



Via Portal Submission

June 23, 2023  
MGEX Submission No. 23-34

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 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, LLC (“MGEX” or “Exchange”) hereby certifies that the amendments to MGEX Rules: Chapter 1 Definitions, 2.1.16., 3.1.14., 3.1.15., 3.3.10., 3.4.1., 3.4.4., 3.5.5., 3.5.6., 3.5.7., 3.6.8., 3.6.9., 3.6.10., 3.6.11., 3.6.12., 3.8.1., 717.00., 719.00., 728.00., 733.01., 750.00., 751.00., 753.00., 754.00., 775.00., 780.00., 1700.00., 2007.00., 2007.01., 2008.00., 2063.00., 2064.00., as set forth in Exhibit A, comply with the CEAct and the Commission regulations promulgated thereunder (the “Proposed Amendments”). MGEX further certifies that the submission and pending changes to the MGEX Rules have been posted on the Exchange website at the following link: <http://www.mgex.com/regulation.html>.

### **Overview of Rule Amendments**

The Proposed Amendments to the above-referenced Rules account for relocating rules related to trading rules and sales practices to more appropriate chapters and deleting rules that are no longer applicable.

### **DCM Core Principles**

MGEX has reviewed the Core Principles for designated contract markets (“DCM Core Principles”) and identified that the Proposed Amendments may impact the following DCM Core Principles:

- *DCM Core Principle 2 – Compliance with Rules:* The Proposed Amendments will establish a clearer Rulebook by relocating rules to more appropriate chapters and removing rules that are no longer necessary.
- *DCM Core Principle 7 – Availability of General Information:* The Proposed Amendments have been disseminated on the MGEX Website and will be available in the MGEX Rulebook, which is accessible online.
- *DCM Core Principle 12 – Protection of Markets and Market Participants:* The Proposed Amendments will help protect market participants by establishing a clearer Rulebook by relocating rules to more appropriate chapters and removing rules that are no longer necessary.

Pursuant to MGEX Bylaw 3.1., the MGEX Board of Directors (“Board”) unanimously approved the Proposed Amendments at its meeting held on June 22, 2023. There were no substantive opposing views expressed by the Board, nor is the Exchange aware of any substantive opposing views with respect to this filing. The Proposed Amendments are to be effective when incorporated into the MGEX Rulebook posted on its website, which will be at least 10 business days following the date of this submission.

If there are any questions regarding this submission, please contact me at (612) 321-7188 or [randerson@mgex.com](mailto:randerson@mgex.com). Thank you for your attention to this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Ryan Anderson", with a long horizontal flourish extending to the right.

Ryan Anderson  
Associate Counsel

**MINNEAPOLIS GRAIN EXCHANGE, LLC**

400 South 4<sup>th</sup> Street | 130 Grain Exchange Building | Minneapolis, MN 55415

612-321-7101

[mgex.com](http://mgex.com)

## EXHIBIT A

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

### CHAPTER 1 DEFINITIONS

**ELECTRONIC TRADING SYSTEM:** The electronic trading platform utilized by the Exchange and Market Participants to place orders and execute trades. Also known as or referred to as ~~MGExpress®~~ or CME Globex®.

~~**MGEXPRESS®:** The name of the electronic trading platform or system utilized by the Exchange and Market Participants to place orders and execute trades. Also known as or referred to as CME Globex®.~~

**STOP-LOSS ORDER:** Normally, when entered, these are orders to sell at a specified price which is below the current market or to buy at a specified price which is above the current market. These orders become market orders when the market trades at the trigger price or, in the case of a buying order, when the market is bid at the trigger price or, in the case of a selling order, when the market is offered at the trigger price. Stop orders entered into the Electronic Trading System ~~MGExpress®~~ are activated when an outright trade occurs at the trigger price or better within the outright market which the stop is resting.

### CHAPTER 2 UNIVERSAL PROVISIONS

#### 2.1.16.1700.00. ~~SALES PRACTICES.~~

The provisions of this Rule shall apply exclusively to the offer and sale of options traded on the Exchange.

- A. **Complaints.** Futures Commission Merchants shall make and retain written records regarding all written and oral customer complaints. Such records shall indicate the date the complaint was received, the associated person(s) who serviced the account, a general description of the matter and any action taken in regard to the complaint. Such complaints and records thereof shall immediately be reported to the Exchange. Futures Commission Merchants engaged in the offer and sale of options traded on the Exchange shall adopt and enforce written procedures governing the supervision and solicitation of option accounts.
- B. **Disclosure.** Fraudulent or high-pressure sales communications are prohibited. Futures Commission Merchants shall make disclosure to option customers concerning the nature and risk of option trading as set forth in Section 33.7 of the Regulations promulgated under the Commodity Exchange

MINNEAPOLIS GRAIN EXCHANGE, LLC

400 South 4<sup>th</sup> Street | 130 Grain Exchange Building | Minneapolis, MN 55415

612-321-7101

[mgex.com](http://mgex.com)

Act and shall obtain written acknowledgment that the customer has received and understood such disclosures.

C. **Discretionary Trading.** No Futures Commission Merchant shall accept a discretionary order for an option contract traded on the Exchange for the account of a customer unless such Futures Commission Merchant shall have first:

1. Provided the option customer with an explanation of the nature and risks of the strategy or strategies to be used in connection with the option customer's account; and
2. approved the discretionary authority; such approval must be in writing by an officer, general partner, sole proprietor or branch office manager of the Futures Commission merchant, other than the individual authorized to exercise such discretion.

Thereafter, such Futures Commission Merchant shall identify all discretionary orders as such on the order at the time of entry and an officer, general partner, sole proprietor or branch office manager, other than the individual authorized to exercise such discretion, shall approve, initial and date such orders. Futures Commission Merchants shall frequently review discretionary accounts. The requirements of Paragraph C. shall not apply to an account where discretionary trading authority is given to a spouse, parent or child of the customer.

D. **Disciplinary Action.** Futures Commission Merchants engaged in the offer and sale of Exchange option contracts shall provide the Exchange with immediate written notification of any disciplinary action taken against such Futures Commission Merchant or its associated persons by the Commission or another self-regulatory organization.

E. **Deep Out-of-the-Money Options.**

1. A deep out-of-the-money option is defined as an out-of-the-money option whose strike price is more than X strike prices distant from the strike price closest to the settlement price of the underlying Futures Contract, where X equals two (2) plus the number of calendar months remaining until option expiration;
2. however, the ExchangeBoard may impose additional criteria as appropriate;
3. no Futures Commission Merchant shall accept an order for a deep out-of-the-money option without providing the customer with an explanation of the nature and the risks of the option prior to the transaction.

**MINNEAPOLIS GRAIN EXCHANGE, LLC**

400 South 4<sup>th</sup> Street | 130 Grain Exchange Building | Minneapolis, MN 55415

612-321-7101

[mgex.com](http://mgex.com)

- F. **Option Omnibus Accounts.** No Person shall accept an order from any person whom the Person may have reason to believe is soliciting or accepting orders for the purchase or sale of option in violations of Commodity Futures Trading Commission Regulation 33.3.

## CHAPTER 3 TRADING RULES

### 3.1.14.2063.00. **TIME-STAMPS.**

All time-stamps required by MGEX Rules must show the time to the nearest minute as well as the correct date.

### 3.1.15.2064.00. **UNMATCHED TRADE RESOLUTION.**

It is the responsibility of the Market Participant to make herself/himself or an authorized representative available to resolve any unmatched trades throughout the day as they may occur.

### 3.3.10.2008.00. **ADJUSTMENT OF QUOTATIONS, TRADE PRICES AND CANCELLATION OF TRADES.**

The Exchange has the authority to adjust quotations, trade prices and cancel trades when necessary to mitigate market disrupting events including, but not limited to, those caused by malfunctions in its electronic trading platform or errors in orders submitted by any Market Participant. Any trade price adjustment or trade cancellation shall be publicly disclosed.

### **3.4.1. PREARRANGED, PRE-NEGOTIATED, AND NONCOMPETITIVE TRADES PROHIBITED.**

No Person shall prearrange or pre-negotiate any purchase or sale or noncompetitively execute any Futures or Options transaction, except as permitted by the provision below or in accordance with **Rule 3.4.2.**

The forgoing prohibition shall not apply to Exchange For Related Positions transactions executed pursuant to **Rule 3.8.1.719.00.**

### 3.4.4.717.00. ~~OPTIONS CONTRACTS:~~ **ACCEPTANCE OF OFFERS.**

All offers to purchase or sell commodity Futures or Options in this market shall be open for immediate acceptance by any Market Participant (but only in the name of a Clearing Member), and such offers shall not be restricted to or specified for any particular Market Participant as against any other Market Participant.

MINNEAPOLIS GRAIN EXCHANGE, LLC

400 South 4<sup>th</sup> Street | 130 Grain Exchange Building | Minneapolis, MN 55415

612-321-7101

[mgex.com](http://mgex.com)

An offer to buy or sell any commodity for future delivery shall be deemed an offer to buy or sell all or any part of the quantity specified in the offer and shall be subject to total or partial acceptance up to the total quantity bid for or offered.

**3.5.5.2007.00. FRAUD OR ATTEMPTED FRAUD PROHIBITED.**

The Exchange prohibits any and all forms of fraud or attempted fraud (including but not limited to fraudulent trading or attempted fraudulent trading) on its markets or subject to MGEX Rules, regardless of whether it is intentional or is made with reckless disregard for the adverse impact.

**3.5.6.2007.04. "SPOOFING" PRACTICES PROHIBITED.**

The Exchange expressly prohibits all trade practices that are, or are of the character of, what is commonly known within the derivatives trading industry as "spoofing," regardless of whether any such trade practices are made intentionally or with reckless disregard for their adverse impact. Prohibited practices include, but are not limited to:

1. the entry of any and all bids, offers, or trades that are not made for the purpose of executing bona fide transactions, or made for any illegitimate purpose;
2. entering orders with the intent to cancel the bid or offer before execution, or modifying the order to avoid execution; and
3. bidding or offering trades and then cancelling said bids or offers prior to execution with reckless disregard for the adverse impact of such practices on the market in violation of these Rules.

**3.5.7.775.00. "BUCKET-SHOPS" FORBIDDEN.**

No Market Participant, shall make, negotiate in any form, have, or be in any way interested in any "Bucket-Shop" contract, trade, or transaction, whatever, or in any contract for the purchase or sales of any commodity whatever, for Futures or Options, without intent to make an actual purchase or sale, or to deliver or receive such commodity, but with intent to settle or cancel such contract by the payment of the difference between a contract and the market price, or in dealing in differences in the market price of any commodity without a bona fide purchase or sale of such commodity for actual delivery on this or some other Exchange where such commodity is dealt in.

No Market Participant shall knowingly be interested in the business of, or associated in business with, or shall, in any transaction, act as the Broker or representative of, or shall execute any order for or on behalf of any Person, exclusively, or otherwise in operating a "Bucket-Shop," in making, negotiating, or dealing in the contracts, trades or transactions previously prohibited in this Rule.

**MINNEAPOLIS GRAIN EXCHANGE, LLC**

400 South 4<sup>th</sup> Street | 130 Grain Exchange Building | Minneapolis, MN 55415

612-321-7101

[mgex.com](http://mgex.com)

Any Market Participant, who or which has violated the provisions of this **Rule ~~3.5.7.775.00.~~**, shall be subject to disciplinary action and/or shall have its access to the Electronic Trading System terminated.

**~~3.6.8.750.00.~~ PRIORITY OF CUSTOMERS' ORDERS.**

No Market Participant may buy or sell any commodity for future delivery for his own account or for any account in which he has an interest while holding an order for another person for the purchase or sale of the same commodity that is executable at the market price, or at the price at which such purchase or sale can be made for the Market Participant's own account or the account in which he has an interest.

No Market Participant may execute any transaction for any account of another person for which buying and/or selling orders can be placed or originated, or for which transactions can be executed, by such Market Participant without the prior specific consent of the account owner, regardless of whether the general authorization for orders or transactions is pursuant to a written agreement, except that orders of such an account may be placed with another Market Participant for execution. However, a Market Participant is not required to hand off orders for discretionary accounts or discretionary orders when orders originate on behalf of Market Participant's immediate families or their employer. PROVIDED, however, that customers' orders, including price and time discretion orders, are executed before discretionary account orders for family members, contract market members or proprietary accounts of contract market firms.

For the purpose of this **Rule ~~3.6.8.750.00.~~**, immediate family members are defined as spouses, children and stepchildren, parents, brothers, and sisters.

**~~3.6.9.751.00.~~ DISCLOSING ORDERS PROHIBITED.**

Market Participants are forbidden to disclose to any party the possession or receipt of orders to buy or sell commodity Futures or Options in this market.

A Market Participant may, however, use his discretion and bid or offer any quantity of contracts without violating this **Rule ~~3.6.9.751.00.~~** when the information may aid or expedite a fill.

A Market Participant acting pursuant to the second paragraph of **Rule ~~3.6.8.750.00.~~**, or when supplying information requested by an authorized representative of the Commodity Futures Trading Commission or an Exchange official, will not be in violation of this **Rule ~~3.6.9.751.00.~~**

**~~3.6.10.753.00.~~ BROKERS' LIABILITIES ON LIMIT ORDERS.**

A Broker shall not be liable for failure to execute a Limit Order unless the Broker is found to be negligent. In the case of a dispute regarding any unfilled Limit Order, the Disciplinary Committee is authorized to determine whether an adjustment is due a customer. No adjustment on any

MINNEAPOLIS GRAIN EXCHANGE, LLC

400 South 4<sup>th</sup> Street | 130 Grain Exchange Building | Minneapolis, MN 55415

612-321-7101

[mgex.com](http://mgex.com)

unfilled order shall be allowed if the Broker has not been found negligent by the Disciplinary Committee.

**3.6.11.754.00. FILLING LIMIT ORDERS ON THE OPENING AND CLOSING.**

Brokers are not to be held liable for obtaining a complete or partial fill on Limit Orders falling within the opening price or closing range even when those orders are the high or low prices of the closing range.

**3.6.12.733.01. DISREGARD FOR ORDERLY EXECUTION PROHIBITED.**

The Exchange prohibits any Person from demonstrating intentional or reckless disregard for the orderly execution of transactions including during the opening or closing period.

**SECTION 8 – EXCHANGE FOR RELATED POSITION**

**3.8.1.719.00. EXCHANGE FOR RELATED POSITION.**

An Exchange for Related Position (“EFRP”) transaction involves a privately-negotiated off-exchange execution involving two separate, but related transactions, consisting of an Exchange for futures and, on the opposite side of the market, the simultaneous execution of an equivalent quantity of physical (cash product, by-product, or related product) or in connection with a risk (a related non-MGEX exchange traded derivative, an over-the-counter (OTC) derivative or a swap agreement) component that corresponds to the asset underlying the Exchange futures contract.

The following types of EFRP transactions are permitted to be executed in accordance with the requirements of this rule and any other requirements established and published by the Exchange:

Exchange for Physical Transaction (“EFP”) - An exchange of futures for, or in connection with, a physical consisting of a cash commodity transaction and a futures transaction.

Exchange for Risk Transaction (“EFR”) - An exchange of futures for, or in connection with, a risk consisting of a related non-MGEX exchange traded derivative, an OTC derivative or a swap agreement and a futures transaction.

EFRP transactions are subject to the requirements below and any other requirements established and published by the Exchange.

- A. The opposing accounts to EFRP transactions must be (a) independently controlled accounts with different beneficial ownership; (b) independently controlled accounts of separate legal entities with common beneficial ownership; or (c) independently controlled accounts of the same legal entity, provided that the account controllers operate in separate business units.
- B. The quantity or economic value covered by the physical or risk transaction must

**MINNEAPOLIS GRAIN EXCHANGE, LLC**

400 South 4<sup>th</sup> Street | 130 Grain Exchange Building | Minneapolis, MN 55415

612-321-7101

[mgex.com](http://mgex.com)

be approximately equivalent to or bear a relationship to the quantity or economic value covered by the futures contract(s). At the time such transaction is effected, the buyer and seller of the futures transaction must be the seller and buyer of the physical or risk transaction. The risk component of an EFR transaction, if executed in connection with an OTC derivative or a swap agreement, must comply with the CEA and CFTC Regulations.

- C. Each buyer and seller must satisfy the Department of Audits and Investigations, at its request, that the transaction is a bona fide EFRP transaction. Upon request of the Department of Audits and Investigations, all documentary evidence relating to the EFRP, including, but not limited to, contracts, confirmations, invoices, warehouse receipts, documents of title, a master swap agreement and any supplements thereto, or any other document that demonstrates the existence and nature of the over-the-counter or derivative transaction shall be obtained by the Clearing Members from the buyer or seller and submitted to the Department of Audits and Investigations. Clearing Members are responsible for exercising due diligence as to the bona fide nature of EFRPs submitted on behalf of their customers.
- D. An EFRP may be made at such prices as are mutually agreed upon by the two parties to the transaction. If the price of an EFP cannot be mutually agreed upon by the date of shipment, the cash commodity buyer has the option to set the price within that day's trading range.
- E. EFRP transactions should be submitted to the Exchange as soon as possible on the same day during the hours of trading, following final agreement to contract terms by the parties involved in the trade. An EFRP executed after the close of trading of the underlying futures contract must be submitted for clearing no later than the next business day.
- F. A third party may facilitate, as the principal, the related position component of an EFRP on behalf of a customer so long as the third party is able to demonstrate that the related position was passed through to the customer who received the futures contract as part of the EFRP.
- G. The futures contracts that may be exchanged for a physical or a risk transaction, and the last day and time for executing an EFRP shall be determined by the Exchange.

(See [Resolution 719.00.](#))

## **CHAPTER 7 FUTURES AND OPTIONS TRADING**

### **~~728.00. QUOTATION CHANGES.~~**

~~The Exchange may make quotation changes when required as a result of an error or at any other time deemed necessary.~~

**MINNEAPOLIS GRAIN EXCHANGE, LLC**

400 South 4<sup>th</sup> Street | 130 Grain Exchange Building | Minneapolis, MN 55415

612-321-7101

[mgex.com](http://mgex.com)

**~~780.00. OFFICIAL OPENING.~~**

~~The official opening of the market shall be understood to include the price at which the opening orders are executed, provided that in the opinion of the Exchange, due diligence and promptness have been observed in handling such orders. The condition of the market shall also be considered in forming the decision.~~

**MINNEAPOLIS GRAIN EXCHANGE, LLC**

400 South 4<sup>th</sup> Street | 130 Grain Exchange Building | Minneapolis, MN 55415

612-321-7101

[mgex.com](http://mgex.com)