



May 14, 2018

Web 2018-1

Dear MGEX Members & Rules and Regulations Book Recipients:

The following have been amended:

<u>Chapter</u>	<u>Citation</u>	<u>Purpose</u>
Table of Contents	N/A	Update to Table of Contents
7- Futures & Options Trading	Index 742.00., 742.01., 742.02.	Update to Index To provide clarity and additional guidance for cross trading of orders both electronically and by open outcry.
54- Apple Juice Concentrate Future Regulations	5400.00. - 5418.00.	To remove chapter pursuant to delisting product.
55- Apple Juice Concentrate Options Regulations	5500.00. - 5519.00.	To remove chapter pursuant to delisting product.
56- Apple Juice Concentrate Delivery Warehouse Regulations	5600.00. - 5605.00.	To remove chapter pursuant to delisting product.

You can view these changes by visiting the MGEX website at <http://www.mgex.com>:

1. On the top, go to "RESOURCES" and click "Rules and Regulations"
2. Click "Latest changes to MGEX RULES, REGULATIONS AND RESOLUTIONS"

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

Sincerely,

Layne G. Carlson, Corporate Secretary

TABLE OF CONTENTS

Contents

Legal Status
Certificate of Incorporation
Bylaws

Chapters

Ch. 1 Definitions
Ch. 2 Universal Provisions
Ch. 3 Reserved
Ch. 4 Arbitration - Members
Ch. 5 Arbitration - Customers
Ch. 6 Discipline
Ch. 7 Futures & Options Trading
Ch. 8 Deliveries
Ch. 9 Delivery Elevators
Ch. 10 Sales "To Arrive" & "For Shipment"
Ch. 11 Cash Commodities
Ch. 12 Discipline Regulations
Ch. 13 Vessel Trading
Ch. 14 Option Specifications
Ch. 15 Option Definitions and Other Terms
Ch. 17 Options Sales Practices
Ch. 18 Electronic Trading
Ch. 20 Regulations
Ch. 21 Clearing House Regulations
Ch. 22 MGEX Info Xchange Regulations
Ch. 50 Dormant Rules And Regulations
Ch. 70 Forms
Ch. 71 Interpretations
Ch. 72 Resolutions
Ch. 73 National Corn Index Futures
Ch. 74 National Corn Index Options
Ch. 75 National Soybean Index Futures
Ch. 76 National Soybean Index Options
Ch. 77 Hard Red Winter Wheat Index
Futures
Ch. 78 Hard Red Winter Wheat Index
Options
Ch. 79 Soft Red Winter Wheat Index Futures
Ch. 80 Soft Red Winter Wheat Index Options
Ch. 81 Hard Red Spring Wheat Index
Futures
Ch. 82 Hard Red Spring Wheat Index
Options

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
- 703.00. Clearing House: Offsets
- 704.00. Give-Ups

FUTURES AND OPTIONS CONTRACTS

- 710.00. Futures Contracts: Commodities
- 711.00. Futures Contracts: Grades Deliverable
- 712.00. Futures And Options Contracts: Quantities Traded In
- 713.00. Futures And Options Contracts: Price Basis
- 714.00. Futures And Options Contracts: Time And Place For Making
- 715.00. Months Traded In
- 715.01. Trading In Delivery Month
- 717.00. Options Contracts: Acceptance Of Offers
- 718.00. "Transfer" Or "Office" Trades: Definitions
- 718.01. Offsets And Transfer Trades
- 719.00. Exchange For Related Position

QUOTATIONS

- 725.00. Quotations Based On Trades
- 725.01. Reporting Of Trades
- 726.00. "FAST" Quotations
- 727.00. "FAST" Quotations - Unexecuted Orders
- 728.00. Quotation Changes

TRADING - BIDS AND OFFERS

- 730.00. Prearranged Prices Prohibited
- 731.00. Bids And Offers Above Or Below Current Market
- 732.00. Fictitious Bids Or Offers Prohibited
- 733.00. Attempt To Upset Market Prohibited
- 733.01. Disregard For Orderly Execution Prohibited

CONFLICTS OF INTERESTS

- 740.00. Principal And Agent: Acting As Both Prohibited
- 741.00. Acting For Both Buyer And Seller Prohibited
- 742.00. Cross Trading-Handling Both Buying And Selling Orders
- 742.01. Cross Trading-Handling Both Buying And Selling Orders By Open Outcry In The Exchange Room
- 742.02. Cross Trading-Handling Both Buying And Selling Orders Placed Into The Electronic Trading System

743.00. Prohibition On Accommodation Or Wash Trades

ORDERS

750.00. Priority Of Customers' Orders

751.00. Disclosing Orders Prohibited

753.00. Brokers' Liabilities On Limit Orders

754.00. Filling Limit Orders On The Opening And Closing

755.00. Orders Or Cancellations Accepted On A "Not-Held" Basis

MARGINS

760.00. Margins

MISCELLANEOUS

765.00. Trading For Officers, Copartners Or Employees

766.00. Confirmation Of Futures Or Options Trades

768.00. Acceptance Of Accounts From Others Than Principals

769.00. Omnibus Accounts

770.00. Discretionary Accounts

775.00. "Bucket-Shops" Forbidden

780.00. Official Opening

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

730.00. PREARRANGED PRICES PROHIBITED.

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

731.00. BIDS AND OFFERS ABOVE OR BELOW CURRENT MARKET.

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

732.00. FICTITIOUS BIDS OR OFFERS PROHIBITED.

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

733.00. ATTEMPT TO UPSET MARKET PROHIBITED.

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

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. Provisions of subsections B. and C. of **Rule 742.00.** shall be followed in the execution of such trades.

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

741.00. ACTING FOR BOTH BUYER AND SELLER PROHIBITED.

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

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

A 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 [Regulation 2102.00.](#))

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.

766.00. 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 shall be in writing and shall show the commodity bought or sold, the quantity, the price or premium and the delivery month and, if an option, whether a put or call and the strike price.

768.00. 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 party, nor shall any Member or Market Participant accept or carry such an account for such other party, if such other party is known to be acting as an agent for and on behalf of others, unless such other party 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 shall 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 shall 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. No transaction shall be held open in the name of the person for whose account such transaction has been made if such transaction can be closed by making up an Account of Purchase and Sale;
- D. Confirmations of all trades shall be sent promptly, both to the person for whose account such purchases or sales have been made and to the party authorized to act for his or her account;
- E. Written evidence of such delegation of authority by such party to such other party to trade in his or her name shall have been furnished to the Member or Market Participant making the trade.

769.00. OMNIBUS ACCOUNTS.

An omnibus account stands in the name of an organization or firm and 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, organization or firm which is in compliance, with the registration requirements of the Commodity Futures Trading Commission. It shall be the responsibility of the firm handling an omnibus account to be aware of, and vouch for the registration status of the account.

The person responsible for an omnibus account shall 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 shall, 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 shall be kept up to date throughout the delivery month.

A Clearing Member carrying an omnibus account (except an omnibus account of another Clearing Member) shall 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.

770.00. DISCRETIONARY ACCOUNTS.

No Clearing Member shall accept or carry an account over which any Person, other than the Person in whose name the account is carried, exercises trading authority or control without meeting the following conditions:

- A. Authorization.

The Person in whose name the account is being carried shall sign and submit to the Clearing Member a power of attorney or other document by which trading authority or control is clearly given and that designates precisely to whom the trading control is given.

The power of attorney, trading authorization, or the document by which trading authority is given, shall be in writing showing the date it was entered into. It shall remain in effect until it is terminated by a 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 the person to whom such power has been delegated and must be in writing or by the death or incapacity of such person.

B. Orders.

Any person initiating an order for an account over which he has discretion must reduce the order to writing, record thereon the account number and date, and time-stamp the order. This requirement shall 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.
3. Proprietary accounts of Clearing Members.

C. Records.

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

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.