

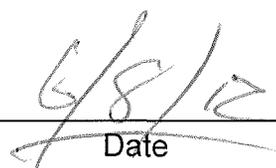
SERIATIM CONCURRENCE

SUBJECT: Request for Commission Approval of Proposed Extended Trading Hours of the Open Outcry Venue at the Minneapolis Grain Exchange

RECOMMENDATION: That the Commission approve the proposal for extended trading hours



Chairman Gary Gensler



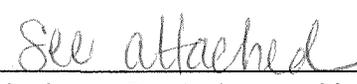
Date



Commissioner Jill E. Sommers

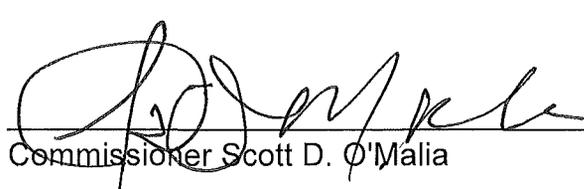


Date



Commissioner Bartholomew H. Chilton

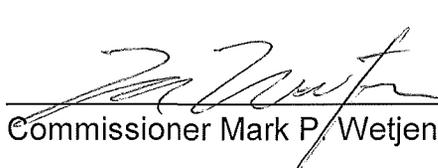
Date



Commissioner Scott D. O'Malia



Date



Commissioner Mark P. Wetjen



Date

SERIAM CONCURRENCE

SUBJECT:

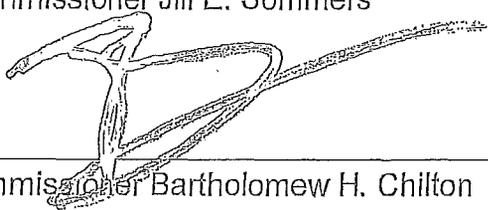
RECOMMENDATION:

Chairman Gary Gensler

Date

Commissioner Jill E. Sommers

Date



Commissioner Bartholomew H. Chilton

6/8/12

Date

Commissioner Scott D. O'Malia

Date

Commissioner Mark P. Wetjen

Date



U.S. COMMODITY FUTURES TRADING COMMISSION

Three Lafayette Centre
1155 21st Street, NW, Washington, DC 20581
Telephone: (202) 418-5260
Facsimile: (202) 418-5527

June 8, 2012

VIA EMAIL

Eric J. Delain
Corporate Counsel
Minneapolis Grain Exchange
130 Grain Exchange Building
400 South 4th Street
Minneapolis, MN 55415

Re: Request for Commission Approval of Extended Trading Hours for Hard Red Spring Wheat Options by Open Outcry for Minneapolis Grain Exchange

Dear Mr. Delain:

In correspondence dated May 30, 2012, and amended on June 6, 2012, the Minneapolis Grain Exchange ("MGEX") submitted a request to extend its trading hours for Hard Red Spring Wheat options by open outcry. The submission was made pursuant to Section 5c(c) of the Commodity Exchange Act ("Act") and Commission Regulation 40.5. The MGEX intends to implement the proposed extended trading hours as soon as possible after receipt of Commission approval.

This is to inform you that the proposed extended open outcry trading hours for MGEX were approved today pursuant to Section 5c(c)(5) of the Act and Section 40.5(b) of the Commission's regulations.

Sincerely,

David Stawick
Secretary of the Commission



U.S. COMMODITY FUTURES TRADING COMMISSION

Three Lafayette Centre
1155 21st Street, NW, Washington, DC 20581
Telephone: (202) 418-5000
Facsimile: (202) 418-5521
www.cftc.gov

Division of Market Oversight

June 8, 2012

MEMORANDUM

To: The Commission

From: The Division of Market Oversight *Raf*

Subject: Request for Commission Approval of Proposed Extended Trading Hours of the Open Outcry Venue at the Minneapolis Grain Exchange.

Recommendation: The extended trading hour proposal of the Minneapolis Grain Exchange does not appear inconsistent with the applicable provisions of the Commodity Exchange Act and the Commission's regulations and policies thereunder, including the requirements of Commission Regulation 40.5 regarding the submission of rule changes for Commission review and approval. The Division of Market Oversight recommends that the proposal for extended trading hours be approved by the Commission.

Concurrence: Office of the General Counsel *HCH*

Staff Contact: Roger Smith x5344

Procedural Background

The Minneapolis Grain Exchange ("MGEX" or "Exchange") by correspondence dated May 30, 2012, submitted a request to extend its trading hours for Hard Red Spring Wheat options ("Wheat Options") by open outcry ("Exchange's Extended Trading Hours Proposal"). The submission was made pursuant to Section 5c(c) of the Commodity Exchange Act ("CEA" or "Act") and Commission Regulation 40.5, and requested Commission approval of the Exchange's Extended Trading Hours Proposal.¹

MGEX states that it seeks to amend the opening time for the open outcry venue in response to the recently implemented extended wheat futures and options contracts electronic trading hours on trading days that the United States Department of Agriculture ("USDA") releases certain reports.² MGEX states that it is necessary to amend the opening time in order to afford the open outcry venue the same opportunity to trade during these report release times.

¹ MGEX amended their submission as requested by staff on June 6, 2012 to make its request more specific as to the options covered by this rule as well as the specific USDA reports that will trigger the extended trading hours.

² CBOT, MGEX, and KCBT's proposals for extending electronic trading hours for wheat and grain contracts received Commission approval pursuant to Section 5c(c)(5) of the Act and Section 40.5(b) of the Commission's regulations on May 18, 2012.

The Exchange's Extended Trading Hours Proposal would extend trading hours for Wheat Options by open outcry on trading days the USDA releases its monthly World Agricultural Supply & Demand Estimates ("WASDE"), any Acreage, Crop Production, Prospective Plantings Reports, and quarterly Grain Stocks reports (Collectively "Specified USDA Reports").

Currently, the hours of trading for Wheat Options by open outcry is 9:30 a.m. CT to 1:30 p.m. CT. MGEX proposes to expand those trading hours to 7:20 a.m. CT to 1:30 p.m. CT on trading days that the Specified USDA Reports are released.

Both the Board of Trade of the City of Chicago, Inc. ("CBOT")³ and the Kansas City Board of Trade ("KCBT")⁴ self-certified similar rule amendments pursuant to Regulation 40.6(a) seeking the extension of open outcry hours on days the USDA releases certain reports.⁵ Absent any issues, those rules will become effective on June 12, the date the next USDA WASDE report is released. MGEX did not self-certify a rule amendment in time for the 10-business day review period under Commission Regulation 40.6 to elapse before June 12, and is now seeking expedited approval for its rule amendment so it can implement the new rule by June 12.

Discussion

Section 5c(c)(5) of the Act states that the Commission "shall approve a...rule amendment" submitted for approval pursuant to Section 5c(c) "unless the Commission finds that the ... rule amendment, is inconsistent with [the CEA including regulations]." Accordingly, in evaluating the Exchange's Extended Trading Hours Proposal, the Division of Market Oversight ("Division") confined its analysis to aspects of the proposal that implicated specific requirements of the CEA or the Commission's regulations. The Division does not believe that this proposal is inconsistent with the Act or the regulations.

As noted above, the Exchange's Extended Trading Hours Proposal is consistent with the soon to be effective self-certified rules filed by CBOT and KCBT for extending hours of trading for wheat options via open outcry. This proposed rule therefore would help create parity among DCMs that maintain open outcry trading for wheat options which would promote effective and efficient markets for all involved.

³ CBOT, by correspondence dated May 24, 2012, submitted a self-certification of rules to extend trading hours of open floor trading for Oilseed and Grain, including wheat, futures and options contracts on trading days the USDA releases materially important reports. Currently, the hours of trading for futures and options by open outcry is 9:30 a.m. CT to 1:30 p.m. CT. CBOT proposes to expand those trading hours to 7:20 a.m. CT to 1:30 p.m. CT on trading days that the USDA releases its monthly WASDE, Crop Production reports, Prospective Plantings reports, and Acreage reports.

⁴ KCBT, by correspondence dated May 24, 2012, submitted a self-certification of rules to extend trading hours for wheat futures and options by open outcry on trading days the USDA releases materially important reports. Currently, the hours of trading for futures and options by open outcry is 9:30 a.m. CT to 1:30 p.m. CT. KCBT proposes to expand those trading hours to 7:20 a.m. CT to 1:30 p.m. CT on trading days that the USDA releases its monthly WASDE and Grain Stocks reports.

⁵ CBOT proposes to extend trading on trading days the USDA releases its monthly WASDE, Crop Production reports, Prospective Plantings reports, and Acreage reports. While KCBT proposes to extend trading hours on trading days that the USDA releases its monthly WASDE and Grain Stocks reports.

In addition, the Exchange's Extended Trading Hours Proposal will make its trading hours consistent with the recently extended electronic trading hours for Wheat Options during times when Specified USDA Reports are released. In granting approval for extended electronic trading hours in Wheat Options⁶, it was determined that having trading hours during the release of the Specified USDA reports was not in violation of the Act or the Commission's regulations. Thus, the Exchange's Extended Trading Hours Proposal would allow open outcry participants the same opportunity as electronic traders to trade Wheat Options during the release of Specified USDA Reports.

Additionally, the availability of open outcry trading of Wheat Options during the times when Specified USDA Reports are released is particularly important given that a high percentage of Wheat Options are traded by open outcry.⁷ Further, it is noted that a lack of open outcry trading for Wheat Options during the release of Specified USDA Reports, while there is electronic trading, could substantially impact the market liquidity of Wheat Options. Therefore, the Division believes that increased liquidity generated by having both electronic trading and open outcry trading during the release of Specified USDA Reports would enable the Wheat Options market to absorb market-moving events more efficiently and effectively.

The Division also considered the abilities of the MGEX to fulfill its trade practice and market surveillance responsibilities in connection with extended trading days and the potential for increased trading volume. MGEX has a regular market regulation staff that will monitor trading during the extended trading hours to prevent manipulative trading and market abuse, using the same set of exception reports and alerts to detect potentially abusive practices.

Conclusion and Recommendation

The Division does not believe that the proposed amended trading hours submitted by MGEX are inconsistent with the requirements of the Act or the Commission's regulations or policies. Accordingly, the Division recommends approval of the rule extending open outcry hours.

MGEX intends to make its extended trading hours effective as soon as possible after any Commission approval. However, as noted above, MGEX is requesting to have its extended trading hours approved before the WASDE report on June 12, to ensure that their open outcry trading hours are consistent with those of CBOT and KCBT during the release of the WASDE report. The Division believes that this implementation plan is acceptable.

⁶ The Commission approved extended electronic trading hours for Wheat Options and also various other grain futures and options contracts including Corn, Soybean, Soybean Meal, Soybean Oil, Oats, Rough Rice, Ethanol National Corn Index, National Soybean Index, and Wheat Index. See Commission Approval Letters for Trading Hours for MGEX, CBOT, and KCBT, May 18, 2012; Memorandum regarding Request for Commission Approval of Proposed Extended Trading Hours for Various Grain Contracts at CBOT, KCBT and MGEX, May 18, 2012.

⁷ According to MGEX representatives, depending on the month, open outcry trading of Wheat Options make up 50% to 80% of the overall Wheat Options trading.

ATTACHMENTS

A. Proposed Approval Letter to MGEX

B. MGEX Submissions

SUBMISSION COVER SHEET

Registered Entity Identifier Code (optional)

Date: May 30, 2012

IMPORTANT: CHECK BOX IF CONFIDENTIAL TREATMENT IS REQUESTED.

ORGANIZATION

Minneapolis Grain Exchange, Inc. ("MGEX")

FILING AS A:



DCM



SEF



DCO



SDR



ECM/SPDC

TYPE OF FILING

• Rules and Rule Amendments



Certification under § 40.6 (a) or § 41.24 (a)



"Non-Material Agricultural Rule Change" under § 40.4 (b)(5)



Notification under § 40.6 (d)



Request for Approval under § 40.4 (a) or § 40.5 (a)



Advance Notice of SIDCO Rule Change under § 40.10 (a)

• Products



Certification under § 39.5(b), § 40.2 (a), or § 41.23 (a)



Swap Class Certification under § 40.2 (d)



Request for Approval under § 40.3 (a)



Novel Derivative Product Notification under § 40.12 (a)

RULE NUMBERS

Regulation 2011.00.

DESCRIPTION

The amendment of MGEX Regulation 2011.00. is intended to expand the opening time for the open outcry venue on days when the USDA releases monthly World Agricultural Supply & Demand Estimates ("WASDE"), quarterly Grain Stocks, or other material reports in order to afford the open outcry venue the opportunity to trade during these report release times.



Via Electronic Mail

May 30, 2012

Mr. David Stawick
Secretary of the Commission
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street NW
Washington, DC 20581

SUBJECT: Request for Commission Approval

Dear Mr. Stawick:

Pursuant to Commodity Exchange Act ("CEAct") Section 5c(c) and Commodity Futures Trading Commission ("CFTC" or "Commission") Regulation 40.5(a), the Minneapolis Grain Exchange, Inc. ("MGEX" or "Exchange") hereby submits for Commission review and expedited approval the amendment to the attached Regulation of the MGEX Rules and Regulations. MGEX has reviewed the amendment in light of compliance with designated contract market core principles and has determined the amendment will not negatively affect its ability to comply with the core principles. MGEX certifies that the submission and pending change to the MGEX Rules and Regulations has been posted on the Exchange website at the following link: <http://www.mgex.com/regulation.html>.

The explanation and purpose for the amendment to Regulation 2011.00. is to amend the opening time for the open outcry venue in response to the recently implemented extended wheat futures and options contracts electronic trading hours on trading days that the United States Department of Agriculture ("USDA") releases monthly *World Agricultural Supply & Demand Estimates* ("WASDE"), quarterly *Grain Stocks* reports, or any other USDA reports deemed materially important by the Exchange. It is necessary to amend the opening time in order to afford the open outcry venue the same opportunity to trade during these report release times. In addition, the Exchange and its market participants have a very strong common interest in trading hours that are generally consistent with other domestic contract markets.

Pursuant to the authority of MGEX Rules 210.01.F., the Board of Directors has delegated its limited authority to amend hours of trading to the officers of the Exchange. The officers of the Exchange have unanimously agreed to make this necessary amendment to Regulation 2011.00. There were no opposing views expressed.

The amendments of the MGEX Rules and Regulations are to be effective as of June 11, 2012, or as soon as practical if approved. If there are any questions regarding this submission, please contact me at (612) 321-7128. Thank you for your attention to this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Eric J. Delain".

Eric J. Delain
Corporate Counsel

Enclosure

cc: Thomas J. Bloom
Nancy Markowitz

The following Regulation is to be amended. Additions are underlined.

2011.00. HOURS OF TRADING.

Pursuant to the provisions of **Resolution 210.01.F.**, the Exchange has adopted this Regulation.

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 fifteen o'clock (1:15) p.m.

B. FUTURES AND OPTIONS

1. Unless otherwise stated elsewhere in the MGEX Rules and Regulations, the Hours of Trading for any MGEX futures or options traded on the Electronic Trading Platform shall be the following:

Sunday to Friday: from five o'clock (5:00) p.m. to two o'clock (2:00) p.m.

The Hours of Trading for options will end at one-thirty o'clock (1:30) p.m. on the day of expiration of said option.

2. The Hours of Trading for options by open outcry shall be from nine-thirty o'clock (9:30) a.m. to one-thirty o'clock (1:30) p.m.; provided however, on trading days that the USDA releases monthly *World Agricultural Supply & Demand Estimates* ("WASDE"), quarterly *Grain Stocks* reports, or any other USDA reports deemed materially important by the Exchange, trading hours shall be from seven-twenty o'clock (7:20) a.m. to one-thirty o'clock (1:30) p.m.

SUBMISSION COVER SHEET

Registered Entity Identifier Code (optional)

Date: June 6, 2012

IMPORTANT: CHECK BOX IF CONFIDENTIAL TREATMENT IS REQUESTED.

ORGANIZATION

Minneapolis Grain Exchange, Inc. ("MGEX")

FILING AS A:

DCM

SEF

DCO

SDR

ECM/SPDC

TYPE OF FILING

• Rules and Rule Amendments

Certification under § 40.6 (a) or § 41.24 (a)

"Non-Material Agricultural Rule Change" under § 40.4 (b)(5)

Notification under § 40.6 (d)

Request for Approval under § 40.4 (a) or § 40.5 (a)

Advance Notice of SIDCO Rule Change under § 40.10 (a)

• Products

Certification under § 39.5(b), § 40.2 (a), or § 41.23 (a)

Swap Class Certification under § 40.2 (d)

Request for Approval under § 40.3 (a)

Novel Derivative Product Notification under § 40.12 (a)

RULE NUMBERS

Regulation 2011.00.

DESCRIPTION

The amendment of MGEX Regulation 2011.00. is intended to expand the opening time for the open outcry venue on days when the USDA releases monthly World Agricultural Supply & Demand Estimates ("WASDE"), any Acreage, Crop Production, Prospective Plantings Reports and quarterly Grain Stocks Reports in order to afford the open outcry venue the opportunity to trade during these report release times.



Via Electronic Mail

June 6, 2012

Mr. David Stawick
Secretary of the Commission
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street NW
Washington, DC 20581

SUBJECT: Amended Request for Commission Approval

Dear Mr. Stawick:

Pursuant to Commodity Exchange Act ("CEAct") Section 5c(c) and Commodity Futures Trading Commission ("CFTC" or "Commission") Regulation 40.5(a), the Minneapolis Grain Exchange, Inc. ("MGEX" or "Exchange") hereby submits for Commission review and expedited approval the revised amendment to the attached Regulation of the MGEX Rules and Regulations filed with the Commission May 30, 2012. MGEX has reviewed the amendment in light of compliance with designated contract market core principles and has determined the amendment will not negatively affect its ability to comply with the core principles. MGEX certifies that the submission and pending change to the MGEX Rules and Regulations has been posted on the Exchange website at the following link: <http://www.mgex.com/regulation.html>.

The explanation and purpose for the amendment to Regulation 2011.00. is to amend the opening time for the open outcry venue in response to the recently implemented extended wheat futures and options contracts electronic trading hours on trading days that the United States Department of Agriculture ("USDA") releases monthly *World Agricultural Supply & Demand Estimates* ("WASDE"), any Acreage, Crop Production, Prospective Plantings Reports and quarterly *Grain Stocks* reports. It is necessary to amend the opening time in order to afford the open outcry venue the same opportunity to trade during these report release times. In addition, the Exchange and its market participants have a very strong common interest in trading hours that are generally consistent with other domestic contract markets.

Pursuant to the authority of MGEX Rules 210.01.F., the Board of Directors has delegated its limited authority to amend hours of trading to the officers of the Exchange. The officers of the Exchange have unanimously agreed to make this necessary amendment to Regulation 2011.00. There were no opposing views expressed by the Board of Directors.

The amendments of the MGEX Rules and Regulations are to be effective as of June 11, 2012, or as soon as practical if approved. If there are any questions regarding this submission, please contact me at (612) 321-7128. Thank you for your attention to this matter.

Sincerely,

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Eric J. Delain
Corporate Counsel

Enclosure
cc: Thomas J. Bloom

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2. The Hours of Trading for Hard Red Spring Wheat options by open outcry shall be from nine-thirty o'clock (9:30) a.m. to one-thirty o'clock (1:30) p.m.; provided however, on trading days that the USDA releases monthly *World Agricultural Supply & Demand Estimates* ("WASDE"), any Acreage, Crop Production, Prospective Plantings Reports and quarterly *Grain Stocks* Reports, trading hours shall be from seven-twenty o'clock (7:20) a.m. to one-thirty o'clock (1:30) p.m.