



Via Electronic Mail

April 3, 2013

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

SUBJECT: Rule Certification

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 the attached amendments to the respective 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>.

The purpose and explanation for the amendments to Rule 252.00., the addition of Rule 258.00., the removal of Rule 262.00., the amendments to Rules 282.00., 760.00., 1404.00., 1404.01., 7418.00., 7419.00., 7618.00., 7619.00., 7818.00., 7819.00., 8018.00., 8019.00., 8218.00. and 8219.00., and the amendments to Regulations 2025.00., 2100.00. and 2100.01. is to provide for codification and implementation of the Risk Management Committee ("RMC"), done in anticipation of CFTC Derivatives Clearing Organization ("DCO") regulations regarding the development of risk management policies and functions. To avoid unnecessary overlap in several functions and responsibilities, the RMC will replace the Clearing House Committee and the above-mentioned Rules and Regulations have been amended to reflect this change.

MGEX hereby certifies that Rule 760.00. will remain in compliance with CFTC Regulation 39.13(g), and that Rules 252.00., 258.00., 282.00., 1404.00., 1404.01., 7418.00., 7419.00., 7618.00., 7619.00., 7818.00., 7819.00., 8018.00., 8019.00., 8218.00. and 8219.00., and Regulations 2025.00., 2100.00. and 2100.01. will be and remain in compliance with CFTC Regulation 39.13(a) after these amendments are effective.

Pursuant to the authority of MGEX Rule 210.01., the Board of Directors unanimously approved the amendments to the above-mentioned Rules and Regulations. There were no substantive opposing views expressed by the Board of Directors. Pursuant to the

authority of MGEX Rule 204.01., a majority of the Record Owners of the Exchange approved the amendments to the above-mentioned Rules. These amendments to the MGEX Rules and Regulations are to be effective as soon as practicable after the 10<sup>th</sup> business day following the date of this filing.

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". The signature is fluid and cursive, with a prominent initial "E" and "D".

Eric J. Delain  
Corporate Counsel

Enclosure

cc: Thomas J. Bloom

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

## **252.00. EXECUTIVE COMMITTEE.**

There shall be established a Committee of the Board of Directors to be known as the Executive Committee which shall be composed of five (5) directors including the Chairperson of the Board, the First and Second Vice Chairpersons of the Board and no less than two (2) Public Directors elected by the Board. Meetings of the Executive Committee shall be held at such time and place as may be designated by the Executive Committee. The Chairperson of the Board shall be the Chairperson of the Executive Committee and shall have voting privileges.

The Committee shall have the duties and powers to:

- A. Investigate issues and pursue opportunities related to the business of the Corporation, and recommend actions to the Board.
- B. Recommend changes to any guidelines, policies or procedures of the Corporation, including those which may govern employee conduct, donations and participation in trade or industry associations.
- C. Reallocate funds within the approved budgets as priorities change. However, reallocation of more than ten (10) percent of the annual budget shall require approval from the Finance Committee.
- D. Act on behalf of the Board of Directors when an emergency exists and the Board is unable to convene in a timely manner. Emergencies shall include, but not be limited to: discovery of possible illegal activities, security of the building, threats to the financial integrity of the Corporation, Force Majeure, threats to Exchange trading activity due to inclement weather, transportation breakdown or market manipulation. In such instances the Committee may take such actions as necessary including: not opening the markets, delaying the open of the markets, closing the markets early, or order liquidation of a party's positions. Such actions shall not continue beyond such time as the emergency warrants and shall not violate applicable laws and regulations.
- E. Offer guidance and provide consultation to the officers of the Corporation.
- F. Announce, extend or delay the opening of river or lake navigation.
- G. Prescribe and approve the forms required by Exchange Rules and Regulations.
- H. Approve an applicant or Delegate for membership, provided there are no objections or any unresolved issues to be heard by the Board.
- I. Approve changes in Exchange margins as market conditions require, giving due consideration to ~~Clearing House~~Risk Management Committee recommendations.

- J. Report and make recommendations to the Board of Directors.

### **258.00. RISK MANAGEMENT COMMITTEE.**

There shall be established a Committee of the Board of Directors to be known as the Risk Management Committee. The Committee shall have the duties and powers as described and required under Core Principle D of 17 CFR Part 39, as amended.

### **~~262.00. CLEARING HOUSE COMMITTEE.~~**

~~There shall be established a Committee of the Corporation to be known as the Clearing House Committee. It shall be composed of a minimum of five (5) Members of the Corporation.~~

~~The Committee shall have the duties and powers to:~~

- ~~A. Review and recommend Rules and Regulations governing the Clearing House and clearing operations.~~
- ~~B. Adopt Resolutions establishing clearing margins, method of clearing, reporting deadlines, and amount of fines, fees and security deposits.~~

### **282.00. CLEARING HOUSE.**

There shall be established a Clearing House of the ~~Grain~~ Exchange, which shall supervise the clearing of Futures and Options Contracts ~~made in this Market~~ initiated, accepted or executed pursuant under to the MGEX Rules and Regulations of the Corporation. ~~The Clearing House shall be under the supervision of a Clearing House Committee.~~

### **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 ~~Firm~~ 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 ~~F~~utures transaction.
  - 2. MAINTENANCE MARGIN: This term shall mean a margin (as defined herein) maintained during the period a Futures Contract remains open.

Members and nonmember customers of a ~~Minneapolis Grain Exchange~~ Clearing Member ~~Firm~~ shall deposit and maintain initial and maintenance margins according to the Clearing Member's ~~Firm's~~ requirements. Initial margins as established by the ~~Board of Directors, or its designee~~ Exchange, shall be charged at a minimum. The ~~Board of Directors, or its designee, Exchange~~ may ~~by resolution~~ 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 ~~Clearing House~~Exchange as a minimum, except where a customer specifies that a spread involves an ~~Minneapolis Grain Exchange~~ MGEX approved inter-exchange spread. Then the initial margin on the ~~Minneapolis MGEX~~ side of the spread shall be at a minimum established by the ~~Board of Directors, or its designee~~Exchange. ~~(Margin on the Chicago Board of Trade side or the Kansas City Board of Trade side of the spread to be in accordance with that market's requirements.)~~

The specific amounts of the initial, maintenance, and spread margins are to be transmitted to the membership by special memorandum.

- B. CLEARING MARGINS: This term shall mean United States Funds or securities approved by the ~~Clearing House Committee~~Exchange deposited with or to the sole credit of the ~~Clearing House~~Exchange as protection against losses incident to a ~~T~~ransaction for ~~F~~uture ~~D~~elivery (See **Regulation 2102.00.**)

#### **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 ~~Clearing House Committee~~Exchange (see **Res. 2101.00. C.**) on such day.

The ~~Clearing House~~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 ~~Exchange~~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 ~~Clearing House~~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 ~~Exchange~~ MGEX option transactions;
- C. In exceptional cases involving a customer's inability to communicate to the member firm exercise instructions or the members firm's inability to receive such instructions prior to such time as determined by the ~~Clearing House Committee~~ Exchange (see **Res. 2101.00. C.**) on the last day of trading.

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

Pursuant to the provisions of **Rule 231.00.**, the Board of Directors has adopted this Regulation:

All Delivery Notices shall be made in accordance with the provisions of the Commodity Exchange Act and ~~the~~ MGEX Rules and Regulations issued thereunder.

All Delivery Notices shall be in the form specified by the ~~Clearing House~~ 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 ~~Clearing House Committee~~ Exchange (see **Res. 2101.00.C.**) on all such business days. ~~Said Clearing House~~ 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 ~~Minneapolis Grain~~ Exchange on the day preceding that on which the Delivery Notice was issued.

## **2100.00. METHOD OF CLEARING.**

All transactions for Futures or Options ~~in any commodity~~ traded on the ~~Minneapolis Grain~~ Exchange shall be submitted to the Clearing House to be cleared. Upon acceptance by the Clearing House of such transactions, the Clearing House assumes the position of Buyer to the Seller and Seller to the Buyer in respect to such transactions, and the last settling price shall be considered as the contract price.

It shall be the duty of each Clearing Member ~~with clearing privileges making initiating, accepting or executing~~ a transaction for Futures or Options ~~in any commodity~~ under ~~the~~ MGEX Rules and

Regulations ~~of the Exchange~~ to submit each such transaction using "TEMS" to the Clearing House ~~office~~. Transactions should be submitted at times determined by the ~~Clearing House Committee~~ ~~Exchange~~ (see ~~Res. 2101.00.C.~~). The transactions shall be in a format approved by the ~~Clearing House~~ ~~Exchange~~ and shall contain, at a minimum, the following information:

- A. Date of transaction
- B. Clearing Member name
- C. Type of account (Regular or Segregated)
- D. Customer type indicator (CTI) as defined below:
  - CTI 1. Transactions initiated and executed by an individual member for his own account, for an account he controls, or for an account in which he has ownership or financial interest.
  - CTI 2. Transactions executed for the proprietary account of a ~~C~~clearing ~~M~~member.
  - CTI 3. Transactions where an individual member or nonmember executes for the personal account of another individual member, for an account the other member controls or for an account in which the other individual member has ownership or financial interest.
  - CTI 4. Any transaction not meeting the definition of CTI 1, 2 or 3.
- E. Quantity, commodity, contract month, price or premium, whether the transaction involved a put or a call, strike price, buy or sell.
- F. Both the buying and selling Member's numbers and the opposite Clearing Member's symbol.
- G. Transaction time to the minute.
- H. Indicators for the following types of transactions: (C) cash exchange; (T) office transfer; (S) spread; (D) delivery; (R) risk exchange.
- I. Account Identification. (For initial set-up and new accounts, provide a listing of account name, type, and position. This information will be available to the President and designated ~~Clearing House/Compliance~~ ~~MGEX~~ personnel only.)
- J. Any other information required by the Clearing House.

The Clearing House shall match the trades as submitted and shall list for each Clearing Member its cleared trades and unmatched trades. A recapitulation statement shall be produced, showing updated contract positions and settling all matched trades to the official ~~Exchange~~

MGEX settling prices. After completion of the clearing process, the ~~Clearing House~~Exchange shall notify each Clearing Member as to the net pay or collect amounts due by account (Regular and/or Segregated). Such amounts shall be submitted by wire transfer of funds or other acceptable method. Amounts due to the ~~Clearing House~~Exchange shall be submitted at times determined by the ~~Clearing House Committee~~Exchange (see **Res. 2101.00.C.**). All clearing statements shall be disseminated by the ~~Clearing House~~Exchange to each Clearing Member's designated contact.

If the report of a trade by a Member does not correspond to the report of the other party to the trade, the Clearing House shall reject the trade and notify both Clearing Members showing the discrepancy of the reports. The Clearing Members must thereafter submit corrections to the Clearing House at times determined by the ~~Clearing House Committee~~Exchange (see **Res. 2101.00.C.**).

It shall be the primary responsibility of the Clearing Member to see that all trades are resolved. Each Clearing Member shall designate a person or persons to be available and responsible for reconciling the Clearing Member's unmatched trades. Failure to have a qualified representative available shall constitute negligence in the determination of responsibility for any unmatched trades.

#### **2100.01. ELECTRONIC TRADING SYSTEM CLEARING.**

In addition to compliance with the applicable Regulations in this Chapter, all transactions for Futures or Options ~~in any commodity~~ traded on the ~~Exchange~~ Electronic Trading System shall be submitted to the Clearing House for clearing. Submission of the data shall be at times determined by and in a format approved by the ~~Clearing House Committee~~Exchange.

Except for exchange for physical transactions and qualified transfer trades, only those trades entered, executed and matched by the Electronic Trading System shall be submitted for clearing.

Upon acceptance of the submitted trade data and completion of the clearing process, a recapitulation statement of all trades and positions shall be produced and sent to the respective Clearing Member's electronic mail account.

Each Clearing Member shall be responsible for receipt and review of the recapitulation statement. The ~~Clearing House~~Exchange shall not be liable for the inability of a Clearing Member to receive a statement sent by the ~~Clearing House~~Exchange.

#### **7418.00. OPTION EXERCISES.**

The Buyer of a National Corn Index option may exercise the option on any business day prior to the expiration date by giving notice of exercise to the Clearing House at such time as determined by the ~~Clearing House Committee~~Exchange (see **Res. 2101.00.C.**) on such day. Notwithstanding the foregoing, the Buyer may exercise the option prior to ten o'clock (10:00) a.m. Central Time on expiration date:

- A. to correct errors or mistakes made in good faith;
- B. to take appropriate action as the result of unreconciled ~~Exchange~~MGEX

option transactions;

- C. in exceptional cases involving a customer's inability to communicate to the Clearing Member exercise instruction or the Clearing Member's inability to receive such instructions prior to such time as determined by the ~~Clearing House Committee~~Exchange (see Res. 2101.00.C.) on the last day of trading.

#### **7419.00. AUTOMATIC EXERCISE.**

Notwithstanding the provisions of Rule 7418.00., based upon the National Corn Index cash settlement, the ~~Clearing House~~Exchange shall automatically exercise all in-the-money options unless notice to cancel automatic exercise is given to the Clearing House.

Notice to cancel automatic exercise shall be given to the Clearing House at such time as determined by the ~~Clearing House Committee~~Exchange (see Res. 2101.00.C.) on the last day of trading except that such notice may be given to the Clearing House prior to ten o'clock (10:00) a.m. Central Time on the expiration date:

- A. to correct errors or mistakes made in good faith;
- B. to take appropriate action as the result of unreconciled ~~Exchange~~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 as determined by the ~~Clearing House Committee~~Exchange (see Res. 2101.00.C.) on the last day of trading.

#### **7618.00. OPTION EXERCISES.**

The Buyer of a National Soybean Index option may exercise the option on any business day prior to the expiration date by giving notice of exercise to the Clearing House at such time as determined by the ~~Clearing House Committee~~Exchange (see Res. 2101.00.C.) on such day. Notwithstanding the foregoing, the Buyer may exercise the option prior to ten o'clock (10:00) a.m. Central Time on expiration date:

- A. to correct errors or mistakes made in good faith;
- B. to take appropriate action as the result of unreconciled ~~Exchange~~MGEX option transactions;
- C. in exceptional cases involving a customer's inability to communicate to the Clearing Member exercise instruction or the Clearing Member's inability to receive such instructions prior to such time as determined by the ~~Clearing House Committee~~Exchange (see Res. 2101.00.C.) on the last day of trading.

#### 7619.00. AUTOMATIC EXERCISE.

Notwithstanding the provisions of **Rule 7618.00.**, based upon the National Soybean Index cash settlement, the ~~Clearing House~~Exchange shall automatically exercise all in-the-money options unless notice to cancel automatic exercise is given to the Clearing House.

Notice to cancel automatic exercise shall be given to the Clearing House at such time as determined by the ~~Clearing House Committee~~Exchange (see **Res. 2101.00.C.**) on the last day of trading except that such notice may be given to the Clearing House prior to ten o'clock (10:00) a.m. Central Time on the expiration date:

- A. to correct errors or mistakes made in good faith;
- B. to take appropriate action as the result of unreconciled ~~Exchange~~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 as determined by the ~~Clearing House Committee~~Exchange (see **Res. 2101.00.C.**) on the last day of trading.

#### 7818.00. OPTION EXERCISES.

The Buyer of a Hard Red Winter Wheat Index option may exercise the option on any business day prior to the expiration date by giving notice of exercise to the Clearing House at such time as determined by the ~~Clearing House Committee~~Exchange (see **Res. 2101.00.C.**) on such day. Notwithstanding the foregoing, the Buyer may exercise the option prior to ten o'clock (10:00) a.m. Central Time on expiration date:

- A. to correct errors or mistakes made in good faith;
- B. to take appropriate action as the result of unreconciled ~~Exchange~~MGEX option transactions;
- C. in exceptional cases involving a customer's inability to communicate to the Clearing Member exercise instruction or the Clearing Member's inability to receive such instructions prior to such time as determined by the ~~Clearing House Committee~~Exchange (see **Res. 2101.00.C.**) on the last day of trading.

#### 7819.00. AUTOMATIC EXERCISE.

Notwithstanding the provisions of **Rule 7818.00.**, based upon the Hard Red Winter Wheat Index cash settlement, the ~~Clearing House~~Exchange shall automatically exercise all in-the-money options unless notice to cancel automatic exercise is given to the Clearing House.

Notice to cancel automatic exercise shall be given to the Clearing House at such time as determined by the ~~Clearing House Committee~~Exchange (see **Res. 2101.00.C.**) on the last day

of trading except that such notice may be given to the Clearing House prior to ten o'clock (10:00) a.m. Central Time on the expiration date:

- A. to correct errors or mistakes made in good faith;
- B. to take appropriate action as the result of unreconciled ~~Exchange~~ 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 as determined by the ~~Clearing House Committee~~ Exchange (see **Res. 2101.00.C.**) on the last day of trading.

#### **8018.00. OPTION EXERCISES.**

The Buyer of a Soft Red Winter Wheat Index option may exercise the option on any business day prior to the expiration date by giving notice of exercise to the Clearing House at such time as determined by the ~~Clearing House Committee~~ Exchange (see **Res. 2101.00.C.**) on such day. Notwithstanding the foregoing, the Buyer may exercise the option prior to ten o'clock (10:00) a.m. Central Time on expiration date:

- A. to correct errors or mistakes made in good faith;
- B. to take appropriate action as the result of unreconciled ~~Exchange~~ MGEX option transactions;
- C. in exceptional cases involving a customer's inability to communicate to the Clearing Member exercise instruction or the Clearing Member's inability to receive such instructions prior to such time as determined by the ~~Clearing House Committee~~ Exchange (see **Res. 2101.00.C.**) on the last day of trading.

#### **8019.00. AUTOMATIC EXERCISE.**

Notwithstanding the provisions of **Rule 8018.00.**, based upon the Soft Red Winter Wheat Index cash settlement, the ~~Clearing House~~ Exchange shall automatically exercise all in-the-money options unless notice to cancel automatic exercise is given to the Clearing House.

Notice to cancel automatic exercise shall be given to the Clearing House at such time as determined by the ~~Clearing House Committee~~ Exchange (see **Res. 2101.00.C.**) on the last day of trading except that such notice may be given to the Clearing House prior to ten o'clock (10:00) a.m. Central Time on the expiration date:

- A. to correct errors or mistakes made in good faith;
- B. to take appropriate action as the result of unreconciled ~~Exchange~~ 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 as determined by the ~~Clearing House Committee~~Exchange (see **Res. 2101.00.C.**) on the last day of trading.

#### **8218.00. OPTION EXERCISES.**

The Buyer of a Hard Red Spring Wheat Index option may exercise the option on any business day prior to the expiration date by giving notice of exercise to the Clearing House at such time as determined by the ~~Clearing House Committee~~Exchange (see **Res. 2101.00.C.**) on such day. Notwithstanding the foregoing, the Buyer may exercise the option prior to ten o'clock (10:00) a.m. Central Time on expiration date:

- A. to correct errors or mistakes made in good faith;
- B. to take appropriate action as the result of unreconciled ~~Exchange~~MGEX option transactions;
- C. in exceptional cases involving a customer's inability to communicate to the Clearing Member exercise instruction or the Clearing Member's inability to receive such instructions prior to such time as determined by the ~~Clearing House Committee~~Exchange (see **Res. 2101.00.C.**) on the last day of trading.

#### **8219.00. AUTOMATIC EXERCISE.**

Notwithstanding the provisions of **Rule 8218.00.**, based upon the Hard Red Spring Wheat Index cash settlement, the ~~Clearing House~~Exchange shall automatically exercise all in-the-money options unless notice to cancel automatic exercise is given to the Clearing House.

Notice to cancel automatic exercise shall be given to the Clearing House at such time as determined by the ~~Clearing House Committee~~Exchange (see **Res. 2101.00.C.**) on the last day of trading except that such notice may be given to the Clearing House prior to ten o'clock (10:00) a.m. Central Time on the expiration date:

- A. to correct errors or mistakes made in good faith;
- B. to take appropriate action as the result of unreconciled ~~Exchange~~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 as determined by the ~~Clearing House Committee~~Exchange (see **Res. 2101.00.C.**) on the last day of trading.