



Via Portal Submission

September 23, 2020  
MGEX Submission No. 20-30

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

**RE: Rule Certification Submission Pursuant to Regulation 40.6(a); Amendments to MGEX's Risk Manual**

Dear Mr. Kirkpatrick:

Pursuant to Commodity Exchange Act ("CEAct") Section 5c(c) and Commodity Futures Trading Commission ("CFTC") Regulation 40.6(a), the Minneapolis Grain Exchange, Inc. ("MGEX" or "Exchange") hereby submits this self-certification of certain amendments to MGEX's Risk Management Principles Reference Manual ("Risk Manual"). MGEX has respectfully requested confidential treatment for such amendments to the Risk Manual, which are being submitted concurrently with this submission. The Exchange intends to implement the amendments ten business days following the filing of this submission.

**Overview of Amendments**

MGEX has amended its Risk Manual, as shown in the attachment accompanying this submission, to make necessary updates and additions. The majority of these changes relate to the anticipated clearing of additional products, specifically SPIKES futures contracts and Bitnomial Exchange, LLC ("Bitnomial")<sup>1</sup> products. Revisions to the Risk Manual include incorporating the clearing of these contracts into financial and liquidity stress testing scenarios and adding exhibits detailing the margin methodology for such products. In addition, MGEX has made certain amendments to its procedures relating to measures to mitigate procyclicality and to the minimum liquidation period of Clearing Member's proprietary positions.<sup>2</sup> Lastly, upon reviewing the recently amended Part 39 CFTC regulations, the Exchange has made a couple of amendments to incorporate changes made to these regulations and ensure MGEX's ongoing compliance with the

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<sup>1</sup> MGEX will provide clearing services for derivative contracts traded on Bitnomial, which is registered as a designated contract market with the CFTC, pursuant to an agreement executed between the parties.

<sup>2</sup> Because such procedures relate to the conditions it is required to meet as part of its registration with the European Securities Market Authority ("ESMA"), MGEX has accordingly notified ESMA of these changes.

applicable requirements.

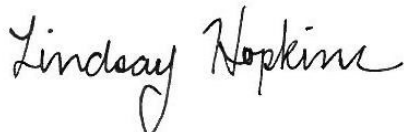
### **DCO Core Principles**

In connection with updating the Risk Manual, 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 such principles. During the review, MGEX identified the following DCO Core Principles as potentially being impacted:

- *DCO Core Principle B – Financial Resources:* CFTC Regulation 39.11 requires a DCO to perform stress tests that will allow it to reasonably calculate the resources it is required to maintain. MGEX updated its stress testing procedures to incorporate the clearing of additional contracts, thereby ensuring it is accurately monitoring the potential exposures of Clearing Members and maintaining sufficient financial and liquid resources. These changes will enhance the Exchange’s ability to monitor and manage the adequacy of its financial and qualifying liquidity resources, and as such, they are consistent with the requirements of Core Principle B and CFTC Regulations 39.11 and 39.33.
- *DCO Core Principle D – Risk Management:* CFTC Regulation 39.13 requires DCOs to possess certain risk management tools and procedures, including establishing margin models. MGEX added detailed margin methodology guidelines for the new non-agricultural products and made certain changes related to the calculation of margin rates; such amendments are consistent with the requirements of Core Principle D, CFTC Regulations 39.13 and 39.36, and ESMA standards.

MGEX hereby certifies that the amendments to the Risk Manual comply with the CEAct and the CFTC regulations promulgated thereunder. The Exchange is not aware of any substantive opposing views expressed regarding the amendments or this filing. MGEX further certifies that, concurrent with this filing, a copy of the submission was posted on the Exchange website at the following link: <http://www.mgex.com/regulation.html>. If there are any questions regarding this submission, please contact me at (612) 321-7143 or [lhopkins@mgex.com](mailto:lhopkins@mgex.com). Thank you for your attention to this matter.

Sincerely,

A handwritten signature in cursive script that reads "Lindsay Hopkins".

Lindsay Hopkins  
Clearing House Counsel