



July 13, 2021

Web 2021-5

### MGEX Rulebook Update

The following updates have been made to the MGEX Rulebook:

Chapters/Section	Citation	Purpose
Chapter 2	Index Rule 2.3.7.	Adding rule for account ownership and control, as well as position data reporting.
Chapter 3	Rule 3.1.7.	Adding conditions governing transfer trades.
Chapter 7	Rule 719.00.	Updating reference to applicable legal sources.
Chapter 14	Rule 1402.00.	Addition of volume threshold for reporting HRSW options.
Chapter 15	Index Rules 1505.00., 1506.00.	Removal of rules related to large options trader reports and special account designation and identification.
Chapter 20	Index Rule 2013.06.	Addition of volume threshold for reporting HRSW futures.

These changes are available on the MGEX website at [www.mgex.com](http://www.mgex.com):

1. On the website home page, hover over the “RESOURCES” drop down menu, then select “RULES & REGULATIONS”;
2. On the Rules and Regulations page, select “MGEX RULES, REGULATIONS AND RESOLUTIONS” for the latest version of the MGEX Rulebook.

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

Sincerely,

Layne G. Carlson, Secretary

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## **CHAPTER 2 UNIVERSAL PROVISIONS**

### **SECTION 1 - GENERAL**

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

This Chapter prescribes Rules applicable to general Exchange activities.

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

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

#### **2.1.3. IMPARTIAL ACCESS.**

The Exchange provides its Market Participants and independent software vendors with fair and open impartial access to its markets and services, including:

- A. Access criteria that are impartial, transparent, and applied in a non-discriminatory manner; and
- B. Comparable fee structures for Market Participants and independent software vendors receiving equal access to, or services from, 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 CEA and CFTC Regulations.

#### **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. 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 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 CEA, CFTC Regulations, 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 CEA, CFTC 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 CEA and CFTC Regulations.

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

A Person who operates an elevator or warehouse, or who is a merchandiser, that is Regular for delivery of Hard Red Spring Wheat must maintain certain minimum financial requirements set by the Exchange. The Exchange has established the following working capital and net worth financial requirements for Regularity:

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

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, 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.

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

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

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

The Exchange may consider and approve, at its discretion, Persons with cash trading privileges that are unable to meet the applicable minimum financial requirements above. As financial conditions warrant, the Exchange may, at any time, require a Person with cash trading privileges to provide irrevocable letters of credit, guarantees, 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.

#### **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.

#### **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.

#### **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 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 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 CFTC. 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 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 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 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 Market Participant making the trade.

### **2.3.7. ACCOUNT OWNERSHIP AND CONTROL AND POSITION DATA REPORTING.**

- A. Clearing Members, omnibus accounts, and foreign brokers which hold, control, or carry a "special account," as such term is defined by CFTC Regulation 17 CFR Part 15, as amended, must submit to the Exchange information identifying the ownership and control of each special account and all trading accounts related to each such special account and any additional required information after the account reaches or exceeds the applicable reportable position level prescribed by the Commission using CFTC Form 102A. Notwithstanding the foregoing, if the reportable position level prescribed by the Exchange is lower than the corresponding CFTC reportable level for a contract, such Form 102A must be filed with the Exchange when the position in a special account reaches or exceeds the Exchange prescribed reporting level.
- B. Clearing Members, omnibus accounts, and foreign brokers which hold, control, or carry a reportable "volume threshold account," as such term is defined by CFTC Regulation 17 CFR Part 15, as amended, must submit to the Exchange information identifying the ownership and control of the volume threshold account and any additional required information using CFTC Form 102B after an account reaches the reportable volume trading level as prescribed by the Commission.
- C. The submissions set forth in paragraphs A and B shall be made in accordance with the timing and other requirements specified by the Exchange. Should any of the information contained in such submissions become inaccurate, the reporting

Clearing Member, omnibus account, or foreign broker must submit updated, accurate information within three business days of such changes becoming effective. Upon request from the Exchange, Clearing Members, omnibus accounts, and foreign brokers must provide CFTC Form 40 and/or Form 71.

- D. Clearing Members, omnibus accounts, and foreign brokers must submit to the Exchange a daily report of all positions required to be reported. Such report must also include, for each reportable account, the EFRP volume bought and sold by contract month, the number of delivery notices issued, and the number of deliveries stopped in the reportable instrument.
- E. Notwithstanding the obligations on omnibus accounts and foreign brokers set forth in this Rule, Clearing Members carrying such accounts remain responsible for obtaining and providing to the Exchange information regarding the ownership and control of positions in circumstances where an omnibus account or foreign broker has failed to provide the information to the Exchange.
- F. The reporting levels, position limits, and position accountability levels for MGEX contracts are set forth in the MGEX Rules.

## **SECTION 4 – FEES**

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

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

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

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

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

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



## **CHAPTER 3 TRADING RULES**

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## **CHAPTER 3 TRADING RULES**

### **SECTION 1 – GENERAL**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

All records and memoranda pertaining to Transfer and Office trades must be marked or identified by appropriate symbols or designations. All Office trades, where such trades remain on the books of one and the same Clearing Member and where no change in ownership is involved, may or may not be cleared at the discretion of the Clearing Member. All Transfer trades, which involve two Clearing Members in which no change of ownership is involved, must be included and identified in daily reports to the Exchange.

Transfer trades involving the transfer of all or a portion of a customer's positions and related collateral from an account on the books of one Clearing Member to another Clearing Member do not require the close-out and re-booking of the positions prior to the requested transfer; PROVIDED, the following conditions are met: (1) the customer validly instructed the carrying Clearing Member to make the transfer; (2) the customer is not currently in default to the carrying Clearing Member; (3) the receiving Clearing Member has consented to the transfer; (4) the transferred positions will have appropriate margin at the receiving Clearing Member; and (5) any remaining positions in the customer's account at the carrying Clearing Member will have appropriate margin. Customer instructions to transfer positions must contain the customer's name and account number, and if the transfer is not of the entire account, a description of which portion is to be transferred.

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

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

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

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

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

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

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

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

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

executed orders, records must include the execution time of the trade along with all fill information.

#### **3.1.10. QUOTATIONS.**

Price quotations in Futures and Options are based on purchases or sales of such quantities prescribed by the Exchange for each Commodity.

#### **3.1.11. 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 with the same strike price for the same expiration date.

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

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

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

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

#### **3.1.12. MESSAGING POLICY.**

The Exchange or its designee has the authority to impose a messaging policy for the purpose of discouraging irresponsible, excessive, or unreasonable messaging practices by Market Participants. Any messaging policy developed and put into effect by the Exchange or its designee shall be posted on the Bulletin Board. If a Market Participant fails to comply with the requirements of any messaging policy in effect, the Exchange and/or its designee may collect administrative fees from any Market Participant or Clearing Member found to have exceeded any policy. Further, in emergency situations, the Exchange or its designee may cancel a Market Participant's and/or a Clearing Member's access to the Electronic Trading System to protect the integrity of the market and Electronic Trading System.

## **SECTION 2 – TRADING QUALIFICATIONS**

### **3.2.1. LIMITATIONS ON OPTIONS TRANSACTIONS: SOLICITATION AND ACCEPTANCE.**

No Person may solicit or accept orders, other than in a clerical capacity, for the purchase or sale of Options or supervise any Person so engaged unless that Person meets the requirements of CFTC Regulation § 33.3.

### **3.2.2. RESERVED.**

### **3.2.3. RESERVED.**

### **3.2.4. ACTING AS A BROKER.**

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

- A. A Broker must be properly registered with NFA as a Broker; and
- B. Any Broker must at the time of making each trade or transaction report the name of a principal who has authorized them to make the trade or transaction.

### **3.2.5. RESERVED.**

## **SECTION 3 – ERROR TRADES**

### **3.3.1. AUTHORITY REGARDING TRADE CANCELLATIONS AND PRICE ADJUSTMENTS.**

MGEX Rules 3.3.1. through 3.3.8. collectively form MGEX's Error Trade Policy ("Error Trade Policy") and shall be applied to balance the adverse effects on market integrity of executing trades and publishing trade information inconsistent with prevailing market conditions while preserving legitimate expectations of trade certainty by market participants. Administration and enforcement of the Error Trade Policy shall be facilitated by the Exchange, or by a designee selected by the Exchange, for MGEX products that are traded on the Electronic Trading System.

The Error Trade Policy grants ultimate authority to the Exchange to adjust trade prices or cancel trades where, in its absolute and sole discretion, the Exchange believes such action is necessary to mitigate market-disrupting events caused by the improper or erroneous use of the Electronic Trading System or by system defects. Notwithstanding any other provisions of this Rule, the Exchange may, in its absolute and sole discretion, adjust trade prices or cancel any trade if it believes that allowing the trade(s) to stand as executed could have a material, adverse effect on the integrity of the market. All decisions of the Exchange shall be final. Subject to the limitations and conditions of this Section 3 of the Rules, and irrespective of the terms of any order entered into the Electronic Trading System, the Exchange shall not have any liability for losses resulting from price adjustments or trade cancellations by the Exchange under this Rule.

### **3.3.2. REVIEW OF TRADES.**

The Exchange or its designee may determine to review a trade based on its independent analysis of market activity or upon request for review by a user of the Electronic Trading System. A request for review must be made to the Exchange or its designee via telephone within eight minutes of the execution of the trade. Any other form of communication will not constitute a request for review as set forth in this Section 3.

The Exchange or its designee shall determine whether or not a trade will be subject to review. In

the absence of a timely request for review, during volatile market conditions, upon the release of significant news, or in any other circumstance in which the Exchange or its designee deems it to be appropriate, the Exchange or its designee may determine that a trade shall not be subject to review. Upon determining to review a trade, the Exchange or its designee will promptly issue an alert indicating that the trade is under review.

### **3.3.3. PRICE ADJUSTMENTS AND CANCELLATIONS.**

Upon making a determination that a trade will be subject to review, the Exchange or its designee will first determine whether the trade price is within the Non-Reviewable Range for Futures or within the Bid/Ask Reasonability Range for Options, both of which are provided on [www.mgex.com](http://www.mgex.com). The Bid/Ask Reasonability Range for an Option is the maximum width of the bid/ask range which will be considered reasonable for use in applying the parameters necessary to establish the Non-Reviewable Range for the option. In applying the Non-Reviewable Range, the Exchange or its designee shall determine the fair value market price for that contract at the time the trade under review occurred. The Exchange or its designee may consider any relevant information, including, but not limited to, the last trade price in the contract or a better bid or offer price on the Electronic Trading System, a more recent price in a different contract month, the price of the same or related contract established in another venue or another market, the market conditions at the time of the trade, the theoretical value of an option based on the most recent implied volatility and responses to a Request for Quote.

#### **A. Trade Price Inside the Non-Reviewable Range**

If the Exchange or its designee determines that the price of the trade is inside the Non-Reviewable Range, the Exchange or its designee will issue an alert indicating that the trade shall stand.

#### **B. Trade Price Outside the Non-Reviewable Range**

##### **1. Futures Contracts**

If the Exchange or its designee determines that a trade price is outside the Non-Reviewable Range for a Futures Contract, the trade price shall be adjusted to a price that equals the fair value market price for that contract at the time the trade under review occurred, plus or minus the Non-Reviewable Range. In the event there are multiple parties, prices and/or contracts involved in the transactions at issue, the transactions may be canceled rather than make price adjustments. The Exchange or its designee will issue an alert regarding the decision.

##### **2. Option Contracts**

If the Exchange or its designee determines that a trade price is outside the applicable Non-Reviewable Range for an Option Contract, the trade price shall be adjusted. In the case of a buy (sell) error, the price will be adjusted to the determined ask (bid) price set forth in the Bid/Ask Reasonability Range plus (minus) the Non-Reviewable Range. In the event there are multiple parties, prices and/or contracts involved in the transactions at issue, the transactions may be canceled rather than have price adjustments made. The Exchange or its designee will issue an alert

regarding the decision.

Canceled trade prices and any prices that have been adjusted shall be canceled in the official record of time and sales. Trades that are price-adjusted shall be inserted in the time and sales record at the adjusted trade price.

#### **3.3.4. ALTERNATIVE RESOLUTION BY AGREEMENT OF PARTIES.**

With the approval of the Exchange, parties to a trade that is price-adjusted may instead mutually agree to cancel the trade. With the approval of the Exchange, parties to a trade that is canceled may instead mutually agree to price-adjust the trade to a price consistent with the adjustment provisions of Rule 3.3.3.

Parties to a trade that is canceled or price-adjusted may mutually agree to a cash adjustment provided that such adjustments are reported to the Exchange or its designee and the parties maintain a record of the adjustment.

An executed trade may not be reversed via transfer except where such trade is determined by the Exchange or its designee to be outside of the Non-Reviewable Range but not reported timely, subject to agreement of the parties and approval of the Exchange. Any such transfer must occur at the original trade price and quantity; however, the parties may mutually agree to a cash adjustment.

A trade that is not canceled may not be reversed via a prearranged offsetting transaction unless such transactions are permitted and effected in accordance with Rule 3.4.2.

#### **3.3.5. LIABILITY FOR LOSSES RESULTING FROM PRICE ADJUSTMENTS OR CANCELLATIONS, AND PROHIBITION ON CLAIMS FOR LOSSES ARISING FROM ERROR TRADES EXECUTED WITHIN THE NON-REVIEWABLE RANGE.**

A party entering an order that results in a price adjustment or trade cancellation shall be responsible for demonstrated claims of realized losses incurred by persons whose trade prices were adjusted or canceled provided, however, that a claimant shall not be entitled to compensation for losses incurred as a result of the claimant's failure to take reasonable actions to mitigate the loss.

A claim for a loss pursuant to this Section must be submitted to the Exchange, and if applicable, its designee, within five (5) business days of the event giving rise to the claim. A party seeking to file a claim shall submit an 'Error Trade Adjustment/Cancellation Claim Form' to the Exchange or its designee. The Exchange or its designee shall reject any claim that is not filed in a timely manner or is not permitted by this Section and such decisions shall be final. Eligible claims shall be forwarded by the Exchange or its designee to the party responsible for the order(s) that resulted in a trade cancellation or a price adjustment and to the Clearing Member through which the trade was placed. Such party, or the Clearing Member on behalf of the party, shall, within ten (10) business days of receipt of the claim, admit or deny responsibility in whole or in part. Failure to respond to the claim within ten (10) business days shall be considered a denial of liability.

To the extent that liability is admitted, payment shall be made within ten (10) business days. Unless otherwise agreed upon in writing by the parties, failure to make the payment within ten (10) business days shall be considered a denial of liability for purposes of this Rule. A copy of any such written agreement must be provided to the Exchange or its designee.

To the extent that liability is denied, the party making the claim may submit the claim to arbitration in accordance with Chapter 4 of the MGEX Rules. Such claims must be submitted to the Exchange or its designee within ten (10) business days of the date the party was issued notification that liability was denied.

Claims for losses incurred as a result of trades executed in error at prices within the Non-Reviewable Range may not be submitted for arbitration pursuant to the provisions of Chapter 4 of the MGEX Rules.

### **3.3.6. SCHEDULE OF ADMINISTRATIVE FEES.**

When the Exchange cancels or price-adjusts a trade, the party responsible for entering the order into the Electronic Trading System that gave rise to the trade cancellation or price adjustment shall pay a fee to the Exchange or, if applicable, its designee, in the amount of \$1,000.00 for each such occurrence. If the party fails to pay the fee, the Clearing Member through which the trade was placed shall be responsible for payment of the fee.

### **3.3.7. PERMISSIBLE RESPONSES TO PHANTOM ORDERS.**

If the Exchange or its designee has reason to believe that phantom orders, as defined below, have been or are being entered into any system, service, or facility, the Exchange shall be empowered to take appropriate action to protect the integrity of the market, including, without limitation, suspending trading and/or cancelling unfilled orders. The Exchange shall also be empowered, in its sole discretion, to cancel transactions, or adjust the trade prices of transactions that were directly or indirectly caused by phantom orders, whether or not such transactions were executed at prices outside of the non-reviewable range specified in this Section.

If phantom orders directly cause transactions to be executed on any of the Exchange's or its designee's systems, services, or facilities, and such transactions are not canceled, the Exchange shall promptly direct the Clearing Member carrying positions resulting from such transactions to liquidate the positions in a commercially reasonable manner. Such positions shall be liquidated within 30 minutes of such notification or within 30 minutes of the time the Clearing Member knew or should have known that it had been assigned transactions resulting from phantom orders, whichever is sooner. The Exchange, in its sole discretion, may waive the 30 minute liquidation requirement if it determines that such requirement may have a material, adverse impact on the integrity of the market.

The Exchange or its designee shall provide notification to the marketplace regarding any action taken or to be taken with respect to the entry of phantom orders or execution of a transaction as a result of phantom orders, and, in the event transactions are not otherwise canceled or price adjusted by the Exchange, any actions required to be taken by Clearing Members. Such notification(s) shall be made as soon as practicable, but in no event more than 30 minutes after the time that the Exchange or its designee has accurate information regarding the phantom orders that is sufficient to support the necessary notification(s).

For the purpose of this Rule, a phantom order is an order: (1) that was not authorized by a person but was caused by a failure, malfunction, or negligent operation of the Electronic Trading System or any Exchange or designee systems, service, or facility, or (2) whose terms (e.g. contract, contract month, quantity, price, or direction) were changed without authorization of the person

placing the order solely as a result of a failure, malfunction, or negligent operation of the Electronic Trading System or any other Exchange or designee system, service, or facility.

Any Exchange liability for losses resulting from phantom orders shall be subject to the limitations of Rule 1816.00.

### **3.3.8. SCHEDULE OF NON-REVIEWABLE RANGES.**

Please access Non-Reviewable Ranges on the MGEX website:

MGEX Non-Reviewable Ranges - <http://www.mgex.com/nrr.html>

## **SECTION 4 – BIDS & OFFERS**

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

No Person shall prearrange or pre-negotiate any purchase or sale or noncompetitively execute any Futures or Options transaction, except as permitted by the provision below or in accordance with Rule 3.4.2.

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

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

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

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

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

Market Participants must make bids or offers in Futures or Options in good faith with the intent to be carried out if accepted. Making fictitious or pretended bids or offers is prohibited.

## **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**

- 711.00. Futures Contracts: Grades Deliverable
- 712.00. Futures And Options Contracts: Quantities Traded In
- 713.00. Futures And Options Contracts: Price Basis
- 715.00. Months Traded In
- 715.01. Trading In Delivery Month
- 717.00. Options Contracts: Acceptance Of Offers
- 719.00. Exchange For Related Position

### **QUOTATIONS**

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

### **TRADING - BIDS AND OFFERS**

- 731.00. Bids And Offers Above Or Below Current Market
- 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**

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 MGEX Rules and to the exercise of the powers reserved therein.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The months available for trading in Spring Wheat Futures and the number of months available for trade at one time shall be determined by the Exchange. See [Rule 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 [Rule 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 Market Participant (but only in the name of a Clearing Member), and such offers shall not be restricted to or specified for any particular Market Participant as against any other Market Participant.

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.

#### **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 (a related non-MGEX exchange traded derivative, 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 and any other requirements established and published by the Exchange:

Exchange for Physical Transaction ("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 a related non-MGEX exchange traded derivative, an OTC derivative or a swap agreement and a futures transaction.

EFRP transactions are subject to the requirements below and any other requirements established and published by the Exchange.

- 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, if executed in connection with an OTC derivative or a swap agreement, must comply with the CEA and CFTC Regulations.
- 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 Exchange.

(See [Resolution 719.00.](#))

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

Each party to an Options transaction made competitively in the Pit must promptly notify the Market

Observer(s) of the price at which the trade has been executed.

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

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

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

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

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

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

Whenever price fluctuations of the commodities traded on the Exchange are "FAST" and the volume of business is large, it is common that different prices are bid and offered for the same delivery in different parts of the Pit at the same time. This may, at times, result in the execution by Market Participants of orders at prices not officially quoted, or the inability of a Market Participant to execute an order at a limited price. This is unavoidable, but is in no way the fault of the Market Participant and it is not permissible for Market Participants 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 Market Participants 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.

#### **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.**

#### **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 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 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 Market Participants 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.
- B. If, after public outcry in the Pit a Market Participant is unable to execute an order, the Market Participant 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 MGEX Rules. 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 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 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, 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 Market Participant executes such orders in the presence of an official representative of the Exchange designated to observe such transactions and the Market Participant himself 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.**).

#### **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 Market Participant'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 Market Participant 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 Market Participant for execution. However, a Market Participant is not required to hand off orders for discretionary accounts or discretionary orders when orders originate on behalf of Market Participant's immediate families or their employer.. 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.

All 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 marketplace 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.](#))

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

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 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 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 14**  
**OPTION SPECIFICATIONS**  
**HARD RED SPRING WHEAT FUTURES**

1400.00.	Scope Of Chapter
1401.00.	Unit Of Trading
1402.00.	Options Trading – Hard Red Spring Wheat
1403.00.	Striking Prices
1404.00.	Option Exercise
1404.01.	Automatic Exercise



**CHAPTER 14**  
**OPTION SPECIFICATIONS**  
**HARD RED SPRING WHEAT FUTURES**

**1400.00. SCOPE OF CHAPTER.**

This Chapter is limited in application to the trading of put and call options exercisable for Minneapolis Grain Exchange (Exchange) Wheat Futures Contracts. Procedures for trading, clearing and any other matters not specifically covered herein shall be governed by the Rules of the Exchange.

**1401.00. UNIT OF TRADING.**

The unit of trading shall be a put or call option exercisable for one (1) five thousand (5,000) bushel Minneapolis Grain Exchange Hard Red Spring Wheat Futures Contract.

**1402.00. OPTIONS TRADING – HARD RED SPRING WHEAT.**

- A. **Hours of Trading.** The Hours of Trading Options will be determined by the Board of Directors in accordance with MGEX Rule 2011.00.
- B. **Months Traded In.** Trading may be conducted in Options in the same months that are listed for trading in the Futures Contract (see MGEX Rule 715.00.). Additionally, trading may be conducted in Options in months that are not listed for trading in the Futures Contract. For Options that are traded in months which Futures are not traded, the underlying Futures Contract is the subsequent Futures Contract month that is nearest to the expiration of the Option. The Board of Directors shall determine the months available for trading, and may, at its discretion, restrict trading in any month should market conditions so warrant.
- C. **Last Trading Day.** The last trading day will be the Friday which precedes by at least two (2) business days, the last business day of the month preceding the Option month. If such Friday is not a business day, the last trading day will be the business day prior to such Friday.
- D. **Option Expiration.** The contractual rights and obligations arising from the Option Contract expire on the last day of trading.
- E. **Option Premium Price Basis.** The premium for Options will be in multiples of one-eighth of one cent (1/8) per bushel of a five thousand (5,000) bushel Futures Contract or six dollars and twenty-five cents (\$6.25) per contract. However, in the case of a cabinet trade, when both sides are closing transactions, the Option premium for open outcry may range from one dollar (\$1.00) to six dollars (\$6.00) in one dollar (\$1.00) increments per Option Contract, and the Option premium for electronic trading is one dollar (\$1.00) per Option Contract.

- F. **Position Limits.** Position limits for HRSW will be determined by the Exchange but will not be greater than the position limits for HRSW pursuant to Part 150 of CFTC Regulations. See MGEX Rule 2013.03.
- G. **Reportable Positions and Trading Volume.** A position of twenty-five (25) or more put or call Options on this Exchange, long or short, in any one (1) month of the first two (2) nearby delivery months or a position of one hundred (100) or more put or call Options, long or short, in any one (1) month of the remaining delivery months will be reportable position level for wheat options on this Exchange. All such positions must be reported in a manner and form as designated by the Exchange. Pursuant to CFTC Regulation 15.04 and Part 17, a volume threshold account that has trading volume in the HRSW Options Contract during a single trading day equal to, or in excess of, 50 contracts is required to be reported to the CFTC. All such positions must be reported in a manner and form as designated by the CFTC or the Exchange.
- H. **Daily Price Limits.** Trading is prohibited in Options at a premium of more than the trading limit for the Futures Contract above and below the previous day's settlement premium for that Option. On the first (1st) day of trading, limits will be set from the lowest premium of the opening range.

#### **1403.00. STRIKING PRICES.**

The Board of Directors 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 (see [Rule 2023.00.](#)), subject to the provisions of Section 5(a)(12) of the CEA and CFTC Regulations.

#### **1404.00. OPTION EXERCISE.**

The Buyer of a Spring Wheat futures option may exercise the option on any business day by giving notice of exercise to the Clearing House at such time as determined by the Exchange (see [Res. 2101.00. C.](#)) on such day.

The Exchange shall assign such notices of intent promptly and at random to a Clearing Member carrying a short position in the option series. Said Clearing Member shall in turn assign such notice to accounts with open short positions in a fair and non-preferential manner in accordance with written procedures. By the opening of the next trading session, in the case of a call option contract, the writer shall sell to the holder by book entry the underlying Futures Contract at the contracted striking price, or, in the case of a put options contract, the writer shall buy from the holder by book entry the underlying Futures Contract at the contracted striking price. Henceforth, the writer and the holder assume the rights and obligations associated with their respective positions in the underlying Futures Contract.

Notwithstanding the foregoing, an option holder may exercise an option contract prior to expiration:

- 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 identified in **Resolution 2101.00. C.** on the last day of trading.

#### **1404.01. AUTOMATIC EXERCISE.**

Notwithstanding the provisions of **Rule 1404.00.**, based upon the settlement price for Spring Wheat futures on the last day of trading for Spring Wheat options, the Exchange shall automatically exercise all in-the-money options unless notice to cancel automatic exercise is given to the Clearing House at such time identified in **Resolution 2101.00. C.**

Notwithstanding the foregoing, notice to cancel automatic exercise may be given to the Clearing House prior to expiration:

- 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 Market Participant exercise instructions or the Market Participant'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.



**CHAPTER 15**  
**OPTIONS DEFINITIONS AND OTHER TERMS**

- 1500.00. Options - Defined
- 1502.00. Double Hedging
- 1503.00. Bona Fide Hedging Transactions And Positions
- 1504.00. Requirements For Classification Of Positions As Hedging



## CHAPTER 15 OPTIONS DEFINITIONS AND OTHER TERMS

### 1500.00. OPTIONS - DEFINED.

- A. **Call Option Contract.** A call option contract grants the holder, prior to expiration, the right, but not the obligation, to buy and obliges the writer to sell, upon holder's demand, the underlying commodity at the contracted striking price.
- B. **Put Option Contract.** A put option contract grants the holder, prior to expiration, the right, but not the obligation, to sell and obliges the writer to buy, upon holder's demand, the underlying commodity at the contracted striking price.
- C. **Option Type.** Option contracts shall be designated by type as either puts or calls.
- D. **Option Class.** All option contracts of a specific type shall be designated by class corresponding to a specific contract month of the underlying Futures Contract, or expiration month in the case of an option on a physical commodity.
- E. **Option Series.** All option contracts of a specific type and class shall be designated by series corresponding to a specific striking price.
- F. **Covered Option.** A covered option is one (1) long call or short put covered by one (1) short position in the underlying Futures Contract, or one (1) short call or one (1) long put covered by one (1) long position in the underlying Futures Contract.

### 1502.00. DOUBLE HEDGING.

No cash market position shall be deemed to be hedged simultaneously by both futures and option positions.

### 1503.00. BONA FIDE HEDGING TRANSACTIONS AND POSITIONS.

- A. **General Definition.** Bona fide hedging transactions and positions shall mean transactions or positions in option contracts, where such transaction or positions normally represent a substitute for transactions to be made or positions to be taken at a later time in a physical marketing channel, and where they are economically appropriate to the reduction of risks in the conduct and management of a commercial enterprise; and where they arise from:
  - 1. The potential change in the value of assets that a person owns, produces, manufactures, processes or merchandises or anticipates owning, producing, manufacturing, processing or merchandising.
  - 2. The potential change in the value of liabilities that a person owes or anticipates incurring.
  - 3. The potential change in the value of services that a person provides, purchases or anticipates providing or purchasing.

Notwithstanding the foregoing, no transactions or positions shall be classified as bona fide hedging for the purposes of exceeding the speculative limits unless their purpose is to offset price risks incidental to commercial cash or spot operations and such positions are established and liquidated in an orderly manner in accordance with sound

commercial practices and unless the provisions of Paragraphs B., C. and D. of this Rule and Exchange [Rule 1504.00. A., B., C. and D.](#) have been satisfied.

**B. Enumerated Hedging Transactions.** The definition of bona fide hedging transactions and positions in Paragraph A. of this Rule includes, but is not limited to, the following specific transactions and positions:

1. Sales of call options or purchases of put options on a contract market for any commodity that does not exceed in quantity:
  - a. Ownership or fixed-price purchase of the same cash commodity by the same person.
  - b. Twelve (12) months' unsold anticipated production of the same commodity by the same person provided that no such position is maintained in any contract month during the five (5) last trading days of that contract month.
2. Purchases of call options or sales of put options on a contract market for any commodity that does not exceed in quantity:
  - a. The fixed-price sale of the same cash commodity by the same person;
  - b. The quantity equivalent of fixed-price sales of the cash products and by-products of such commodity by the same person;
  - c. Twelve (12) months' unfilled anticipated requirements of the same cash commodity for processing, manufacturing or feeding by the same person, provided that such transactions and positions in the five (5) last trading days of any one (1) contract month do not exceed the person's unfilled anticipated requirements of the same cash commodity for that month and for the next succeeding month.
3. Sales and purchases of options described in Paragraphs B.1 and B.2 of this Rule may also be offset other than by the same quantity of the same cash commodity, provided that the fluctuations in value of the commodity or contract that is the object of the option contract are substantially related to, and do not exceed, the fluctuations in value of the actual cash position, and provided that the positions in any one (1) contract month shall not be maintained during the five (5) last trading days of that contract month.

**C. Nonenumerated Cases.** Upon specific request made in accordance with Exchange [Rule 1504.00.D.](#) the President may recognize transactions and positions other than those enumerated in Paragraph B. of this Rule as bona fide hedging in such amounts and under such terms and conditions as he may specify in accordance with the provisions of Exchange [Rule 1504.00.](#) below. Such transactions and positions may include, but are not limited to, purchases or sales of options on any contract market by an agent who does not own or who has not contracted to sell or purchase the offsetting cash commodity at a fixed price, provided that the person is responsible for the merchandising of the cash position that is being offset.

- D. **Double Hedging.** No cash market position shall be deemed to be hedged simultaneously by both futures and options positions.

#### **1504.00. REQUIREMENTS FOR CLASSIFICATION OF POSITIONS AS HEDGING.**

Rules establishing speculative position limits with respect to options shall not apply to bona fide hedging positions as defined in Exchange **Rule 1503.00.**

- A. **General Requirements.** A Clearing Member shall not maintain or carry a hedge account (customer or house) that by itself or in accumulative total with any other accounts of the owner exceeds the speculative trading or position limits of the Exchange, unless the Board or its representative approves and unless:

1. The prospective hedger has made an application to the Board or its representative in conformity with any requirements set forth in Parts B., C. or D. of this Rule, on forms provided by the Exchange wherein he states under oath that:
  - a. the intended positions will be bona fide hedges;
  - b. the hedge positions are necessary or advisable as an integral part of his business (fully explaining the nature and extent of his business);
  - c. the applicant has complied with all federal requirements relating to hedging and has received approval for this purpose from the CFTC wherever necessary.
2. The hedge positions kept in a special hedge account on the books of a Clearing Member.
3. The hedger complies with whatever limitations are imposed by the Board or its representative with relation to said hedges.
4. The hedger agrees to submit immediately a supplemental statement explaining any changes in circumstances affecting the reasonableness of his hedge position.
5. The hedger complies with all other Exchange Rules and Requirements.
6. Hedges are moved in an orderly manner in accordance with sound commercial practices and are not initiated, held or liquidated in a manner calculated to cause unreasonable price fluctuations or unwarranted price changes. The hedger does not use said hedges in an attempt to violate or avoid Exchange Rules, or otherwise impair the good name or dignity of the Exchange.
7. The hedger complies with any other applicable requirements set forth in Parts B., C. or D. of this Rule.

The Board or its representative shall, on the basis of the application and supplemental information that the Exchange requests, determine whether the application for exemption shall be approved. The Board or its representative may, from time to time, review all hedging approvals and, for cause, revoke said approvals or place limitations thereon.

The applicant may appeal any decision of the Board's representative to the Board.

Hedgers shall be exempt from emergency orders reducing speculative limits or restricting trading but only to the extent provided in such order and only if the approvals required by this Rule are secured by the hedger.

**B. Enumerated Nonanticipatory Hedging Transactions.**

1. Any person who wishes to avail himself of the provisions of Exchange [Rules 1503.00.B.1.\(a.\)](#), [1503.00.B.2.\(a.\)](#) or [1503.00.B.2.\(b.\)](#) and to make purchases or sales of options in excess of trading and position limits then in effect shall file an application with the Exchange containing statements required under Exchange [Rule 1504.00.A.1.](#) All persons receiving approval by the Board or its representative for purchases or sales of options in excess of the trading and position limits then in effect for the purpose of hedging cash positions in the commodity as described in Exchange [Rules 1503.00.B.1.\(a.\)](#), [1503.00.B.2.\(a.\)](#) or [1503.00.B.2.\(b.\)](#) shall file CFTC Form 204 reports with the CFTC immediately following approval by the Exchange of the requested exemption for all cash positions in the commodity. Any person who is currently filing CFTC Form 204 reports with the CFTC shall continue to file such reports pursuant to any such hedging exemption granted by the Exchange under this Rule.
2. For the purposes of this Rule CFTC Form 204 reports shall be filed in accordance with Part 19 of the CFTC Regulations; provided, however, that such reports shall be filed with the CFTC when any person's position in long call options, short call options, long put options or short put options equals or exceeds six hundred (600) options contracts, and that whenever the terms "positions for futures delivery," "futures," or "commodity for future delivery" appear in Part 19 of the CFTC Regulations such terms shall be deemed to mean the appropriate commodity options transaction (put or call) or commodity option position (as appropriate), traded or eligible to be traded on this Exchange.

**C. Enumerated Anticipatory Hedging Transactions.**

1. Any person who wishes to avail himself of the provisions of Exchange [Rules 1503.00 B.1.\(b.\)](#) and [1503.00 B.2.\(c.\)](#) to make sales or purchases of options in excess of trading and position limits then in effect and who has previously made a filing with the CFTC pursuant to CFTC Regulation 1.48 with respect to that person's current anticipatory cash requirements in the same commodity and is currently filing CFTC Form 204 Reports with the CFTC for the same commodity shall file an application with the Exchange containing statements required under Exchange [Rule 1504.00.A.\(a.\)\(1.\)](#). Any person complying with these requirements shall not be subject to the requirements of Paragraphs 2., 3., 4., 5., and 6. of this Rule to the extent that such person continues to file such CFTC Form 204 Reports with the CFTC in accordance with the requirements of [Rule 1504.00.B.2.](#)
2. Any person who wishes to avail himself of the provisions of Exchange [Rules 1503.00.A.2.](#) and [1503.00.B.3.](#) to make sales or purchases of options in any commodity in excess of trading and position limits then in effect for the purposes of bona fide hedging and who has not previously

made a filing with the CFTC pursuant to CFTC Regulation 1.48 and is not currently filing CFTC Form 204 Reports with the CFTC pursuant to a previous filing under CFTC Regulation 1.48 shall file statements with the Board or its representative in conformity with the requirements of this Rule. All or a specified portion of the transactions and positions described in these statements shall not be considered as bona fide hedging if such person is so notified by the Board or its representative:

- a. Within thirty (30) days after the Board or its representative is furnished the information required under Paragraph 2. of this Rule.
- or
- b. Within ten (10) calendar days after the Board or its representative is furnished with the information required under Paragraph 3. of this Rule.

The Board or its representative may request the person notified to file specific additional information with the Board or its representative to support a determination that all, or the specified portion, of the transactions and positions be considered as bona fide hedging transactions and positions. In such cases the Board or its representative shall consider all information so filed and, by notice to such person, shall specify the extent to which the Board or its representative has determined that the transactions and positions may be classified as bona fide hedging. In no case shall such transactions and positions held by such persons that offset unsold anticipated production or unfilled anticipated requirements be considered bona fide hedging if they exceed the levels specified in Paragraph 5. of this Rule.

3. **Initial Statements.** Initial statements concerning the classification of transactions and positions as bona fide hedging of unsold anticipated production or unfilled anticipated requirements for manufacturing, processing or feeding shall be filed with the Board or its representative at least thirty (30) days in advance of the date that such transactions or positions would be in excess of limits then in effect. Such statements shall include any information required in Exchange [Rules 1504.00.D.2.\(d.\) and 1504.00.D.2.\(e.\)](#). In addition, such statements shall set forth in detail for a specified operating period, not in excess of one (1) year, the person's unsold anticipated production or unfilled anticipated requirements for processing or manufacturing or feeding and explain the method of determination thereof, including, but not limited to, the following information:

- a. For unsold anticipated production:
  1. Annual production of such commodity for the three (3) complete fiscal years preceding the current fiscal year.
  2. Anticipated production of such commodity for a specified period not in excess of one (1) year.
  3. Fixed-price forward sales of such commodity.
  4. Unsold anticipated production of such commodity for a specified period not in excess of one (1) year.

- b. For unfilled anticipated requirements:
1. Annual requirements of such commodity for processing or manufacturing or feeding for the three (3) complete fiscal years preceding the current fiscal year.
  2. Anticipated requirements of such commodity for processing or manufacturing or feeding for a specified operating period not in excess of one (1) year.
  3. Inventory and fixed-price forward purchases of such commodity, including any quantity in process of manufacture and finished good and by-products of manufacture or processing (in terms of such commodity).
  4. Unfilled anticipated requirements of such commodity for processing or manufacturing or feeding for a specified operating period not in excess of one (1) year.

c. Additional information:

Persons hedging unsold anticipated production or unfilled anticipated requirements, which are not the same quantity or are not the same commodity as the commodity to be sold or purchased as options, shall furnish this information both in terms of the actual commodity purchased or used and in terms of the commodity to be sold or purchased as options. In addition, such persons shall explain the method for determining the ratio of conversion between the amount of the actual unsold anticipated production or unfilled anticipated requirements and the amount of commodity to be sold or purchased as options. Persons hedging unfilled annual feeding requirements for livestock and poultry shall provide the number of cattle, hogs, sheep or poultry expected to be fed during the specified period, not to exceed one (1) year, and the derivation of their annual requirements based up on these numbers. Person filing as an agent shall furnish this information on the basis of the fiscal or operating year of the person on whose behalf the filing is made.

4. **Supplemental Reports.** Whenever the sales or purchases that a person wishes to consider as bona fide hedging of unsold anticipated production or unfilled anticipated requirements shall exceed the amounts described by the figures for requirements furnished in the most recent filing pursuant to this Rule or the amounts determined by the Board or its representatives to constitute unsold anticipated production or unfilled anticipated requirements pursuant to Paragraph 2. of this Rule, such person shall file with the Board or its representative a statement that updates the information provided in the person's most recent filing and supplies the reason for this change at least ten (10) calendar days in advance of the date that person wishes to exceed these amounts.
5. **Maximum Sales and Purchases.** Sales or purchases of options considered as bona fide hedges of unsold production or unfilled anticipated requirements for manufacturing, processing or feeding shall at no time exceed the lesser of:

- a. A person's unsold anticipated production or unfilled anticipated requirements as described by the information most recently filed pursuant to this Rule or determined by the Board or its representative pursuant to Paragraph 2. of this Rule.  
or
  - b. A person's actual unsold anticipated production or current unfilled anticipated requirements for the length of time specified in the information most recently filed pursuant to this Rule.
6. **Updated Reports.** Reports updating the information required pursuant to this Rule shall also be filed with the Board or its representative upon specific request.

**D. Nonenumerated Hedging Transactions.**

1. **Advance Filing Requirement.** Any person who wishes to avail himself of the provisions of Exchange [Rule 1503.00.C.](#) and to make purchases or sales of options in excess of trading and position limits then in effect shall file statements with the Board or its representative in conformity with the requirements of this Rule. All or a specified portion of the transactions and positions described in these statements shall not be considered as bona fide hedging if such person is so notified by the Board or its representative:

- a. Within thirty (30) days after the Board or its representative is furnished the information required under Paragraph 2. of this Rule.  
or
- b. Within ten (10) calendar days after the Board or its representative is furnished with the information required under Paragraph 3. of this Rule.

The Board or its representative may request the person notified to file specific additional information with the Board or its representative to support determination that all, or the specified portion, of the transactions and positions be considered as bona fide hedging transactions and positions. In such cases the Board or its representative shall consider all information so filed and, by notice to such person, shall specify the extent to which the Board or its representative has determined that the transactions and positions may be classified as bona fide hedging. In no case shall transactions and positions described be considered as bona fide hedging if they exceed the levels specified in Paragraph 4. of this Rule.

2. **Initial Statements.** Initial statements concerning the classification of transactions and positions as bona fide hedging pursuant to Exchange [Rule 1503.00.C.](#) shall be filed with the Board or its representative at least thirty (30) days in advance of the date that such transactions or positions would be in excess of limits then in effect. Such statements shall:
- a. Describe the transactions and positions in options and the offsetting cash positions.
  - b. Set forth in detail information that will demonstrate that the purchases and sales are economically appropriate to the

reduction of risk exposure attendant to the conduct and management of a commercial enterprise.

- c. Contain, and upon request of the Board or its representative, be supplemented by, such other information that is necessary to enable the Board or its representative to make a determination whether the particular purchases and sales for options fall within the scope of those described in Exchange [Rule 1503.00.A](#).
  - d. Include a statement concerning the maximum size of positions in options (both long and short) that will be acquired any time during the next fiscal year or marketing season of the person filing or on whose behalf the filing is made.
  - e. In addition, statements filed by an agent concerning an option position that would offset a cash position that the agent does not own or has not contracted to buy or sell shall contain information describing all contractual arrangements between the agent filing and the person who owns the commodity or holds the cash market commitment being offset.
3. **Supplemental Reports.** Whenever the purchases or sales of options that a person wishes to classify as bona fide hedging shall exceed the amount provided in the person's most recent filing pursuant to this Rule or the amount previously specified by the Board or its representative pursuant to Paragraph 1. of this Rule, such person shall file with the Board or its representative a statement that updates the information provided in the person's most recent filing and provides the reasons for this change at least ten (10) calendar days in advance of the date that the person wishes to exceed those amounts.
  4. **Maximum Purchases and Sales.** Purchases and sales of options considered bona fide hedging pursuant to Exchange [Rule 1503.00.C](#). shall at no time exceed the lesser of:
    - a. The value fluctuation equivalent (in terms of the commodity for options transactions) of the current cash position described in the information most recently filed pursuant to this Rule.  
or
    - b. The maximum level of long or short open positions provided in the information most recently filed pursuant to this Rule or most recently specified by the Board or its representative pursuant to Paragraph 1. of this Rule.
  5. **Updated Reports.** Reports updating the information required pursuant to this Rule also shall be filed with the Board or its representative upon specific request.
  6. **Power to Rescind Recognition.** The Board or its representative, at his sole discretion, may rescind recognition of nonenumerated hedging positions for the purposes of exceeding the position limits then in effect.

## **CHAPTER 20 EXCHANGE RULES**

### **EXCHANGE ROOM**

- 2001.01. Admission Of Floor Clerks To The Exchange Room
- 2002.00. Exchange Room
- 2003.00. Admittance Of Visitors To The Exchange Room
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## **CHAPTER 20 EXCHANGE RULES**

### **2001.01. 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 an authorized individual 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, and reporting to 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 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 in the Exchange Room.
- E. No authorized individual shall employ more than two (2) Floor Clerks.
- 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 or her 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.
- G. 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 Rule or is guilty of any other improper conduct in the Exchange Room.
- H. Floor Clerks may communicate by telephone with their sponsors so long as they do not solicit or do business for their own account.
- I. Floor Clerks may not solicit business for their sponsors 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 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.
- C. Authorized individuals 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 authorized individuals 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 authorized individuals 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 any Person following an infraction/violation of any MGEX Rule occurring in the Exchange Room. All violation tickets must be submitted to the Secretary of the Company promptly upon issuance. The Secretary of the Company 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 Person 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 Person.

Persons 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 Person 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 Rule shall prohibit further action from being taken against a Person for a violation of any other Rule.

#### **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 Person 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 Person, 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 Rule 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. Persons will be responsible for fines given to their employee(s).

#### **2005.00. SUBSTITUTES.**

An authorized individual'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 if, and during, the time that such authorized individual 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.

It is not the intent of this Rule 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 authorized individuals 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 an authorized individual who is under suspension.

If a authorized individual for whom a substitute is acting shall appear in the Exchange Room during the Hours of Cash Trading, or if such authorized individual , except in cases of substitution under the provisions of this Rule, 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 authorized individual for whom substitution is requested and shall be signed by the substitute and by the authorized individual for whom the substitute is authorized to make trades. The substitute and such authorized individual shall, respectively, be subject to the same restrictions, obligations and liabilities including penalties for the violation of MGEX Rules 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 Person must be granted cash trading privileges by the Exchange.

The Exchange may grant cash trading privileges to any Person approved by the Exchange 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 Person with 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 Person with 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 cash trading privileges of any Person: :

- A. Upon the written request of the Person with cash trading privileges or entity having cash trading privileges;
- B. Upon the termination of the legal existence of the Person with cash trading privileges;
- C. Whenever the Exchange determines that any Person with cash trading privileges has failed within a reasonable time to comply with any MGEX Rules, 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 Person with cash trading privileges 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.

If the cash trading privileges of any Person shall have been cancelled or suspended, such Person may make application for restoration of cash trading privileges; and the Exchange may restore

cash trading privileges to such Person whenever the Exchange shall determine that he or it has adequate financial responsibility and has complied with all of the provisions of [Rules 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 Rule 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 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.

#### **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 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 Market Participant. Any trade price adjustment or trade cancellation shall be publicly disclosed.

#### **2010.00. FUTURES AND OPTIONS MONTHS PRESCRIBED.**

- A. 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 unless otherwise determined by the Exchange.

- B. 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 Bulletin Board, the Exchange 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.**

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, 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.**

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.**

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 SPIKES futures contract may be exchanged for, or in connection with, an EFR transaction shall be the last trading day of that contract.

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.**  
  
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.**  
  
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.**

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.**

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.**

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.**

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.**

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.**

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.**

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 three-thousand four-hundred (3,400) futures-equivalent contracts net long or short).

**E. Soft Red Spring Wheat Index.**

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 Rule, 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.** Rule 2013.03., 2013.04., 2013.05, and 2013.06. will govern position limits for HRSW futures, notwithstanding any other provisions of MGEX Rules 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 CFTC Regulations. 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 Rule to liquidate or reduce its position to comply with this Rule. 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 Rule, 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 Rule 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 AND TRADING VOLUME 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.

Pursuant to CFTC Regulation 15.04 and Part 17, a volume threshold account that has trading volume in the HRSW Futures Contract during a single trading day equal to, or in excess of, 50 contracts is required to be reported to the CFTC. All such positions must be reported in a manner and form as designated by the CFTC or the Exchange.

#### **2014.00. SETTLEMENT PRICES.**

##### **A. Electronic Trading System 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 the Electronic Trading System. 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 the Electronic Trading System. 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.**

**A. Open Outcry/Electronic Trading System 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.**

- 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 Market Participant shall withhold or withdraw from the market any order or part of an order for another Market Participant for the convenience of another Market Participant.

**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.**

The President is authorized to designate an employee of the Grain Exchange as the official representative of this Exchange to observe transactions where a Market Participant 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 Market Participant 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 CEA and CFTC Regulations.

### **A. Spring Wheat.**

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.**

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.**

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.**

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.

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

All Delivery Notices shall be made in accordance with the provisions of the CEA, CFTC Regulations, and MGEX Rules 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.**

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.**

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.**

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 Rule 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.**

Persons with 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.**

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.**

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.**

- 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 Rule 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.**

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

### **2054.00. BOARD OF ARBITRATION: FEES.**

For each case involving claims and counterclaims by a Market Participant, 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 MGEX Rules. Any such actual costs or other expenses may be allocated between the parties.

**2054.01. CUSTOMER CLAIMS ARBITRATION PANEL: FEES.**

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 4 of MGEX Rules. Any such actual costs or other expenses may be allocated between the parties.

**2055.03. REGISTRATION OF FLOOR BROKERS/FLOOR TRADERS.**

- A. Any authorized individual who executes trades in the Pit for an account other than his own must be registered as a floor broker with NFA.
- B. Any authorized individual who trades in the Pit for his own account must be registered with NFA as a floor broker or floor trader.
- C. All authorized individuals registered with NFA are responsible for completing acceptable ethics training programs and maintaining evidence of completion in accordance with the CEA and CFTC Regulations.

**2058.00. COLLECTION OF TRADING DOCUMENTS.**

- A. All trading cards and order tickets prepared pursuant to CFTC Regulation 1.35 must be submitted by the executing Person 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 Person 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 Exchange, 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 CEA.
- 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 Rule 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 Market Participant 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, the official closing period for all MGEX Futures shall be determined by the Exchange.

#### **2061.00. OFFICIAL CLOSING PERIOD: OPTIONS.**

The closing period for all Options Contracts shall be determined by the Exchange.

#### **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 MGEX Rules must contain:
  - 1. Pre-printed Market Participant identification or other unique identifying information which would permit the trading cards of one Market Participant to be distinguished from cards of all other Market Participants;
  - 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 Market Participant from his/her other trading cards for no less than a one (1) week period.
- B. Trading cards prepared by the Market Participant must also include the following:
  - 1. Market Participant'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 Market Participant 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 Market Participant must use a new trading card at the beginning of each designated interval required pursuant to **Rule 2058.00**.
- E. A Market Participant is accountable for all trading cards prepared pursuant to MGEX Rules in exact numerical sequence, whether or not such trading cards are relied upon as original source documents.
- F. A Market Participant must identify on his/her trading cards trades executed during opening and closing periods in the manner required by **Rule 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 Market Participant or Clearing Member to document requests or executions for Pit or ex-Pit transactions must be completed in non-erasable ink.
- B. The Market Participant 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 Market Participant 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 **Rule 2058.00** and **2062.00**. A Market Participant may not rewrite the trading card after it has been submitted to the Clearing Member.

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

All time-stamps required by MGEX Rules 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 Market Participant 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.**

- A. A Broker Association shall include two (2) or more Market Participants 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 Market Participant 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 Market Participant's personal account.
- H. "Regularly Share A Deck Of Orders" is defined as instances regularly occurring more than once per week where Market Participants 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.**

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, Market Participants trading for themselves by open outcry and orders initiated directly by a user for electronic execution will not be subject to this Rule.