



Via Electronic Mail

May 29, 2013
MGEX Submission No. 13-5

Ms. Melissa Jurgens
Secretary of the Commission
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street NW
Washington, DC 20581

RE: Rule Certification Submission Pursuant to Regulation 40.6(a); Updates to MGEX Rulebook

Dear Ms. Jurgens:

Pursuant to Commodity Exchange Act ("CEAct") Section 5c and Commodity Futures Trading Commission ("CFTC" or "Commission") Regulation 40.6(a), the Minneapolis Grain Exchange, Inc. ("MGEX" or "Exchange") hereby certifies that amendments of the respective attached Definitions, Rules and Regulations of the MGEX Rules and Regulations comply with the CEAct and the Commission regulations promulgated thereunder. MGEX further certifies that the submission and pending changes to the MGEX Rules and Regulations have been posted on the Exchange website at the following link: <http://www.mgex.com/regulation.html>.

I. Removal of Post Settlement Session Rule

The MGEX Post Settlement Session Rule 785.00. is no longer necessary in the MGEX Rulebook. In order to ensure the MGEX Rulebook remains accurate and up to date, the obsolete rule has been removed.

II. Update to the Defined Term "Hours of Trading"

The MGEX defined term "Hours of Trading" has been updated to reflect current practices by removing the limitation in the definition as to trading in the Exchange Room only. In addition, other MGEX Definitions, Rules and Regulations required housekeeping updates in order to properly reference the defined term.

III. Amendments to Conform with Department of Audits and Investigations Current Practices

In order to conform with MGEX summary fine schedules and other MGEX enforcement procedures within the Department of Audits and Investigations, Regulation 2068.00. has been amended to retain the time deadlines within the regulation and to remove the fine information as that information is included in the proper summary fine schedule.

IV. Amendments in Connection with Regularity of Elevators and Warehouses

The amendments to Rule 253.00. and Resolution 210.01.F. were made to properly reflect current responsibilities and practices of the Finance Committee and Exchange officers pertaining to regularity. The Finance Committee is focused on the overall financial condition of the Exchange while Exchange officers focus on the day to day activities of the Exchange, including the review of applications for Regularity and monitoring for continued compliance of Regular elevators and warehouses. Various other MGEX Rules and Regulations required minor revisions in order to properly incorporate these updates.

The Exchange has reviewed the core principles for designated contract markets ("DCM Core Principles") and has determined that the attached amendments comply with the requirements of Core Principle 7, Availability of General Information, in that the Exchange is ensuring the information regarding the rules, regulations and procedures of the Exchange are accurate, complete and current.

Pursuant to the authority set forth in MGEX Rule 210.01., the MGEX Board of Directors unanimously approved the attached amendments to the MGEX Rules and Regulations. There were no substantive opposing views expressed by the Board of Directors, nor is the Exchange aware of any substantive opposing views with respect to this filing. Additionally and as required by MGEX rule, MGEX ownership voted and approved the amendments to the following respective Definitions, Rules and Resolution: Hours of Trading; Suspension; Rules 253.00.; 785.00.; 900.00.; and 900.01.

The attached amendments are to be effective immediately after the 10th business day following the date of this submission.

If there are any questions regarding this submission, please contact me at (612) 321-7161. Thank you for your attention to this matter.

Sincerely,



Athena R. Elias
Associate Corporate Counsel

Enclosures

cc: Thomas J. Bloom

EXHIBIT A

The following MGEX Definitions, Rules and Regulations are to be amended. Additions are underlined while deletions are ~~marked through~~.

I. Removal of Post Settlement Session Rule

~~785.00. POST SETTLEMENT SESSION.~~

~~Following the posting of the settlement prices of the designated contracts and a one (1) minute warning bell, there shall be a post settlement session ("PSS"). Trading may occur only under the following conditions:~~

- ~~A. Except as otherwise set forth in this Rule, the Rules applicable to trading during regular trading hours shall be applicable to trading during the PSS.~~
- ~~B. Orders entered for execution or potential execution during regular trading hours remain eligible for execution during the PSS, unless otherwise cancelled. Additionally, new orders placed after the end of the regular trading session may be executed during that day's PSS.~~
- ~~C. Members, Clearing Members and their customers may participate in the PSS.~~
- ~~D. Contract months eligible to be traded during the post settlement session shall include only those contracts that traded during that day's regular trading hours. An expiring Futures Contract is eligible to be traded during the PSS if it previously traded during regular trading hours.~~
- ~~E. Trades during the PSS must be executed at prices within the regular trading session's high/low trade price range. Further, at least one (1) leg of a spread trade must be priced within the regular trading session's high/low trade price range. However, for single line entry differential spreads (SLEDS) leg prices may be assigned by the Clearing House.~~
- ~~F. Trade prices and trade volume during the PSS will not be used to compute any settlement price.~~
- ~~G. Commodity Futures and Options Contracts designated for trade during the PSS, the start of the PSS, the length of time of the PSS and additional conditions for trading during the PSS shall be established and may be modified at any time by the Board of Directors.~~

II. Update to the Defined Term “Hours of Trading”

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

ON THE EXCHANGE ("on Change"): On the Exchange Room during the ~~h~~Hours of ~~t~~Trading.

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

210.01. BOARD OF DIRECTORS: POWERS.

The Board of Directors ("Board") is the governing body of the Minneapolis Grain Exchange, Inc. ("Exchange") and has the power to:

- A. control all property of the Exchange;
- B. provide, acquire and maintain suitable Exchange quarters and facilities;
- C. review and approve the creation of and all appointments to standing and special committees recommended by the Chairperson;
- D. review and approve the appointment of a President;
- E. review and approve the appointment, titles and responsibilities of all Exchange employees above the level of department head;
- F. delegate its powers to committees of the Board, or officers or employees, if such delegation is not inconsistent with the Charter, Rules, customs or usages of the Corporation;
- G. approve all contracts to be executed on behalf of the Exchange by the Chairperson, President or other designated officers;
- H. designate and authorize specific appointed officers to act on behalf of the Board to execute contracts within specified limits;
- I. appoint a Counsel to the Board;
- J. fix, determine and levy all Membership dues, fees and assessments;
- K. determine the commodities traded, the delivery months, ~~h~~Hours of ~~t~~Trading, the days of the contract month in which delivery may be made, and margin requirements;

- L. declare any day to be a holiday, during which the Exchange shall not be open for business;
- M. recommend changes to the Rules of the Exchange and rescind Rules governing contracts delisted or declared dormant by the Board;
- N. adopt Regulations to implement any Rule or to conform with orders, recommendations or requests of any duly constituted governmental authority, or that in the opinion of the Board of Directors are necessary and appropriate;
- O. act in emergencies; (See [Rule 210.02.](#))
- P. without Member vote, amend the Charter as necessary to conform to the Rulebook of the Exchange or to cause the Corporation to become a Delaware nonstock, for profit corporation.

Any authority or discretion by these Rules vested in the Chairperson, President, Clearing House Manager or any committee shall not be construed to deprive the Board of such authority or discretion and, in the event of a conflict, the determination of the matter by the Board shall prevail.

235.00. ADMISSION TO EXCHANGE ROOM.

Except as permitted by the Board of Directors, no one except Members in ~~g~~Good ~~s~~Standing (or holders of Substitute Tickets) may be admitted to the Exchange Room during the ~~h~~Hours of ~~t~~Trading.

The Board of Directors may grant admission to the Exchange Room during the ~~h~~Hours of ~~t~~Trading to Messengers, Floor Clerks, visitors and other persons, subject to such restrictions, regulations and limitations as the Board of Directors may deem proper.

PROVIDED, however, that no Member who is under suspension may be granted admission to the Exchange Room as a visitor, or otherwise, and no Messenger, Floor Clerk or visitor may make any trades or transact any business in the Exchange Room excepting such transactions as may pertain directly to the business on account of which admission to the Exchange Room was granted; and,

PROVIDED FURTHER, that no person in default, on account of any business transacted with or through a Member or Members of the Grain Exchange, shall be entitled to admission to the Exchange Room as a visitor while such transaction remains unsettled, and the President is hereby empowered to enforce this Rule upon the complaint, in writing, of any Member of the Corporation.

719.00. EXCHANGE OF FUTURES FOR, OR IN CONNECTION WITH, PHYSICAL AND RISK TRANSACTIONS.

- A. Exchange for Physical Transaction

An exchange of futures for, or in connection with, a physical ("EFP") consists of a cash commodity transaction and a futures transaction.

B. Exchange for Risk Transaction

An exchange of futures for, or in connection with, a risk (an over-the-counter (OTC) derivative or a swap agreement) (“EFR”) consists of two separate, but related, transactions; a risk transaction and a futures transaction. At the time such transaction is effected, the buyer and the seller of the futures transaction must be the seller and the buyer of the risk transaction. The risk component shall involve the commodity underlying the futures contract (or any derivative, by-product or related product of such commodity). The quantity or economic value covered by the risk transaction must be approximately equivalent to or bear a relationship to the quantity or economic value covered by the futures contracts. The risk component of an EFR transaction must comply with Part 35 of Commission Regulations and the Commodity Exchange Act, as amended.

C. Each buyer and seller must satisfy the Department of Audits and Investigations, at its request, that the transaction is a bona fide EFP or EFR transaction. Upon request of the Department of Audits and Investigations, all documentary evidence relating to the EFP or EFR, 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.

D. An EFP or EFR 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. An EFP or EFR executed during ~~trading hours~~ the Hours of Trading of the underlying futures contract must be submitted the same day for clearing. An EFP or EFR executed after the close of trading of the underlying futures contract must be submitted for clearing no later than the next business day.

F. The futures contracts that may be exchanged for a physical or a risk transaction, and the last day and time for executing an EFP or EFR shall be determined by the Board of Directors.

(See [Resolution 719.00.](#))

1402.00. OPTION TRADING.

A. **Hours of Trading.** The ~~h~~Hours of ~~t~~Trading Spring Wheat Options shall be determined by the Board of Directors in accordance with [Regulation 2011.00.](#)

B. **Months Traded In.** Trading may be conducted in Spring Wheat

options in the same months that are listed for trading in the Spring Wheat Futures Contract (see [Rule 715.00](#)). Additionally, trading may be conducted in Spring Wheat options in months that are not listed for trading in the Spring Wheat Futures Contract. No more than two (2) options months outside the delivery cycle shall be available to trade at one time and shall be limited to those months immediately preceding the current delivery month and the next delivery month. Trading in an options month outside the delivery cycle may begin the first business day of the month immediately preceding its month of expiration. The underlying Spring Wheat Futures Contract month for such options month shall be the next month in the delivery cycle. However, the Board of Directors 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 shall be the business day prior to such Friday (see [Res. 1402.00. C.](#)).
- 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 Spring Wheat futures options shall be in multiples of one-eighth of one cent (1/8) per bushel of a five thousand (5,000) bushel Spring Wheat 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 may range from one dollar (\$1.00) to six dollars (\$6.00) in one dollar (\$1.00) increments per option contract.
- F. **Position Limits.** Position Limits for Spring Wheat futures options shall be those limits currently in effect pursuant to Part 150 of the Regulations of the Commodity Futures Trading Commission.
- G. **Reportable Positions.** 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 shall be reportable position level for wheat options on this Exchange. All such positions shall be reported in a manner and form as designated by the Exchange and pursuant to Exchange [Rule 1505.00](#).
- H. **Daily Price Limits.** Trading is prohibited in a Spring Wheat futures option at a premium of more than the trading limit for the Spring Wheat futures contract above and below the previous day's

settlement premium for that option. On the first (1st) day of trading, limits shall be set from the lowest premium of the opening range.

5406.00. TRADING MONTHS AND HOURS.

The months available for trading in AJC futures, the number of months available for trade at one time and the **H**ours of **T**rading shall be determined by the Exchange.

Trading in AJC futures shall be permitted in the current delivery month plus any month in the January, March, May, July, September, November 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.

The **H**ours of **T**rading in AJC futures shall be from seven o'clock (7:00) a.m. to one-ten o'clock (1:10) p.m. All times shall be Central Time.

5505.00. TRADING HOURS.

The **H**ours of **T**rading AJC options shall be from seven o'clock (7:00) a.m. to one-ten o'clock (1:10) p.m. All times shall be Central Time.

(Chapter 71, Interpretations)

731.00. BIDS AND OFFERS ABOVE OR BELOW CURRENT MARKET.

In order to provide greater trading clarity and flexibility to Members, the Board of Directors has officially approved the following interpretation:

The phrases "current asking price" and "current bid price", by definition, are clearly meant to reflect current market conditions in commodity options. Any Member in the options pit is hereby permitted to adjust, by open outcry, the last reported bid with a lower bid and to adjust the last reported offer with a higher offer at any time within **the Hours of Trading**~~trading hours~~.

Board action 4/9/92.

7305.00. TRADING MONTHS AND HOURS.

The months available for trading in National Corn Index futures, the number of months available for trade at one time and the **H**ours of **T**rading shall be determined by the Board of Directors. See **Regulations 2010.00.** and **2011.00.**

7406.00. TRADING MONTHS AND HOURS.

Trading may be conducted in National Corn Index options in such contract months as may be determined by the Board of Directors. However, the Board of Directors may, at its discretion, restrict trading in any month should market conditions so warrant. There shall be no trading in National Corn Index options for months in which the underlying National Corn Index futures months have not yet traded. The **H**ours of **T**rading for National Corn Index options shall be determined by the Board of Directors. See

Regulations 2010.00. and **2011.00.**

7505.00. TRADING MONTHS AND HOURS.

The months available for trading in National Soybean Index futures, the number of months available for trade at one time and the **Hours of Trading** shall be determined by the Board of Directors. See **Regulations 2010.00.** and **2011.00.**

7606.00. TRADING MONTHS AND HOURS.

Trading may be conducted in National Soybean Index options in such contract months as may be determined by the Board of Directors. However, the Board of Directors may, at its discretion, restrict trading in any month should market conditions so warrant. There shall be no trading in National Soybean Index options for months in which the underlying National Soybean Index futures months have not yet traded. The **Hours of Trading** for National Soybean Index options shall be determined by the Board of Directors. See **Regulations 2010.00.** and **2011.00.**

7705.00. TRADING MONTHS AND HOURS.

The months available for trading in Hard Red Winter Wheat Index futures, the number of months available for trade at one time and the **Hours of Trading** shall be determined by the Board of Directors. See **Regulations 2010.00.** and **2011.00.**

7806.00. TRADING MONTHS AND HOURS.

Trading may be conducted in Hard Red Winter Wheat Index options in such contract months as may be determined by the Board of Directors. However, the Board of Directors may, at its discretion, restrict trading in any month should market conditions so warrant. There shall be no trading in Hard Red Winter Wheat Index options for months in which the underlying Hard Red Winter Wheat Index futures months have not yet traded. The **Hours of Trading** for Hard Red Winter Wheat Index options shall be determined by the Board of Directors. See **Regulations 2010.00.** and **2011.00.**

7905.00. TRADING MONTHS AND HOURS.

The months available for trading in Soft Red Winter Wheat Index futures, the number of months available for trade at one time and the **Hours of Trading** shall be determined by the Board of Directors. See **Regulations 2010.00.** and **2011.00.**

8006.00. TRADING MONTHS AND HOURS.

Trading may be conducted in Soft Red Winter Wheat Index options in such contract months as may be determined by the Board of Directors. However, the Board of Directors may, at its discretion, restrict trading in any month should market conditions so warrant. There shall be no trading in Soft Red Winter Wheat Index options for months in which the underlying Soft Red Winter Wheat Index futures months have not yet traded. The **Hours of Trading** for Soft Red Winter Wheat Index options shall be determined by the Board of Directors. See **Regulations 2010.00.** and **2011.00.**

8105.00. TRADING MONTHS AND HOURS.

The months available for trading in Hard Red Spring Wheat Index futures, the number of months available for trade at one time and the ~~h~~Hours of ~~t~~Trading shall be determined by the Board of Directors. See [Regulations 2010.00](#) and [2011.00](#).

8206.00. TRADING MONTHS AND HOURS.

Trading may be conducted in Hard Red Spring Wheat Index options in such contract months as may be determined by the Board of Directors. However, the Board of Directors may, at its discretion, restrict trading in any month should market conditions so warrant. There shall be no trading in Hard Red Spring Wheat Index options for months in which the underlying Hard Red Spring Wheat Index futures months have not yet traded. The ~~h~~Hours of ~~t~~Trading for Hard Red Spring Wheat Index options shall be determined by the Board of Directors. See [Regulations 2010.00](#) and [2011.00](#).

III. Amendments to Conform with Department of Audits and Investigations Current Practices

2068.00. STOCKS REPORTING FACILITIES.

~~Pursuant to Rule 901.01, and any applicable MGEX Rules and Regulations, a~~All facilities-Entities approved as Regular by the Exchange must submit accurate stocks reports to the Exchange pursuant to the deadlines below.

Daily Stocks Reports: 2:00 p.m. (Central Time)
Weekly Stocks Reports: 1:00 p.m. (Central Time) Monday (Tuesday if Monday is a MGEX holiday)

Any deadline or submission listed herein that is missed, late, inaccurate or incomplete, may result in a fine or the matter being referred to the Disciplinary Committee as determined by the Exchange.

~~All submissions received after the scheduled deadline are subject to fines as follows:~~

~~Reports received within one (1) hour past the deadline will incur a \$100 fine.~~

~~Reports received in excess of one (1) hour past the deadline will incur an additional \$50 fine for each subsequent 15 minute period the report is late.~~

~~A single submission that is found to be inaccurate and has not been corrected by the designated deadline shall be deemed late until such submission is corrected.~~

~~The maximum fine amount shall not exceed \$2,000 for a single submission, however, assessment of a fine does not prevent the Exchange from taking further disciplinary action or presenting the matter to the Disciplinary Committee for recurring and/or significantly late submissions or inaccurate submissions.~~

~~The amount due or charged by the Exchange shall be billed on a monthly basis unless otherwise specified by the Exchange.~~

IV. Amendments in Connection with Regularity of Elevators and Warehouses

253.00. FINANCE COMMITTEE.

There shall be established a Committee of the Board of Directors to be known as the Finance Committee. It shall be composed of seven (7) Directors.

The Committee shall have the duties and powers to:

- A. Oversee the financial affairs and financial condition of the Corporation.
- B. Evaluate and recommend capital investments regarding the physical assets of the Corporation.
- ~~C. Establish guidelines for determining the minimum filing and financial requirements of firms and corporations which wish to register with the Corporation, as well as those elevators, merchandisers and warehouses that wish to become "Regular," and determine whether such entities are in continuous compliance with such requirements.~~
- ~~C~~D. Review the budget recommendations from other Committees ~~on an annual basis~~ as needed.
- ~~E. Grant Regularity status to an applicant, provided there are no unresolved issues to be heard by the Board of Directors.~~
- ~~F. Approve an applicant for registration, provided there are no objections or any unresolved issues to be heard by the Board of Directors.~~
- ~~G~~D. Report and make recommendations to the Board of Directors.

(Chapter 72, Resolutions)

RESOLUTION 210.01. F.

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

Limited authority of the Board of Directors to amend ~~Minneapolis Grain Exchange~~ MGEX Regulations and to take emergency action is hereby delegated to Exchange officers. Such authority includes, suspending or curtailing trading, amending ~~H~~ hours of ~~T~~ trading, imposing margin requirements, declaration of holidays, amending reportable position limits, price limits and intraday market restrictions, managing settlement procedures, open or closing periods, fees, forms, notices, deadlines, dress and decorum policies, minimum financial requirements, notification and reporting requirements, striking prices, cash market reporting, recordkeeping requirements, honorary memberships, default procedures, give-up procedures, transferring customer contracts and margins, definition of emergencies, declarations of Force Majeure and action taken as a result of such declarations. The Exchange shall also have the authority to take such market action as

may be directed by the CFTC. The President and Chairperson of the Board may determine whether a Regulation can be amended by Exchange officers. Regulation amendments shall be forwarded promptly to the Board of Directors.

Further, limited authority of the Board of Directors is hereby delegated to Exchange officers to exercise certain other powers including amending transfer procedures, approving ~~registration and~~ membership applications and cancellations, approving applications and renewals for Regularity, approving applications for cash trading privileges and/or clearing privileges, establishing minimum filing and financial requirements, approving standing committee appointments, and amending the matching algorithm for the electronic trading system. Such approvals and changes shall be forwarded promptly to the Board of Directors.

900.00. DELIVERY ELEVATORS: CONDITIONS FOR BECOMING REGULAR.

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

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

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

- A. Such elevator must be properly equipped for the convenient and expeditious receiving, handling and shipping of such bulk commodities as are customarily accepted therein for public storage. Each elevator must be able to load-out by rail and barge and shall be connected by railroad tracks with one or more railway lines. In the case of an interior off-water elevator such firm must be able to make the grain available in a barge pursuant to **Rule 804.00.** and **804.01.**
- B. The warehouseman operating such elevator must be in good financial standing and shall meet the minimum financial requirements set forth by the ~~Board of Directors~~Exchange (see **Regulation 2029.00.**) and file the following periodic

documentation:

1. **Audited Financial Statement** - Each ~~Firm or Corporation~~entity wishing to become Regular for Spring Wheat Futures Delivery must annually submit to the Exchange ~~Secretary~~an Audited Financial Statement prepared by an independent certified public accountant in accordance with generally accepted accounting principles.
 2. **Due Date** - Audited Financial Statements must be filed no later than ninety (90) days after the fiscal year end, except in those cases where an ~~an Firm or Corporation~~entity has applied to the Exchange ~~Secretary~~and has received approval for an extension.
 3. **Interim Unaudited Financial Statement** - Each ~~Firm or Corporation~~entity must submit to the Exchange ~~Secretary~~unaudited mid-fiscal year financial statement. This statement must be filed no later than forty-five (45) days after the mid-year point of the ~~Firm or Corporation's~~entity's fiscal year, except in those cases where an ~~an Firm or Corporation~~entity has applied to the Exchange ~~Secretary~~and has received approval for an extension.
- C. All elevators approved for delivery of grain in satisfaction of the ~~Minneapolis Grain Exchange~~MGEX Futures Contracts shall submit to the Exchange a tariff, listing in detail the rates for handling and storage of grain, and shall also submit to the Exchange sixty (60) days in advance changes, in insurance and storage fees, provided, however, that such changes do not conflict with **Rule 811.00.** and other limitations set forth in section B. Tariffs on file with the Exchange shall be available for public inspection.
- D. It shall be the responsibility of the warehouseman of a Regular elevator to immediately inform the ~~President or Secretary of the~~ Exchange of any adverse changes in status and financial conditions. (See **Regulation 2029.00.** and **2088.00.**) Failure to notify the Exchange will be deemed a violation of ~~these Rules~~the MGEX Rules and Regulations.

900.01. REVOCATION OF REGULARITY.

If the designation of a Regular elevator is revoked, the ~~Board of Directors~~Exchange shall determine the period of time, if any, during which the receipts issued by such elevator shall thereafter be deliverable in satisfaction of futures contracts under the MGEX Rules

and Regulations. The ~~Board of Directors~~Exchange shall ~~also direct the Corporate Secretary to~~ post such revocation on the Official Bulletin Board and notify all members and receipt holders of record.

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

2029.00. MINIMUM FINANCIAL REQUIREMENTS FOR REGULARITY.

An elevator, merchandiser or warehouse that is Regular for delivery must maintain certain minimum financial requirements set by the Exchange. The Exchange has established the following working capital and net worth financial requirements for Regularity:

Contract	Regular Entity	Working Capital	Net Worth
Spring Wheat	Elevator	None	Minimum financial requirements established by the United States Department of Agriculture as specified in the licensing agreement (WA-402)

Further, any combination of the elevator, merchandiser, warehouse or parent, or an employee, partner or officer of an elevator, merchandiser, warehouse or parent, must be the record owner of one (1) or more Memberships.

For contracts not stated above, the ~~Board of Directors or Finance Committee~~Exchange shall establish minimum financial requirements as necessary for Regular entities.

The ~~Board of Directors or Finance Committee~~Exchange may consider, and approve, an Applicant for Regularity that is unable to meet the applicable minimum financial requirements above. As financial conditions warrant, the ~~Board of Directors or Finance Committee~~Exchange may, at any time, require an Applicant for Regularity or an approved elevator, merchandiser or warehouse to provide irrevocable letters of credit, guarantees, pledges of memberships and/or other forms of security that the ~~Board of Directors or Finance Committee~~Exchange determines to be acceptable. Failure to meet the minimum financial requirements or comply with a ~~Board of Directors or Finance Committee~~the Exchange's request for additional financial security will be deemed a failure to meet the good financial standing requirement.

2085.00. FINANCIAL AND REPORTING REQUIREMENTS FOR ALL MEMBERS.

Financial requirements for all Members shall be established ~~based upon the recommendations of the Finance Committee and approved by the Board of Directors~~ by the Exchange, provided that requirements for Futures Commission Merchants ("FCM") and Guaranteed Introducing Brokers ("IB") must, at a minimum, be established at levels equivalent to those required by CFTC regulations. The ~~Finance Committee~~ Exchange, at its discretion, may adopt financial requirements for FCMs and Guaranteed IBs more stringent than those of the CFTC if it deems such requirements appropriate.

2087.00. MINIMUM FINANCIAL REQUIREMENTS FOR NON-FUTURES COMMISSION MERCHANT MEMBER FIRMS AND INDEPENDENT INTRODUCING BROKERS.

- A. **Financial Requirements.** All Non-Futures Commission Merchants ("FCM") and Independent Introducing Brokers ("IB") who are Members of the Exchange must meet the minimum financial requirements set forth by the Exchange ~~pursuant to MGEX Rule 253.00.~~ as now in effect or hereafter amended.
- B. **Financial Statement Content.** All Non-FCM Member Firms and Independent IBs must submit financial statements in the manner and form prescribed by the Exchange. At a minimum, all annual audited financial statements must include a balance sheet, footnotes, and be accompanied by an opinion of an independent Certified Public Accountant indicating that an examination of the annual statement has been made. Interim statements, which are those financial statements prepared for periods other than the Member Firm's fiscal year end, must contain, at a minimum, a balance sheet.
- C. **Reports.** All Non-FCM Member Firms and Independent IBs must submit to the Exchange an annual certified financial statement for its fiscal year (or calendar year if the Member Firm is on a calendar year basis.) The certified annual financial statement must be submitted to the Exchange within ninety (90) days after the Member Firm's fiscal year end.

Additionally, all Non-FCM Member Firms and Independent IBs must submit an interim financial statement to the Exchange. Such interim statement shall be as of a date six (6) months subsequent to the Member Firm's fiscal year end and must be submitted to the Exchange within forty-five (45) days from the date of the statement.

All Non-FCM Member Firms with clearing privileges must submit quarterly financial statements to the Exchange subsequent to the Member Firm's fiscal year end. Such financial statements must be submitted to the Exchange within forty-five (45) days from the date of the statement.

The Exchange may require additional financial statements or financial

information as it deems appropriate or necessary.

- D. **Extension of Time to File.** Upon request in advance and for good cause shown, the ~~Finance Committee~~ Exchange may grant a Non-FCM Member Firm and Independent IB an extension of the time for the filing of its annual or interim financial statement.

All costs associated with the requirements of this Regulation shall be borne by the Member Firm involved.

2089.00. ELECTION OF FISCAL YEAR.

A Member Firm or Corporation registered with the Exchange must notify the Exchange immediately of any change in its fiscal year end.

Such notification of a change in its fiscal year must be made in writing by submitting a letter explaining the change and the reasons therefore. Futures Commission Merchant and Guaranteed Introducing Broker Members requesting such a change must also submit written evidence that its designated self-regulatory organization has approved the change in its fiscal year.

A change in a Member Firm or Corporation's fiscal year will not relieve such Member from its obligation to file such timely certified and interim financial statements as deemed appropriate by the ~~Finance Committee~~ Exchange.

5601.00. DELIVERY WAREHOUSES: CONDITIONS FOR BECOMING REGULAR.

When and if the terms and conditions set forth herein have been complied with, and not otherwise, the Exchange may declare a warehouse "~~Regular~~" for delivery.

Persons operating a warehouse who desire to have such warehouse become or remain Regular for delivery of AJC under the ~~Regulations of the Exchange~~ MGEX Rules and Regulations shall file an application or renewal form as prescribed by the Exchange. (See **Form 56-01.00.**) Renewal for Regularity must be filed prior to March 1 for a one (1) year term beginning the following May 1. Application for Regularity may be made at any time during a current term for the balance of that term. However, if an applicant is approved during the months of February, March or April, their initial Regularity term will include the following one (1) year term. Initial Regularity during the term shall become effective on the last business day in the month (or earlier if deemed necessary) in which the Exchange approves such application.

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

Application for Regularity may be made by persons operating eligible warehouses receiving AJC product and located within 100 miles of major shipping ports along the mainland coasts of the United States. The ~~Board of Directors and~~ Exchange shall have sole discretion to determine locations suitable for delivery on the AJC futures contract.

Such locations may be amended as determined necessary by the ~~Board and~~ Exchange for efficient AJC delivery. (Subject to any CFTC approval or notification.)

Each applicant and Regular warehouse must have, agree to and remain in compliance with the following requirements:

- A. A facility for the cold storage, handling and delivery of AJC in drums or bins. Cold storage means the ability to store AJC at or below 0° degrees Fahrenheit. Delivery means having the equipment and ability to load and unload semi-tractor trailers;
- B. An electronic database recordkeeping system in which the arrival to and departure from the facility of AJC inventory is entered. Furthermore, the system must be able to clearly identify by multiple identifiers including but not limited to lots, sublots, and each drum or bin and the location thereof within the facility. Such system must be able to identify product should it be subject to recall;
- C. Collect, maintain and forward such information and documents as may be requested by the Exchange including weekly or more frequent AJC inventory and stock reports. (See [Form 56-01.00.C.](#)) Further, allow MGEX such access to records or databases as necessary to verify information and stocks;
- D. Establish FedEx, electronic mail, or such other accounts as needed with MGEX, product owners, the testing agency and clearing members to effectively and efficiently communicate intentions, send/receive documents, confirm instructions, make payments, etc;
- E. A facility and equipment sufficient for samples to be able to be taken, and assistance to inspectors so they may be able to take samples. This includes retrieving and moving drums and bins as requested. Warehouses cannot interfere with the sampling process. A warehouse must contact the USDA sampling/testing agent within one (1) business day upon request of the owner of the AJC product;
- F. Obtain any required and maintain a valid or required license permitting the warehouseman to own or operate a cold storage facility, and/or store and handle processed food products such as AJC. The license(s) may be issued by the municipality, a state or the federal government;
- G. Maintain compliance with applicable product handling and health code requirements (such as HACCP requirements) established by any regulatory agency or entity, such as the FDA and USDA, with jurisdiction or oversight authority over the warehouse or products stored by the warehouse. Further, cooperate with or provide such agency or entity access to records, products or the premises, if so required by law or regulation. MGEX Rules and Regulations shall not shield a warehouse from compliance with any laws or regulations. A facility must cooperate with any product recalls or any other food safety inquiries regarding AJC. MGEX shall not be liable to any party for the quality of product or product recalls;

- H. Provided AJC product has been stored, tested, and identified as established in the MGEX Rules and Regulations, complete and issue negotiable warehouse receipts within one (1) business day (in a form acceptable to MGEX) upon request of the owner of the AJC product. See [Form 54-04.00.E](#) for an example of an acceptable negotiable warehouse receipt. A Regular warehouse shall honor all receipts it issues. Further, a warehouse shall be responsible for the content, accuracy and completeness of any receipt it issued for delivery on an AJC futures contract. Except for choice of law provisions, the laws of the state of Minnesota shall govern any negotiable warehouse receipt issued on AJC product and used to deliver on the AJC futures contract. MGEX disclaims any liability for the use of negotiable warehouse receipts used for delivery against the AJC futures contract;
- I. Provide a tariff or fee schedule listing the rates for storage and handling of AJC drums and/or bins and agree to make such rates public. A Regular warehouse may provide the owner of products stored a lower storage rate based on volume of business. However, a warehouse cannot charge any subsequent owner of a negotiable warehouse receipt a higher storage rate than the original owner. Changes to tariffs must be provided thirty (30) days prior to effective date. In all instances, fees and tariffs charged by the warehouse must be satisfactory to the Exchange. MGEX may establish a maximum storage rate on AJC warehouse receipts used for delivery on an AJC futures contract. Further, MGEX may establish maximum handling charges or fees. A warehouse may not charge more than one party for the same service (i.e. no double charging);
- J. Abide by and agree to be subject to MGEX Rules and Regulations, including but not limited to those procedures described in MGEX documents made available by the Exchange. A Regular warehouse acknowledges the priority of MGEX Rules and Regulations should there be a conflict or dispute as to the application of appropriate authority or the interpretation of MGEX Rules and Regulations. **All Regular warehouses agree to submit to the arbitration jurisdiction provided in the MGEX Rules and Regulations;**
- K. Immediately inform the Exchange of any adverse or potential adverse changes in status or financial conditions;
- L. Be in good financial standing, and meet and maintain the following minimum financial requirements as evidenced by submission of the required financial statements:
1. **Working Capital** (excess of current assets over current liabilities) of at least \$500,000. A bond, T-bill, cash or letter of credit paid to or in favor of MGEX in the amount of \$500,000 may be acceptable at the discretion of the Exchange if this requirement is not met;
 2. **Net Worth** of at least \$500,000. A bond, T-bill, cash or letter of credit paid to or in favor of MGEX in the amount of \$500,000 may be acceptable at the discretion of the Exchange if this requirement is not met;

3. MGEX has sole discretion to limit the number of negotiable AJC warehouse receipts eligible for delivery on the AJC futures contract that may be issued by a Regular Warehouse based on financial condition. Further, MGEX has sole discretion to request additional financial credit from a warehouse or revise financial requirements as it deems necessary;

M. Submit the following financial information to the Exchange ~~Corporate Secretary~~:

1. **Annual Audited Financial Statement** prepared by an independent public accountant in accordance with generally accepted accounting principles, and submitted no later than ninety (90) days after the fiscal year end;
2. **Unaudited Financial Statement** reviewed by an independent licensed or public accountant may be submitted only if an audited financial statement is not available. If reviewed financial statements are not available, other financial statements may be submitted. However, if audited financial statements are not submitted, Regularity status may only be granted under conditions determined by the Exchange in its sole discretion. In such instances, the minimum financial standards may be significantly higher than stated in this chapter. Further, the Exchange may require additional or greater financial surety, including bonds, T-bills, cash and letters of credit. If audited financial statements are not submitted, a bond, T-bill, cash or letter of credit paid to or in favor of MGEX in the amount of \$1 million will be required. However, this amount may be modified at the discretion of the Exchange;
3. **Interim Unaudited Financial Statement** (balance sheet and income statement) submitted no later than forty-five (45) days after the mid-year point of the warehouseman's fiscal year. An interim financial statement is required of all warehouses submitting an annual financial statement under 1 or 2 above;
4. If **no financial statements** are submitted, a bond, T-bill, cash or letter of credit paid to or in favor of MGEX in the amount of \$2 million will be required. However, this amount may be modified at the discretion of the Exchange;

Note: MGEX has sole discretion to grant an extension of time to file a financial statement upon the written request of the warehouse and provided such request is received by MGEX prior to the financial statement due date.

N. Obtain, maintain and submit proof of the following insurance:

1. **Legal Liability** coverage for the loss of goods. The general terms of the legal liability insurance shall be stated on the negotiable warehouse receipt. A new certificate of insurance must be provided to MGEX prior to expiration of the coverage policy;
2. **Building or Property Insurance** in an appropriate amount satisfactory to MGEX;
3. **Product Insurance** that, at a minimum, is common in the industry and may be required by law or license. If the warehouse does not maintain full coverage or is not required to provide full coverage, the warehouse must disclose to the owner the amount of coverage so provided. Coverage may be disclosed in the fee schedule, tariff or negotiable warehouse receipt. If the stored AJC is not insured by the warehouse, it must be clearly stated on the warehouse receipt. The owner may obtain additional coverage at his own expense. However, the warehouse shall be responsible for product losses for which it is legally liable;

Note: MGEX has sole discretion to limit the number of negotiable AJC warehouse receipts that may be issued based on insurance coverage. Further, MGEX has sole discretion to request additional insurance from a warehouse or revise minimum insurance requirements as it deems necessary.

- O. Obtain, maintain and submit proof of a **performance bond** in the minimum amount of \$250,000 in favor of MGEX or purchase and hold a membership of MGEX. A T-bill, cash or an unconditional and irrevocable letter of credit paid to or in favor of the Exchange may be substituted for the \$250,000. The amount of bonds, T-bills, cash or a single letter of credit may not be used to meet more than one financial or regulatory requirement. Further, MGEX has sole discretion to request additional bond or revise the minimum bonding requirements as it deems necessary. All forms of bonds and letters of credit must be satisfactory to MGEX and issued by acceptable sureties. MGEX may waive this requirement in its sole discretion should MGEX determine the warehouse has sufficient insurance and financial standing;
- P. Any MGEX memberships or amount paid to or in favor of MGEX is available to the Exchange to use in its discretion upon a failure of the pledging warehouse to meet its obligations required by the MGEX Rules and Regulations;
- Q. Exercise such care in regards to stored AJC product as a reasonably prudent man would exercise under like circumstances as well as follow any prescribed MGEX Rules and Regulations related to AJC product. Failure to exercise such duty of care shall subject the warehouse to liability for loss, damage or destruction of AJC product; and

- R. Limit the number of negotiable AJC warehouse receipts outstanding at any one time if requested or determined by the Exchange. The number of negotiable 1,800 gallon warehouse receipts that a warehouse can issue and have outstanding may be limited by the warehouse's financial condition, type of financial statement, insurance coverage, performance bond, or such other factors the Exchange shall determine in its sole discretion presents a potential risk that should be considered in its analysis and decision.