



RECEIVED
CFTC

2012 MAR -9 PM 3:08

OFFICE OF THE
SECRETARIAT

Via Electronic Mail

March 8, 2012

Mr. David Stawick
Secretary of the Commission
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street NW
Washington, DC 20581

SUBJECT: Rule Certification

Dear Mr. Stawick:

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 adoption and amendment of the respective attached Regulations to the MGEX Rules and Regulations complies with the CEAct and the Commission regulations 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 explanation and purpose for the amendments of Regulations 2105.00.; 2105.01.; and 2105.02. and the adoption of Regulations 2105.04.; 2107.00.; and 2108.00. is to increase clarity and transparency regarding the application of MGEX default rules and procedures.

Pursuant to the authority of MGEX Rules 210.01., the Board of Directors unanimously approved the amendments of Regulations 2105.00.; 2105.01.; and 2105.02. and the adoption of Regulations 2105.04.; 2107.00.; and 2108.00. There were no substantive opposing views expressed by the Board of Directors. The amendments and adoption of the Regulations are to be effective immediately after the 10th 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 long horizontal stroke at the end.

Eric J. Delain
Corporate Counsel

Enclosure

cc: Thomas J. Bloom

The following definitions are to be amended or added to the MGEX Rules and Regulations. Additions are underlined while deletions are marked through.

CLEARING MEMBER DEFAULT: “Defaulting Clearing Member” or “Default of a Clearing Member” shall mean the failure of a Clearing Member to meet any of its obligations to or the requirements of MGEX.

CLEARING MEMBER INSOLVENCY: “Insolvent Clearing Member” or “Insolvency of a Clearing Member” shall mean a Clearing Member will be deemed insolvent when:

1. It files a voluntary petition in bankruptcy or is adjudicated as bankrupt;
2. It becomes the subject of a receivership proceeding;
3. It fails to promptly fulfill its financial obligations to MGEX; or
4. Satisfactory proof is made to the Exchange that it is unable to pay its debts as they are due in the ordinary course of business.

GOOD STANDING: Having unrestricted ability to engage in business activities and in compliance with all obligations to and requirements of MGEX, and ~~Not~~ not under suspension.

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

2105.00. PROTECTION OF CLEARING HOUSE: DEFAULT BY A CLEARING MEMBER.

If a Clearing Member fails promptly to discharge any obligation to the ~~Clearing House~~ MGEX, its security deposits, its margins and performance bonds on deposit with the ~~Clearing House~~ 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 ~~Clearing House~~ Exchange to discharge the obligation. Further, the ~~Clearing House~~ Exchange may make immediate demand upon any Guarantor of the Clearing Member. Such Guarantor shall promptly pay upon demand and without waiting for application of all available assets of the Clearing Member or a formal accounting. 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 customer account is in default on payment obligations or shortfall in required collateral to the Defaulting Clearing Member, then the Exchange 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. The Clearing Member shall immediately make up any deficiencies in its security deposit resulting from such application prior to the close of business on the next banking day. The ~~Clearing House~~ Exchange shall be under no obligation to forward any variation pays or settlement funds while the ~~Clearing Member is in default.~~ to a Defaulting Clearing Member.

In addition to application of the available assets of the ~~defaulting~~ Defaulting Clearing Member (the priority of which is further described in Regulation 2105.01.), ~~the Clearing House~~ Exchange, President, Treasurer or other designee may take any other actions that it determines necessary to protect ~~MGEX~~ the Clearing House or other Clearing Members. Such actions include, but are not limited to, actions authorized elsewhere within the ~~Rulebook~~ 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.

The Exchange, ~~Clearing House~~, Board, and any Clearing Member authorized by the Exchange to act in the place of the Defaulting Clearing Member and ~~Exchange employees~~ 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 ~~Exchange Rules, Regulations~~ MGEX Rules and Regulations, or procedures, or actions allowed by law.

The Exchange or ~~Clearing House~~ may establish such procedures as necessary which prescribe in detail how the protections under Regulation 2105.00. and Chapter 21 will operate. Such procedures shall constitute part of this ~~Rulebook~~ MGEX Rules and Regulations. Furthermore, any documented information appropriate to assist the Clearing Members will be disseminated.

2105.01. LOSSES BORNE BY ~~CLEARING HOUSE~~ MGEX.

Should the ~~Clearing House~~ MGEX bear a loss resulting from the actions or a ~~D~~default of by a Clearing Member, including but not limited to the insufficiency of the security deposit, margins, bonds, guarantees or other assets of a Clearing Member to fully meet its obligations to MGEX, the ~~Clearing House~~, the ~~i~~nsolvency of a Clearing Member, the insolvency of a depository, or larceny, embezzlement, or for any other cause, such loss shall be met and made good promptly by the use and application of funds from the following sources, in the order of priority hereafter listed, with each source of funds to be completely exhausted, to the extent practical, before the next following source is applied. While such application of funds shall be mandatory, the detailed implementation of Regulation 2105.01. shall be the responsibility of the Exchange and ~~Clearing House~~.

- ~~A.~~ Such assets of the MGEX Clearing House Reserve Fund.
- ~~AB.~~ Security deposits of the Defaulting Clearing Members shall be applied toward meeting said loss in direct proportion to the total security deposit requirement of each Clearing Member.
- ~~B.~~ Margins and performance bonds of the Defaulting Clearing Member on deposit with MGEX, payments made by a guarantor of the Defaulting Clearing Member, and any other assets of the Defaulting Clearing Member.
- ~~C.~~ Such assets of the MGEX Clearing House Reserve Fund.
- ~~D.~~ Security deposits of non-defaulting Clearing Members shall be applied toward meeting a loss in direct proportion to the total security deposit requirement of each Clearing Member.
- ~~E.C.~~ Such surplus funds of the Exchange as may be in excess of funds necessary for normal business operations. No such surplus shall be assumed until approved by the Finance Committee, Executive Committee or the Board.
- ~~F.D.~~ The balance of the ~~Clearing House~~ loss to MGEX remaining after application of the above funds shall be assessed against Clearing Members (excluding any ~~i~~nsolvent or ~~D~~defaulting Clearing Member) in direct proportion to the Clearing Members' total security deposit requirement, except no Clearing Member shall be assessed in excess of 200 percent of such Clearing Member's total security deposit requirement.
- ~~G.E.~~ A special assessment determined by the Board of Directors to be levied against Clearing Members.

Any assessment made pursuant to this ~~Rule~~ Regulation shall be paid by wire or other acceptable method by each Clearing Member the same business day after notice of any such assessment has been delivered to each Clearing Member, provided wire transfer is open and operational. If wire transfer is not open, payment is due within one (1) hour the next business day after wire is open and operational.

A Clearing Member may withdraw from Membership by giving written notice to the ~~Clearing House~~ Exchange; however, such Member shall continue to be liable for any assessments made pursuant to this rule to cover any default occurring prior to resignation.

The Exchange may borrow such funds or draw such funds as necessary against any line of credit at any time for such purposes under this Regulation to cover any obligations or losses of the ~~Clearing House~~Exchange. Any borrowing of funds shall not relieve any Clearing Member from their obligations under this Regulation, application of their security deposits or from any assessments.

The Exchange may obtain and maintain any default insurance. Such insurance shall inure to and shall be for the sole benefit of the Exchange or ~~Clearing House~~. Proceeds from any default insurance and the right to any proceeds shall be paid to and belong solely to the Exchange.

2105.02. RIGHTS OF EXCHANGE FOR RECOVERY OF LOSS.

If the security deposits, margins, performance bonds, guarantees and other assets of a Clearing Member (excluding customer funds and margins unless directly involved in a liability) are insufficient to satisfy all of its obligations to the ~~Clearing House~~MGEX, including all Claims, against the ~~Clearing House~~Exchange by reason of its substitution for that Clearing Member pursuant to **Rule 701.00**, the ~~Clearing House~~Exchange shall nonetheless pay all such claims, which shall be deemed a loss to it and which shall be a liability of the ~~D~~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.

If a loss for which Clearing Members or their security deposits have been assessed is afterward recovered by the Exchange or the ~~Clearing House~~ 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 assessment.

The following Regulations are to be added to the MGEX Rules and Regulations.

2105.04. CLEARING MEMBER INSOLVENCY.

If a Clearing Member becomes insolvent, the Clearing Member must immediately notify the Exchange of such insolvency. The insolvency shall be announced by the Exchange and thereupon such Clearing Member shall be deemed automatically Suspended, unless otherwise permitted by the Exchange to continue limited operation for the purpose of transferring or liquidating positions, or otherwise mitigating losses. If a Clearing Member becomes insolvent or for other reasons is Suspended, the officers, owners or partners who are Members of the Exchange may also be Suspended by the Exchange.

When a Clearing Member is Suspended for insolvency, the Exchange may exercise any or all of its rights under MGEX Regulations 2105.00. and 2105.01.

2107.00. FINANCIAL EMERGENCY.

If at any time the Exchange, in its sole discretion, determines that there is a substantial question as to whether a financial emergency exists with respect to any Clearing Member or that the Clearing Member is no longer in Good Standing, the Exchange may suspend or take any other action to protect the best interests of the marketplace, Clearing Members or the Exchange.

The Exchange shall have no liability regarding its use of the discretionary power described herein; neither shall the Exchange be liable for actions taken pursuant to MGEX Rules and Regulations, procedures, or actions allowed by law.

2108.00. FINALITY OF SETTLEMENT.

Provided there are no accounting and/or clerical errors, payments of funds or transfer of funds to and from MGEX, including but not limited to: intraday and end of day variation, margin payments and security deposits, are final and unconditional when effected and cannot be reversed.