



Via Electronic Mail

December 30, 2013
MGEX Submission No. 13-27

Ms. Melissa Jurgens
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 Ms. Jurgens:

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 amendments of the attached Definition, Regulations, and Resolution of the MGEX Rules and Regulations comply 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>.

I. Amendments to Incorporate Defined Term and to Chapter 21

The Commission established enhanced liquidity standards in Regulation 39.33, including the requirement that each systematically important derivatives clearing organization and subpart C derivatives clearing organization "maintain eligible liquidity resources that, at a minimum, will enable it to meet its intraday, same-day, and multiday obligations to perform settlements" with a "high degree of confidence under a wide range of stress scenarios." In order to comply with CFTC Regulations and ensure that it is able to maintain sufficient qualifying liquidity resources, MGEX made "Liquidity Event" a defined term; amended Regulation 2104.00. to allow MGEX to require that all security deposits be pledged as cash; and added Regulations 2105.06., 2105.07., and 2105.08. Regulation 2105.06. gives MGEX the right to substitute cash deposited by Clearing Members for U.S. Treasuries deposited by a Clearing Member causing a Liquidity Event; satisfy a settlement variation obligation with U.S. Treasuries in certain circumstances; and satisfy a payment owed to the winner of an auction, sale, or transfer of defaulted positions by transferring Federal Reserve discount window eligible securities in lieu of cash. Regulation 2105.07. requires each Clearing Member that is a primary dealer or has a primary dealer affiliate to enter into (or arrange for such affiliate

to enter into) a master repurchase agreement with MGEX. Lastly, Regulation 2105.08. requires each Clearing Member to inform the Clearing House whether it, or one of its affiliates, has access to the Federal Reserve discount window and to notify the Clearing House if such access is suspended, revoked, removed, terminated, or otherwise limited.

II. Amendment to Resolution 210.01.F.

In order to delegate certain risk management powers and to comply with Commission Regulation 39.32(b) by assigning responsibility for implementing default rules and procedures, system safeguard rules and procedures, and recovery and wind-down plans, MGEX amended Resolution 210.01.F. to delegate such responsibilities to the MGEX Risk Team.

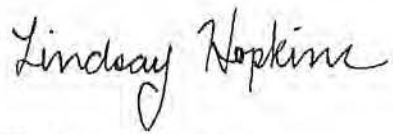
The Exchange has reviewed the core principles for derivatives clearing organizations ("DCO Core Principles") and has determined that the attached amendments comply with and may impact the following DCO Core Principles:

- *Core Principle B – Financial Resources:* The Amendments are designed to comply with Commission Regulation 39.33, which requires subpart C derivatives clearing organizations to maintain sufficient liquidity to meet its intraday, same-day, and multiday obligations to perform settlements with a high degree of confidence under a wide range of stress scenarios, including a default of the Clearing Member creating the largest aggregate liquidity obligation in extreme but plausible market conditions. The proposed amendments enhance MGEX's existing risk management framework by providing additional highly reliable prearranged funding arrangements in the event that the Exchange's liquidity resources are insufficient.
- *Core Principle G – Default Procedures:* In addition to providing additional liquidity, the proposed amendments address liquidity shortfalls as required by CFTC Regulation 39.35.
- *Core Principle D – Risk Management:* The proposed amendment to Resolution 210.01.F. delegates certain risk management functions to the MGEX Risk Team. This amendment complies with DCO Core Principle D by addressing the monitoring and management of risks as required by CFTC Regulation 39.13(b).

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
Associate Corporate Counsel

Enclosures

cc: Thomas J. Bloom

EXHIBIT A

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

LIQUIDITY EVENT: A Liquidity Event shall mean an event that causes the Clearing House to require financial liquidity (1) to satisfy payment obligations of an insolvent, defaulted, or suspended Clearing Member; (2) to satisfy payment obligations associated with the transfer of account(s) of an insolvent, defaulted, or suspended Clearing Member; and (3) as a result of a payment or wire transfer delay, liquidity constraint, or default by a depository or settlement bank. The decision to declare a Liquidity Event shall be in the sole discretion of the Clearing House.

2104.00. SECURITY DEPOSIT.

Each Clearing Member shall deposit with the Clearing House as security for its obligations thereto such amount as determined by the Exchange. The form of such deposit shall also be determined by the Exchange ~~but shall include cash or United States Treasury securities.~~ The Exchange may change the amount and form of such deposit as necessary. Deposits may be withdrawn on written request when a Clearing Member ceases to be a Clearing Member and the Exchange has determined that all contracts and obligations with the Exchange have been settled.

2105.06. LIQUIDITY EVENT.

In order to satisfy CFTC Regulations and prudential liquidity standards, the Exchange has established this Regulation.

In the event the Clearing House requires liquidity to enable it to promptly meet all of its payment obligations to Clearing Members for same day settlement, the Clearing House will first attempt to obtain liquidity through the asset sale of pledged collateral, followed by the application of any uncommitted funding arrangements, and then through the use of its committed lines of credit. In the event the Clearing House is unable to obtain sufficient funds and liquidity to promptly meet same day settlement and payment through such means, the Clearing House may declare the occurrence of a Liquidity Event. In such an event, the Clearing House has the authority in its sole discretion to take the following actions, in the order listed, to secure same day liquidity:

- A. **Substitution of Guaranty Fund Cash.** The Clearing House may substitute the cash deposited by one or more Clearing Members in a guaranty fund with U.S. Treasuries deposited as performance bond by the Clearing Member(s) that is(are) the initialing cause of the Liquidity Event. The amount of cash substituted shall be equivalent to U.S. Treasuries at a haircutted market value (determined by the Clearing House as of the prior day's close of business utilizing a recognized third party source). Any U.S. Treasuries transferred pursuant to this Regulation shall be applied as a guaranty fund deposit on behalf of any such Clearing Member whose cash was substituted and will be allocated pro rata among any Clearing Members with cash deposits who are not

the initiating cause of the Liquidity Event. For any substitution of U.S. Treasuries for cash in a guaranty fund, the Clearing House will replace the cash within 29 business days of the date of the substitution.

B. Substitution of Performance Bond Cash: The Clearing House may substitute the cash deposited by one or more Clearing Members as performance bond with U.S. Treasuries held as collateral by the Clearing House. The amount of cash substituted shall be equivalent to the U.S. Treasuries at a haircutted market value (determined by the Clearing House as of the prior day's close of business utilizing a recognized third party source). Any U.S. Treasuries transferred pursuant to this Regulation shall be applied as a performance bond deposit on behalf of any such Clearing Member whose cash was substituted and will be allocated pro rata among any Clearing Members with cash deposits. For any substitution of U.S. Treasuries for cash as performance bond, the Clearing House will replace the cash within 29 business days of the date of the substitution.

C. Payment in Kind for Settlement Variation Obligations. The Clearing House may satisfy settlement variation obligations to any Clearing Member that is a primary dealer or has a primary dealer affiliate with U.S. Treasuries held as collateral by the Clearing House at a haircutted market value (determined by the Clearing House as of the prior day's close of business utilizing a recognized third party source). To the extent that the Clearing House pays its settlement variation obligations in U.S. Treasuries, if the receiving Clearing Member notifies the Clearing House the same day of the settlement that it will return the securities to the Clearing House on the next business day, then the Clearing House will pay cash equal to the original value of the Clearing House's settlement variation obligation on the next business day.

D. Payment in Kind for Portfolio Auction, Sale, or Transfer. In lieu of satisfying a payment owed from any auction, sale, or transfer of an insolvent, defaulted, or suspended Clearing Member's or customer's portfolio in cash to an auction winner, purchaser, or transferee, the Clearing House may satisfy such payment owed by transferring Federal Reserve discount window eligible securities with a haircutted market value (determined by the Clearing House as of the prior day's close of business utilizing a recognized third party source) equal to the amount of such obligation.

2105.07. REPURCHASE AGREEMENT.

Each Clearing Member that is a primary dealer or has a primary dealer affiliate shall enter into (or arrange for such affiliate to enter into) a master repurchase agreement with MGEX on terms substantially similar to those set forth by the Clearing House.

2105.08. FEDERAL RESERVE ACCESS.

Each Clearing Member will inform the Clearing House whether it, or one of its Affiliated Entities, has access to the Federal Reserve discount window and will notify the Clearing

House if such access has been suspended, revoked, removed, terminated, or otherwise limited in any way as soon as practicable.

RESOLUTION 210.01.F.

Pursuant to the provisions of **Rule 210.01. F.**, the Board of Directors has adopted this Resolution.

Limited authority of the Board of Directors to amend MGEX Regulations, Resolutions, and Interpretations and to take emergency action is hereby delegated to Exchange officers. Such authority includes, suspending or curtailing trading, amending Hours of Trading, imposing margin requirements, declaration of holidays, amending reportable position limits, price limits and intraday market restrictions, managing settlement procedures, open or closing periods, fees, forms, notices, deadlines, dress and decorum policies, minimum financial requirements, notification and reporting requirements, striking prices, cash market reporting, recordkeeping requirements, honorary memberships, default procedures, give-up procedures, transferring customer contracts and margins, definition of emergencies, declarations of Force Majeure and action taken as a result of such declarations. The Exchange shall also have the authority to take such market action as may be directed by the CFTC. The President and Chairperson of the Board of Directors may determine whether a Regulation, Resolution or Interpretation can be amended by Exchange officers. Such amendments shall be forwarded promptly to the Board of Directors.

Further, limited authority of the Board of Directors is hereby delegated to Exchange officers to exercise certain other powers including amending transfer procedures, approving membership requests, transfers, applications and cancellations, approving applications and renewals for Regularity, approving applications for Cash Trading Privileges and/or clearing privileges, establishing minimum filing and financial requirements, approving standing committee appointments, granting admission to the Exchange Room, and amending the matching algorithm for the electronic trading system. Such approvals and changes shall be forwarded promptly to the Board of Directors.

Limited authority of the Board of Directors is hereby delegated to MGEX risk management personnel, which shall include such employees and/or officers as the Exchange, in its discretion, shall determine (collectively, the "MGEX Risk Team"), to independently exercise certain risk management powers and to be responsible and accountable for making risk decisions, including in crises and emergencies. The Board of Directors further assigns the MGEX Risk Team the responsibility for implementing the (i) default rules and procedures required by CFTC Regulations 39.16 and 39.35, (ii) system safeguard rules and procedures required by CFTC Regulations 39.18 and 39.34, and (iii) recovery and wind-down plans required by CFTC Regulation 39.39.