



Via Electronic Portal

May 6, 2015
MGEX Submission No. 15-10

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 Rulebook

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 amendment of the attached Regulations of the MGEX Rules and Regulations complies 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 Exchange amended MGEX Regulations 2106.00. and 2106.03. in order to add further clarification regarding when collateral held in a segregated customer account may and may not be used following a default. As required by CFTC regulations, MGEX may not apply segregated customer funds to any payment obligations arising from a default in a Clearing Member’s house account, and the amendments more explicitly state this requirement. The attached amendments also further increase transparency surrounding the use of customer funds in a default involving a customer.

The Exchange has reviewed the core principles for derivatives clearing organizations (“DCO Core Principles”) and has determined that the attached amendments comply with the requirements of the following DCO Core Principles:

- *Core Principle G – Default Rules and Procedures:* The amendments address the actions the Exchange will take following a default, including the use of customer funds, and thus augment MGEX’s default rules and procedures.
- *Core Principle L – Public Information:* Core Principle L requires DCOs to provide market participants with sufficient information to enable them to identify and evaluate accurately the risks and costs associated with using the services of the DCO and to have clear and comprehensive rules and procedures, including those related to defaults. The

amendments enhance transparency with respect to MGEX's default procedures and the use of customer funds and will be incorporated into MGEX's publicly available Rulebook, thereby further ensuring that the information available to the public is accurate, clear, and comprehensive.

Pursuant to the authority set forth in MGEX Rule 210.01., the MGEX Board of Directors unanimously approved the attached amendments to the MGEX Rulebook. There were no substantive opposing views expressed by the Board of Directors, nor is the Exchange aware of any substantive opposing views with respect to this filing.

The attached amendments are to be effective immediately after the 10th business day following the date of this submission. If there are any questions regarding this submission, please contact me at (612) 321-7143. Thank you for your attention to this matter.

Sincerely,

A handwritten signature in cursive script that reads "Lindsay Hopkins". The signature is written in black ink and is positioned above the typed name.

Lindsay R. Hopkins
Clearing House Counsel

EXHIBIT A

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

2106.00. PROTECTION OF CLEARING HOUSE: DEFAULT BY A CLEARING MEMBER.

If a Clearing Member fails promptly to discharge any obligation to MGEX, its security deposits, its margins and performance bonds on deposit with MGEX ~~(but not those belonging to a non-defaulting customer)~~, and any of its other assets available to the Exchange shall be applied by the Exchange to discharge the obligation provided that MGEX will not apply any collateral held in segregated customer accounts to any payment obligations arising from a default in a Clearing Member's proprietary account. Further, the Exchange may make immediate demand upon any Guarantor of the Clearing Member. Upon demand and without waiting for application of all available assets of the Clearing Member or a formal accounting, such Guarantor shall pay the Exchange by the time and date set by MGEX. Upon a Clearing Member Default, the Exchange may act immediately to attempt to transfer to alternate Clearing Members all customer positions and associated collateral (collateral held by the Exchange on behalf of the Defaulting Clearing Member for its customer).

~~However, if a default occurs in a segregated customer account is in default on payment obligations or shortfall in required collateral to the Defaulting Clearing Member,~~ then the Exchange has the right to liquidate and apply toward the default all open positions and customer performance bond deposits in the account of the Defaulting ~~shall apply identifiable segregated customer collateral belonging to the defaulting customer to any payment obligations or losses arising from the Clearing Member Default. Customer funds or margins shall not be used to discharge the Clearing Member's obligation unless the customer is directly involved in a default. Accordingly, positions and collateral deposited by customers not causing the default are at risk if there is a default in their Clearing Member's segregated customer account.~~

The Clearing Member shall immediately make up any deficiencies in its security deposit resulting from ~~such~~ the application of such funds prior to the close of business on the next banking day. The Exchange shall be under no obligation to forward any variation pays or settlement funds to a Defaulting Clearing Member.

In addition to application of the available assets of the Defaulting Clearing Member (the priority of which is further described in Regulation 2106.02.), the Exchange, President, Treasurer, Chief Risk Officer, or other designee may take any other actions that it determines necessary to protect MGEX or other Clearing Members. Such actions include, but are not limited to, actions authorized elsewhere within the MGEX Rules and Regulations, the suspension of clearing privileges until revoked or reinstated by the Board or its designee, pursuit of legal action, retention of variation pays, and request for additional security deposit and/or performance bonds. The detailed implementation of the process of finalizing losses with respect to a Clearing Member Default, including the liquidation, allocation, auction or sale of positions or assets of the Defaulting Clearing Member shall be conducted by the Exchange in its sole discretion.

The Exchange, Board, and any Clearing Member authorized by the Exchange to act in the place of the Defaulting Clearing Member shall have no liability arising from a failure by a Clearing Member to discharge its liabilities; neither shall they be liable for actions taken pursuant to MGEX

Rules and Regulations, procedures, or actions allowed by law.

The Exchange may establish such procedures as necessary which prescribe in detail how the protections under Regulation 2106.00. and Chapter 21 will operate. Such procedures shall constitute part of MGEX Rules and Regulations. Furthermore, any documented information appropriate to assist the Clearing Members will be disseminated.

2106.03. RIGHTS OF EXCHANGE FOR RECOVERY OF LOSS.

If the security deposits, margins, performance bonds, guarantees and other assets of a Defaulting Clearing Member ~~(excluding customer performance bonds unless directly involved in a liability)~~ are insufficient to satisfy all of its obligations to MGEX, including all claims against the Exchange by reason of its substitution for that Clearing Member pursuant to Rule 701.00., the Exchange shall nonetheless pay all such claims, which shall be deemed a loss (hereinafter "Loss") to it and which shall be a liability of the Defaulting Clearing Member to the Exchange, which the Exchange may collect from the assets of such Clearing Member available to it or by process of law. For the avoidance of doubt and as set forth in Regulation 2106.00., MGEX will not apply any collateral held in segregated customer accounts to satisfy a payment obligation arising from a default in a Clearing Member's proprietary account.

If a Loss for which Clearing Members' security deposits or other assets have been accessed by MGEX is afterward recovered by the Exchange, in whole or in part, the net amount of such recovery shall be credited to such persons or firms (whether or not they are Clearing Members at the time of recovery) in proportion to the amount of the security deposit or assets accessed by MGEX.