



MEMO

TO: MGEX Market Participants & Clearing Members

FROM: Layne G. Carlson, Corporate Secretary

DATE: April 15, 2021

SUBJECT: Regulatory Relief Related to Open Outcry Suspension

In connection with the suspension of open outcry options trading, which was taken in response to the worldwide coronavirus/COVID-19 pandemic, MGEX previously had requested and received Commodity Futures Trading Commission (“CFTC”) approval to provide relief with respect to various Exchange rules concerning the solicitation and handling of customer orders, including by MGEX registered floor brokers (see MGEX’s March 18, 2020 Memo to Members). This temporary relief under Exchange rules was granted as a result of the CFTC granting no-action relief to Designated Contract Markets and floor brokers. That relief expired January 15, 2021. The CFTC extended limited parts of that relief, which have also expired or will expire soon. Specifically, no-action relief for oral communications recordkeeping requirements expired March 31, 2021 (see CFTC No-Action Letter 21-04) and partial extension of no-action relief for time-stamps will expire April 15, 2021 (see CFTC No-Action Letter 21-05). However, the CFTC has granted an extension of relief related to floor broker location requirements and introducing broker registration, until **September 30, 2021** (see CFTC No-Action Letter 21-10). There is no expectation that relief will be granted beyond this date.

As a result of the CFTC’s targeted extension of no-action relief, action is being taken by the Exchange to allow registrants to continue to handle open outcry customer business from locations outside of the Exchange Room. During the suspension of open outcry trading, and in conjunction with the relief granted for MGEX floor brokers noted above, registrants will comply with CFTC No-Action Letter 21-10 and will continue to comply with MGEX Rules to the fullest extent possible, specifically such Rules applicable to floor brokers and open outcry options trading. The Exchange will continue to monitor all open outcry options activity for other violations regardless of the relief granted.

The relief extends to certain portions of the following MGEX Rules:

3.1.2. TIME AND PLACE FOR MAKING.

Except in the case of non-competitive trades, all purchases and sales, and all offers to purchase or sell Futures and Options must be made electronically on the Electronic

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

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 Market Participant executes such orders in the presence of an official representative of the Exchange designated to observe such transactions and the Market Participant 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 Market Participant 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 **Rule 2019.00**).

If you have any questions, please contact Deborah Krump at 612-321-7194 or dkrump@mgex.com or Layne G. Carlson at 612-321-7169 or lcarlson@mgex.com.