



Web 2012-2

January 25, 2012

Dear Members & Rulebook Recipients:

The following Chapters have been amended:

<b><u>Chapter</u></b>	<b><u>Rules</u></b>	<b><u>Purpose</u></b>
1 Definitions		To remove outdated language and add clarifications.
2 Government	204.00.	To remove outdated language.
	211.00.	To remove outdated language and add clarification.
3 Membership	372.00.	To remove outdated language and add clarification.

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

1. On the top, go to "RESOURCES" and click "Rules and Regulations"
2. In the middle of the page, click "Click here to download changes to MGEX RULES AND REGULATIONS"

If you have any questions or problems accessing the Rulebook, please contact Jesse Marie Bartz at (612) 321-7122 or [jbartz@mgex.com](mailto:jbartz@mgex.com).

Sincerely,

A handwritten signature in black ink that reads "Layne G. Carlson". The signature is written in a cursive style with a large, sweeping flourish at the end.

Layne G. Carlson  
Corporate Secretary

## CHAPTER 1 DEFINITIONS

Whenever used in these Rules, Bylaws, and Regulations, unless the context otherwise requires, the following words and expressions shall be defined as follows:

**ACCOMMODATION TRADE:** A simultaneous purchase and sale made with another Broker at the same price and with no risk; usually to accommodate the opposite Broker who holds orders to buy and to sell.

**AFFILIATED CORPORATIONS:** Two or more Registered Corporations having trading privileges and having substantially the same officers and directors, which are affiliated either (a) through the ownership of a controlling interest in the stock of one of such corporations by the owner, or (b) through the ownership of a controlling interest in both of said corporations by substantially the same persons or corporations, and that have been declared to be so "affiliated" by the Board of Directors.

**AUTHORIZED VOTER:** An adult natural person designated from time to time by the Record Owner by written notice to the Secretary of the Corporation authorized to vote a membership owned by the Record Owner. Each Record Owner shall be required to designate an Authorized Voter for each membership owned by the Record Owner and may change the Authorized Voter at any time prior to the applicable record date set by the Corporation for action by the Members by written notice to the Secretary of the Corporation. Record Owners with more than one membership may elect to designate the same or different Authorized Voters for the memberships owned by the Record Owner. The Corporation shall be entitled for all purposes to rely on the Record Owner's designation of its Authorized Voter or Authorized Voters until it receives written notice from the Record Owner of a change in designation. Without limiting the foregoing, in any case in these Rules where a Member or Record Owner vote is referred to or a notice is required or may be given to a Member or Record Owner, such vote shall be by the Authorized Voter and such notice shall be given to the Authorized Voter.

**BOARD OF DIRECTORS:** The Board of Directors of the Corporation.

**BULLETIN BOARD:** The Official Bulletin Board, in the Exchange Room, upon which notices are customarily posted.

**BUSINESS DAY:** A day when the Exchange is open for business.

**BYLAWS:** Chapter 2 and Chapter 3 of the Rules of the Corporation and, to the extent applicable, definitions in this Chapter 1 of the Rules of the Corporation.

**CALENDAR DAYS:** All days of the week or month, including Sundays and holidays.

**CALL OPTIONS:** See Chapter 15.

**CHAIRMAN:** A Member of the Exchange serving on the Board of Directors elected by the Directors as the Chief Executive Officer of the Board.

**CHARTER:** The certificate of incorporation of the Corporation as amended from time to time.

**CLEARING HOUSE:** A department of the Minneapolis Grain Exchange, Inc. (a Delaware corporation)

**CLEARING MEMBER:** A Member, or a Registered Firm or Corporation, who or which is a Member of the Minneapolis Grain Exchange Clearing House.

**CLOSING ORDER:** An order to be executed at the closing of the market.

**COMMISSION MERCHANT:** A Member, or a Registered Firm or Corporation, who or which makes trades or transactions for others, but who makes such trades or transactions in his or its own name and becomes liable as principal therein.

**COMMODITIES:** Wheat, Durum Wheat, Corn, Oats, Rye, Barley, Flaxseed, Soybeans, Field Seeds, Buckwheat, Speltz, Grain Sorghums, Screenings and such other commodities as are customarily traded on this Exchange subject to its Rules.

**CORPORATION:** Refers to the Minneapolis Grain Exchange, Inc. (a Delaware corporation), also referred to as "Exchange" or "MGEX."

**CROSS TRADE:** A simultaneous purchase and sale by a Broker, executing both sides of a trade involving a purchase order for one customer against a selling order of another.

**DAY ORDER:** An order which is in effect only until the close of the market session during which it is entered. Unless otherwise specified, all orders are considered to be day orders.

**DELIVERABLE GRADES:** Those grades of a commodity which, under the Rules, are deliverable on Futures Contracts in this market.

**ELECTRONIC TRADING SYSTEM:** The electronic trading platform utilized by the Exchange, market participants, customers, Members, nonmembers and Clearing Members to place orders and execute trades. Also known as or referred to as MGEXpress® or CME Globex®.

**EXCHANGE:** Refers to the Minneapolis Grain Exchange, Inc. (a Delaware corporation), also referred to as "Corporation" or "MGEX" and also to the Officers and authorized employees of the Exchange, as applicable.

**EXCHANGE ROOM:** The Room maintained by the Corporation for the transaction of business between Members.

**EXERCISE:** The conversions of an option into a position in the futures market. (See [Rule 1404.00](#))

**FOLLOWING DAY (or other similar expression):** The next business day.

**FREIGHT BILLS:** See [Rule 1019](#).

**FUTURES, FUTURES CONTRACTS, FUTURES TRADES, CONTRACTS OR TRANSACTIONS FOR FUTURE DELIVERY:** Contracts for the purchase or sale of commodities for delivery "In Store" in an elevator (eligible to make deliveries under the Rules of this Corporation) during some specified month, in accordance with the Rules.

**GOOD STANDING:** Not under suspension.

**HEARING COMMITTEE:** A committee with the duty and responsibility under these Rules to conduct hearings and, when appropriate, to assess penalties in connection with violations of Exchange Rules or Regulations. (e.g. the Business Conduct Committee or the Futures Trading Conduct Committee).

**HOURS OF TRADING:** The hours, on business days, established by the Rules or Regulations for trading in the Exchange Room.

**INCLUDES AND INCLUDING:** The terms "Includes" and "Including" shall not be deemed to exclude other things otherwise within the meaning of the terms defined, except as expressly stated.

**INITIAL MARGIN:** See [Rule 760.00](#)

**LIMITED ORDER:** An order to buy at or below a specified price or to sell at or above a specified price.

**MAINTENANCE MARGIN:** See [Rule 760.00](#)

**MARKET ORDER:** An order to be executed immediately at the best price available.

**MEMBER:** A natural person or entity who is the Record Owner, provided, however, whenever these Rules refer to a Member where the services or functions contemplate that a natural person provide such services or perform such functions, "Member" shall mean the Record Holder or Holders designated by a Record Owner in accordance with these Rules.

**MEMBER OF A FIRM:** If such firm is a partnership, a General Partner; and, if such firm is a syndicate, group, trust, estate, joint venture, or association, an owner of a beneficial interest in such organization, who occupies a position therein comparable to that of a General Partner in a partnership.

**MEMBER REPRESENTATIVE:** A Member by virtue of whose Membership the registration of a firm or corporation has been effected.

**MGEX:** Refers to the Minneapolis Grain Exchange, Inc. (a Delaware corporation), also referred to as "Corporation" or "Exchange."

**MGEXPRESS®:** The name of the electronic trading platform or system utilized by the Exchange, market participants, customers, Members, nonmembers and Clearing Members to place orders and execute trades. Also known as or referred to as CME Globex®.

**ON THE EXCHANGE ("on Change"):** On the Exchange Room during the hours of trading.

**OPEN ORDER:** An order which will remain in effect until canceled.

**OPENING ORDER:** An order to be executed at the opening of the Market.

**OPTIONS:** See Chapter 15.

**PIT:** That portion of the Exchange Room designated and customarily used for trading in Futures or Options Contracts.

**PRESIDENT:** The salaried Chief Executive Officer of the Exchange.

**PUBLIC DIRECTOR:** An individual meeting the qualifications as described in Core Principle 15, Appendix B to Part 38 of CFTC Regulations and in other Regulations promulgated by the CFTC and adopted by the Board.

**PUT OPTION:** See Chapter 15.

**RECORD HOLDER (of a Membership):** The adult natural person in whose name a Certificate of Membership has been issued. Each Record Owner shall be required to designate in accordance with these Rules a Record Holder for each membership owned by the Record Owner (which in the case of an adult natural person may be the Record Owner) and may change the Record Holder at any time in accordance with these Rules. Record Owners with more than one membership may elect to designate the same or different Record Holders for the memberships owned by the Record Owner. The Corporation shall be entitled for all purposes to rely on the Record Owner's designation of its Record Holder until the Record Holder is changed in accordance with these Rules.

**RECORD OWNER or OWNER (of a Membership):** The natural person or entity who is recorded on the records of the Corporation as having paid the purchase price of a Membership, and as being the owner thereof. The Record Owner's rights and obligations shall include the duty to appoint and the right to change an Authorized Voter and Record Holder in accordance with these Rules for each membership owned by the Record Owner, to receive distributions, if any, by the Corporation in accordance with its membership and to transfer its membership in accordance with these Rules.

**REGISTERED FIRM OR CORPORATION:** A firm or corporation that is registered with the Corporation, as defined in [Rules 350.00](#) and [350.01](#).

**REGULATIONS:** The Regulations of the Corporation duly adopted by the Board of Directors.

**RULES:** The Rules and Bylaws of the Corporation duly adopted by the Members.

**SECRETARY:** The Secretary of the Corporation.

**SINGULAR:** Shall import the plural, and vice versa, when the sense requires.

**SPREAD ORDER:** Instructions to buy one commodity and sell another. Intra-Market is to buy one delivery month and sell another delivery month of the same commodity. Inter-Market is to buy a commodity in one market and sell the same commodity in another market. e.g. Minneapolis vs Kansas City. An example of an Inter-Commodity spread might be wheat vs corn or corn vs oats.

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

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

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

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

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

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

**TRADING PRIVILEGES:** The privilege of making trades as a principal on the Exchange.

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

**TREASURER:** The Treasurer of the Corporation.

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

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

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

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

**203.03. MEMBER ACTION WITHOUT MEETING OF MEMBERS.**

Any action approved by the Board of Directors required to be taken at any meeting of the Members may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by Authorized Voters of the Record Owners having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting of the Members at which all memberships held by Record Owners in good standing and entitled to vote thereon were present and voted. Every written consent shall bear the date of signature of the Authorized Voter of each Record Owner who signs the consent. Prompt written notice of the taking of any corporate action without a meeting by less than unanimous written consent shall be given to the Members who have not consented in writing and who, if action had been taken at a meeting, would have been entitled to notice of the meeting if the record date for notice of such meeting had been the date that written consents signed by a sufficient number of Authorized Voters to take the action were delivered to the Corporation.

**204.00. AMENDMENT OF RULES: DEFINITION.**

The expression "Amendment of the Rules" shall mean any amendment or addition to the existing Rules of the Corporation or any portion thereof, except for changes made pursuant to **Rule 242.00.**

**204.01. AMENDMENT OF RULES: PROCEDURE.**

The Rules of the Corporation may be amended only by an affirmative vote of at least a majority of the Record Owners in good standing present in person or represented by proxy at any meeting of the Record Owners; PROVIDED, that prior to such meeting the following terms and conditions shall have been met:

- A. The Board of Directors must have proposed the amendment by adopting a resolution setting forth the proposed amendment and directing that it be submitted for adoption at a meeting of the Record Owners, and directing the Chairperson to call a meeting of the Record Owners to consider the adoption of the proposed amendment.
- B. Notice of the meeting of the Record Owners stating the place, if any, date and hour, and purpose thereof, together with a copy of the proposed amendment and of any recommendation, explanation or comment concerning the proposed amendment that the Board of Directors may desire to make, and a proxy form wherein the the Authorized Voter for a Record Owner may direct the proxy whether to vote for or against each proposed amendment with a return envelope addressed to the Secretary of the Corporation, must have been disseminated to each Authorized Voter of the Corporation and to each nonmember officer or director thereof, properly addressed according to the latest available corporate records, not fewer than ten (10) days nor more than sixty (60) days before the meeting, excluding the day of the meeting, and must have been posted on the Official Bulletin Board for at least ten (10) consecutive days prior to the date of the meeting.

If and when the Board of Directors has acted under the authority granted by this Rule, it may make such Regulations and Resolutions as the Board deems necessary and proper and for the best interests of all concerned. Notice of any action taken by the Board pursuant to the authority granted by this Rule shall be posted on the Official Bulletin Board and shall be given to Members in such other manner as the Board shall direct. Such action shall become effective when, and for such period of time, as determined by the Board, but not prior to the time of the posting of notice thereof on the Official Bulletin Board.

### **210.03. VACANCIES: OCCURRING DURING TERM OF OFFICE.**

- A. Officers: If a vacancy occurs in the office of Chairperson, other than by expiration of the term of office, the First Vice Chairperson, or if the First Vice Chairperson is unable to act, then the Second Vice Chairperson, shall assume all the duties and powers of the Chairperson until such time as the Board of Directors elects a successor to fill the vacancy pursuant to [Rule 200.00](#).
- B. Member Directors:
  - 1. If a vacancy occurs on the Board of Directors, the Secretary shall promptly notify the Nominations Committee.
  - 2. In the event a vacancy occurs, the Nominations Committee shall direct the Secretary to solicit from the Members individuals to serve on the Board of Directors. Such individuals must provide written confirmation to the Secretary of their intention to be nominated. See [Rule 372.00.N](#). The Committee shall recommend to the Board of Directors one (1) but not more than two (2) Members to fill the vacancy. The Board of Directors, before voting to fill the vacancy, shall give due consideration to the recommendations of the Committee.

### **211.00. FIRST MEETING OF THE BOARD OF DIRECTORS.**

The first meeting of the newly elected Board of Directors after each Annual Election shall be held within one month after such Annual Election, or as soon thereafter as is practicable at the discretion of the President.

### **211.01. REGULAR AND SPECIAL MEETINGS.**

Regular meetings of the Board of Directors shall be held quarterly as determined by the Board of Directors. Special meetings may be called by the Chairperson and shall be called by the Chairperson upon the written request of five (5) Directors.

Notice of regular or special meetings of the Board of Directors may be given to any Director personally, by telephone, by electronic communication or by delivery of such notice in writing to the Director's usual place of business. Any and all business may be transacted at regular or special meetings of the Board of Directors; PROVIDED, however, that the provisions of the Rules requiring special notice for meetings at which certain business is to be transacted must be complied with.

Any Director having three (3) consecutive absences during that Director's term of office from regular meetings or the first meeting of the newly elected Board of Directors may be removed effective immediately as a Director by majority vote of the Board of Directors. Upon removal, the Secretary shall immediately notify the Nominations Committee and the vacancy shall be filled pursuant to **Rule 210.03. VACANCIES: OCCURRING DURING THE TERM OF OFFICE.**

#### **211.02. QUORUM.**

Seven (7) members of the Board of Directors shall constitute a quorum for the transaction of business at any regular or special meeting of such Board, but a lesser number may meet and adjourn such meeting, from time to time, up to the time of the next regular meeting of the Board of Directors.

#### **211.03. PROCEDURE AT MEETINGS.**

The Board of Directors may, from time to time, adopt such regulations for its own government and the conduct of its meetings as are not contrary to the provisions of the General Corporation Law of the State of Delaware as amended, and the Charter and Rules of the Corporation. Except as otherwise specifically provided in said Act or in the Charter and Rules of this Corporation, meetings of the Board of Directors shall be conducted according to the established practices of Parliamentary Law and, in case of dispute, "Robert's Rules of Order" shall govern.

#### **215.00. CHAIRPERSON OF THE BOARD: GENERAL DUTIES.**

The Chairperson of the Board of Directors shall be the senior officer of the Board and perform the usual duties incident to the office. Unless otherwise specified by Rule, the Chairperson shall recommend appointments to all Committees (as soon as practicable after each Annual Election), any special Committees deemed necessary, and the Chairpersons thereof, subject to the approval of the Board. Unless otherwise specified by Rule, the Chairperson shall be an ex officio, nonvoting member of all Committees. The Chairperson shall preside at all meetings of Members and of the Board, shall see that all bonds of the employees of the Exchange required to give bond are properly executed and shall have the books of the Exchange audited at least once a year by a certified public accountant. The Chairperson shall be a Member of the Exchange and Board of Directors. In the event of a tie vote at a meeting of the Board of Directors, the Chairperson shall be entitled to vote. If the Chairperson abstains from voting in the case of a tie vote, the Board of Directors will not have an affirmative vote to take action.

#### **215.01. VICE CHAIRPERSONS.**

The Vice Chairpersons shall be considered, respectively, the First and Second Vice Chairpersons and shall, in such order, perform the duties of the Chairperson in the Chairperson's absence or disability. The Vice Chairpersons shall be Members of the Exchange and Board of Directors.

#### **215.02. ACTING CHAIRPERSONS.**

The Board of Directors may appoint an acting Chairperson to perform the duties of the Chairperson during the absence or disability of the Chairperson and both Vice Chairpersons. The acting Chairperson shall be a Member of the Exchange and Board of Directors.

- A. Any corporation or organization (other than the corporation or a majority-owned subsidiary of the corporation) of which such Record Owner is an officer or partner, or is directly or indirectly, the beneficial owner of ten percent (10%) or more of any class of equity securities;
- B. Any trust or other estate in which such Record Owner has a substantial beneficial interest or as to which such Record Owner serves as trustee or in a similar fiduciary capacity; and
- C. Any relative or spouse of such Record Owner, or any relative of such spouse, who has the same residence as such Record Owner, or who is a director or officer of the corporation or any of its parents or subsidiaries.
- D. Any officer or employee of the Exchange, or any firm or corporation in which an officer or employee of the Exchange has a financial interest.

Any Membership acquired in violation of this rule must be sold in the same manner as provided for in these rules in the case of an expelled Member.

#### **371.00. EXCHANGE DEFENSE EXPENSES.**

Any Member or Member Firm who fails to prevail in a lawsuit or any other type of legal proceeding instituted by that Member or Member Firm against the Exchange or any of its officers, directors, committee members, employees or agents must pay to the Exchange all reasonable expenses, including attorney's fees, incurred by the Exchange in the defense of such proceeding.

#### **372.00. DELEGATION.**

A Member, Firm or Corporation which owns a Membership(s) may assign the rights and privileges of Membership to an individual (Delegate) on the following conditions:

- A. The Delegate shall be approved by the Executive Committee or the Board of Directors under the standards of **Rules 300.00.** and **301.00.** The Delegate shall sign a written agreement to observe and be bound by the Rules and Regulations of the Exchange and all amendments subsequently made thereto.
- B. The Delegation Agreement and any amendment(s) thereto shall be in writing in such form as the Exchange may prescribe and a copy shall be filed by the Owner of the Membership with the Secretary of the Association as a precondition to its implementation. However, the Delegation Agreement shall automatically be nullified if there is a loss of any of the qualifications for entering a Delegation Agreement, such as sale of the Membership by the Owner or expulsion of the Owner or Delegate. In the event the Owner sells its Membership, the Delegate shall have thirty (30) days from the effective date of Ownership change to enter into another Delegation Agreement and the transfer fee shall be waived.