

Chapter 14K

MGEX-KC HRW Wheat Intercommodity Spread Options

14K00. SCOPE OF CHAPTER

This chapter is limited in application to put and call options on MGEX-KC HRW Wheat Intercommodity spreads. In addition to the rules of this chapter, transactions in MGEX-KC HRW wheat spread options shall be subject to the general rules of the Exchange insofar as applicable.

14K01. OPTIONS CHARACTERISTICS

14K01.A. Contract Months

Trading in MGEX-KC HRW Wheat Intercommodity spread options may be scheduled in such months as determined by the Exchange.

14K01.B. Trading Unit

One MGEX-KC HRW Wheat Intercommodity spread option reflects the difference between the settlement price of one (1) MGEX Wheat futures contract of a specified contract month on the Minneapolis Grain Exchange, Inc, and one (1) KC HRW Wheat futures contract of a specified contract month on the Board of Trade of the City of Chicago, Inc.

The MGEX-KC HRW Wheat Intercommodity spread is calculated in cents/bushel as:

MGEX Wheat futures price in cents/bu – KC HRW Wheat futures price in cents/bu.

14K01.C. Minimum Fluctuations

The premium for MGEX-KC HRW Wheat Intercommodity spread options shall be in multiples of one-eighth (1/8) of one cent per bushel, or six dollars and twenty five cents (\$6.250) per contract.

However, a position may be initiated or liquidated in MGEX-KC HRW Wheat Intercommodity spread options at premiums ranging from \$1.00 to \$6.00, in \$1.00 increments per option contract.

14K01.D. Trading Hours

The hours for trading of MGEX-KC HRW Wheat Intercommodity spread options contracts shall be determined by the Exchange. MGEX-KC HRW Wheat Intercommodity spread options shall be opened and closed for all months and strike prices simultaneously.

14K01.E. Exercise Prices

Trading shall be conducted for put and call options with strike prices in integral multiples of five cents per bushel per MGEX-KC HRW Wheat Intercommodity spread option. At the commencement of trading for such option contracts, the following strike prices shall be listed: one with a strike price closest to the difference between the previous day's specified MGEX-KC HRW Wheat settlement prices (the at-the-money strike); the next ten consecutive higher and the next ten consecutive lower strike prices from the at-the-money strike. If the difference between the previous day's settlement prices is midway between two strike prices, the closest price shall be the larger of the two. New strike prices will be added through time to assure ten strikes above and below the at-the-money strike. When a new strike price is added for an option contract month, the same strike price will be added to all option contract months for which that strike price is not already listed.

All strikes will be listed prior to the opening of trading on the following business day. Upon demand and at the discretion of the Exchange, new out-of-current-range strike prices at regularly defined intervals may be added for trading on as soon as possible basis.

The Exchange may modify the procedures for the introduction of strikes as it deems appropriate in order to respond to market conditions.

14K01.F. Position Limits, Exemptions, Position Accountability and Reportable Levels

The applicable position limits and/or accountability levels, in addition to the reportable levels, are set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5.

A Person seeking an exemption from position limits for bona fide commercial purposes shall apply to the Market Regulation Department on forms provided by the Exchange, and the Market Regulation Department may grant qualified exemptions in its sole discretion.

Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.

14K01.G. Reserved

14K01.H. Reserved

14K01.I. Termination of Trading

Subject to the provisions of rule 14K01.D no trades in MGEX-KC HRW Wheat Intercommodity spread options expiring in the current month shall be made after the close of trading of the electronic trading session on the last Friday which precedes by at least two business days, the last business day of the month preceding the earliest expiring leg in the spread underlying the MGEX-KC HRW Wheat Intercommodity spread option. If such Friday is not a business day, the last day of trading shall be the business day prior to such Friday.

For example, the July MGEX-KC HRW Wheat Intercommodity spread option (July MGEX Wheat minus July KC HRW Wheat) will expire on the last Friday which precedes by at least two business days the last business day of June; the September MGEX-KC HRW Intercommodity spread option (September MGEX Wheat minus July KC HRW Wheat) will expire on the last Friday which precedes by at least two business days the last business day of June; the December-December MGEX-KC HRW Wheat Intercommodity spread option (December MGEX Wheat minus December KC HRW Wheat) will expire on the last Friday which precedes by at least two business days the last business day of November.

14K01.J. Contract Modification

Specifications shall be fixed as of the first day of trading of a contract except that all options must conform to government regulations in force at the time of exercise. If the U.S. government, an agency, or duly constituted body thereof issues an order, ruling, directive, or law inconsistent with these rules, such order, ruling, directive, or law shall be construed to become part of the rules and all open and new options contracts shall be subject to such government orders.

14K02. EXERCISE

MGEX-KC HRW Wheat Intercommodity spread options will be cash settled on expiration day.

MGEX-KC HRW Wheat Intercommodity spread options cannot be exercised at any time during the life of the option.

14K03. [RESERVED]

14K04. [RESERVED]

14K05. OPTION PREMIUM FLUCTUATION LIMITS

There are no option premium limits during any day for MGEX-KC HRW Wheat Intercommodity Spread options.

14K06. PAYMENT OF OPTION PREMIUM

The option premium must be paid in full by each clearing member to the Clearing House and by each option customer to his futures commission merchant at the time.