



Via Portal Submission

December 21, 2018
MGEX Submission No. 18-37

Mr. Christopher Kirkpatrick
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 Rules

Dear Mr. Kirkpatrick:

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 amendments to MGEX Rules 2.2.6. (formerly 2087.00.), 1801.00., and the definition of “Person” as set forth in the attached Exhibit A ,comply with the CEAct and the Commission regulations promulgated thereunder (the “Proposed Amendments”). MGEX further certifies that the submission and pending changes have been posted on the Exchange website at the following link: <http://www.mgex.com/regulation.html>.

MGEX continually evaluates its Rulebook to ensure compliance with CFTC regulations as well as general principles of law. The amendments to MGEX Rules 2.2.6. (formerly 2087.00.) and the definition of “Person” are part of a larger, gradually ongoing initiative to better organize the overall MGEX Rulebook. This includes methodically reorganizing rules in a more logical order and adding or amending rules where necessary to ensure transparency and improve efficiency for all users of the Rulebook. In addition, through this process, MGEX will conduct a review of certain rules to update language, style, and structure, as appropriate.

The amendments to MGEX Rules 2.2.6. (formerly 2087.00.) and the definition of “Person” include continued implementation of the new numbering system that provides each rule with a chapter, section, and rule number. This new system allows for improved organization, usability, and flexibility of the Rulebook over time. The new system will be implemented in conjunction with this ongoing process, with the objective of minimizing disruption and maintaining usability.

The amendments to MGEX Rule 1801.00. is to clarify, where appropriate, that the Rule applies to Market Participants, in addition to Members and Clearing Members. The amendments use the defined term of “Market Participant”, which is located in Chapter 1 of the MGEX Rulebook.

These Proposed Amendments add clarity and enhance transparency, and comply with applicable CFTC regulations. Specifically, the Exchange has reviewed the core principles for derivatives clearing organizations (“DCO Core Principles”) and has determined that the amendments comply with the requirements of the following DCO Core Principles:

- *DCO Core Principle H – Rule Enforcement:* CFTC Regulation 39.17 requires DCOs to have the “authority and ability to discipline, limit, suspend, or terminate the activities of a clearing member due to a violation by the clearing member of any rule of the derivatives clearing organization.” The Proposed Amendments set forth enhance the ability of MGEX to enforce its rules through greater clarity addressing rule applicability and enforcement as well as definitional applicability. The Proposed Amendments better ensure compliance with the requirements of this DCO Core Principle.
- *DCO Core Principle L – Public Information:* CFTC Regulation 39.21 requires DCOs to have “clear and comprehensive rules and procedures.” The Proposed Amendments set forth enhance the clarity and comprehensiveness of the MGEX Rulebook by establishing certain foundational rules earlier in Rulebook and better clarifying rule and definitional applicability. The Proposed Amendments better ensure compliance with the requirements of this DCO Core Principle.

Pursuant to the authority set forth in MGEX Bylaw 210.01., the MGEX Board of Directors unanimously approved the Proposed Amendments at its meeting held on December 18, 2018. There were no substantive opposing views expressed by the Board of Directors, nor is MGEX aware of any substantive opposing views with respect to this filing.

The Proposed Amendments are intended to become effective ten (10) business days from the date of this submission. If there are any questions regarding this submission, please contact me at (612) 321-7128. Thank you for your attention to this matter.

Sincerely,



Peter D. Sparby
Associate Corporate Counsel

Enclosure

EXHIBIT A

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

~~2087.00~~2.2.6. **MINIMUM FINANCIAL AND REPORTING REQUIREMENTS FOR CLEARING MEMBERS.**

- A. **Financial and Reporting Requirements.** All Clearing Members must meet the minimum financial and reporting requirements set forth in CFTC Regulations 1.10 and 1.17, as now in effect or hereafter amended.
- B. **Financial Statements for FCM Clearing Members.** All FCM Clearing Members must meet the requirements set forth in MGEX Rule ~~2086.00~~2.2.5.
- C. **Financial Statements for Non-FCM Clearing Members.** Non-FCM Clearing Members must file monthly financial statements that include at a minimum, a balance sheet and income statement, with the Exchange within seventeen (17) business days of the date of such statement. Within sixty (60) days of the close of its fiscal year, Non-FCM Clearing Members subject to this Rule must file a certified financial statement accompanied by an opinion of an independent Certified Public Accountant.
- D. **Extension of Time to File.** Upon written request in advance and for good cause shown, the Exchange may in its sole discretion grant an extension of the time for the filing of any reports or statements required by this Rule.

All costs associated with the requirements of this Rule will be borne solely by the Clearing Member.

If ~~an entity~~a Person qualifies for more than one type of status (Clearing Member, FCM, Regular for delivery or holding cash trading privileges), then the ~~entity~~Person must meet the highest capital and net worth requirements, and the earliest reporting requirements of their various registration status. Additionally, the ~~entity~~Person must own the highest number of MGEX memberships required of their various registration status.

1801.00.ACCESS AND CLEARING MEMBER GUARANTEE.

All Members and/or Market Participants ~~nonmembers~~ must sign a customer account agreement and establish an account with an Exchange Clearing Member before they are provided access and commence trading on the Electronic Trading System. However, a ~~Members~~ or ~~nonmembers~~Market Participant who exclusively trades through an omnibus account at an Exchange Clearing Member will not be required to sign a customer account agreement with the Exchange Clearing Member. A Clearing Member guarantees and assumes financial responsibility for all orders it places and receives, and all contracts it

clears through the Electronic Trading System. Further, Clearing Members shall promptly pay all fees and charges invoiced for the Electronic Trading System.

PERSON: Individuals, associations, partnerships, corporations, and trusts, as defined in CFTC Regulation 1.3~~(u)~~, as amended, including limited liability companies, sole proprietorships, or other legal entities.