



July 24, 2019

Web 2019-3

Dear MGEX Members & Rules and Regulations Book Recipients:

Updates have been made to the following Chapters:

<u>Chapter</u>	<u>Citation</u>	<u>Purpose</u>
Table of Contents	N/A	Update to Table of Contents.
Bylaws	Bylaw 301.00.	Update to MGEX Bylaw 301.00. cross-cite.
2- Universal Provisions	Index Rules 2.3.2., 2.3.3., 2.3.4., 2.3.5., 2.3.6., 2.4.1., 2.4.2.	Update to Index. Amendments to MGEX Rules 2.3.2. (formerly 2017.00.), 2.3.3. (formerly 769.00.), 2.3.4. (formerly 770.00.), 2.3.5. (formerly 2069.00.), 2.3.6. (formerly 768.00.), 2.4.2. (formerly 2020.00.), to update language; addition of new MGEX Rule 2.4.1. regarding collection of fees.
7- Futures And Options Trading	Index Rules 703.00., 718.01., 718.02., 740.00., 760.00., 768.00., 769.00., 770.00.	Update to Index. Update to MGEX Rules 740.00. and 760.00. cross-cites; amendments to MGEX Rule 718.01. to clarify offset procedures; addition of new MGEX Rule 718.02. to identify the concepts of “concurrent long and short positions” as well as “hold open positions”; removal of MGEX Rule 703.00. as content is moving to Rules 718.01. and 2100.00.; removal of MGEX Rules 768.00., 769.00., and 770.00. to account for relocation to Chapter 2.
9- Delivery Elevators	Index Rules 900.00., 900.01.	Update to Index. Update to MGEX Rule 900.00. cross-cite; amendments to MGEX Rule 900.01. to add clarifying language of the timeline for early regularity withdrawals.
20- Regulations	Index Rules 2005.00., 2006.00., 2006.01., 2017.00., 2020.00., 2025.00., 2028.00., 2039.00., 2040.00., 2065.00., 2069.00.	Update to Index. Update to MGEX Rules 2005.00., 2006.00., 2006.01., 2025.00., 2028.00., 2039.00., 2040.00., and 2065.00. cross-cites; removal of MGEX Rules 2017.00., 2020.00., and 2069.00. to account for relocation to Chapter 2.
21- Clearing House Rules	Index Rules 2100.00., 2100.01., 2100.02., 2100.03., 2101.00., 2102.00., 2104.00., 2104.01., 2105.00., 2106.00., 2106.01., 2107.00., 2108.00., 2108.01., 2109.00., 2109.01., 2109.02., 2109.03., 2109.04.,	Update to Index. Amendments to MGEX Rules 2100.00., 2100.01., 2100.02., 2100.03., 2101.00., 2102.00., 2104.00., 2104.01., 2105.00., 2106.00., 2106.01., 2107.00., 2108.00., 2108.01., 2109.00., 2109.01., 2109.02., 2109.03., 2109.04., 2109.05., 2110.00., 2110.01., 2111.00., 2112.00., 2113.00., 2114.00., 2115.00., 2116.00., 2117.00., 2118.00., 2119.00., 2120.00., and 2121.00. to update rules to enhance compliance with CFTC regulations and the tools available to the Clearing House following a Clearing Member default.

2109.05., 2110.00.,
2110.01., 2111.00.,
2112.00., 2113.00.,
2114.00., 2115.00.,
2116.00., 2117.00.,
2118.00., 2119.00.,
2120.00., 2121.00.

57- Hard Red Spring Wheat Calendar
Spread Options Regulations

Rule 5712.00.

Update to MGEX Rule 5712.00. cross-cite.

72- Resolutions

Resolution
210.01.F.,
2101.00.C.

Amendments to MGEX Resolution 210.01.F. to add language to allow Exchange officers to approve regularity withdrawal in addition to current power of initial approval and renewals; update to MGEX Resolution 2101.00.C. cross-cites.

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.

Sincerely,



Layne G. Carlson, Corporate Secretary

TABLE OF CONTENTS

Corporate Governance

Legal Status

Certificate of Incorporation

Bylaws

Chapters

Ch. 1 Definitions

Ch. 2 Universal Provisions

Ch. 3 Reserved

Ch. 4 Arbitration

Ch. 5 Reserved

Ch. 6 Reserved

Ch. 7 Futures And Options Trading

Ch. 8 Deliveries On Futures Contracts

Ch. 9 Delivery Elevators

Ch. 10 Sales "To Arrive" And Sales "For
Shipment"

Ch. 11 Cash Commodities

Ch. 12 Discipline Regulations

Ch. 13 Vessel Trading Rules For The Ports of
Duluth And Superior

Ch. 14 Option Specifications

Ch. 15 Option Definitions And Other Terms

Ch. 17 Sales Practices And Promotions

Ch. 18 Electronic Trading

Ch. 20 Regulations

Ch. 21 Clearing House Rules

Ch. 22 MGEX Info Xchange Regulations

Ch. 57 Hard Red Spring Wheat Calendar
Spread Options 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

BYLAWS MEMBERSHIP

300.00. MEMBERSHIP: INDIVIDUALS ELIGIBLE.

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

301.00. MEMBERSHIP: ADMISSION TO.

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

- A. An application for Membership must have been made;
- B. The application must be reviewed by the Exchange. The Exchange may, at its discretion, require any applicant to produce additional documentation and/or meet in person prior to any action by the Board of Directors;
- C. A Request to Transfer and Record the Ownership of a Membership form must have been posted on the Official Bulletin Board for ten (10) consecutive days prior to such action;
- D. If an objection to the approval of such applicant to Membership has been duly filed by a Member of MGEX, it must have been heard by the Board of Directors and dismissed;
- E. All the requirements of the Bylaws and MGEX Rules for the transfer of a Membership to the applicant must have been complied with or the applicant must have obtained an original Membership under the provisions of **Bylaw 360.00.** or **Rule 2110.01.**
- F. An application fee shall be collected by the Exchange at the time of the application. This fee, in an amount to be determined by the Exchange, shall not be refunded in the event that the applicant fails, for any reason, to become a Member.
- G. If the applicant does not own a Membership at the time its application is approved nor have a Delegation Agreement in place, the applicant shall have sixty (60) days to obtain a Membership.

302.00. MEMBERSHIP: APPLICATION FOR.

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

302.01. EXPELLED MEMBERS: READMISSION.

If an application for Membership has been received from an individual who previously had been expelled from MGEX Membership, the Chairperson of the Board of Directors shall call and preside at a meeting of the Board of Directors. The application shall be considered and voted upon and shall be approved by the Board of Directors upon a two thirds (2/3) affirmative vote.

303.00. MEMBERSHIPS: TRANSFERS OF.

When and if the terms and conditions set forth below have been complied with, the Exchange shall transfer a Membership upon the books of MGEX.

- A. The transferee's application for Membership must have been approved or the transferee must be a Member in Good Standing;
- B. A request for transfer of the Membership, on a form as prescribed by the Exchange, must have been duly executed by the transferee and by the Person who or which is to be recorded as the Record Owner of the Membership, and such request must have been filed with the Exchange;
- C. All of the requirements of the Bylaws and MGEX Rules for recording the ownership of the Membership must have been complied with;
- D. Notice of the request for transfer of a Membership must have been posted on the Official Bulletin Board for ten (10) consecutive days prior to the date of such transfer. Such request shall include the name of the Record Owner of the Membership;
- E. If an objection to such transfer has been duly filed by a Member, it must have been heard by the Board of Directors and dismissed or, if sustained, the claim upon which it was based must have been satisfied;
- F. A transfer fee in an amount determined by the Exchange must be paid and in all cases the transferee pays the transfer fee.
- G. In the event a Record Holder desires to be relieved of the restrictions imposed by the provisions of **Regulation 2055.00.**, the Record Owner must upon request of the Record Holder transfer the Membership to another individual; but

PROVIDED FURTHER, that, upon agreement by the Record Holder not to exercise any of the privileges conferred by the Membership, the Board of Directors may waive the restrictions and requirements of this Bylaw during such time as, in its opinion, is reasonable in order to allow disposition/or transfer of the Membership to be made.

Upon the transfer of a Membership, a new certificate number shall be issued and the privileges conferred upon the former Record Holder shall terminate.

- H. In the event that a Record Holder of an entity owned Membership leaves the employment of that entity, the Membership shall be transferred into the name of a designated representative of the entity. In the event the designated representative is not a Member, application for Membership must be made and the application/transfer fee paid.

CHAPTER 2 UNIVERSAL PROVISIONS

SECTION 1 – GENERAL

- 2.1.1. Scope
- 2.1.2. Consent To Jurisdiction
- 2.1.3. Consent To Investigatory And Disciplinary Processes
- 2.1.4. MGEX Rules, Interpretation, And Enforcement Authority
- 2.1.5. Cooperation With Investigatory And Disciplinary Processes
- 2.1.6. Duty To Supervise
- 2.1.7. Holidays
- 2.1.8. Emergencies
- 2.1.9. Inclement Weather Or Transportation Breakdown
- 2.1.10. Member Or Market Participant Emergencies
- 2.1.11. Market Maker Program
- 2.1.12. Promotional Material
- 2.1.13. Exchange Officer Amendments

SECTION 2 – FINANCIAL REQUIREMENTS

- 2.2.1. Financial Requirements Authority
- 2.2.2. Financial And Reporting Requirements
- 2.2.3. Minimum Financial Requirements For Hard Red Spring Wheat Regularity
- 2.2.4. Minimum Financial Requirements For Cash Trading Privileges
- 2.2.5. Minimum Financial And Reporting Requirements For Futures Commission Merchants
- 2.2.6. Minimum Financial And Reporting Requirements For Clearing Members
- 2.2.7. Notification Of Fiscal Year
- 2.2.8. Reduction Of Capital
- 2.2.9. Risk Management Program For Futures Commission Merchants

SECTION 3 – RECORDKEEPING

- 2.3.1. Records Of Transactions
- 2.3.2. Recording Orders
- 2.3.3. Omnibus Accounts
- 2.3.4. Discretionary Accounts
- 2.3.5. Reporting Requirements And Disciplinary Action
- 2.3.6. Acceptance Of Accounts From Others Than Principals

SECTION 4 – FEES

- 2.4.1. Fees: Collections
- 2.4.2. Fees: Exchange Fee

CHAPTER 2 UNIVERSAL PROVISIONS

SECTION 1 - GENERAL

2.1.1. SCOPE.

This Chapter prescribes Rules applicable to general Exchange activities.

2.1.2. CONSENT TO JURISDICTION.

Any Person who engages in activity subject to MGEX Rules or any Person for whose benefit such activity is made, whether directly or indirectly, expressly consents to the jurisdiction of the Exchange and agrees to be bound by and comply with MGEX Rules in relation to such activity.

2.1.3. CONSENT TO INVESTIGATORY AND DISCIPLINARY PROCESSES.

Any Person subject to MGEX Rules expressly consents to cooperate and participate in investigatory and disciplinary processes conducted by the Exchange.

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:

Contract	Working Capital	Net Worth
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:

Working Capital	Net Worth
\$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.

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
- 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
- 718.02. Concurrent Long And Short Positions
- 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
- 775.00. "Bucket-Shops" Forbidden
- 780.00. Official Opening

**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.

710.00. FUTURES CONTRACTS: COMMODITIES.

Unless prohibited by the Board of Directors, under authority granted by the Rules, contracts for future delivery in this market may be made in any commodity for which Contract Grades have been established by Rule and approved by the Commodity Futures Trading Commission.

PROVIDED, however, that when a new Contract Grade has been adopted, trading in contracts based on such new grade shall not begin until authorized by Rule or by the Board of Directors.

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.

714.00. FUTURES AND OPTIONS CONTRACTS: TIME AND PLACE FOR MAKING.

Except in the case of non-competitive trades, all purchases and sales, and all offers to purchase or sell commodity Futures must be made electronically and all purchases and sales, and all offers to purchase or sell Hard Red Spring Wheat Options in this market must be made electronically or by open outcry in the Pit during the Hours of Trading.

Members and Market Participants are hereby prohibited from assembling in any place, public or private, other than in the Pit or designated area to form a market for the purpose of making purchases or sales or offers to purchase or sell commodity Futures or Options and any Member or Market Participant, who or which shall make or offer to make any such purchases or sales in the manner herein prohibited, shall be deemed to have violated this [Rule 714.00.](#)

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.

718.00. "TRANSFER" OR "OFFICE" TRADES: DEFINITIONS.

"Transfer" trades and "Office" trades shall be limited to the following transactions:

- A. Transactions made for the purpose of (1) transferring open futures or options contracts 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 contracts 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 shall be 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 718.00.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 contracts 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 contracts 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 contracts may be transferred using either the original trade price or the most recent settlement price. Options contracts 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 shall 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, shall 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 shall 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.

718.01. 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 ("Prohibition Period"). 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.

At its sole discretion, the Department of Audits and Investigations may permit an offset during the Prohibition Period 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 Rulebook.

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 718.01.

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.](#))

725.00. QUOTATIONS BASED ON TRADES.

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

725.01. REPORTING OF TRADES.

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

726.00. "FAST" QUOTATIONS.

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

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

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

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

727.00. "FAST" QUOTATIONS-UNEXECUTED ORDERS.

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

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

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

728.00. QUOTATION CHANGES.

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

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

730.00. PREARRANGED PRICES PROHIBITED.

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

731.00. BIDS AND OFFERS ABOVE OR BELOW CURRENT MARKET.

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

732.00. FICTITIOUS BIDS OR OFFERS PROHIBITED.

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

733.00. ATTEMPT TO UPSET MARKET PROHIBITED.

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

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.

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.

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 9
DELIVERY ELEVATORS

- 900.00. Delivery Elevators: Conditions For Becoming Regular
- 900.01. Withdrawal Or Revocation Of Regularity
- 901.00. Records, Reports, Visitation Of Premises Required By Commodity Exchange Act
- 901.01. Information And Access To Records And Reports By The Minneapolis Grain Exchange

CHAPTER 9 DELIVERY ELEVATORS

900.00. DELIVERY ELEVATORS: CONDITIONS FOR BECOMING REGULAR.

Persons operating grain elevators who desire to have such elevator made or remain Regular for delivery of grain under the MGEX Rules and Regulations shall file an application or renewal form as prescribed by the Exchange. (See **Form 9-00.00.**) Renewal for Regularity must be filed prior to June 1 for a one (1) year term beginning the following August 1. Application for Regularity may be made at any time during a current term for the balance of that term. However, if an applicant is approved during the months of May, June or July, their initial Regularity term will include the following one (1) year term. Initial Regularity and increases in capacity during the term shall become effective on the last business day in the month in which the Exchange approves such application.

The Exchange may approve renewal of Regularity and may revoke said Regularity for just cause at any time. Denial or revocation of Regularity by the Exchange may be appealed to the Board of Directors. The decisions of the Board of Directors shall be final.

Wheat: Application for Regularity may be made by persons operating licensed grain elevators located within the limits of the Minneapolis-St. Paul, Duluth or Red Wing, Minnesota switching districts, or Superior, Wisconsin switching district for Spring Wheat.

- A. Such elevator must be properly equipped for the convenient and expeditious receiving, handling and shipping of such bulk commodities as are customarily accepted therein for public storage. Each elevator must be able to load-out by rail and barge and shall be connected by railroad tracks with one or more railway lines. In the case of an interior off-water elevator such firm must be able to make the grain available in a barge pursuant to **Rules 804.00.** and **804.01.**
- B. The warehouseman operating such elevator must be in good financial standing and shall meet the minimum financial requirements set forth by the Exchange (see **Rule 2.2.3.**) and file the following periodic documentation:
 - 1. **Audited Financial Statement** - Each entity wishing to become Regular for Spring Wheat Futures Delivery must annually submit to the Exchange an Audited Financial Statement prepared by an independent certified public accountant in accordance with generally accepted accounting principles.
 - 2. **Due Date** - Audited Financial Statements must be filed no later than ninety (90) days after the fiscal year end, except in those cases where an entity has applied to the Exchange and has received approval for an extension.
 - 3. **Interim Unaudited Financial Statement** - Each entity must submit to the Exchange unaudited mid-fiscal year financial statement. This statement must be filed no later than forty-five (45) days after the mid-year point of the entity's fiscal year, except in those cases where an entity has applied to the Exchange and has received approval for an extension.

- C. All elevators approved for delivery of grain in satisfaction of the MGEX Futures Contracts shall submit to the Exchange a tariff, listing in detail the rates for handling and storage of grain, and shall also submit to the Exchange sixty (60) days in advance changes, in insurance and storage fees, provided, however, that such changes do not conflict with **Rule 811.00.** and other limitations set forth in section B. Tariffs on file with the Exchange shall be available for public inspection.
- D. It shall be the responsibility of the warehouseman of a Regular elevator to immediately inform the Exchange of any adverse changes in status and financial conditions. (See **Rules 2.2.3.** and **2.2.8.**) Failure to notify the Exchange will be deemed a violation of the MGEX Rules and Regulations.

900.01. WITHDRAWAL OR REVOCATION OF REGULARITY.

A Regular elevator may withdraw from regularity by providing the Exchange six (6) months prior written notice, unless a shorter notification period is authorized at the sole discretion of the Exchange.

If the designation of a Regular elevator is withdrawn or revoked, the Exchange shall determine the period of time, if any, during which the receipts issued by such elevator shall thereafter be deliverable in satisfaction of futures contracts under the MGEX Rules. The Exchange shall post such withdrawal or revocation on the Official Bulletin Board and notify all members and receipt holders of record.

In the event of withdrawal, revocation, or expiration of Regularity, or in the event of sale or abandonment of the properties where Regularity is not reissued, holder(s) of outstanding warehouse receipts shall be given thirty (30) days to take load-out of the commodity from the facility. If a holder of an outstanding warehouse receipt chooses not to take load-out during this period, the facility must provide him with warehouse receipts at another Regular elevator, with adjustments for contract differentials. Alternatively, if such warehouse receipt is unavailable, the facility must provide the holder with an equivalent quantity and quality of grain designated in the warehouse receipts at a mutually acceptable location.

901.00. RECORDS, REPORTS, VISITATION OF PREMISES REQUIRED BY COMMODITY EXCHANGE ACT.

Warehousemen operating Regular elevators, in compliance with the provisions of Section 1.44 of the Commodity Exchange Act, as amended and Regulations thereunder shall:

- A. Keep records showing the stocks of each commodity traded in for future delivery on such contract market, in store in such warehouses by kinds, by classes, and by grades, if stored under the conditions requiring such designation or identification, and including also lots and parcels stored specially or separately or in specially leased warehouse space.
- B. Upon call from the Commodity Futures Trading Commission, report the stocks of commodities in such warehouses and furnish information concerning stocks, of each commodity traded in for future delivery on such contract market about to be transferred or in process of being transferred, or otherwise moved into or out of such warehouses, as well as any other information concerning commodities stored in such warehouses and that are or may be available for delivery on Futures Contracts.
- C. Permit visitation of the premises and inspection of the books and records of such warehouses by duly authorized representatives of the United States Department of Agriculture, the Department of Justice or the Commodity Futures Trading Commission, and to keep all books, records, papers and memoranda relating to the storage and warehousing of commodities in such warehouses for a period for five (5) years from the date thereof.

901.01. INFORMATION AND ACCESS TO RECORDS AND REPORTS BY THE MINNEAPOLIS GRAIN EXCHANGE.

Operators of Regular and federally licensed public elevators and warehouses shall disclose and timely file with the Exchange such information as requested on commodities, including but not limited to: quantity and quality of stocks in store; grain in transit, purchased, sold, owned, held for others, consigned, assigned, transferred, delivered, or loaded out; information on warehouse receipts or shipping certificates issued, outstanding, cancelled without delivery and cancelled with delivery. Furthermore, information on the class, grade and condition shall be provided if requested.

The information to be provided shall be in the manner, method and format determined by the Exchange and at such times determined by the Exchange. Such information may be requested on a daily, weekly or periodic basis.

Operators shall accord every facility to any duly authorized committee or person for:

- A. the examination of its books and records.
- B. the purpose of ascertaining the stocks of commodities which may be on hand at any time.

Such examination and verification may be made any time by the Board of Directors or its approved inspection agents or, any other committee authorized by the Board of Directors, which shall have the authority to employ appropriate personnel to determine the quantity and quality of commodities in the elevators or warehouses and to compare the books and records of the said facilities with the records of any State or Federal authority.

Operators shall keep all books, records, papers and memoranda relating to the storage and warehousing of commodities in said facilities for a period of five (5) years.

CHAPTER 20 REGULATIONS

EXCHANGE ROOM

- 2001.01. Regulations Governing Admission Of Floor Clerks To The Exchange Room
- 2002.00. Exchange Room
- 2003.00. Admittance Of Visitors To The Exchange Room
- 2004.00. Decorum And Dress While In The Exchange Room
- 2004.01. Exchange Room Enforcement
- 2004.02. Penalties For Boisterous Or Disorderly Conduct And/Or Outburst Of Vulgar And Abusive Language In The Exchange Room

TRADING

- 2005.00. Substitutes
- 2005.01. Substitute Tickets: Issuance Of
- 2005.02. Substitute Tickets: Application For
- 2006.00. Cash Trading Privileges: Granting Of And Application For
- 2006.01. Cash Trading Privileges: Information To Be Furnished
- 2006.02. Cash Trading Privileges: Cancellation Or Suspension Of
- 2007.00. Fraud Or Attempted Fraud Prohibited
- 2007.01. "Spoofing" Practices Prohibited
- 2007.02. Manipulative Devices Prohibited
- 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
- 2013.00. Futures Position Limits
- 2013.01. Options Position Limits
- 2013.03. Position Limits For Hard Red Spring Wheat Futures
- 2013.04. Exemption From Position Limits For Hard Red Spring Wheat Futures
- 2013.05. Aggregation Of Positions For Hard Red Spring Wheat Futures
- 2013.06. Reportable Positions For Hard Red Spring Wheat Futures
- 2014.00. Settlement Prices
- 2015.00. Settlement Premiums
- 2016.00. Filling Orders And Withholding Or Withdrawing Of Trades
- 2018.00. Opening The Market On A Spread Transaction
- 2019.00. Official Representative To Observe The Execution Of Buying And Selling Orders At The Same Price
- 2023.00. Striking Prices
- 2024.00. Exchange Regulatory Fee

DELIVERIES AND DELIVERY GRAIN

- 2025.00. Times For Delivery Of "Delivery Notices" And Delivery And Payment On Futures Contracts
- 2026.00. Load-Out Notices: Form Of
- 2027.00. Load-Out, Storage And Insurance Charges: Delivery Grain
- 2028.00. Loadings In Satisfaction Of Warehouse Receipts

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
- 2040.00. Wheat Unfit For Human Consumption Not Deliverable On Futures Contracts

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
- 2062.02. Electronic Audit Trail And Other Recordkeeping Requirements
- 2063.00. Time-Stamps
- 2064.00. Unmatched Trade Resolution
- 2065.00. Identification And Registration Of Broker Associations
- 2067.00. Electronic And Open Outcry Trading

CHAPTER 20 REGULATIONS

The following Regulations have been adopted pursuant to the authority and power vested in the Board of Directors by the Rules of the Corporation:

2001.01. REGULATIONS GOVERNING ADMISSION OF FLOOR CLERKS TO THE EXCHANGE ROOM.

Floor Clerks may be admitted to the Exchange Room under the following terms and conditions:

- A. The Exchange shall issue Floor Clerk permits upon application signed by a Member who is the sponsor of a Floor Clerk. Such permits will be good until notification is given to the Exchange. The fee for the issuance thereof shall be determined by the Exchange.
- B. Floor Clerks will be admitted to the Exchange Room for the limited purpose of receiving orders from agents of their sponsor or Members representing their sponsor, and reporting to their sponsor or Members representing their sponsor.
- C. Floor Clerks may perform other routine clerical and telephone duties at their assigned position in the Exchange Room. After delivery of messages from their sponsor or Members representing their sponsor they are to return to their assigned position in the Exchange Room or leave the Exchange Room.
- D. Except as provided above, Floor Clerks shall not transact any business whatsoever in the Exchange Room with, or for, any person other than their principals and in no case shall they accept orders, report executions or have any other business duties whatsoever with nonmembers in the Exchange Room.
- E. No Member shall employ more than two (2) Floor Clerks for every five (5) Memberships or fraction thereof.
- F. Floor Clerk permits shall not be transferable. The Exchange must be notified if a new permit is issued. If the registered Floor Clerk is unable to perform his duties for reasons of illness, absence from the city, or other cause deemed sufficient and proper by the Exchange, a substitute Floor Clerk may be approved by the Exchange upon proper application and a temporary permit will be issued.
- H. The license conferred by a Floor Clerk permit may be revoked at any time by the Exchange if the holder violates any of the provisions of this Regulation or is guilty of any other improper conduct in the Exchange Room.
- I. Floor Clerks may communicate by telephone with their sponsors, Members, and nonmembers so long as they do not solicit or do business for their own account.

- J. Floor Clerks may not solicit business for their sponsors, Members, nonmembers or for their own account from the Exchange Room.

2002.00. EXCHANGE ROOM.

The Exchange, at its discretion, shall have the duties and powers to:

- A. Change the physical appearance and use of the Exchange Room.
- B. Establish security measures and procedures for admittance of Members and nonmembers to the Exchange Room.
- C. Ascertain the equipment needs of the Exchange Room.

2003.00. ADMITTANCE OF VISITORS TO THE EXCHANGE ROOM.

Visitors' badges, permitting the holder to have access to the Exchange Room, shall be issued on the following terms and conditions:

- A. The Exchange, at its discretion, may authorize the issuance of visitors' badges.
- B. The license conferred by a visitor's badge may be revoked at any time by the Exchange if the holder violates any of the provisions of MGEX Rules and Regulations.
- C. Members may accept orders from visitors in the Exchange Room. However, no order may be given by a visitor directly to a Broker in the Pit.
- D. No visitor shall have access to the Exchange Room for more than three (3) days per month without the express approval of the Exchange.

2004.00. DECORUM AND DRESS WHILE IN THE EXCHANGE ROOM.

All Members and Floor Clerks must dress and conduct themselves within the confines of acceptable business decorum while in the Exchange Room. The following are enumerated for the guidance of Members and Floor Clerks:

- A. Proper attire must be worn at all times in the Exchange Room as determined and enforced by the Exchange.
- B. Matching of coins or other open forms of gambling in the Exchange Room is prohibited.
- C. Disorderly conduct, such as pushing or shoving, is prohibited.
- D. Vulgar or abusive language is prohibited.
- E. Any other conduct or activity determined to be detrimental to a professional and safe business environment is prohibited.

2004.01. EXCHANGE ROOM ENFORCEMENT.

The Exchange may issue a violation ticket to a Member or Floor Clerk following an infraction/violation of any MGEX Rule or Regulation occurring in the Exchange Room. All violation tickets must be submitted to the Secretary of the Corporation promptly upon issuance. The Secretary of the Corporation shall thereafter immediately forward the completed violation ticket to the Department of Audits and Investigations. The Department of Audits and Investigations will give written notification to the violator of the infraction/violation and action taken, if any.

The notice shall inform the Member or Floor Clerk of the right to request a hearing before the Hearing Committee and the consequences of a failure to pay the fine if no hearing is requested. If a hearing is requested, the decision of the Hearing Committee shall be final.

Failure to request a hearing shall be deemed a consent to the action taken. Unless a hearing is requested within ten (10) calendar days, failure to pay a fine within thirty (30) days after the penalty is imposed shall automatically double the amount of the fine. If the increased fine is not paid within sixty (60) days after the original fine was imposed, the Disciplinary Committee may, without hearing, revoke the badge or suspend the floor privileges of a Member or Floor Clerk for whose conduct the original fine was imposed.

Members, Clearing Members, and entities having cash trading privileges will be responsible for fines given to their employee(s). Following is a schedule of penalties the Board of Directors has authorized the Department of Audits and Investigations or the Disciplinary Committee to issue:

First Violation:	Letter of Reprimand
Second Violation:	\$25.00 Fine
Third Violation:	\$100.00 Fine
Fourth Violation:	\$300.00 Fine
Fifth Violation:	\$500.00 Fine and/or One (1) Day Suspension

Each violation ticket written shall constitute a single violation and the number of violations accumulated will determine the action taken. If a Member or Floor Clerk is free of any violations for a period of two (2) years, the fine schedule will revert back to a first violation.

Any violation/infraction may be forwarded by the Department of Audits and Investigations to the Disciplinary Committee for further review or action. Additionally, nothing in this Regulation shall prohibit further action from being taken against a Member or Floor Clerk for a violation of any other Rule or Regulation.

2004.02. PENALTIES FOR BOISTEROUS OR DISORDERLY CONDUCT AND/OR OUTBURST OF VULGAR AND ABUSIVE LANGUAGE IN THE EXCHANGE ROOM.

Boisterous or disorderly conduct and/or outburst of vulgar and abusive language in the Exchange Room is strictly prohibited. Any Member, Floor Clerk, or Exchange staff can file a complaint, in writing, with the Exchange.

The Department of Audits and Investigations shall open an investigation on the complaint. After an investigation, the Department of Audits and Investigations may forward the investigation to the Disciplinary Committee. After reviewing the investigation report, the Disciplinary Committee may issue a Notice of Charges to the Member or Floor Clerk, including the right to request a hearing before the Hearing Committee and the consequences of failure to pay any fine if no hearing is requested. The first infraction of this Regulation involving physical contact or abusive or

derogatory language is punishable by a monetary fine up to five hundred dollars (\$500.00). If a second infraction occurs within two (2) years of the first infraction, the penalty may include suspension up to a period of two (2) weeks and/or a monetary fine set by the Disciplinary Committee. Members will be responsible for fines given to their employee(s).

2005.00. SUBSTITUTES.

A Member's privilege of entering and transacting business in the Exchange Room during the Hours of Cash Trading may be transferred temporarily to a substitute by the issuance to such substitute of a substitute ticket as hereinafter provided, and not otherwise. Such privilege may be so transferred:

- A. If, and during, the time that such Member is temporarily unable to transact business in the Exchange Room because of illness, absence from the city or other cause deemed sufficient and proper by the Exchange;
- B. If, and during, the time that a request for transfer of a Membership to such substitute has been duly filed and has not been acted upon by the Board of Directors.

It is not the intent of this Regulation to enable any person by means of a substitute ticket to obtain the privilege of entering and transacting business in the Exchange Room during the Hours of Cash Trading for a considerable period of time unless he is substituting for various Members who are customarily active in the Exchange Room.

A substitute ticket shall not be issued to any person who has been expelled from this Exchange or who is under suspension, or to enable any person to act as a substitute for a Member who is under suspension or against whose Membership the assessments have been waived under the provisions of [Bylaw 221.02](#).

If a Member for whom a substitute is acting shall appear in the Exchange Room during the Hours of Cash Trading, or if such Member, except in cases of substitution under the provisions of Section B. of this Regulation, or in special circumstances, shall appear with regularity in MGEX buildings, such appearance shall be cause for cancellation of the substitute ticket.

In case of any dispute over the propriety of issuing, renewing or cancelling a substitute ticket, such dispute shall be settled by the Exchange.

2005.01. SUBSTITUTE TICKETS: ISSUANCE OF.

Substitute tickets shall be issued or renewed by the Exchange upon application. Such tickets or renewals shall be for not more than thirty (30) days and may be cancelled at any time.

2005.02. SUBSTITUTE TICKETS: APPLICATION FOR.

Applications for substitute tickets shall show the Record Owner and Record Holder for whom substitution is requested and shall be signed by the substitute and by the Record Owner and Record Holder for whom the substitute is authorized to make trades. The substitute and such Record Owner and Record Holder shall, respectively, be subject to the same restrictions, obligations and liabilities including penalties for the violation of the MGEX Rules and Regulations with respect to any and all trades, transactions or other acts of the substitute while such ticket is outstanding.

2006.00. CASH TRADING PRIVILEGES: GRANTING OF AND APPLICATION FOR.

In order to execute cash contracts in the Exchange Room, a Member or entity must be granted cash trading privileges by the Exchange.

The Exchange may grant cash trading privileges to:

- A. A Member who is the Owner of a Membership standing in his name; or
- B. An entity designated by a Member in an Application for Cash Trading Privileges meeting all the terms and conditions set forth in such application, provided, however, that if such entity has been legally created and is validly existing under the laws of any governmental authority, such entity must be legally qualified to do business in Minnesota.

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

- A. An Application for Cash Trading Privileges, on a form as prescribed by the Exchange, must have been duly executed and filed with the Exchange. Such application must be accompanied by a financial statement (See [Rules 2.2.2.](#), [2.2.4.](#), [2.2.5.](#), [2.2.6.](#), [2.2.7.](#), and [2.2.8.](#)) prepared and certified by a Certified Public Accountant, in such form as the Exchange shall prescribe, stating the assets and liabilities of the applicant and the nature and extent of the business that such applicant proposes to transact and such other information pertinent to the granting of the application as the Exchange may require;
- B. The applicant for cash trading privileges must meet and maintain the minimum financial requirements as determined by the Exchange (See [Rules 2.2.2.](#), [2.2.4.](#), [2.2.5.](#), [2.2.6.](#), [2.2.7.](#), and [2.2.8.](#)).

2006.01. CASH TRADING PRIVILEGES: INFORMATION TO BE FURNISHED.

Every Member or entity having cash trading privileges shall file promptly after the end of his or its fiscal year (or after the end of each calendar year, in the absence of a fiscal year), with the Exchange, a financial statement, in such form as the Exchange shall prescribe from time to time, of his or its assets and liabilities at the end of such fiscal or calendar year, and such other information pertinent to the continuation of cash trading privileges as the Exchange may require. (See [Rules 2.2.2.](#), [2.2.4.](#), [2.2.5.](#), [2.2.6.](#), [2.2.7.](#), and [2.2.8.](#)).

In addition to filing the statements required above, every Member or entity having cash trading privileges shall also comply with the following requirements at any time and from time to time, as and when the Exchange shall so order:

- A. Furnish to the Exchange such sworn written statements and information in respect to his or its assets and liabilities, (See [Rules 2.2.2.](#), [2.2.4.](#), [2.2.5.](#), [2.2.6.](#), [2.2.7.](#), and [2.2.8.](#)) and the volume and character of his or its business and other matters bearing on the adequacy of his or its business responsibility, all in such detail as the Exchange shall direct;

- B. Permit an audit and investigation to be made by a Person designated by the Exchange, of his or its books, records of account and papers that are pertinent to the determination of the adequacy of his or its financial responsibility;
- C. Produce at any hearing before the Board of Directors (or any authorized committee) such of his or its books, records of account and papers that are pertinent to the determination of the adequacy of his or its financial responsibility, as the Board of Directors shall require.

2006.02. CASH TRADING PRIVILEGES: CANCELLATION OR SUSPENSION OF.

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

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

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

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

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

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

The determinations and actions of the Exchange under the authority granted by this Regulation

shall be final and binding.

2007.00. FRAUD OR ATTEMPTED FRAUD PROHIBITED.

The Exchange prohibits any and all forms of fraud or attempted fraud (including but not limited to fraudulent trading or attempted fraudulent trading) on its markets or subject to the MGEX Rules, regardless of whether it is intentional or is made with reckless disregard for the adverse impact.

2007.01. "SPOOFING" PRACTICES PROHIBITED.

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

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

2007.02. MANIPULATIVE DEVICES PROHIBITED.

The Exchange prohibits any Person, directly or indirectly, from intentionally or recklessly using or employing, or attempting to use or employ, any manipulative device, scheme, or artifice to defraud on its markets or subject to the MGEX Rules.

2008.00. ADJUSTMENT OF TRADE PRICES AND CANCELLATION OF TRADES.

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

2010.00. FUTURES AND OPTIONS MONTHS PRESCRIBED.

- A. Pursuant to the provisions of **Rule 715.00.**, the Board of Directors has adopted the following Regulation:

Trading in Spring Wheat Futures shall be permitted in the current delivery month plus any month in the March, May, July, September, December delivery cycle which falls within the next succeeding twenty-three (23) months. The next delivery month in the sequence shall replace the expiring delivery month as of the close of business on the last business day of the expiring delivery month. This implicit approval shall take effect unless such listing is deemed inappropriate because of conflicts with other superseding Rules or Regulations, or unless otherwise determined by the Board of Directors.

- B. Pursuant to the provisions of [Rules 7305.00.](#), [7505.00.](#), [7705.00.](#), [7905.00.](#) and [8105.00.](#), the Board of Directors has adopted this Regulation:

Trading may be conducted in every calendar month. The number of months available for trade shall include the current calendar month and the next twenty-three (23) calendar months. By notice posted on the Official Bulletin Board, the Board of Directors may, at its discretion, add such calendar months beyond those available for trade or remove from availability for trading those calendar months without open interest.

2011.00. HOURS OF TRADING.

Pursuant to the provisions of [Resolution 210.01.F.](#), the Exchange has adopted this Regulation.

The Hours of Trading at the Exchange shall conform to Central Time.

A. CASH MARKET

The Hours of Trading in the cash market shall be from nine-thirty o'clock (9:30) a.m. to one-thirty o'clock (1:30) p.m.

B. FUTURES AND OPTIONS

1. Unless otherwise stated elsewhere in the MGEX Rules and Regulations, the Hours of Trading for any MGEX futures or options traded on the Electronic Trading Platform shall be the following:

Sunday to Friday: from seven o'clock (7:00) p.m. to one-thirty o'clock (1:30) p.m. A pause in trading occurs from seven forty-five o'clock (7:45) a.m. to eight-thirty o'clock (8:30) a.m.

Notwithstanding the foregoing, the Hours of Trading for the National Corn Index, National Soybean Index, Hard Red Winter Wheat Index, Hard Red Spring Wheat Index and Soft Red Winter Wheat Index shall be from seven o'clock (7:00) p.m. to one forty-five o'clock (1:45) p.m. with no pauses.

2. The Hours of Trading for Hard Red Spring Wheat options by open outcry shall be from eight-thirty o'clock (8:30) a.m. to one-thirty o'clock (1:30) p.m.

2011.01. LAST TRADING DAY.

Pursuant to the provisions [Rules 7307.00.](#), [7507.00.](#), [7707.00.](#), [7907.00.](#) and [8107.00.](#), the Board of Directors has adopted this Regulation.

The last trading day of a contract month shall be the last business day of the contract month.

2011.02. LAST DAY FOR EXCHANGE FOR PHYSICAL AND RISK TRANSACTIONS.

Pursuant to the provisions of [Rule 719.00.](#), the Board of Directors has adopted this Regulation.

The last day that a National Corn Index, National Soybean Index or Wheat Index futures contract may be exchanged for, or in connection with, a physical (“EFP”) or risk (“EFR”) transaction shall be the last business day of the contract month.

The last day that a Spring Wheat futures contract may be exchanged for, or in connection with, an EFP or EFR transaction shall be the sixth (6th) business day following the last trading day of the contract month.

After the last trading day of the Spring Wheat futures contract, EFP and EFR transactions are permitted only for the purpose of liquidating futures positions. Such transactions shall not be permitted to initiate or establish new futures positions.

2012.00. TRADING LIMITS.

Trading is prohibited during any day in Futures Contracts of commodities traded on this Exchange at a price outside the limit above or the limit below either the settlement price for such commodity on the previous business day or the price of the first trade during the first day of trading in a Futures Contract.

- A. Wheat\$0.60 per bushel
Should two or more wheat Futures Contract months within a crop year close at limit bid or limit offer, the daily price limits for all contract months shall increase by 50 percent the next business day. Daily price limits shall revert back to \$0.60 the business day after which no wheat Futures Contract month closes at the expanded limit bid or limit offer.
- B. National Corn Index\$0.40
- C. National Soybean Index\$0.80
- D. Wheat Indices\$0.60

Notwithstanding the foregoing provisions, there shall be no price limits on the spot Hard Red Spring Wheat Futures Contract month commencing the first business day after expiration of non-serial options on the spot month.

Further, there shall be no price limits on Index Futures and Options Contracts commencing two business days preceding the first business day of the expiring contract month.

2013.00. FUTURES POSITION LIMITS.

- A. **National Corn Index.** Pursuant to the provisions of [Rule 7308.00.](#), the Board of Directors has adopted this Regulation.

No individual or entity shall own or control in excess of thirteen-thousand five-hundred (13,500) contracts net long or short in the settlement month, thirteen-thousand five-hundred (13,500) contracts net long or short in any single month, or twenty-two thousand (22,000) contracts net long or short in all contract months combined.
- B. **National Soybean Index.** Pursuant to the provisions of [Rule 7508.00.](#), the Board of Directors has adopted this Regulation.

No individual or entity shall own or control in excess of six-thousand five-hundred (6,500) contracts net long or short in the settlement month (except during the last five trading days when the limit shall be five-thousand six-hundred (5,600) contracts net long or short), six-thousand five-hundred (6,500) contracts net long or short in any single month, or ten-thousand (10,000) contracts net long or short in all contract months combined.

- C. **Hard Red Winter Wheat Index.** Pursuant to the provisions of [Rule 7708.00.](#), the Board of Directors has adopted this Regulation.

No individual or entity shall own or control in excess of five-thousand (5,000) contracts net long or short in the settlement month, five-thousand (5,000) contracts net long or short in any single month, or six-thousand five-hundred (6,500) contracts net long or short in all contract months combined.

- D. **Hard Red Spring Wheat Index.** Pursuant to the provisions of [Rule 8108.00.](#), the Board of Directors has adopted this Regulation.

No individual or entity shall own or control in excess of five-thousand (5,000) contracts net long or short in the settlement month (except during the last five trading days the limit shall be three-thousand four-hundred (3,400) contracts net long or short), five-thousand (5,000) contracts net long or short in any single month, or six-thousand five-hundred (6,500) contracts net long or short in all contract months combined.

- E. **Soft Red Spring Wheat Index.** Pursuant to the provisions of [Rule 7908.00.](#), the Board of Directors has adopted this Regulation.

No individual or entity shall own or control in excess of five-thousand (5,000) contracts net long or short in the settlement month (except during the last five trading days when the limit shall be two-thousand seven-hundred fifty (2,750) contracts net long or short), five-thousand (5,000) contracts net long or short in any single month, or six-thousand five-hundred (6,500) contracts net long or short in all contract months combined.

2013.01. OPTIONS POSITION LIMITS.

- A. **National Corn Index.** Pursuant to the provisions of [Rule 7412.00.](#), the Board of Directors has adopted this Regulation.

No individual or entity shall own or control a combination of Options and underlying Futures Contracts that exceeds twenty-two thousand (22,000) futures-equivalent contracts net long or short in all contract months combined, thirteen-thousand five-hundred (13,500) futures-equivalent contracts net long or short in any single contract month, or thirteen-thousand five-hundred (13,500) futures-equivalent contracts net long or short in the settlement month.

- B. **National Soybean Index.** Pursuant to the provisions of [Rule 7612.00.](#), the Board of Directors has adopted this Regulation.

No individual or entity shall own or control a combination of Options and underlying Futures Contracts that exceeds ten-thousand (10,000) futures-equivalent

contracts net long or short in all contract months combined, six-thousand five-hundred (6,500) futures-equivalent contracts net long or short in any single contract month, or six-thousand five-hundred (6,500) futures-equivalent contracts net long or short in the settlement month (except during the last five trading days when the limit shall be five-thousand six-hundred (5,600) futures-equivalent contracts net long or short).

- C. **Hard Red Winter Wheat Index.** Pursuant to the provisions of [Rule 7812.00.](#), the Board of Directors has adopted this Regulation.

No individual or entity shall own or control a combination of Options and underlying Futures Contracts that exceeds six-thousand five-hundred (6,500) futures-equivalent contracts net long or short in all contract months combined, five-thousand (5,000) futures-equivalent contracts net long or short in any single contract month, or five-thousand (5,000) futures-equivalent contracts net long or short in the settlement month.

- D. **Hard Red Spring Wheat Index.** Pursuant to the provisions of [Rule 8212.00.](#), the Board of Directors has adopted this Regulation.

No individual or entity shall own or control a combination of Options and underlying Futures Contracts that exceeds six-thousand five-hundred (6,500) futures-equivalent contracts net long or short in all contract months combined, five-thousand (5,000) futures-equivalent contracts net long or short in any single contract month, or five-thousand (5,000) futures-equivalent contracts net long or short in the settlement month (expect during the last five trading days when the limit shall be three-thousand four-hundred (3,400) futures-equivalent contracts net long or short).

- E. **Soft Red Spring Wheat Index.** Pursuant to the provisions of [Rule 8012.00.](#), the Board of Directors has adopted this Regulation.

No individual or entity shall own or control a combination of Options and underlying Futures Contracts that exceeds six-thousand five-hundred (6,500) futures-equivalent contracts net long or short in all contract months combined, five-thousand (5,000) futures-equivalent contracts net long or short in any single contract month, or five-thousand (5,000) futures-equivalent contracts net long or short in the settlement month (except during the last five trading days when the limit shall be two-thousand seven-hundred fifty (2,750) futures-equivalent contracts net long or short).

For the purpose of this Regulation, a long call option, a short put option and a long underlying Futures Contract are on the long side of the market; similarly, a short call option, a long put option and a short underlying Futures Contract are on the short side of the market.

2013.03. POSITION LIMITS FOR HARD RED SPRING WHEAT FUTURES.

- A. **Applicability.** [Regulations 2013.03.](#), [2013.04.](#), [2013.05.](#) and [2013.06.](#) will govern position limits for HRSW futures, notwithstanding any other provisions of the MGEX Rules and Regulations that relate to position limits for HRSW options.
- B. **Limits.** Position limits for HRSW futures will be determined by the Exchange, but

will not be greater than the position limits for HRSW pursuant to Part 150 of the Regulations of the CFTC. The position limits will not apply to *bona fide* hedging transactions or positions, as determined by the Exchange or CFTC Regulations.

No Market Participant will own or control in excess of six hundred (600) HRSW futures net long or short in the settlement month; twelve thousand (12,000) HRSW futures net long or short in any single month; or twelve thousand (12,000) HRSW futures net long or short in all contract months combined.

- C. **Compliance.** No Market Participant may exceed the limits at any time during the trade day. Other than *bona fide* hedging positions, positions in excess of the limits will be presumed to be a violation. The Exchange may direct any Market Participant owning, controlling or carrying a position for another Market Participant in excess of the limits set forth in this Regulation to liquidate or reduce its position to comply with this Regulation. For any futures position that exceeds position limits for passive reasons such as a market move or exercise assignment, the Market Participant will be allowed one (1) business day following the date of the transaction that leads to excess positions to liquidate the excess position without being considered in violation of the limits.
- D. **Enforcement.** The Market Participant owning, controlling or carrying a position (as well as the account holder, FCM, or Clearing Member as the case may be) shall maintain adequate books and records that disclose the identity of and positions held by any Market Participant. Such books and records shall be made available to the Exchange upon request. The Market Participant owning, controlling or carrying a position (as well as the account holder, FCM and Clearing Member) may be held accountable for any violation of the limits. The Department of Audits and Investigations may take enforcement action against any or all of the parties, whether or not each had actual knowledge of the position or a violation.

2013.04. EXEMPTION FROM POSITION LIMITS FOR HARD RED SPRING WHEAT FUTURES.

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

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

any material changes to the information submitted pursuant hereto;

- F. such further information as the Exchange may request, including the daily, weekly or periodic filing of any documents or reports.

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

The Exchange will use the CFTC definition of a *bona fide* hedging position as described in CFTC Part 151 (specifically 151.5, or elsewhere as applicable) as a guide when applied to the HRSW futures contract, but will not be limited by it.

2013.05. AGGREGATION OF POSITIONS FOR HARD RED SPRING WHEAT FUTURES.

In determining whether any Market Participant has exceeded the position limits for HRSW futures, all positions in accounts for which such Market Participant by power of attorney or otherwise directly or indirectly holds positions or controls trading will be included with the positions held by such Market Participant. Such limits upon positions will apply to positions held by two (2) or more Market Participants acting pursuant to an expressed or implied agreement or understanding, the same as if the positions were held by a single Market Participant. The Exchange will follow the CFTC definition of aggregation and the procedures for aggregating positions as described in CFTC Part 150 or elsewhere as applicable.

2013.06. REPORTABLE POSITIONS FOR HARD RED SPRING WHEAT FUTURES.

The reportable position level will be a position of one hundred and fifty (150) or more HRSW futures on this Exchange, long or short, in any one (1) month. All such positions must be reported in a manner and form as designated by the CFTC or the Exchange.

2014.00. SETTLEMENT PRICES.

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

A. MGEXpress® Contracts.

Promptly after the close of the trading session in each Futures Contract, the Exchange shall ensure that settlement prices are calculated for each contract month as follows. The settlement price shall be price consistent with the minimum fluctuations of the contract.

1. The settlement price for the lead month, as defined below, shall be determined by the volume-weighted average of outright trades and applicable bids and offers made in the closing period on MGEXpress®. If there is no volume-weighted average of the outright, then the last trade price is compared to the current bid/ask. If the last

trade price is outside of the bid/ask spread, then the contract settles to the nearest bid/ask price. If the last trade price is within the bid/ask spread or if a bid/ask is not available, then the contract settles to the last trade price. If there is no last trade price available, then the prior settlement is compared to the current bid/ask. If the prior settlement is outside of the bid/ask spread, then the contract settles to the nearest bid/ask price. If the prior settlement is within the bid/ask spread or if a bid/ask is not available, then the contract settles to the prior settlement price.

The lead month shall be determined by the Exchange and is generally the most active month. The lead month shall change at the time when the daily electronically-executed volume and open interest in the contract month following the current lead month is greater than the daily volume and open interest in the lead month for two consecutive business days.

2. All non-lead months are deferred contract months and settle based upon the volume-weighted average of calendar spread transactions made in the closing period on MGEXpress®. If there are no relevant calendar spreads, bids and offers in those calendar spreads will be used in conjunction with settlements from any months where a settlement price has been determined to form an implied market in the contract to be settled. These implied markets, along with the outright bid/ask market for the contract, will be used to derive the best possible bid and best possible ask, and the contract will settle at the midpoint of the bid/ask spread.
3. Notwithstanding the above, if such settlement price is not consistent with the settlements in other months or with market information, or if the settlement was inaccurately determined, a new settlement price may be established at a level consistent with such other settlement prices or market information and a written record setting forth the basis for any modification of such settlement price shall be prepared.

B. Reservation.

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

2015.00. SETTLEMENT PREMIUMS.

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

A. Open Outcry/MGEXpress® Contracts.

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

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

B. Reservation.

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

2016.00. FILLING ORDERS AND WITHHOLDING OR WITHDRAWING OF TRADES.

Pursuant to the provisions of [Rule 616.00.](#), the Board of Directors adopted this Regulation.

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

earliest time must be filled first.

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

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

2018.00. OPENING THE MARKET ON A SPREAD TRANSACTION.

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

However, if there is no bid or offer in effect, an announcement of the actual price shall be made in the Pit. Upon receiving no objections, the trade shall be reported and the transaction recorded as the opening trade.

2019.00. OFFICIAL REPRESENTATIVE TO OBSERVE THE EXECUTION OF BUYING AND SELLING ORDERS AT THE SAME PRICE.

Pursuant to the provisions of [Rule 742.00](#), the Board of Directors has adopted this Regulation:

The President is authorized to designate an employee of the Grain Exchange as the official representative of this Exchange to observe transactions where a Member shall have in hand at the same time both buying and selling orders from different principals for a like quantity of a commodity for Futures or Options in the same delivery month and who, in compliance with the provisions of [Rule 742.00](#), desires to execute such trades at the market price in the presence of such official representative.

In order to facilitate the handling of such orders the Member must notify the official representative of the Exchange of his desire to make these trades and present the orders and trading cards to the official representative upon execution of the trades. Upon observation and approval of the trades, the official representative will promptly stamp and sign the orders and trading cards.

The official representative shall also prepare a memorandum showing the date, executing Broker, month, commodity, option, strike price, price or premium, quantity, and the Clearing Member(s) and accounts involved.

This memorandum shall be time stamped, signed by the observer, and retained by the Exchange as a permanent record.

Any Broker seeking to match orders under [Rule 742.00](#) must be diligent in openly bidding and offering the orders on hand before crossing them under the observation of the designated Exchange employee. To assure the fairness of such trades, all cross trades must be bid and offered by open outcry at least three (3) times before being matched.

2023.00. STRIKING PRICES.

The Exchange shall set the procedure for introduction of striking prices and may modify the procedure as it deems appropriate in order to respond to market conditions, subject to the provisions of the Commodity Exchange Act and CFTC regulations promulgated thereunder.

A. **Spring Wheat.** Pursuant to the provisions of [Rule 1403.00.](#), the Board of Directors has adopted this Regulation.

1. Trading may be conducted for Options with striking price increments of five cents (\$0.05) and ten cents (\$0.10) per bushel. At the commencement of trading in an option class, the following striking prices shall be listed: the striking price closest to the previous day's settlement price on the underlying Spring Wheat Futures Contract and the next five (5) consecutive higher and five (5) consecutive lower in five cent (\$0.05) increments, and the next ten (10) consecutive higher and ten (10) consecutive lower in ten cent (\$0.10) increments. If the previous day's settlement price on the underlying Spring Wheat Futures Contract is midway between two (2) striking prices, the closest price shall be the larger of the two (2).

Sufficient new striking prices shall be added prior to the next trading session to insure there are five (5) consecutive higher and five (5) consecutive lower in five cent (\$0.05) increments and an additional ten (10) consecutive higher and ten (10) consecutive lower in ten cent (\$0.10) increments above and below the previous day's settlement price.

2. When Options in months not listed for trading in Futures become available to trade, the following striking prices shall be listed: the striking price closest to the previous day's settlement price on the underlying Spring Wheat Futures Contract and the next ten (10) higher and ten (10) lower striking prices in five cent (\$0.05) increments. If the previous day's settlement price on the underlying Spring Wheat Futures Contract is midway between two (2) striking prices, the closest price shall be the larger of the two (2).

Sufficient new striking prices shall be added prior to the next trading session to insure at least ten (10) striking prices in five cent (\$0.05) increments above and below the previous day's settlement price.

B. **National Corn Index.** Pursuant to the provisions of [Rule 7410.00.](#), the Board of Directors has adopted this Regulation.

Trading may be conducted for Options with striking price increments of five cents (\$0.05) and ten cents (\$0.10). At the commencement of trading in an option class, the following striking prices shall be listed: the striking price closest to the previous day's settlement price on the underlying National Corn Index Futures Contract and the next five (5) consecutive higher and the next consecutive lower in five cent (\$0.05) increments, and the next five (5) consecutive higher and five (5) consecutive lower in ten cent (\$0.10)

increments. If the previous day's settlement price on the underlying National Corn Index Futures Contract is midway between two (2) striking prices, the closest price shall be the larger of the two (2).

Sufficient new striking prices shall be added prior to the next trading session to insure there are five (5) consecutive higher and five (5) consecutive lower in five cent (\$0.05) increments and an additional five (5) consecutive higher and five (5) consecutive lower in ten cent (\$0.10) increments above and below the previous day's settlement price.

- C. **National Soybean Index.** Pursuant to the provisions of [Rule 7610.00.](#), the Board of Directors has adopted this Regulation.

Trading may be conducted for Options with striking price increments of ten cents (\$0.10) and twenty cents (\$0.20). At the commencement of trading in an option class, the following striking prices shall be listed: the striking price closest to the previous day's settlement price on the underlying National Soybean Index Futures Contract and the next five (5) consecutive higher and the next five (5) consecutive lower in ten cent (\$0.10) increments, and the next five (5) consecutive higher and five (5) consecutive lower in twenty cent (\$0.20) increments. If the previous day's settlement price on the underlying National Soybean Index Futures Contract is midway between two (2) striking prices, the closest price shall be the larger of the two (2).

Sufficient new striking prices shall be added prior to the next trading session to insure there are five (5) consecutive higher and five (5) consecutive lower in ten cent (\$0.10) increments and an additional five (5) consecutive higher and five (5) consecutive lower in twenty cent (\$0.20) increments above and below the previous day's settlement price.

- D. **Wheat Indices.** Pursuant to the provisions of [Rules 7810.00.](#), [8010.00.](#) and [8210.00.](#), the Board of Directors has adopted this Regulation.

Trading may be conducted for Options with striking price increments of five cents (\$0.05) and ten cents (\$0.10). At the commencement of trading in an option class, the following striking prices shall be listed: the striking price closest to the previous day's settlement price on the underlying Wheat Index Futures Contract and the next five (5) consecutive higher and five (5) consecutive lower in five cent (\$0.05) increments, and the next five (5) consecutive higher and five (5) consecutive lower in ten cent (\$0.10) increments. If the previous day's settlement price on the underlying Wheat Index Futures Contract is midway between two (2) striking prices, the closest price shall be the larger of the two (2).

Sufficient new striking prices shall be added prior to the next trading session to insure there are five (5) consecutive higher and five (5) consecutive lower in five cent (\$0.05) increments and an additional five (5) consecutive higher and five (5) consecutive lower in ten cent (\$0.10) increments above and below the previous day's settlement price.

2024.00. EXCHANGE REGULATORY FEE.

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

An Exchange regulatory fee shall be paid by every Clearing Member or FCM. The Exchange regulatory fee shall be fixed from time to time by the Board of Directors.

The Board of Directors may waive all or part of the fee based upon the clearing or Futures and Options trading activities of such Clearing Member or entity, or such other standard as may be adopted.

2025.00. TIMES FOR DELIVERY OF "DELIVERY NOTICES" AND DELIVERY AND PAYMENT ON FUTURES CONTRACTS.

Pursuant to the provisions of **Bylaw 231.00.**, the Board of Directors has adopted this Regulation:

All Delivery Notices shall be made in accordance with the provisions of the Commodity Exchange Act and MGEX Rules and Regulations issued thereunder.

All Delivery Notices shall be in the form specified by the Exchange.

All Delivery Notices shall be delivered to the Clearing House two (2) business days prior to the date of delivery and at such time as determined by the Exchange (see **Res. 2101.00.C.**) on all such business days. The Exchange shall have until nine o'clock (9:00) a.m. on the following business day to make delivery of the Delivery Notice to the Buyers.

Parties holding Delivery Notices shall present the same before one o'clock (1:00) p.m. on the delivery day, at the place designated by the Issuer, together with full payment, as provided in **Rule 810.00.**, for the net amount due for the property represented by said notices. Upon payment at the place designated by the said Issuer, the holder of such Delivery Notice shall be entitled to receive the property represented by the same, its value being based upon the closing market price of the Exchange on the day preceding that on which the Delivery Notice was issued.

2026.00. LOAD-OUT NOTICES: FORM OF.

Pursuant to the provisions of **Rule 1150.00.**, the Board of Directors adopted this Regulation. The Load-Out Notice, as required by the Rules, shall be on **Form 20-26.00**, Page 7033 and shall be issued in triplicate.

2027.00. LOAD-OUT, STORAGE AND INSURANCE CHARGES: DELIVERY GRAIN.

Pursuant to **Rule 811.00.**, the Board of Directors has adopted this Regulation, effective with the May 2013 contract month.

The maximum load-out charges on delivery grain, which is tendered in satisfaction of a Hard Red Spring Wheat Futures Contract, shall be eight cents (8¢) per bushel for wheat regardless of the date of the warehouse receipt.

The maximum storage charges on delivery grain, which is tendered in satisfaction of a Hard Red Spring Wheat Futures Contract, shall be seven cents (7¢) per bushel per month or two thousand three hundred thirty three thousandths of a cent (\$.002333) per bushel per day for wheat regardless of the date of the warehouse receipt.

Insurance charges shall be included within the maximum storage charges.

2028.00. LOADINGS IN SATISFACTION OF WAREHOUSE RECEIPTS.

Pursuant to the provisions of **Bylaw 231.00.**, the Board of Directors has adopted this Regulation.

Written notice of loading in satisfaction of warehouse receipts shall constitute full tender only when the grade called for by the receipts has been established by an inspection agency for the commodities loaded. The official grade at the time of loading shall govern the applicable Options for reconsideration of the grade.

Prior to or concurrent with delivery of the loading orders for a conveyance, the party surrendering the warehouse receipts must notify the warehouse whether appeal for federal reconsideration of the grade is requested.

This Regulation shall apply to loadings in satisfaction of warehouse receipts (whether acquired by delivery on Futures Contracts or otherwise) from Regular or federally licensed elevators within the switching districts of Minneapolis-St. Paul, Red Wing and Duluth-Superior. **See Interpretation.**

2035.00. REPORTING CASH COMMODITY SALES.

Pursuant to the provisions of **Rule 1162.00.**, the Board of Directors has adopted this Regulation.

Members or entities having cash trading privileges shall report all sales of loaded rail cash commodities made in the Exchange Room as soon as practicable but no later than fifteen (15) minutes after the close of the cash market. Sales not made during the Hours of Trading shall not be included in the day's market report.

Reports of sales of all commodities shall include the price, the grade, if any, and information such as "musty," "sour," "heating," "heavy dockage," or other factors that may have a distinct bearing on the price of the commodity. All reports must also disclose whether the sale was made on consignment as well as all parties to the transaction including Buyer and Seller, and principal and agent.

2036.00. DISPOSITION ORDERS: FORM OF.

Pursuant to the provisions of **Rule 1125.00.**, the form of Disposition Orders should read as follows:

Disposition Orders, as required by the Rules, shall be in the form and text hereto appended in the appendix of this Chapter. The dimensions of the form are to be 6 inches deep by 8 ½ inches wide. The original to be printed on white paper and the duplicate on yellow paper. Additional copies are permissible and may contain supplemental information or instructions, but each copy must be printed on paper of a different and distinctive color.

The form and text of the original duplicate Disposition Orders hereto appended must not be varied in any particular. Nothing therein, except provision for endorsement, may be added to or omitted; but, if desired, supplemental agreements, phrases or notices regarding claims freight, or other matters not inconsistent with the terms and purposes of the Disposition Orders, may be printed or written on separate pieces of paper to accompany or to be attached to the Disposition Orders to which they relate (See Form 20-36.00, Page 7031.)

2038.00. PAN TICKETS.

Pursuant to the provisions of **Rule 1156.00.**, the Board of Directors adopted this Regulation.

When Pan Tickets used in connection with all carloads of any commodity offered for sale in this market show a car number, the Seller assures the Buyer that all such grain displayed is physically loaded into rail cars. Car numbers are not to be used when selling grain with an official grade unless the cars are loaded.

In no case shall grain displayed and sold, but which has not been loaded into rail cars, be used to establish the market close on any day.

2039.00. DELIVERY AND PAYMENT TO INVOICES AND REQUESTS FOR ADVANCES ON TRUCK/RAIL COMMODITIES.

Pursuant to the provisions of **Bylaw 231.00.**, the Board of Directors has adopted this Regulation.

- A. The Buyer must, before two-thirty o'clock (2:30) p.m., give to the Seller disposition that will enable the Seller to move the car so as to avoid demurrage charges or the Buyer will be liable for any ensuing demurrage.
- B. Invoices based on final weights, whether destination or FOB, must be delivered to the Buyer before one o'clock (1:00) p.m. Buyer's checks in payment of such invoices must be ready for delivery to the Seller's representative as soon as practicable, but no later than one o'clock (1:00) p.m. the following business day.
- C. If requests for advances have been delivered to the Buyers before one o'clock (1:00) p.m., Buyers must have checks for the advances due ready for the Seller's representative as soon as practicable, but no later than one o'clock (1:00) p.m. the following business day.
- D. A Seller who has been unable to deliver invoices on FOB cars or requests for advances in accordance with the provisions of Sections b. and c. of this Regulation may, however, avoid liability for demurrage charges by delivering to the Buyer documents passing title before three o'clock (3:00) p.m. If not so delivered, the liability for demurrage shall be on the Seller. If documents passing title have been so delivered, the Buyer must, at the request of the Seller, receipt for the same, and must, upon demand, have the check in payment of the invoice, or for the advance due, ready for the Seller's representative as soon as practicable, but no later than one o'clock (1:00) p.m. the following day.

2040.00. WHEAT UNFIT FOR HUMAN CONSUMPTION NOT DELIVERABLE ON FUTURES CONTRACTS.

Under authority of **Bylaw 210.01.**, the Board of Directors adopted the following interpretive Regulation.

Wheat declared unfit for human consumption under Federal Food, Drug and Cosmetic Act is not deliverable on a Minneapolis Futures Contract.

2053.00. LIMITATIONS ON OPTIONS TRANSACTIONS-SOLICITATION AND ACCEPTANCE.

No Member or entity shall solicit or accept orders (other than in a clerical capacity) for the purchase or sale of Option Contracts or supervise any person so engaged unless that individual meets the requirements of 17 CFR 33.3.

2054.00. BOARD OF ARBITRATION: FEES.

Pursuant to the provisions of [Rule 441.00.](#), the Board of Directors adopted this Regulation:

For each case involving claims and counterclaims by a member, the following fees will apply:

Up to \$10,000	\$600 + 1% of total value
\$10,001 to \$50,000	\$700 + 1% of total value
\$50,001 to \$100,000	\$1,000 + ½% of total value
\$100,001 to \$200,000	\$2,000 + ¼% of total value
\$200,001 and above	\$2,500 + ¼% of total value
Any non-monetary claims	\$1,500

For each case involving claims and counterclaims by a nonmember, the following fees will apply:

Up to \$10,000	\$700 + 1% of total value
\$10,001 to \$50,000	\$800 + 1% of total value
\$50,001 to \$100,000	\$1,100 + ½% of total value
\$100,001 to \$200,000	\$2,100 + ¼% of total value
\$200,001 and above	\$2,600 + ¼% of total value
Any non-monetary claims	\$1,600

Furthermore, the Board of Directors authorizes the Corporate Secretary of the Exchange, in its discretion, to assess such actual costs and other expenses incurred by the Exchange in the administration of any arbitration brought pursuant to Chapter 4 of the MGEX Rules and Regulations. Any such actual costs or other expenses may be allocated between the parties by the Board of Arbitration pursuant to [Rule 443.00.](#)

2054.01. CUSTOMER CLAIMS ARBITRATION PANEL: FEES.

Pursuant to the provisions of [Rule 535.00.](#), the Board of Directors adopted this Regulation:

For each case involving claims and counterclaims by a customer, the following fees will apply:

Up to \$10,000	\$400
\$10,001 to \$50,000	\$750
\$50,001 to \$100,000	\$850
\$100,001 to \$200,000	\$1,000
\$200,001 and above	\$1,200
Any non-monetary claims	\$1,000

Furthermore, the Board of Directors authorizes the Corporate Secretary of the Exchange, in its discretion, to assess such actual costs and other expenses incurred by the Exchange in the administration of any arbitration brought pursuant to Chapter 5 of the MGEX Rules and Regulations. Any such actual costs or other expenses may be allocated between the parties by the Board of Arbitration pursuant to [Rule 535.00.](#)

2055.00. MEMBERS: LIMITATION ON PARTIES FOR WHOM THEY MAY ACT.

A Record Holder whose Membership is owned by a Clearing Member, an entity having cash trading privileges, an FCM, or a Regular facility may act only in the name of or for the account of such entity, unless an authorized representative of such entity has provided a written release to MGEX that the Record Holder can trade for his personal account. See [Form 3-20.00](#).

A Record Holder whose ability to act is limited by this Rule, may give up the name of a party as principal, other than the entity for which he is authorized to act, when making trades pursuant to [Rule 704.00](#).

2055.01. WHEN AUTHORIZATION TO TRADE IS NOT REQUIRED.

Any Member who is the Record Owner of a Membership standing in his name may act in the capacity of a Broker by making trades or other transactions in the name of other parties that have the privilege to make trades in addition to making trades that are for his or its own account and risk.

The privileges conferred by this Rule shall apply only in connection with Futures and Options Contracts and shall not apply to cash sales and purchases.

2055.02. ACTING AS A BROKER.

The making of trades or transactions in Options through open outcry in the capacity of a Broker shall be subject to the following conditions and restrictions:

- A. The Broker must be either:
 1. A Record Owner of a Membership standing in his name who has not designated the Membership to an entity and who is properly registered with NFA to act in the capacity of a Broker; or,
 2. An entity that is the Record Owner of a Membership and the Record Holder is properly registered with NFA to act in the capacity of a Broker.
- B. Any Record Holder acting in the capacity of a Broker, must at the time of making each trade or transaction report the name of a principal who has authorized him to make the trade or transaction.

2055.03. REGISTRATION OF FLOOR BROKERS/FLOOR TRADERS.

- A. Any Member who executes trades in the pit for an account other than his own must be registered as a floor broker with NFA.
- B. Any Member who trades in the pit for his own account must be registered with NFA as a floor broker or floor trader.
- C. All Members registered with NFA are responsible for completing acceptable ethics training programs and maintaining evidence of

completion in accordance with the Commodity Exchange Act and any regulations and statements promulgated thereunder.

2058.00. COLLECTION OF TRADING DOCUMENTS.

- A. All trading cards and order tickets prepared pursuant to Commodity Futures Trading Commission Regulation 1.35 must be submitted by the executing Member to the Clearing Member immediately at the end of intervals not to exceed thirty (30) minutes. Such intervals shall commence with the beginning of the trading session. All documents must be submitted to the Clearing Member within fifteen (15) minutes of the designated interval. Additionally, all trading documents must be submitted by the executing Member to the Clearing Member no later than fifteen (15) minutes after the close of the futures market and fifteen (15) minutes after the close of the Options market. The Board of Directors, at its discretion, may require that trading documents be collected at the end of smaller intervals in order to ensure compliance with provisions of the Commodity Exchange Act.
- B. Partially-filled order tickets need not be submitted by the executing Member to the Clearing Member until the entire order has been executed. Once the entire order has been executed, the order must be submitted to the Clearing Member promptly, or at the latest, during the next required collection of trading documents by the Clearing Member.
- C. Trading cards collected pursuant to this Regulation must be time-stamped promptly to the nearest minute upon collection by the Clearing Member.

2059.00. DESIGNATION OF OPEN AND CLOSE ON TRADING CARDS.

Each Member is required to identify on his or her trading cards all trades executed during the designated opening and closing periods by drawing a line on the card to separate those trades from other transactions recorded on the trading card.

2060.00. OFFICIAL CLOSING PERIOD: FUTURES.

Unless otherwise stated elsewhere in the MGEX Rules and Regulations, the official closing period for all MGEX futures shall be from 1:14:00 p.m. to 1:14:59 p.m. (Central Time).

2061.00. OFFICIAL CLOSING PERIOD: OPTIONS.

The closing period shall be the last sixty (60) seconds of the Spring Wheat open outcry trading session.

2062.00. TRADING CARDS: FORM, PREPARATION AND MAINTENANCE.

- A. Trading cards used to record the execution of purchase or sale of a Futures or Options transaction governed by the MGEX Rules and Regulations must contain:
 - 1. Pre-printed Member identification or other unique identifying information which would permit the trading cards of one Member to be distinguished from cards of all other Members;

2. Pre-printed sequence numbers to permit the intra-day sequencing of trading cards; and
 3. Unique and pre-printed identifying information which would distinguish each of the trading cards prepared by a Member from his/her other trading cards for no less than a one (1) week period.
- B. Trading cards prepared by the Member must also include the following:
1. Member's name
 2. Clearing Member's name
 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.

2062.02. ELECTRONIC AUDIT TRAIL AND OTHER RECORDKEEPING REQUIREMENTS.

All Clearing Members are required to maintain or cause to be maintained the order routing and frontend 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; 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.

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.
- B. The Electronic Trading System and open outcry may have separate opens, open ranges, highs, lows, closes and closing ranges. However, there shall be only one settlement price.
- C. The Electronic Trading System and open outcry may each have trade volume that is reported separately. However, there shall be only one combined open interest number reported by the Exchange.

- D. Contracts traded on both the Electronic Trading System and by open outcry shall 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.

CHAPTER 21 CLEARING HOUSE RULES

- 2100.00. Requirements For Clearing
- 2100.01. Electronic Trading System Clearing
- 2100.02. Clearing Privileges
- 2100.03. Clearing Member Risk Management
- 2101.00. Settlement Banks Available For Use
- 2102.00. Acceptance Of Give-Up Trades
- 2103.00. Order Of Delivery
- 2104.00. Deadlines, Fees And Fines
- 2104.01. Clearing Fee
- 2105.00. Security Deposit
- 2106.00. Margins
- 2106.01. Protection Of Customer Funds
- 2107.00. Finality Of Settlement
- 2108.00. Liquidity Event
- 2108.01. Requirement To Establish Uncommitted Repurchase Agreement
- 2109.00. Clearing Member Financial Emergency
- 2109.01. Clearing Member Insolvency
- 2109.02. Protection Of Clearing House: Default By A Clearing Member
- 2109.03. Losses Borne By MGEX: Application of Funds
- 2109.04. Management of Default And Subsequent Clearing Cycles
- 2109.05. Collateral To Be Restored
- 2110.00. Clearing Members: Assessments
- 2110.01. Memberships: Special Assessments And Issuance
- 2111.00. Voluntary Contributions
- 2112.00. Haircut Settlement Cycles
- 2113.00. Cooling Off Period And Multiple Defaults
- 2114.00. Partial Tear-Ups
- 2115.00. Termination of Contracts
- 2116.00. Details of Implementation And Auctions
- 2117.00. Use Of Customer Gross Margin Files
- 2118.00. No Action; Limitation Of Liability
- 2119.00. Recovery of Loss
- 2120.00. Limited Recourse And Non-Petition
- 2121.00. Close-Out Netting And Offset

CHAPTER 21 CLEARING HOUSE RULES

2100.00. REQUIREMENTS FOR CLEARING.

All Futures or Options transactions shall be submitted to the Clearing House to be cleared. The Clearing House shall, through the process of novation, be substituted as, and assume the position of, seller to the buyer and buyer to the seller of the relevant number of Exchange or marketplace contracts upon the successful matching of trade data submitted to the Exchange by the Clearing Members on the long and short sides of a trade. Upon such substitution, each Clearing Member shall be deemed to have bought the contracts from or sold the contracts to the Clearing House, as the case may be, and the Clearing House shall have all the rights and be subject to all the liabilities of such Member with respect to such transaction. Transactions can only be offset against one another through position/trade reporting by a Clearing Member to the Clearing House.

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

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

- H. Indicators for the following types of transactions: (C) cash exchange; (T) office transfer*; (S) spread; (D) delivery; (E) exercise; (R) risk exchange.

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

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

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

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

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

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

2100.01. ELECTRONIC TRADING SYSTEM CLEARING.

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

Any trade required for clearing and entered, executed and matched by the Electronic Trading System shall be submitted for clearing.

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

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

by the Exchange.

2100.02. CLEARING PRIVILEGES.

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

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

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

2100.03. CLEARING MEMBER RISK MANAGEMENT.

All Clearing Members must maintain current written risk management policies and procedures, and ensure they are able to perform proper risk management and operational functions at all times. Upon request of the Exchange or the CFTC, the written risk management policies and procedures and other related information and documentation must be promptly made available for review.

The Exchange shall have authority to develop and implement risk control policies for customer and proprietary transactions. Further, the Exchange shall have authority to take such action, including but not limited to: imposing enhanced capital requirements, imposing enhanced margin requirements, prohibiting an increase or requiring a reduction in positions, and liquidating or transferring positions when, in the sole discretion of the Exchange, such action is necessary to

effectively manage risk posed to the Exchange by a Clearing Member.

2101.00. SETTLEMENT BANKS AVAILABLE FOR USE.

The Exchange shall have the authority to approve settlement banks used by the Exchange and its Clearing Members. Each Clearing Member must maintain an account at an Exchange approved settlement bank for purposes of making daily cash settlements for variation and collateral margin with the Exchange.

2102.00. ACCEPTANCE OF GIVE-UP TRADES.

All give-up trades containing the necessary trade data pursuant to MGEX [Rule 2100.00.](#), including customer identification, quantity, and price, which are entered by the executing Clearing Member by the deadline set forth in [Resolution 2101.00.C.](#) must be accepted and transferred to the account of the carrying Clearing Member on the same business day. If the executing Clearing Member does not provide said information by the deadline, then the executing Clearing Member will retain the position until the following business day. All give-up transfer trades are due at MGEX at such time as determined by the Exchange.

2103.00. ORDER OF DELIVERY.

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

2104.00. DEADLINES, FEES AND FINES.

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

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

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

2104.01. CLEARING FEE.

The Exchange shall set clearing fees from time to time and shall make such fees publicly available. The Exchange may elect to waive or modify fees. Payment of the clearing fee will be due upon receipt of invoice for the transactions (whether purchases, sales or deliveries) executed on the Exchange.

2105.00. SECURITY DEPOSIT.

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

Member and the Exchange has determined that all contracts and obligations with the Exchange have been settled.

2106.00. MARGINS.

The Exchange shall set margin requirements at a level that it believes protects the interests of buyers and sellers and the Exchange. The Exchange shall accept, as margin, cash or United States Treasury securities. Cash margin requirements shall be submitted by wire transfer of funds or other acceptable method approved by the Exchange. Cash and United States Treasury securities shall be submitted at times determined and posted by the Exchange. United States Treasury securities shall be maintained in multiples of \$1,000. The Exchange shall value securities as it deems appropriate. The President or his/her designee may, at their discretion, require of any Member or Market Participant a margin upon any or all of such Member or Market Participant's open trades which are deemed unduly insecure or hazardous in such amount as deemed advisable. Calls for such margin shall be paid by the Clearing Member within one business day or earlier if so requested. Further, the Exchange shall collect daily intra-day variations from Clearing Members apart from, and in addition to, any margin or daily settlement variation payments and collects.

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

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

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

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

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

2106.01. PROTECTION OF CUSTOMER FUNDS.

All funds deposited with the Exchange on behalf of customers of a Clearing Member shall be held in

an account identifiable as “customer segregated” in accordance with the Commodity Exchange Act and CFTC Regulation 1.20, as amended. All investment use of such funds shall comply with the investment standards of the Commodity Exchange Act and CFTC Regulation 1.25, as amended, including, but not limited to, concentration limits and permitted investments.

2107.00. FINALITY OF SETTLEMENT.

Provided there are no accounting and/or clerical errors, payments of funds or transfer of funds to and from MGEX, including, but not limited to, intraday and end of day variation, margin payments and security deposits, are final and unconditional when effected and cannot be reversed.

2108.00. LIQUIDITY EVENT.

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

In the event the Clearing House is unable to obtain sufficient funds and liquidity to promptly meet same day settlement and payment through such means, the Clearing House may declare the occurrence of a Liquidity Event. In such an event, the Clearing House has the authority in its sole discretion to take the following actions, in the order listed, to secure same day liquidity:

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

Clearing Member's performance bond at the time of the Liquidity Event. For any substitution of U.S. Treasuries for cash as performance bond, the impacted Clearing Member may, within 24 hours of substitution, request that the Clearing House replace the cash within 29 business days of the date of the substitution. Any Clearing Member requesting cash replacement will receive the original amount of cash deposited and accessed by the Clearing House, regardless of the value of cash received by the Clearing House upon liquidation of the U.S. Treasuries.

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

- C. Transfer or Disbursement of Collateral as Compensation for Portfolio Auction, Sale, or Transfer.** In lieu of satisfying a payment owed from any auction, sale, or transfer of an insolvent, defaulted, or suspended Clearing Member's or customer's portfolio in cash to an auction winner, purchaser, or transferee, the Clearing House may satisfy such payment owed to such persons by transferring Federal Reserve discount window eligible securities with a haircutted market value (determined by the Clearing House as of the prior day's close of business utilizing a recognized third party source) equal to the amount of such obligation.

2108.01. REQUIREMENT TO ESTABLISH UNCOMMITTED REPURCHASE AGREEMENT.

Each Clearing Member that is a U.S. Government Securities Broker-Dealer or has a U.S. Government Securities Broker-Dealer affiliate shall, if required by MGEX, enter into (or arrange for such affiliate to enter into) a master repurchase agreement with MGEX on terms substantially similar to those set forth by the Clearing House.

2109.00. CLEARING MEMBER FINANCIAL EMERGENCY.

If at any time the Exchange, in its sole discretion, determines that there is a substantial question as to whether a financial emergency exists or may exist with respect to any Clearing Member, or that the Clearing Member is no longer in Good Standing, the Exchange may suspend or take any other action to protect the best interests of the marketplace, Clearing Members or the Exchange.

The Exchange shall have no liability regarding its use of the discretionary power described herein; neither shall the Exchange be liable for actions taken pursuant to MGEX Rules, procedures, or actions allowed by law.

2109.01. CLEARING MEMBER INSOLVENCY.

If a Clearing Member becomes insolvent, the Insolvent Clearing Member, as such term is defined in Chapter 1, must immediately notify the Exchange of such insolvency. The Insolvency of a Clearing Member shall be announced by the Exchange and thereupon such Clearing Member shall be deemed automatically Suspended. When Suspended, the Exchange may permit the Clearing Member to continue limited operations for the purpose of transferring or liquidating positions, or

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

When an Insolvent Clearing Member is Suspended, the Exchange may exercise any or all of its rights under MGEX Rules.

2109.02. PROTECTION OF CLEARING HOUSE: DEFAULT BY A CLEARING MEMBER.

If a Clearing Member fails promptly to discharge any obligation to MGEX, its security deposits, its margins and performance bonds on deposit with MGEX, its collateral, and any of its other assets available to the Exchange shall be applied by the Exchange to discharge the obligation, provided that MGEX will not apply any collateral held in segregated customer accounts to any payment obligations arising from a default in a Clearing Member's proprietary account. The Exchange will also have the right to immediately attempt to sell any and all Memberships owned by such Clearing Member, whether pledged in accordance with Rule 2100.02.D. or not, and will have the exclusive right to the proceeds of such sale, which may be used to discharge the obligation. Further, the Exchange may make immediate demand upon any guarantor of the Clearing Member. Upon demand and without waiting for application of all available assets of the Clearing Member or a formal accounting, such guarantor shall pay the Exchange by the time and date set by MGEX. Upon a Clearing Member Default, the Exchange may act immediately to attempt to transfer to alternate Clearing Members all customer positions and associated collateral (collateral held by the Exchange on behalf of the Defaulting Clearing Member for its customer if permitted).

If a default occurs in a segregated customer account, then the Exchange has the right to liquidate and apply toward the default all open positions and customer performance bond deposits in the account of the Defaulting Clearing Member. Accordingly, positions and collateral deposited by customers not causing the default are at risk if there is a default in their Clearing Member's segregated customer account. Following a default in a segregated customer account, MGEX can apply any excess proprietary funds and assets of the Defaulting Clearing Member. The Exchange shall be under no obligation to forward any variation pays or settlement funds to a Defaulting Clearing Member.

In addition to application of the available assets of the Defaulting Clearing Member (the priority of which is further described in Rule 2109.03.), the Exchange, President, Treasurer, Chief Risk Officer, or other designee may take any other actions that it determines necessary to protect MGEX or other Clearing Members. Such actions include, but are not limited to, actions authorized elsewhere within the MGEX Rules, the suspension of clearing privileges until revoked or reinstated by the Board or its designee, pursuit of legal action, retention of variation pays and settlement funds, and request for additional security deposit and/or performance bonds. The detailed implementation of the process of finalizing losses with respect to a Clearing Member Default, including the liquidation, allocation, auction or sale of positions or assets of the Defaulting Clearing Member shall be conducted by the Exchange in its sole discretion.

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

directors, or employees, shall be liable for any losses, damages, or costs, including direct, indirect, incidental, and consequential damages, arising out of the performance or decisions of the qualified third party or Defaulting Clearing Member.

The Exchange may establish such procedures as necessary which prescribe in detail how the protections under the MGEX Rules will operate. Such procedures shall constitute part of the MGEX Rules.

2109.03. LOSSES BORNE BY MGEX: APPLICATION OF FUNDS.

Should MGEX bear a loss resulting from the Default of a Clearing Member, then such loss shall be met by applying the funds listed below. In addition and for the avoidance of doubt, Clearing Members are responsible for bearing any loss of funds or collateral associated with the failure or insolvency of a depository or settlement bank, and should a Clearing Member Default as a result of such bank failure or insolvency, MGEX will use the funds listed below. MGEX will use funds from the following sources, in the order of priority hereafter listed, with each source of funds to be completely exhausted, to the extent practical, before the next following source is applied. While such application of funds shall be mandatory, the detailed implementation of this Rule shall be the responsibility of the Exchange.

- A. Excess funds of the Defaulting Clearing Member, including any partial payment amounts, settlement funds, or variation gains.
- B. Security deposits of the Defaulting Clearing Member.
- C. Margins and performance bonds of the Defaulting Clearing Member on deposit with MGEX, payments made by a guarantor of the Defaulting Clearing Member, and any other assets of the Defaulting Clearing Member.
- D. Such assets of the MGEX Clearing House reserve fund.
- E. Security deposits of non-defaulting Clearing Members shall be applied toward meeting a loss in direct proportion to the total security deposit requirement of each Clearing Member.
- F. Such surplus funds of the Exchange as may be in excess of funds necessary for normal business operations. No such surplus shall be assumed until approved by the Executive Committee or the Board.

In the event that a Clearing Member Default necessitates the application of these funds, Clearing Members must make good any deficiency in security deposits or margins and performance bonds pursuant to the requirements and deadlines set forth in MGEX Rule 2109.05.

The Exchange may borrow such funds or draw such funds as necessary against any line of credit at any time for such purposes under this Rule to cover any obligations or losses of the Exchange. Any borrowing of funds shall not relieve any Clearing Member from their obligations under this and other Rules or from the application of their security deposits.

The Exchange may obtain and maintain any default insurance. Such insurance shall inure to and shall be for the sole benefit of the Exchange. Proceeds from any default insurance, and the right to any proceeds, shall be paid to and belong solely to the Exchange.

If the security deposits, margins, performance bonds, guarantees and other assets of a Defaulting Clearing Member are insufficient to satisfy all of its obligations to MGEX, including all claims against the Exchange by reason of its substitution for that Clearing Member pursuant to Rule 701.00., the Exchange shall nonetheless pay all such claims, which shall be deemed a loss (hereinafter "Loss") to it and which shall be a liability of the Defaulting Clearing Member to the Exchange, which the Exchange may collect from the assets of such Clearing Member available to it or by process of law. A Loss may also be an uncovered credit loss. The definition of a Loss includes, but is not limited to, any amounts associated with the liquidation, transfer, and other costs related to managing the Default of a Clearing Member.

2109.04. MANAGEMENT OF DEFAULT AND SUBSEQUENT CLEARING CYCLES.

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

2109.05. COLLATERAL TO BE RESTORED.

In the event it shall become necessary to apply all or part of a Clearing Member's security deposits or margins and performance bonds to meet obligations of MGEX pursuant to MGEX Rules, the Clearing Member shall immediately make good any such deficiency in security deposits or margins and performance bonds, by wire or other acceptable method, within two (2) hours of notice of any deficiency being delivered to Clearing Members. If a Clearing Member pays such assessment by wire and the wire transfer service is not open or operational at the time notice is sent, payment is due within one (1) hour on the next business day that the wire transfer service is open and operational. In the event of the insolvency or default of a depository or settlement bank, Clearing Members shall comply with any further instructions provided by MGEX regarding the restoration of such collateral.

2110.00. CLEARING MEMBERS: ASSESSMENTS.

Losses (as defined in [Rule 2109.03.](#)) shall first be satisfied by applying the funds in the order of priority listed in [Rule 2109.03.](#) The balance of any Losses remaining after the application of such funds shall be assessed against all Clearing Members (excluding any Insolvent or Defaulting Clearing Members). Each Clearing Member (excluding any Insolvent or Defaulting Clearing Member) shall be subject to an assessment in direct proportion to the Clearing Members' total security deposit requirement up to an amount that does not exceed (i) a total of three (3) times such Clearing Member's total security deposit requirement at the time of the default with respect to

Losses that are attributed to the default of a single Clearing Member and (ii) a total of six (6) times such Clearing Member's total security deposit requirement at the time of the default with respect to Losses that are attributed to the default of multiple Clearing Members during a Cooling Off Period (as defined in [Rule 2113.00](#), below). Non-defaulting Clearing Members shall take no actions, including but not limited to, attempting to obtain a court order that would interfere with the ability of the Clearing House to collect and apply such assessments.

Each Clearing Member shall pay any assessment made pursuant to this Rule by wire or other method acceptable to MGEX within two (2) hours of the notice of the assessment being delivered to Clearing Members. If a Clearing Member pays such assessment by wire and the wire transfer service is not open or operational at the time notice is sent, payment is due within one (1) hour on the next business day that the wire transfer service is open and operational. Any Clearing Member that does not satisfy an assessment shall be in default, and any Loss that occurs as a result of such default shall itself be assessed by MGEX to non-defaulting Clearing Members. In the event that the amount of assessments received exceeds the amount of the Loss, the Clearing House will return such excess funds as soon as practicable.

If a Clearing Member has made payments of all assessed amounts and has replenished any deficiency in its security deposits or margin and performance bonds in accordance with Rule 2109.05., it may withdraw from Membership by giving written notice to and receiving approval from the Exchange.

2110.01. MEMBERSHIPS: SPECIAL ASSESSMENTS AND ISSUANCE.

Notwithstanding the provisions of Bylaw 221.01., in the event the Exchange requires additional funds to address any uncovered credit loss, liquidity shortfall, or capital inadequacy, MGEX may levy a special assessment against each Membership, provided that such special assessments, collectively, may not exceed five million dollars (\$5,000,000). Each Member shall pay any special assessment made pursuant to this Rule by wire or other method acceptable to MGEX within two (2) business days of the notice of the special assessment being delivered to Members. In the event that the amount of special assessments received exceeds the amount of the uncovered credit loss, liquidity shortfall, or capital inadequacy, the Clearing House will return such excess funds as soon as practicable.

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

2111.00. VOLUNTARY CONTRIBUTIONS.

At any time following a Default that causes a Loss (as defined in [Rule 2109.03.](#)) or liquidity shortfall, the Exchange may seek voluntary contributions from Clearing Members and Market Participants. The Exchange may specify acceptable methods of making a voluntary contribution to the Clearing House. Any contributions made by a Clearing Member to the Clearing House will not relieve such Clearing Member of their obligations under any other MGEX Rules.

2112.00. HAIRCUT SETTLEMENT CYCLES.

If one or more Clearing Members Default and the assets available to cover the default, including the funds described in the preceding Rules, are insufficient to satisfy the Loss (as defined in [Rule 2109.03.](#)) and obligations of the Clearing House as a result of such default, then the Board of Directors may approve of and direct the Clearing House to modify settlement cycles in accordance with this Rule and CFTC regulations.

Following Board approval, the Clearing House shall issue a notice and conduct a settlement cycle for all MGEX contracts to determine settlement prices for all contracts and the net portfolio gain or loss for each house and customer portfolio:

- A. The net portfolio gain of a Clearing Member (a “collect”), or the net portfolio loss of a Clearing Member to the Clearing House (a “pay”), shall be determined separately for (i) its proprietary positions in MGEX contracts (a “Proprietary Collect” or a “Proprietary Pay”), and (ii) the net positions of its customers in MGEX contracts (collectively, a “Customer Collect” or a “Customer Pay”).
- B. The Clearing House shall determine and calculate the sum of (i) the amount of each non-defaulted Clearing Member’s remaining payment obligations, if any, with respect to assessments levied by MGEX; (ii) any other remaining available funds or collateral; (iii) all Proprietary Pays to be received by MGEX; and (iv) all Customer Pays to be received by MGEX, and deduct the amount of any uncovered Loss (the resulting amount, the “Aggregate Available Funds”).
- C. The Clearing House shall then notify each Clearing Member of the amount of its remaining assessments (if any), Proprietary Pay, and Customer Pay, and each Clearing Member shall pay all such amounts no later than the time required for the relevant settlement cycle. If a Clearing Member does not make such payment to the Clearing House, such Clearing Member will be in default and the Exchange may take any of the actions specified elsewhere in the MGEX Rules with respect to such Clearing Member and its customers.
- D. If the amount of Aggregate Available Funds received by the Clearing House exceeds the sum of all Proprietary Collects and Customer Collects, the Clearing House shall calculate reimbursements of, and distribute, the excess funds to Clearing Members in the reverse order funds were previously paid to the Exchange, provided the Loss (as defined in Rule 2109.03.) has been fully addressed. Such reimbursements will be distributed pro rata to Clearing Members. The Clearing House may also determine a maximum amount to pay back for closed positions that may be included in the aggregate collects, based upon existing facts and circumstances that it deems appropriate to mitigate further disruptions to the markets.
- E. If the sum of all Proprietary Collects and Customer Collects exceeds the amount of Aggregate Available Funds received, including any voluntary contributions received, then the following procedures will apply:
 1. The Clearing House shall haircut the amount of each Proprietary Collect and Customer Collect on a pro rata basis for the current, and each successive, settlement cycle for the next two (2) Business Days, unless a Bankruptcy

Event (as defined in Rule 2121.00.) has occurred, to equal the amount of Aggregate Available Funds received relative to the Proprietary Collect and Customer Collect (such process, a "Variation Margin Gains Haircut"). The Clearing House will haircut Customer Collects at the customer account level of each Clearing Member, and each Clearing Member will allocate such haircut pro rata among its customers with net portfolio gains for the relevant settlement cycle.

2. After considering the existing facts and circumstances and the interests of MGEX's Clearing Members and customers, the Risk Management Committee, in consultation with MGEX's Risk Team, may instruct the Clearing House to extend or reduce the number of days during which Variation Margin Gains Haircuts are applied by one or two Business Days. In no event may the Clearing House conduct Variation Margin Gains Haircuts for longer than five (5) Business Days.
3. Absent a Bankruptcy Event, for each settlement cycle conducted in accordance with these procedures, the Clearing House shall pay the haircuted Proprietary Collects and Customer Collects as soon as practicable after receipt of the Aggregate Available Funds.
4. If a Bankruptcy Event occurs following a Clearing Member Default on a day during which Variation Margin Gains Haircuts are applied to settlement cycles, then on such day, the Clearing House will conduct a final settlement cycle which will also be subject to a Variation Margin Gains Haircut. The price determined in accordance with such settlement cycle will be used as the price for close-out netting in MGEX Rule 2121.00.

2113.00. COOLING OFF PERIOD AND MULTIPLE DEFAULTS.

The provisions set forth in this Chapter apply with respect to each default by a Clearing Member. If more than one Clearing Member Default occurs at a time or in close sequence, including a default that occurs by reason of a Clearing Member's failure to satisfy an assessment demand, the Clearing House shall manage the defaults separately. Upon any default, during the Cooling Off Period, non-defaulted Clearing Members shall be subject to a maximum obligation to pay assessments as set forth in Rule 2110.00. and the maximum obligation of all Members shall be restricted to the special assessment limit set forth in Rule 2110.01. These maximums shall apply from the date of the original default until the later of (i) the fifth Business Day thereafter and (ii) if another Clearing Member defaults during the five (5) Business Days following the initial or any subsequent default, the fifth Business Day following the last such default (such period, the "Cooling Off Period"), regardless of the number of defaults that occur during such Cooling Off Period.

The aggregate maximum contribution that may be required pursuant to Rule 2110.00. for the Cooling Off Period shall be based upon each Clearing Member's total security deposit requirement in effect at the commencement of the Cooling Off Period. The maximum does not limit Clearing Members' obligations to restore their security deposit contributions or margins and performance bonds as set forth in Rule 2109.05. Following a Cooling Off Period, the Clearing House shall notify each Clearing Member of its security deposit obligation and its assessment exposure.

2114.00. PARTIAL TEAR-UPS.

At any time following a Clearing Member Default or other Loss (as defined in [Rule 2109.03.](#)), the Clearing House may issue notice to Clearing Members and Market Participants providing an opportunity for them to voluntarily agree to have one or more proprietary contracts or, with a customer's consent, to agree to have one or more of each of such customer's contracts that are opposite the remaining open positions of the Defaulted Clearing Member, extinguished by the Clearing House. In addition, the Exchange may elect to tear-up defaulted positions within a Defaulted Clearing Member's portfolio.

At any time following a Clearing Member Default or other Loss (as defined in [Rule 2109.03.](#)), the Risk Management Committee may instruct the Clearing House to extinguish a portion of the remaining open positions of the Defaulted Clearing Member through a partial tear-up of proprietary and customer positions of non-defaulted Clearing Members and non-defaulted customers of the Defaulted Clearing Member. A partial tear-up may include, but is not limited to, a line-by-line tear-up against the remaining open positions of the Defaulted Clearing Member. In such event, the Risk Management Committee will determine the appropriate scope of each partial tear-up in accordance with the following procedures. The Risk Management Committee will first determine whether a partial tear-up is appropriate or whether the Exchange should instead move immediately to a full termination of all contracts, taking into consideration any recommendation by the Board of Directors. Such determination, and any recommendation, will (i) be based upon then existing facts and circumstances; (ii) support the integrity of the Clearing House and the stability of the financial system; (iii) take into consideration the interests of Clearing Members and Market Participants; and (iv) aim to extinguish the Defaulted Clearing Member's open proprietary and customer positions and any additional positions deemed necessary to mitigate further disruptions to the markets affected by the remaining open positions of the Defaulted Clearing Member.

If any proprietary or customer positions of a Defaulted Clearing Member remain open following the last Variation Margin Gains Haircut settlement cycle, then the Clearing House will conduct a partial tear-up process of proprietary and customer positions of non-defaulted Clearing Members and non-defaulted customers of the Defaulted Clearing Member, provided that the Risk Management Committee determine the appropriate scope of the tear-up in accordance with the considerations set forth above and any recommendations by the Board of Directors. A partial tear-up may include, but is not limited to, a line-by-line tear-up against the remaining open positions of the Defaulted Clearing Member. In this situation, the Clearing House would proportionately extinguish contracts held by non-defaulted Clearing Members, their non-defaulted customers, and the non-defaulted customers of the Defaulted Clearing Member that are opposite the Defaulted Clearing Member's remaining open positions relative to the size of such remaining open positions.

2115.00. TERMINATION OF CONTRACTS.

In the event that the Board of Directors mandates a full tear-up of contracts or if, after taking any or all of the measures allowed in this Chapter to address a Clearing Member Default or Insolvency, the Clearing House determines that it still will not be able to satisfy all Losses (as defined in [Rule 2109.03.](#)) or cover a settlement variation payment obligation when due (without expectation of accessing funds that would permit it to cover such payment obligation), then the Clearing House will terminate all contracts in accordance with these procedures. As soon as reasonably practicable and in a manner consistent with the Commodity Exchange Act and the regulations adopted thereunder (including, without limitation Part 190 of the Regulations, if applicable), the Exchange will fix a U.S. dollar amount to be paid to or received from the Clearing House in respect of all contracts to be terminated by conducting a haircut settlement cycle (as described in [Rule 2112.00.](#)) to determine a final settlement price for all open contracts.

Upon the completion of payments, all MGEX contracts shall be extinguished, and the Clearing House shall have no further access to funds or collateral with respect to such contracts or clearing activity of a non-Defaulting Clearing Member. Clearing Members, their affiliates, and their customers shall have no claim against the Exchange with respect to losses suffered as a result of the application of MGEX Rules, nor shall any beneficial holder of an MGEX contract have any claim against its non-defaulting Clearing Member.

2116.00. DETAILS OF IMPLEMENTATION AND AUCTIONS.

While adherence to the provisions of the above MGEX Rules is mandatory, the detailed implementation of the process of finalizing Losses with respect to a default, including the liquidation, auction, tear-up, or sale of positions or assets of the Defaulting Clearing Member, shall be conducted by the Clearing House or the MGEX Risk Team. A Loss includes, but is not limited to, any amounts associated with the liquidation, transfer, and other costs related to managing the Default of a Clearing Member. In order to ensure that the process for liquidating open contracts results in competitive pricing, to the extent feasible under market conditions at the time of liquidation, liquidation of open contracts held for a house account or customer account of a Defaulting Clearing Member may occur by one or more of the following methods: (i) book entry that offsets open contracts on the books of the Defaulting Clearing Member; (ii) liquidation in the open market; and/or (iii) one or more private auctions amongst qualified market participants invited by the Clearing House to submit confidential bids. The Clearing House shall have discretion to select the best bid submitted for any portfolio in an auction, based on the totality of the circumstances, and no bid shall be binding upon MGEX unless accepted by it.

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

2117.00. USE OF CUSTOMER GROSS MARGIN FILES.

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

2118.00. NO ACTION; LIMITATION OF LIABILITY.

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

The liability of the Exchange shall be limited to losses resulting from the substitution of the Clearing House upon contracts between Clearing Members. The Exchange shall not be liable for any other obligations, including but not limited to, obligations of a non-Clearing Member, obligations of a

Member, obligations of a Clearing Member to a Market Participant, obligations of a Clearing Member to another Member of the Clearing House who is acting for him as broker, or obligations to a customer by a Clearing Member; nor shall the Exchange become liable to make deliveries to or accept deliveries from a customer of its Clearing Members.

2119.00. RECOVERY OF LOSS.

If the Exchange later recovers any amounts accessed or contributed to cover a Loss (as defined in [Rule 2109.03.](#)), the net amount of such recovery shall be credited to non-defaulted Clearing Members (whether or not they are Clearing Members at the time of recovery) and Market Participants, as applicable, in the following order on a pro rata basis based on: (i) the amount of such Clearing Members and Market Participants' voluntary contributions made pursuant to Rule 2111.00.; (ii) the amount of such Clearing Members' (and their customers' if applicable) aggregate Variation Margin Gains Haircuts made pursuant to Rule 2112.00.; (iii) the amount of such Clearing Members' assessments utilized by the Exchange pursuant to Rule 2110.00.; and (iv) the amount of such Clearing Members' security deposits utilized by the Exchange pursuant to Rule 2109.03. Any remaining amount may be credited to the Exchange for the amount of the MGEX Clearing House reserve fund utilized with respect to the default.

2120.00. LIMITED RECOURSE AND NON-PETITION.

If a Bankruptcy Event occurs (as defined in Rule 2121.00.), Clearing Members and Market Participants will have no recourse to any other funds or any other entity, including without limitation the Exchange and its Clearing House or any of its directors, officers, or employees. Notwithstanding the foregoing, Clearing Members, for both their proprietary positions and their customers' positions, and non-defaulted customers of Defaulted Clearing Members may have a claim on any recovery from the Defaulted Clearing Member in the amount of the aggregate Variation Margin Gains Haircuts applied to such positions. If recovery from the Defaulted Clearing Member is less than the aggregate Variation Margin Gains Haircuts applied, non-defaulted Clearing Members and their customers and the non-defaulted customers of the Defaulted Clearing Member will share pro rata in any recovery.

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

2121.00. CLOSE-OUT NETTING AND OFFSET.

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

If at any time the Exchange fails to comply with an undisputed obligation to pay money or deliver

property to a Clearing Member that is due and owing in connection with a transaction cleared by the Exchange, for a period of five (5) Business Days from the date that the Exchange receives notice from the Clearing Member of the past due obligation, the Clearing Member's open proprietary and customer positions at the Clearing House shall, at the election of that Clearing Member, be closed promptly. For the avoidance of doubt, in the event the Clearing House conducts any Variation Margin Gains Haircut settlement cycles, such haircutted funds will not constitute an undisputed Exchange obligation under this Rule, and MGEX will have no obligation to repay such amounts other than as provided for in Rule 2119.00.

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

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

Notwithstanding the foregoing, the amount of any proprietary or customer claim extinguished as a result of applying the terminating and netting procedures set forth in this Chapter 21 will not be available for netting in Proprietary Netting and Futures Customer Netting. Proprietary Netting and Futures Customer Netting shall be performed in accordance with the Bankruptcy Code and the Commodity Exchange Act and the regulations promulgated thereunder. This Rule shall be deemed to be a master netting agreement for Proprietary Netting and a master netting agreement for Futures Customer Netting.

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

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

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

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

respond to market conditions.

5709.00. DAILY PRICE LIMITS.

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

5710.00. LAST TRADING DAY.

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

5711.00. PAYMENT OF OPTION PREMIUM.

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

5712.00. MARGIN REQUIREMENTS.

Margin requirements shall be established in accordance with **Rule 760.00.** and **Rule 2106.00.**

5713.00. OFFSETS AND TRANSFER TRADES.

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

5714.00. CONTRACT MODIFICATION.

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

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

or necessary for any unopened contract month.

5715.00. OPTION EXERCISES.

The buyer of a HRSW Calendar Spread option may exercise the option only on the business day such option expires. In the money options that have not been liquidated or exercised on the last day of trading shall be automatically exercised in the absence of contrary instructions delivered to the Exchange at the deadline set forth in **Resolution 2101.00.C.**, or by such other time designated by the Exchange, on the last day of trading by the Clearing Member representing the option buyer.

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

5716.00. AUTOMATIC EXERCISE.

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

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

5717.00. ASSIGNMENT.

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

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

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

**CHAPTER 72
RESOLUTIONS**

- 210.01. F. Board Of Directors: Powers
- 719.00. Exchange Of Futures For Physical or Risk Transaction Fees
- 803.00. Contract and Other Deliverable Grades
- 804.00. Electronic Warehouse Receipts
- 2024.00. Exchange Regulatory Fee
- 2101.00. C. Schedule of Reporting Deadlines

CHAPTER 72 RESOLUTIONS

RESOLUTION 210.01.F.

Pursuant to the provisions of **Rule 210.01. F.**, the Board of Directors has adopted this Resolution.

Limited authority of the Board of Directors to amend MGEX Rules and to take emergency action is hereby delegated to Exchange officers. Such authority includes, suspending or curtailing trading, amending Hours of Trading, imposing margin requirements, declaration of holidays, amending reportable position limits, price limits and intraday market restrictions, managing settlement procedures, open or closing periods, fees, forms, notices, deadlines, dress and decorum policies, minimum financial requirements, notification and reporting requirements, striking prices, cash market reporting, recordkeeping requirements, honorary memberships, default procedures, give-up procedures, transferring customer contracts and margins, definition of emergencies, declarations of Force Majeure and action taken as a result of such declarations. The Exchange shall also have the authority to take such market action as may be directed by the CFTC. The President and Chairperson of the Board of Directors may determine whether a Rule can be amended by Exchange officers. Such amendments must be forwarded promptly to the Board of Directors.

Further, limited authority of the Board of Directors is hereby delegated to Exchange officers to exercise certain other powers including amending transfer procedures, approving membership requests, transfers, applications and cancellations, approving applications, renewals, or withdrawals for Regularity, approving applications for Cash Trading Privileges and/or clearing privileges, establishing minimum filing and financial requirements, establishing and amending summary fine schedules, approving standing committee appointments, granting admission to the Exchange Room, and amending the matching algorithm for the electronic trading system. Such approvals and changes must be forwarded promptly to the Board of Directors.

Limited authority of the Board of Directors is hereby delegated to MGEX risk management personnel, which includes such employees and/or officers as the Exchange, in its discretion, shall determine (collectively, the "MGEX Risk Team"), to independently exercise certain risk management powers and to be responsible and accountable for making risk decisions, including in crises and emergencies. The Board of Directors further assigns the MGEX Risk Team the responsibility for implementing the (i) default rules and procedures required by CFTC Regulations 39.16 and 39.35, (ii) system safeguard rules and procedures required by CFTC Regulations 39.18 and 39.34, and (iii) recovery and wind-down plans required by CFTC Regulation 39.39.

RESOLUTION 719.00.

The Minneapolis Grain Exchange Board of Directors has adopted a \$0.70 fee to be paid to the Corporation by the buyer and the seller for each Minneapolis Grain Exchange contract involved in an exchange for risk or exchange for physical transaction.

Approved by the Board March 18, 2008, effective April 1, 2008.

RESOLUTION 803.00.

Effective with the May 2013 contract month, all warehouse receipts issued for delivery against Hard Red Spring Wheat (“HRSW”) futures contracts shall be marked with a deoxynivalenol (“vomitoxin”) limit expressed in tenths as either (i) 2.0 parts per million or (ii) 3.0 parts per million. Warehouse receipts marked as 2.0 parts per million or 3.0 parts per million shall represent a maximum vomitoxin level. Further, warehouse receipts marked as 2.0 parts per million shall be delivered at contract price, while receipts marked as 3.0 parts per million vomitoxin shall be delivered at a 20 cents per bushel discount.

The taker shall have the option, at taker’s expense, to request for a determination of the level of vomitoxin at the time load-out instructions are submitted to the warehouse. Sampling shall be conducted at the point of load-out by the Federal Grain Inspection Service, a federally designated inspection agency or by a third party inspection service which is mutually agreeable to the warehouse and taker of delivery. The determination of the level of vomitoxin shall be based on the average test results of the HRSW. Vomitoxin test results up to and including 2.0 parts per million shall meet warehouse receipts marked 2.0 parts per million. Vomitoxin test results up to and including 3.0 parts per million shall meet warehouse receipts marked 3.0 parts per million. Vomitoxin test results greater than 3.0 parts per million shall not be deliverable. There will be no rounding of test results to a whole number. Taker may agree to accept HRSW with vomitoxin test results greater than 2.0 up to 3.0 parts per million for warehouse receipts marked 2.0 parts per million at the stated discount or at a discount mutually agreed by both parties.

The following methods are to be used for determining the level of acceptable vomitoxin for deliveries against HRSW futures:

1. Barges shall be based upon a single barge composite sample.
2. Vessels shall be based upon the average of subplot composite samples.
3. Trains shall be based upon an average of 5 railcar composite samples. A single composite sample shall be used for load-outs less than 5 railcars.
4. Warehouse and taker may mutually agree to utilize other sample averages.

RESOLUTION 804.00.

Effective with the September 2017 contract month, delivery of any Hard Red Spring Wheat Futures Contract shall be made by the delivery of a USDA approved negotiable electronic warehouse receipt issued by a MGEX approved regular facility.

Any holder of any paper warehouse receipt may take one of the following actions with respect to such paper warehouse receipt:

1. Convert such paper warehouse receipt to an electronic warehouse receipt and pay any outstanding storage cost;
2. Carry such paper warehouse receipt indefinitely;
3. Cancel such paper warehouse receipt for load-out purposes; or
4. Transfer the paper receipt to another entity

Further, effective with the September 2017 contract month, any reference to “warehouse receipt” in any MGEX Rule pertaining to the delivery of a Hard Red Spring Wheat Futures Contract means “electronic warehouse receipt”.

Unless otherwise instructed by the Exchange, electronic warehouse receipts are to be issued via and transferred exclusively using e-Grain, Inc. (also known as the eGrain System).

The Exchange may from time to time determine or modify the electronic fields that are required to be completed when creating or issuing an electronic warehouse receipt.

In addition, any Regular Facility that receives a request to convert a paper warehouse receipt to an electronic warehouse receipt through December 26, 2017 shall promptly fulfill the request, and shall not charge any fee to the requesting party.

RESOLUTION 2024.00.

The Minneapolis Grain Exchange Board of Directors has adopted the following schedule of Exchange regulatory fees to be paid to the Corporation annually. The fee shall be prorated over the Corporation’s fiscal year for each month the entity is registered.

A fee of \$10,000 shall be paid by registered futures commission merchant members for which the Exchange is the self-regulatory organization responsible for monitoring and auditing for compliance with the minimum financial, segregation and related reporting and recordkeeping requirements. Such fee shall also apply if the Exchange has delegated its responsibilities to another designated self-regulatory organization. However, the fee shall be waived if the registered futures commission merchant member clears 50,000 contracts annually.

Approved by the Board on January 18, 2001.

RESOLUTION 2101.00.C.

The Exchange has adopted the following schedule of reporting deadlines (all times listed shall conform to Central Time):

7:30 a.m.	Position reports
9:00 a.m.	Settlement and margin payment
11:00 a.m.	Trading directive for same day collateral pledges* Trading directive for same day collateral pledge release*
11:15 a.m.	Weekly account position updates Daily Delivery/Exercise account updates
11:30 a.m.	Intraday variation payment
3:30 p.m.	Unmatched trade adjustments
3:45 p.m.	Last submission of trades Give-up execution
4:00 p.m.	Give-up acceptance

4:15 p.m.	Auto-Exercise Cancellation Notices
4:20 p.m.	Options position reports on expiration day
4:30 p.m.	Long position lists for delivery Delivery Notices Exercise Notices
7:30 p.m.	Customer gross margin files

***Submitting a Trading directive to the Exchange does not guarantee same day transfers of a security. MGEX is not responsible for delays caused by the inaccuracy or untimely submission of information by a Clearing Member required to facilitate the transfer of securities to or from MGEX's safekeeping accounts.**

Trading activity after seven o'clock (7:00) p.m. to three thirty o'clock (3:30) p.m. the following day will be cleared with said following day's trading activity.

Trades must be entered in "TEMS" within forty-five (45) minutes of the conclusion of each half (½) hour trading bracket.

Any unresolved unmatched trades may be suspended pending possible resolution the following business day as an "as of" trade. "As of" trades can be carried no longer than one business day.

All give up trades properly entered in accordance with [Rule 2102.00](#). by the executing Clearing Member by three forty-five o'clock (3:45) p.m. must be accepted by the carrying Clearing Member by four o'clock (4:00) p.m.

Pursuant to [Rules 2.3.5.](#) and [1227.00.](#), any deadline or submission listed herein that is missed, late, inaccurate or incomplete, may result in a fine or the matter being referred to the Disciplinary Committee as determined by the Exchange.