



WWW.MGEX.COM
WWW.MGEX.COM
WWW.MGEX.COM

WWW.MGEX.COM
WWW.MGEX.COM
WWW.MGEX.COM
WWW.MGEX.COM
WWW.MGEX.COM
WWW.MGEX.COM

2004 APR 2 10 0:32

Electronic Mail

April 2, 2004

Ms. Jean A. Webb
Secretary of the Commission
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street NW
Washington, D.C. 20581

SUBJECT: Rule Certification

Dear Ms. Webb:

Pursuant to Commodity Exchange Act ("CEAct") Section 5c(c)(1) and Commodity Futures Trading Commission (ACommission@) Regulation 40.6(a), the Minneapolis Grain Exchange (AMGEX@) hereby certifies that the attached amendments to Rules 718.00. and 719.00. comply with the CEAct and the regulations thereunder. Deletions to the Rules have been crossed-out; there were no additions made.

The purpose of the amendments to Rules 718.00. and 719.00. is to permit the exchange or transfer of futures in connection with risk (over-the-counter) transactions in all futures contracts.

Pursuant to the authority and procedures of MGEX Rule 204.01., the Board of Directors and the Ownership overwhelmingly approved the amendments to the Rules. The MGEX plans to implement the amendments the next business day after receipt of this submission to the Commission.

If there are any questions regarding this submission, please contact me at (612) 321-7166. Thank you for your attention to this matter.

Sincerely,

Mark G. Bagan
Vice President,
Market Administration

Enclosure
cc: Anne Reuter

718.00. "TRANSFER" OR "OFFICE" TRADES: DEFINITIONS.

"Transfer" trades and "Office" trades shall be limited to the following transactions:

- A. Transactions made for the purpose of (1) transferring open Futures or Options Contracts from one account to another on the books of the same Member or Registered Firm or Corporation, where no change in ownership is involved; or (2) transferring open Futures or Options Contracts from an account on the books of one Member or Registered Firm or Corporation where no change of ownership is involved; **PROVIDED**, however, that no such transfer shall be made after receipt from the Clearing House of a delivery Notice on such contracts if such transfer is for the apparent purpose of avoiding delivery on such contract;
- B. Transactions consisting of the exchange or transfer of Futures Contracts 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 ~~National Corn Index or National Soybean Index~~ Futures Contracts in connection with risk transactions or transactions consisting of the exchange of Futures for risks.

All records and memoranda pertaining to "Transfer" and "Office" trades shall 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 Member firms in which no change of ownership is involved, shall be included and identified in daily reports to the Clearing House.

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 ~~National Corn Index or National Soybean Index~~ 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 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.**)