent long and short positions to ascertain whether such positions are intended for offset or to be held open prior to final submission of position data by the reporting Clearing Member.

Accounts that have had concurrent long and short positions continually reported to the Exchange, may offset such positions at a date later than the original trade date; however, offsets must meet all the provisions of Rule 3.1.8.

For the purpose of this Rule, hold-open positions are positions offset at the Exchange, but for the convenience of the customer have been held open on the FCM's internal bookkeeping records. Therefore, after being offset at the Exchange, hold-open positions cannot be reported as open interest nor re-established at the Exchange at a later date. An FCM's internal booking records must clearly indicate all hold-open positions. Since hold-open positions only remain open on the FCM's internal records and are not true Exchange positions, no margin is required.

The Exchange does not prohibit the internal bookkeeping of hold-open positions by its Clearing Members. However, the Clearing Member must accurately report to the Exchange, as required by MGEX Rules, all reportable positions, large trader positions, long positions eligible for delivery, and open interest.

#### **719.00. EXCHANGE FOR RELATED POSITION.**

An Exchange for Related Position (“EFRP”) transaction involves a privately-negotiated off-exchange execution involving two separate, but related transactions, consisting of an Exchange for futures and, on the opposite side of the market, the simultaneous execution of an equivalent quantity of physical (cash product, by-product, or related product) or in connection with a risk (an over-the counter (OTC) derivative or a swap agreement) component that corresponds to the asset underlying the Exchange futures contract.

The following types of EFRP transactions are permitted to be executed in accordance with the requirements of this rule:

Exchange for Physical Transaction (“An EFP”) - An exchange of futures for, or in connection with, a physical consisting of a cash commodity transaction and a futures transaction.

Exchange for Risk Transaction (“EFR”) - An exchange of futures for, or in connection with, a risk consisting of an OTC derivative or a swap agreement and a futures transaction.

EFRP transactions are subject to the requirements below.

- A. The opposing accounts to EFRP transactions must be (a) independently controlled accounts with different beneficial ownership; (b) independently controlled accounts of separate legal entities with common beneficial ownership; or (c) independently controlled accounts of the same legal entity, provided that the account controllers operate in separate business units.
- B. The quantity or economic value covered by the physical or risk transaction must be approximately equivalent to or bear a relationship to the quantity or economic value covered by the futures contract(s). At the time such transaction is effected, the buyer and seller of the futures transaction must be the seller and buyer of the physical or risk transaction. The risk component of an EFR transaction must comply with Part 35 of Commission Regulations and the Commodity Exchange Act, as amended.
- C. Each buyer and seller must satisfy the Department of Audits and Investigations, at its request, that the transaction is a bona fide EFRP transaction. Upon request of the Department of Audits and Investigations, all documentary evidence relating to the EFRP, including, but not limited to, contracts, confirmations, invoices, warehouse receipts, documents of title, a master swap agreement and any supplements thereto, or any other document that demonstrates the existence and nature of the over-the-counter or derivative transaction shall be obtained by the Clearing Members from the buyer or seller and submitted to the Department of Audits and Investigations. Clearing Members are responsible for exercising due diligence as to the bona fide nature of EFRPs submitted on behalf of their

customers.

- D. An EFRP may be made at such prices as are mutually agreed upon by the two parties to the transaction. If the price of an EFP cannot be mutually agreed upon by the date of shipment, the cash commodity buyer has the option to set the price within that day's trading range.
- E. EFRP transactions should be submitted to the Exchange as soon as possible on the same day during the hours of trading, following final agreement to contract terms by the parties involved in the trade. An EFRP executed after the close of trading of the underlying futures contract must be submitted for clearing no later than the next business day.
- F. A third party may facilitate, as the principal, the related position component of an EFRP on behalf of a customer so long as the third party is able to demonstrate that the related position was passed through to the customer who received the futures contract as part of the EFRP.
- G. The futures contracts that may be exchanged for a physical or a risk transaction, and the last day and time for executing an EFRP shall be determined by the Board of Directors.

(See [Resolution 719.00.](#))

#### **725.01. REPORTING OF TRADES.**

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

#### **726.00. "FAST" QUOTATIONS.**

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

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

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

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

## **727.00. "FAST" QUOTATIONS-UNEXECUTED ORDERS.**

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

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

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

## **728.00. QUOTATION CHANGES.**

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

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

## **730.00. PREARRANGED, PRE-NEGOTIATED, AND NONCOMPETITIVE TRADES PROHIBITED.**

No Person shall prearrange or pre-negotiate any purchase or sale or noncompetitively execute any Futures or Options transaction, except as permitted by the provision below or in accordance with Rule 730.01.

The forgoing prohibition shall not apply to Exchange For Related Positions transactions executed pursuant to Rule 719.00.

## **730.01. PRE-EXECUTION COMMUNICATIONS REGARDING ELECTRONIC TRADES.**

Persons may engage in pre-execution communications with regard to Futures and Options for MGEX Agricultural Indexes and HRSW transactions executed on the Electronic Trading System, where one Person wishes to be assured that an opposing, secondary Person, will take the opposite side of the order under the following circumstances:

- A. A Person may not engage in pre-execution communications with market participants on behalf of another Person unless the Person for whose benefit the trade is being made has previously consented to permit such communications.

- B. Persons involved in pre-execution communications shall not disclose the details of such communications to any third Person. Additionally, no Persons shall enter orders based on information conveyed during pre-execution communications except for the orders required and in accordance with the protocol noted within this Rule.
- C. Utilizing the RFQ + RFC Cross (“R-Cross”) protocol. Following the pre-execution communication, a Request for Quote (“RFQ”) for Futures or Options must be entered into the Electronic Trading System. Thereafter, the Request for Cross (“RFC”) order must be entered no less than five (5) seconds for Futures, or fifteen (15) seconds for Options, as well as no more than thirty (30) seconds for either Futures or Options after the entry of the RFQ in order to proceed with the trade. The RFQ and RFC must be entered within the same trading session. Failure to enter the RFC within 30 seconds after the entry of the RFQ will require a new RFQ to be entered prior to the entry of the RFC, and in accordance with the aforementioned timing parameters.

#### **731.00. BIDS AND OFFERS ABOVE OR BELOW CURRENT MARKET.**

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

#### **732.00. FICTITIOUS BIDS OR OFFERS PROHIBITED.**

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

#### **733.00. ATTEMPT TO UPSET MARKET PROHIBITED.**

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

#### **733.01. DISREGARD FOR ORDERLY EXECUTION PROHIBITED.**

The Exchange prohibits any Person from demonstrating intentional or reckless disregard for the orderly execution of transactions including during the opening or closing period.

#### **740.00. PRINCIPAL AND AGENT: ACTING AS BOTH PROHIBITED.**

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

- A. When two Members meet in the execution of orders in the appropriate Pit or designated area and, without prearrangement, unintentionally consummate a

contract for one and the same Clearing Member principal, such transactions shall not be considered a violation of the MGEX Rules and Regulations.

- B. If, after public outcry in the Pit a Member is unable to execute an order, the Member may, with the express prior consent of the person giving the order, become the Buyer in respect to a selling order or orders of such person, or may become the Seller in respect to a buying order or orders of such person. In the exercise of this privilege prior consent may be given in the form of a written agreement which is separate and distinct from the customer agreement. No intermediary transmitting an order may give this consent without the prior knowledge and permission of the principal for whom the order is being executed. **Rule 742.00.** shall be followed in the execution of such trades.
- C. When a Broker receives a customer's order from a Clearing Member and on bidding or offering, finds that the best response comes from a Broker whose order is identifiably for the house account of the same Clearing Member, acceptance of that order will not be regarded as a violation of the MGEX Rules and Regulations. Such instances must be random and not arise from preferential trading nor represent a pattern of trading.

#### **741.00. ACTING FOR BOTH BUYER AND SELLER PROHIBITED.**

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

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

A Market Participant or Member, who simultaneously possesses both buying and selling orders for different beneficial owners for the same commodity in futures or options in the same contract month, may execute such orders for and directly between such beneficial owners upon the conditions set forth in MGEX Rule 742.01. or 742.02.

#### **742.01. CROSS TRADING-HANDLING BOTH BUYING AND SELLING ORDERS BY OPEN OUTCRY IN THE EXCHANGE ROOM.**

- A. If such orders are first offered openly and competitively by open outcry in the Exchange Room by both bidding and offering at the same price at least three times, and neither such bid nor offer is accepted;
- B. If such Member executes such orders in the presence of an official representative of the Exchange designated to observe such transactions and the Member themselves clearly identifies all such transactions on the orders and trading cards at the time of execution as a cross trade, and promptly presents said orders and trading cards to the official representative of the Exchange for stamping and signature;
- C. If the Member receiving or executing such orders has no interest therein, directly or indirectly, except as a Futures Commission Merchant, or as a Broker; and

- D. Upon execution, such transaction(s) shall be made a matter of permanent record by the Exchange (See [Regulation 2019.00.](#)).

#### **742.02. CROSS TRADING-HANDLING BOTH BUYING AND SELLING ORDERS PLACED INTO THE ELECTRONIC TRADING SYSTEM.**

If a Market Participant enters such orders for different beneficial owners into the Electronic Trading System, one order must be exposed to market risk before entering the other, opposite order. The Exchange has the discretion to determine whether the order was exposed to sufficient market risk; however, for the purpose of this rule only, market risk will be presumed if the order was exposed to the market for at least five (5) seconds in the case of futures and at least fifteen (15) seconds in the case of options.

#### **743.00. PROHIBITION ON ACCOMMODATION OR WASH TRADES.**

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

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

#### **750.00. PRIORITY OF CUSTOMERS' ORDERS.**

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

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

For the purpose of this [Rule 750.00.](#), immediate family members are defined as spouses, children

and stepchildren, parents, brothers, and sisters.

#### **751.00. DISCLOSING ORDERS PROHIBITED.**

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

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

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

#### **753.00. BROKERS' LIABILITIES ON LIMIT ORDERS.**

A Broker shall not be liable for failure to execute a Limit Order unless the Broker is found to be negligent. In the case of a dispute regarding any unfilled Limit Order, the Disciplinary Committee is authorized to determine whether an adjustment is due a customer. No adjustment on any unfilled order shall be allowed if the Broker has not been found negligent by the Disciplinary Committee.

#### **754.00. FILLING LIMIT ORDERS ON THE OPENING AND CLOSING.**

Brokers are not to be held liable for obtaining a complete or partial fill on Limit Orders falling within the opening price or closing range even when those orders are the high or low prices of the closing range.

#### **755.00. ORDERS OR CANCELLATIONS ACCEPTED ON A "NOT-HELD" BASIS.**

All orders and cancellations that reach the Trading Floor fifteen (15) minutes or fewer before the opening of the market and all orders and cancellations that reach the Trading Floor fifteen (15) minutes or fewer before the close of the market through the end of the post settlement session may involve extraordinary problems and hence will be accepted solely at the risk of the customer on a "not-held" basis.

#### **760.00. MARGINS.**

- A. EXCHANGE MARGINS: This term shall mean United States Funds, negotiable securities or other property deposited with or to the sole credit of an agent or of a Clearing Member as protection against losses incident to a transaction for future delivery.
  - 1. INITIAL MARGIN: This term shall mean a margin (as defined herein) deposited at the initiation of a Futures transaction.
  - 2. MAINTENANCE MARGIN: This term shall mean a margin (as defined herein) maintained during the period a Futures Contract remains open.

Members and nonmember customers of a Clearing Member shall deposit and maintain initial and maintenance margins according to the Clearing Member's requirements. Initial margins as established by the Exchange, shall be charged at a minimum. The Exchange may increase or decrease initial and maintenance margins as market conditions require.

PROVIDED, that the margins on spreading and hedging transactions shall be the requirements of the Exchange as a minimum, except where a customer specifies that a spread involves an MGEX approved inter-exchange spread. Then the initial margin on the MGEX side of the spread shall be at a minimum established by the Exchange.

The specific amounts of the initial, maintenance, and spread margins are to be transmitted to the membership by special memorandum.

- B. CLEARING MARGINS: This term shall mean United States Funds or securities approved by the Exchange deposited with or to the sole credit of the Exchange as protection against losses incident to a Transaction for Future Delivery (See [Rule 2106.00.](#))

#### **765.00. TRADING FOR OFFICERS, COPARTNERS OR EMPLOYEES.**

No Member shall make a purchase or a sale of any commodity futures or options in this market, or accept or carry an account for such purchase or sale, for the account of an officer, copartner, or employee of another Member without the written consent of such other Member.

#### **775.00. "BUCKET-SHOPS" FORBIDDEN.**

No Member, and no Market Participant, shall make, negotiate in any form, have, or be in any way interested in any "Bucket-Shop" contract, trade, or transaction, whatever, or in any contract for the purchase or sales of any commodity whatever, for Futures or Options, without intent to make an actual purchase or sale, or to deliver or receive such commodity, but with intent to settle or cancel such contract by the payment of the difference between a contract and the market price, or in dealing in differences in the market price of any commodity without a bona fide purchase or sale of such commodity for actual delivery on this or some other Exchange where such commodity is dealt in.

No Member or Market Participant shall knowingly be interested in the business of, or associated in business with, or shall, in any transaction, act as the Broker or representative of, or shall execute any order for or on behalf of any Person, exclusively, or otherwise in operating a "Bucket-Shop," in making, negotiating, or dealing in the contracts, trades or transactions previously prohibited in this Rule.

Any Member or Market Participant, who or which has violated the provisions of this [Rule 775.00.](#), shall be subject to disciplinary action and/or shall have its access to the Electronic Trading System terminated.

#### **780.00. OFFICIAL OPENING.**

The official opening of the market shall be understood to include the price at which the opening orders are executed, provided that in the opinion of the Market Observer and the Exchange, due diligence and promptness have been observed in handling such orders. The condition of the market shall also be considered in forming the decision.

**CHAPTER 13**  
**VESSEL TRADING RULES FOR THE PORTS OF DULUTH AND SUPERIOR**

- 1300.00. Scope
- 1301.00. Passing Of Title As Well As Risk Of Loss And/Or Damage
- 1302.00. Quantity
- 1303.00. Weight
- 1304.00. Commodity
- 1305.00. Quality
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- 1307.00. Vessel Nominations
- 1308.00. Days
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- 1313.00. Circles
- 1314.00. Failure To Take Delivery
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- 1316.00. Strikes Or Other Causes Of Delay In Shipment
- 1317.00. Default
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**CHAPTER 13  
VESSEL TRADING RULES FOR THE PORTS OF  
DULUTH AND SUPERIOR**

**1300.00. SCOPE.**

The following Rules shall apply to FOB vessel contracts for the shipment of commodities from the ports of Duluth and Superior. For the purposes of this Rule the term "FOB" (Free on Board) means that the Seller undertakes for the price named to deliver the commodity specified in the contract to the discharge end of the loading spout free of charges to the Buyer.

The provisions of this Chapter shall apply unless the terms of the FOB vessel contract otherwise provide, but shall not interfere with the rights of Buyers and Sellers to make contracts whose terms differ from or are not included in those herein contained.

**1301.00. PASSING OF TITLE AS WELL AS RISK OF LOSS AND/OR DAMAGE.**

Unless otherwise specified by contractual agreement, title passes to the Buyer once the delivery of grade and weight certificates, as well as the Bill of Lading or mate's receipt(s), has been made to the Buyer or his agent and the Seller has received payment. Payment shall be made upon receipt of the aforementioned documents. If documents are presented by one o'clock p.m. (1:00) p.m. Central Time, payment shall be made the same business day. If payment is not made within the required time period, interest shall be charged at a rate of two and one-half percent (2 1/2%) over current prime rate as quoted in the Wall Street Journal (if more than one prime rate is quoted, it will be the average of the quotes).

Unless otherwise specified by contractual agreement the risk of loss and/or damage passes to the Buyer once the commodity contracted for has left the discharge end of the loading spout.

**1302.00. QUANTITY.**

Quantity in bulk, including dockage, five percent (5%) more or less at Buyer's option, and at market price (per [Rule 1309.00.](#)) as follows: If the first delivery under this contract is for a quantity between contract minimum and contract maximum (both inclusive), no further deliveries shall be made. If this contract is to be executed by more than one vessel, the loading tolerance of five percent (5%) more or less shall apply on the difference between the mean contract quantity and the quantity that has been delivered on all prior vessels. Any delivery which falls within this difference, plus or minus five percent (5%), shall complete the contract.

**1303.00. WEIGHT.**

Quantity to be final at Duluth/Superior in accordance with customary official/certified weight certificates used in Duluth/Superior. One thousand sixteen (1,016) kilos shall be equal to two thousand two hundred and forty (2,240) pounds.

**1304.00. COMMODITY.**

Unless otherwise agreed, commodity factors shall be in accordance with the official United States Grain Standards in effect on date of this contract.

### **1305.00. QUALITY.**

Quality and condition will be final at Duluth/Superior in accordance with official/certified inspection certificates. Each party hereby authorizes the other party to request in both parties' names an appeal inspection under the U.S. Grain Standards Act at any time prior to or during the loading of the vessel, and whether or not such request was filed before commencement of loading. The cost of such appeal inspection, unless otherwise stipulated in this contract, shall be borne by the party requesting it. Delivery of higher grades of grain of the same type and description is permissible.

### **1306.00. DELIVERY.**

Delivery shall be made between \_\_\_\_\_ and \_\_\_\_\_, both inclusive (the "delivery period"), at discharge end of loading spout, to Buyer's tonnage in readiness to load, in accordance with custom of the port and subject to the elevator tariff to the extent that it does not conflict with the terms of this contract. Incorporation of a loading rate guaranty in this contract shall not entitle Seller to delay delivery.

### **1307.00. VESSEL NOMINATIONS.**

Vessel nominations must be given in writing by the Buyer of FOB vessel grain in an Exchange approved switching district during a normal business day and at least three (3) consecutive days pre-advice (excluding Saturdays, Sundays, and holidays) prior to the date of the vessel's arrival. The Buyer shall keep the loading elevator informed of changes in expected time of vessel readiness.

Upon receipt of a vessel nomination, the Seller must promptly acknowledge receipt of and accept or deny the nomination, and either pass the nomination to a party with whom the Seller has a contract for the delivery of FOB vessel grain in an Exchange approved switching district or declare a loading elevator to the Buyer.

The Buyer has a right to substitute any nominated vessel; however, notice must be given as soon as possible but no later than twenty-four (24) hours (excluding Saturdays, Sundays, and holidays) before the estimated time of arrival of the original vessel. No new pre-advice period is required for any substitute vessel, provided that the substitute vessel arrives no earlier than the estimated time of arrival of the original nominated vessel.

The vessel will not be prevented from filing and taking its place in the vessel line-up at the designated berth during the pre-advice period or before commencement of the delivery period, notwithstanding which, Seller is not required to effect delivery to the vessel before the expiration of the pre-advice period or before commencement of the delivery period. Laytime starts counting at 0800 on the next business day after valid notice of readiness is tendered, but in any case, not earlier than expiration of the contractual pre-advice period or before commencement of the delivery period.

For the purposes of this contract, a vessel will be considered filed when it:

- A. Has tendered valid notice of readiness to load to the charterer or his agent at the port of loading;
- B. Has given written notice of such tender to the loading elevator, complete with all customarily required documents, such notice having been presented between the hours of 0800 and 1600 local time on a business day or between the hours of 0800 and 1200 noon on Saturday (provided not a holiday); and
- C. Is ready to receive grain in the compartments required for loading under this contract.

All grain must be ready for delivery to the vessel when required to be loaded aboard the vessel, and in the event such grain is not available at that time, the party at fault will be considered in default.

Bills of lading and/or mate's receipts are considered proof of date of delivery in the absence of evidence to the contrary. Any delivery in partial fulfillment of this contract will be considered as if made under a separate contract.

#### **1308.00. DAYS.**

First half shall be defined as calendar days one (1) through fifteen (15) both dates inclusive. Last half shall be defined as calendar days sixteen (16) through the last calendar day of the month, both dates inclusive.

#### **1309.00. PRICE.**

If the contract price is to be established on an exchange of futures, futures shall be exchanged prior to delivery of the commodity or at least five (5) calendar days, prior to the last trading days, of the applicable futures month, whichever is earlier, to the nearest five thousand (5,000) bushels of the mean contract quantity. If deliveries under this contract result in a variance from the mean contract quantity, there shall be another exchange of futures as soon as possible after the last day of loading to bring the resulting amount of futures exchanged to the nearest five thousand (5,000) bushels of the quantity delivered. All exchanges of futures shall be made within the range of prices prevailing on the futures market on the date of the exchange. The variance from the mean contract quantity shall be settled basis the market value as defined in paragraphs A and B below:

- A. The FOB (flat price) market value, or the market value of the premium, as the case may be, shall be that prevailing on the close of the appropriate market in Duluth/Superior of the commodity on the last date of loading, if such be a business day, otherwise on the close of such market on the previous business day.
- B. In the event the parties do not agree on the market value by the time the shipping documents are ready to be transmitted to Buyer, Seller shall invoice the entire shipment provisionally at contract price. Thereafter, final invoice for the difference between contract price and market value shall be presented as soon as possible and payment shall be made immediately.

#### **1310.00. NOTICE OF DELIVERY.**

Notice of delivery stating vessel's name, dates of bills of lading (or mate's receipts), quantities and qualities loaded (including percentage of dockage if applicable) shall be passed on by Seller to Buyer without undue delay. Notices of delivery shall be subject to correction of any errors.

#### **1311.00. INSURANCE.**

Marine and war risk (plus strikes, riots, civil commotions and mine risk) insurance, covering Seller's/Buyer's interests as they may appear, is to be covered by Buyer with first-class approved companies and/or underwriters and to be confirmed by such companies and/or underwriters to Seller prior to the expected readiness of the vessel. If this confirmation is not received by Seller by such time, Seller may place such insurance for Buyer's account and at Buyer's risk and expense.

### **1312.00. COMMUNICATIONS.**

All notices under this contract shall be given by letter, if delivered by hand on the day of writing, or by cable, telex or other method of rapid written communication. Any notice received after 1600 hours (local time at place of receipt) on a business day shall be deemed to have been received on the following business day, except that for preadvice given and received by parties which are both located in the Continental United States and/or Canada, the reference herein to 1600 hours shall signify 1600 hours Central Time.

### **1313.00. CIRCLES.**

- A. For the purposes of this clause, a circle shall consist of a series of contracts in which each Seller is also a Buyer of a commodity of the same description and quality, and with compatible delivery periods.
- B. If this contract forms part of a circle, each party may agree with the other parties in the circle to forego actual delivery and to participate in a clearing agreement for the settlement of contract price differences. Monies due and owed to parties in the circle shall be payable on the middle day of the contract delivery period.
- C. If a circle can be shown to exist but no clearing agreement has been reached by the tenth (10th) calendar day following the last day of the delivery period, actual delivery shall not be made and payment shall be made by each Buyer to his Seller of the excess of Seller's invoice amount over the lowest invoice amount in the circle. Such payments shall be made promptly after the tenth (10th) calendar day following the last day of the delivery period.
- D. Should any party in a circle fail to make payment on the due date as required under paragraph B or C above for reasons cited in Minneapolis Grain Exchange **Rule 1318.00.** or for any other reason, payment shall be made between each Buyer and his Seller of the difference between the Seller's invoice amount at contract price and the market value of the commodity on date of insolvency or default, as the case may be. Such payment shall be made latest on the second business day after the due date under paragraph B or C above. Payments already made under paragraph B or C above shall be refunded.
- E. All circle settlements shall be based on the mean contract quantity. If a circle under paragraph B, C or D above exists, Minneapolis Grain Exchange **Rules 1314.00.** and **1316.00.** shall not apply. Payments due on a non-business day shall be made not later than the following business day. All payments made after the delivery period shall include carrying charges from the day following the last day of the delivery period, to the date of payment, at the rates stipulated in this contract. These carrying charges shall be settled individually between Buyer and Seller.
- F. The parties agree that any dispute arising out of the voluntary clearing agreement entered into in accordance with paragraph B above shall be subject to arbitration as per Rules of the Minneapolis Grain Exchange.

### **1314.00. FAILURE TO TAKE DELIVERY.**

Should the Buyer not take delivery of the grain within the established contract period, he shall be in breach of contract, and the Seller shall carry the grain on carrying charges for Buyer's account from the day following the last date of contract delivery period up to the date(s) of delivery, both dates inclusive,

and such carrying charges shall include storage and insurance charges as provided in his elevator tariff, or as prescribed in the contract if the carrying charges are different from those prescribed in the elevator tariff, plus interest basis mean contract quantity or open balance basis mean quantity as follows:

One percent (1%) over current prime rate as quoted in the Wall Street Journal (if more than one prime rate is quoted, it will be the average of the quotes) when the prime rate is less than seven percent (7%).

One and one-half percent (1.5%) over current prime rate as quoted in the Wall Street Journal (if more than one prime rate is quoted it will be the average of the quotes) when the prime rate is seven (7%) or more but less than eight and one-half percent (8.5%).

Two percent (2.0%) over current prime rate as quoted in the Wall Street Journal (if more than one prime rate is quoted it will be the average of the quotes) when the prime rate is eight and one-half percent (8.5%) or more but less than ten percent (10.0%).

Two and one-half percent (2.5%) over current prime rate as quoted in the Wall Street Journal (if more than one prime rate is quoted it will be the average of the quotes) when the prime rate is ten percent (10.0%) or more.

In the event that said grain has not been picked up within twenty (20) calendar days following the last day of the contract delivery period, the Seller may at his discretion either:

- A. Continue to carry the grain on carrying charges as provided above, or:
- B. Issue warehouse receipts for the mean quantity due, for which the Buyer shall pay contract price, plus all accrued carrying charges and interest, but less out elevation charges (such tender of warehouse receipts shall be deemed performance of the contract on the part of the Seller), or:
- C. Negotiate new terms with the Buyer for carrying beyond the twenty (20) day period or;
- D. Declare the Buyer in default, but said declaration of default under this Rule, regardless of contract delivery period, may be made only during the calendar period of May fifteen (15th) through the first (1st) business day of December, both dates inclusive.

#### **1315.00. DRAFT AT LOADING BERTH.**

Unless stipulated to the contrary, the Seller shall be responsible for providing a minimum water depth at the loading berth equivalent to seaway draft.

#### **1316.00. STRIKES OR OTHER CAUSES OF DELAY IN SHIPMENT.**

This clause shall apply if delivery by the Seller of the commodity, or any part thereof, is prevented or delayed at the port or elevator of delivery by reason of any of the following conditions:

- A. Riots, strikes, lockouts, embargoes, interruptions or stoppages to the normal course of labor;
- B. Exceptional impediments to transportation;

C. Action by Federal, State or Local Government authority.

Seller shall have the option of invoking this clause by nominating a loading elevator and notifying the Buyer by cable or telex sent within two (2) business days after the date of commencement of the cause or causes of prevention and/or delay, or on the first business day of the contract delivery period, whichever occurs later (if Seller fails to invoke this clause within the proper time and notification requirements as described above, Seller shall not be entitled to do so at a later date for the same cause or causes and shall be in default if unable to load a properly nominated vessel; PROVIDED THAT if required by Buyer, Seller will furnish a certificate of the Minneapolis Grain Exchange certifying the existence and duration of the cause or causes of prevention and/or delay, and such certification will be final.

The following shall apply if this clause has been invoked by the Seller:

- A. At the termination of the cause or causes of prevention and/or delay or at the resumption of work after the termination of such cause or causes, whichever occurs later, Seller may extend the period of prevention and/or delay under this clause for up to an additional fourteen (14) days to allow the forwarding of the goods to the port; PROVIDED THAT Seller shall have notified Buyer by cable or telex sent within one (1) business day after the termination of the cause or causes of prevention and/or delay or at the resumption of work after the termination of such cause or causes, whichever occurs later.
- B. At the termination of the cause or causes of prevention and/or delay, or at the resumption of work after the termination of such cause or causes, or at the termination of an extension declared by Seller of up to fourteen (14) days of the period of prevention and/or delay, whichever occurs later, Buyer shall be entitled to as many days to lift the goods as there were days remaining in the contract delivery period at the commencement of such cause or causes, but not fewer than fourteen (14) days.
- C. Carrying charges for Buyer's account shall begin on the day following the last day allowed for performance on contract as extended hereunder, except that if this clause becomes operative after the last date of the contract delivery period, Buyer shall pay carrying charges from the day following the last day of contract delivery period up to date(s) loaded, both inclusive.

**1317.00. DEFAULT.**

In case of default by either party, the other party shall be at liberty, after giving notice by cable or telex, to resell or repurchase, as the case may be, without undue delay, and the defaulting party shall make good the loss, if any, to the other party but shall not be entitled to any profit. If the non-defaulting party has not repurchased or resold the commodity by the tenth (10th) consecutive day after the giving of notice of default, the market value on the said tenth (10th) day shall be used for settlement purposes. If such tenth (10th) day falls on a nonbusiness day, the market value on the previous business day will govern. In event of a default by Buyer, the sale price under this contract shall automatically be increased by the value of carrying charges calculated up to the date of resale, or the tenth (10th) consecutive day after the giving of notice of default, whichever is applicable.

**1318.00. INSOLVENCY.**

Either party shall, at any time after sending notice, have the right to terminate this contract and recover the loss (if any) in the event that:

- A. the other party suspends payment or commits an act of bankruptcy; or
- B. reasonable grounds for insecurity having arisen with respect to the financial capacity of the other party to perform under this contract, and a written demand for adequate assurance of due performance having been made, such assurance is not received within a period of time not exceeding five (5) days.



## **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
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### **TRADING**

- 2005.00. Substitutes
- 2005.01. Substitute Tickets: Issuance Of
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- 2006.00. Cash Trading Privileges: Granting Of And Application For
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- 2007.00. Fraud Or Attempted Fraud Prohibited
- 2007.01. "Spoofing" Practices Prohibited
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- 2008.00. Adjustment Of Trade Prices And Cancellations Of Trades
- 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
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- 2023.00. Striking Prices

### **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

## **CASH GRAIN**

- 2035.00. Reporting Cash Commodity Sales
- 2036.00. Disposition Orders: Form Of
- 2038.00. Pan Tickets
- 2039.00. Delivery And Payment To Invoices And Requests For Advances On Truck/Rail  
Commodities
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## **MISCELLANEOUS**

- 2053.00. Limitations On Options Transactions-Solicitation And Acceptance
- 2054.00. Board Of Arbitration: Fees
- 2054.01. Customer Claims Arbitration Panel: Fees
- 2055.00. Members: Limitation On Parties For Whom They May Act
- 2055.01. When Authorization To Trade Is Not Required
- 2055.02. Acting As A Broker
- 2055.03. Registration Of Floor Brokers/Floor Traders
- 2058.00. Collection Of Trading Documents
- 2059.00. Designation Of Open And Close On Trading Cards
- 2060.00. Official Closing Period: Futures
- 2061.00. Official Closing Period: Options
- 2062.00. Trading Cards: Form, Preparation And Maintenance
- 2062.01. Trading Records And Errors
- 2063.00. Time-Stamps
- 2064.00. Unmatched Trade Resolution
- 2065.00. Identification And Registration Of Broker Associations
- 2067.00. Electronic And Open Outcry Trading

3. Transaction date
  4. Quantity bought or sold
  5. Commodity
  6. Contract for future delivery or physical
  7. Future (month) or expiration date
  8. Price or premium
  9. Put or call and strike price
  10. Transaction time to the minute
  11. Opposite Broker/Trader
  12. Opposite Clearing Member
  13. Indicators for the following types of transactions: (C) cash exchange; (T) office transfer; (S) spread; (D) delivery; (E) exercise; (R) exchange for risk
  14. Any other information required by the Exchange
- C. A Member recording transactions on trading cards must use non-erasable ink to record each purchase and sale in exact chronological order of execution on sequential lines of the card. Skipping of lines on the trading card is prohibited. If blank lines remain after the last execution recorded on a trading card the remaining lines should be marked through. When two-sided trading cards are used, blank lines on both sides of the card must be marked through.
- D. A Member must use a new trading card at the beginning of each designated interval required pursuant to [Regulation 2058.00](#).
- E. A Member is accountable for all trading cards prepared pursuant to MGEX Rules and Regulations in exact numerical sequence, whether or not such trading cards are relied upon as original source documents.
- F. A Member must identify on his/her trading cards trades executed during opening and closing periods in the manner required by [Regulation 2059.00](#).

#### **2062.01. TRADING RECORDS AND ERRORS.**

- A. All trading records including trading cards, order forms and order tickets that are prepared or used by a Member or Clearing Member to document requests or executions for Pit or ex-Pit transactions must be completed in non-erasable ink.
- B. The Member or Clearing Member may correct any errors on trading records by crossing out the erroneous information with a single line or an "X" and recording the correct information. The originally recorded information must not be obliterated or otherwise made illegible when it is crossed out.
- C. After the initial time-stamp, a Clearing Member may not correct erroneous information on trading records unless the party making the correction has initialed the trading document as near as possible to the correction.
- D. With regard to trading cards only, a Member may correct erroneous information by rewriting the trading card. However, both the original trading card and the rewritten trading card must be prepared and submitted in

accordance with the requirements of Exchange **Regulations 2058.00.** and **2062.00.** A Member may not rewrite the trading card after it has been submitted to the Clearing Member.

### **2063.00. TIME-STAMPS.**

All time-stamps required by the Rules and Regulations of the Exchange must show the time to the nearest minute as well as the correct date.

At the beginning of each trading day, each Clearing Member must ensure that each time-clock used on the Trading Floor by that Clearing Member is synchronized with the official time displayed by the official master clock on the Exchange Floor.

It shall be considered uncommercial conduct to manipulate or tamper with any time-clock so as to put it out of synchronization with the official master clock.

### **2064.00. UNMATCHED TRADE RESOLUTION.**

It is the responsibility of the Trader to make herself/himself or an authorized representative available to resolve any unmatched trades throughout the day as they may occur.

### **2065.00. IDENTIFICATION AND REGISTRATION OF BROKER ASSOCIATIONS.**

Pursuant to the provisions of **Rule 1216.00.**, the Board of Directors has adopted this Regulation.

- A. A Broker Association shall include two (2) or more Exchange Members with floor trading privileges, of whom at least one (1) is acting as a floor Broker, who:
  - 1. engage in floor brokerage activity on behalf of the same employer;
  - 2. have an employer and employee relationship which relates to floor brokerage activity;
  - 3. share profits and losses associated with their brokerage or trading activity; or
  - 4. regularly share a deck of orders in which floor Brokers have knowledge of the orders to be shared.
- B. A member of a Broker Association may not receive or execute an order unless the Broker Association is registered with the Exchange.
- C. A Broker Association member must register with the Exchange no later than ten (10) business days after an event requiring registration.
- D. Registration of each Broker Association shall include the following information where applicable:
  - 1. Name and legal form of the Broker Association;
  - 2. Name of each person who is a member or otherwise has a direct beneficial interest in the Broker Association;

3. All identifying badge numbers of Broker Association members;
  4. Account numbers for all accounts belonging to any Broker Association member, accounts in which any Broker Association member(s) have an interest, and any proprietary or customer accounts controlled by any member(s) of the Broker Association;
  5. Identification of all Broker Associations with which each Member is associated; and
  6. Individual(s) authorized to represent the Broker Association in connection with its registration obligations.
- E. It shall be the responsibility of the Broker Association and its authorized representative to ensure the Broker Association is properly registered. It shall be the responsibility of each Broker Association member to ensure he has complied with registration requirements and to ensure the accuracy of the information filed. Any changes to the information previously reported must be provided within five (5) business days after an event giving rise to the changes.
- F. The Exchange may request any additional information from a Broker Association or its members as it deems necessary.
- G. "Floor Brokerage Activity" is defined as the reception of orders or execution of trades for all accounts other than for a Member's personal account.
- H. "Regularly Share A Deck Of Orders" is defined as instances regularly occurring more than once per week where Members sharing a deck of orders have knowledge of the terms of the orders shared. Knowledge can be obtained by handing off orders for execution after a Broker has seen the terms of the order.
- I. Where there are individual relationships which technically come within the definition of a Broker Association but are incidental to or involve no floor brokerage activity, a request for exemption from registration may be made to the Department of Audits and Investigations. Such request must be made in writing with full disclosure as to the nature of the trade activity and individual relationships. The Department of Audits and Investigations has sole discretion to determine exemption which may be revoked for just cause at anytime.

#### **2067.00. ELECTRONIC AND OPEN OUTCRY TRADING.**

Pursuant to the provisions of [Rule 1818.00.](#), the Board of Directors has adopted this Regulation for Contracts permitted by the Board of Directors to trade on the Electronic Trading System and by open outcry:

- A. A clearing member and broker shall have a fiduciary responsibility in the handling and execution of all orders received, by whatever means, to obtain the best price available among trading platforms. However,

members trading for themselves by open outcry and orders initiated directly by a user for electronic execution will not be subject to this regulation.