



Via Portal Submission

January 17, 2020  
MGEX Submission No. 20-2

Mr. Christopher J. 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 CFTC Regulation 40.6(a); Update to MGEX Rules**

Dear Mr. Kirkpatrick:

Pursuant to Section 5c(c) of the Commodity Exchange Act (“CEAct”) and Commodity Futures Trading Commission (“CFTC”) Regulation 40.6(a), the Minneapolis Grain Exchange, Inc. (“MGEX”) hereby certifies that the amendments to MGEX Rules 3.1.1. (formerly 710.00.), 3.1.2. (formerly 714.00.), 3.1.3. (formerly 2067.00. – Paragraph B), 3.1.4. (formerly 2067.00. – Paragraph C), 3.1.5. (formerly 2067.00. – Paragraph D), 3.1.6. (formerly 766.00.), 3.1.7. (formerly 718.00.), 3.1.8. (formerly 718.01.), 3.1.9. (formerly 2062.02.), 3.1.10. (formerly 725.00.), 2.1.2., and removal of MGEX Rule 2.1.3. as set forth in the attached Exhibit A, comply with the CEAct and the CFTC Regulations promulgated thereunder (the “Proposed Amendments”). MGEX further certifies that the submission has been posted on the MGEX website at the following link: <http://www.mgex.com/regulation.html>.

**I. AMENDMENTS TO MGEX RULES**

MGEX continually evaluates its Rulebook to ensure compliance with CFTC regulations as well as general principles of law. The amendments to MGEX Rules 3.1.1. (formerly 710.00.), 3.1.2. (formerly 714.00.), 3.1.3. (formerly 2067.00. – Paragraph B), 3.1.4. (formerly 2067.00. – Paragraph C), 3.1.5. (formerly 2067.00. – Paragraph D), 3.1.6. (formerly 766.00.), 3.1.7. (formerly 718.00.), 3.1.8. (formerly 718.01.), 3.1.9. (formerly 2062.02.), and 3.1.10. (formerly 725.00.) (the “First Proposed Amendments”) are part of a larger, gradually ongoing initiative to better organize the overall MGEX Rulebook. This includes methodically reorganizing rules in a more logical order and adding or amending rules where necessary to ensure transparency and improve efficiency for all users of the Rulebook. In addition, through this process, MGEX will conduct a review of certain rules to update language, style, and structure, as appropriate.

The amendments to MGEX Rule 2.1.2. and 2.1.3. (the “Second Proposed Amendments”) are to expand the scope of the Exchange’s jurisdiction to include foreign entities that charge a commission or fee in connection with transactions on the Exchange. In addition, the existing jurisdiction rule (Rule 2.1.2.) would be updated to align with industry standard language.

## **II. COMPLIANCE WITH CORE PRINCIPLES**

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

- *DCM Core Principle 2, Compliance with Rules:* The First Proposed Amendments will enhance MGEX’s ability to more efficiently establish certain foundational rules earlier in the MGEX Rulebook as well as to clarify certain terms and concepts. The Second Proposed Amendments provide for expansion of the scope of the Exchange’s jurisdiction to include foreign entities that solely charge a commission or fee in connection with transactions on the Exchange.
- *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 First Proposed Amendments will incorporate these foundational rules earlier in the MGEX Rulebook. Such organizational structuring may also provide greater clarity to help ensure protection of the market and market participants and clarify certain terms and concepts to the market and market participants. The Second Proposed Amendments provide for expansion of the scope of the Exchange’s jurisdiction to include foreign entities that charge a commission or fee in connection with transactions on the Exchange. In addition, the proposed amendments would align the Exchange’s jurisdiction rule with industry standard language.
- *DCM Core Principle 13, Disciplinary Procedures:* The First Proposed Amendments will enhance the ability of MGEX to enforce its rules through greater clarity of the terms and concepts of these foundational topics. The Second Proposed Amendments will enhance the ability of MGEX to enforce its rules through the expansion of the scope of the Exchange’s jurisdiction to include foreign entities that charge a commission or fee in connection with transactions on the Exchange. In addition, the proposed amendments would align the Exchange’s jurisdiction rule with industry standard language for better clarity.

Pursuant to the authority set forth in MGEX Bylaw 210.01., the MGEX Board of Directors unanimously approved the Proposed Amendments at its meeting held on January 14, 2020. There were no substantive opposing views expressed by the Board of Directors, nor is MGEX aware of any substantive opposing views with respect to this filing.

The Proposed Amendments are intended to become effective ten (10) business days from the date of this submission. 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 blue ink, appearing to read "Peter D. Sparby". The signature is fluid and cursive, with the first name "Peter" being the most prominent part.

Peter D. Sparby  
Associate Corporate Counsel

Enclosure

## Exhibit A

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

### ~~710.00.3.1.1. FUTURES AND OPTIONS CONTRACTS: COMMODITIES.~~

~~Unless prohibited by the Board of Directors, under authority granted by the Rules, contracts for future delivery in this market may be made in any commodity for which Contract Grades have been established by Rule and approved by the Commodity Futures Trading Commission.~~

~~PROVIDED, however, that when a new Contract Grade has been adopted, trading in contracts based on such new grade shall not begin until authorized by Rule or by the Board of Directors.~~ Futures and Options contracts must be approved by the Board of Directors, certified with the CFTC, and established in MGEX Rules.

### ~~714.00. FUTURES AND OPTIONS CONTRACTS: 3.1.2. TIME AND PLACE FOR MAKING.~~

Except in the case of non-competitive trades, all purchases and sales, and all offers to purchase or sell ~~commodity Futures~~ and Options must be made electronically on the Electronic Trading System ~~and all~~. However, purchases and sales, and ~~all~~ offers to purchase or sell Hard Red Spring Wheat Options ~~in this market must~~ may also be made ~~electronically or~~ by open outcry in the Pit Exchange Room during the Hours of Trading. Consequently, Members and Market Participants are ~~hereby~~ prohibited from assembling in any place, public or private, other than in the Pit Exchange Room or designated area to form a market for the purpose of making purchases or sales, or offers to purchase or sell ~~commodity Futures or Options and any Member or Market Participant, who or which shall make or offer to make any such purchases or sales in the manner herein prohibited, shall be deemed to have violated this Rule 714.00.~~ Futures or Options.

### ~~3.1.3 2067.00. ELECTRONIC AND OPEN OUTCRY TRADING. ELECTRONIC AND OPEN OUTCRY: SETTLEMENT PRICE.~~

The Electronic Trading System and open outcry may have separate opens, open ranges, highs, lows, closes and closing ranges. However, there ~~must~~ shall be only one settlement price.

### ~~3.1.4 2067.00. ELECTRONIC AND OPEN OUTCRY TRADING: VOLUME AND OPEN INTEREST REPORTING.-~~

The Electronic Trading System and open outcry may each have trade volume that is reported separately. However, ~~there~~ the Exchange shall ~~must report~~ be only one combined open interest number ~~reported by the Exchange.~~

### ~~3.1.5 2067.00. ELECTRONIC AND OPEN OUTCRY TRADING: COMBINED POSITION REPORTS.-~~

Contracts traded on both the Electronic Trading System and by open outcry ~~shall be~~ must be fungible. This means positions entered into on one platform may be offset by positions executed on the other platform. As a result, ~~clearing~~ Clearing members Members shall submit to the Clearing House only combined position reports.

### ~~766.00.~~ 3.1.6. **CONFIRMATION OF FUTURES OR OPTIONS TRADES.**

A Clearing Member shall confirm to the customer every transaction made for the customer's account no later than the following business day. Such confirmation ~~must~~ shall be in electronic or written form ~~writing~~ and ~~must~~ shall show the relevant transaction terms, including the ~~commodity~~ Commodity bought or sold, the quantity, the price or premium, ~~and~~ the delivery month, ~~and~~, if an option, whether a put or call, ~~and~~ the strike price.

### ~~718.00.~~ 3.1.7. **"TRANSFER" TRADES AND "OFFICE" TRADES; DEFINITIONS.**

"Transfer" trades and "Office" trades ~~are~~ shall be limited to the following transactions:

- A. Transactions made for the purpose of (1) transferring open ~~futures~~ Futures or ~~options~~ Options positions ~~contracts~~ from one account to another on the books of the same Clearing Member where no change in ownership is involved; or (2) transferring open ~~futures~~ Futures or ~~Options~~ positions ~~contracts~~ from an account on the books of one Clearing Member to another Clearing Member where no change of ownership is involved; PROVIDED, however, that no such transfer ~~is~~ shall be made after receipt from the Exchange of a Delivery Notice on such contracts if such transfer is for the apparent purpose of avoiding delivery on such contract.;

Notwithstanding the requirements of ~~3.1.7~~ 718.00.A., the Department of Audits and Investigations, in its sole discretion, may approve a transfer that results in a change of beneficial ownership when such transfer is made as a result of a merger, asset purchase, consolidation or similar non-recurring transaction between two (2) or more Persons.

- B. Transactions consisting of the exchange or transfer of ~~futures~~ Futures ~~contracts~~ in connection with cash commodity transactions or transactions consisting of the exchange of ~~futures~~ Futures for cash commodities.
- C. Transactions consisting of the exchange or transfer of ~~futures~~ Futures ~~contracts~~ in connection with risk transactions or transactions consisting of the exchange of ~~futures~~ Futures for risks.

Except for situations involving insolvency or default (see generally Chapter 21), ~~futures~~ Futures positions ~~contracts~~ may be transferred using either the original trade price or the most recent settlement price. Options positions ~~contracts~~ may be transferred using either the original trade price or a trade price of zero. All transfers in physically delivered ~~futures~~ Futures contracts must be recorded and carried on the books of the receiving Clearing Member at the original trade dates. All other contracts may be recorded and carried at either the original trade date or the transfer date.

All records and memoranda pertaining to "Transfer" and "Office" trades ~~shall~~ must be marked or identified by appropriate symbols or designations. All "Office" trades, where such trades

remain on the books of one and the same Clearing Member and where no change in ownership is involved, may or may not be cleared at the discretion of the Clearing Member. All "~~Transfer~~" trades, which involve two Clearing Members in which no change of ownership is involved, ~~must~~shall be included and identified in daily reports to the Exchange. "~~Transfer~~" trades involving the transfer of a customer's positions and related collateral from an account on the books of one Clearing Member to another Clearing Member ~~do~~shall not require the close-out and re-booking of the positions prior to the requested transfer; PROVIDED, the following conditions are met: (1) ~~t~~The customer instructed the carrying Clearing Member to make the transfer; and (2) the receiving Clearing Member has consented to the transfer.

### **718.013.1.8. OFFSETS AND TRANSFER TRADES.**

Offsets and/or position change data must be reported to the Clearing House each day by the established deadlines and in a manner that meets the provisions of MGEX Resolution 2101.00.C. Positions that have been offset at the Exchange may not subsequently be re-opened at the Exchange.

Except by same day trade activity, existing futures positions in a delivery month may not be offset during the period beginning two (2) business days prior to the delivery month and continuing through the end of the delivery month. Clearing Members will be responsible for compliance with this requirement by their omnibus accounts. This prohibition also applies to ~~transfer~~Transfer trades where no change in ownership is involved when the date of execution or exercise of the position being transferred is not the same as the transfer date. Such positions are required to be offset by trading. If such positions are carried on the books of different Clearing Members, the receiving Clearing Member is responsible for compliance with this Rule.

Atin its sole discretion, the Department of Audits and Investigations may permit an offset via netting, transfer, or position adjustment. Such adjustments are permissible to correct a bona fide clerical or operational error for an amount less than five percent (5.0%) of the published open interest reported the same morning for which the offset will be reported by the Clearing Member's morning position reporting deadline. Moreover, such adjustments are only permissible if the Department of Audits and Investigations reasonably believes the offset will not adversely impact the market. Such permission does not prohibit A&the Department of Audits and Investigations from investigating or taking disciplinary action for any alleged violation of the RulebookMGEX Rules.

### **3.1.92062.02. ELECTRONIC AUDIT TRAIL AND OTHER RECORDKEEPING REQUIREMENTS.**

All Clearing Members are required to maintain or cause to be maintained the order routing and front-end audit trail for all electronic orders including, but not limited to: order entry, modification, cancellation and responses to such messages entered into the Electronic Trading System by the Clearing Member or its customers.

The Clearing Member may assign the recordkeeping requirements contained in this Rule to a customer subject to the following conditions: (1) the Clearing Member and the customer must have applicable written agreements assigning the recordkeeping requirements with particularity; and (2) upon request, either the Clearing Member or the customer must provide such agreements to the Exchange.

The Clearing Member must ensure that any written agreements assigning recordkeeping requirements of this Rule are being followed by any customers. The Clearing Member and/or the customer may be held accountable for failure to maintain or causing to be maintained the recordkeeping requirements of this Rule.

Audit trail data must contain a complete and accurate record of information and fields that are required by the Electronic Trading System and this Rule. Changes to required audit trail data for the Electronic Trading System may occur from time to time, and are hereby incorporated into this Rule. Required audit trail data means a record of all FIX Tag and/or iLink information and fields, including, but not limited to: transaction date, product, Exchange code, quantity, order type, order qualifier, price, buy/sell indicator, stop/trigger price, order number, account number, session ID, Tag 50 ID, automated or manual indicator (Tag 1028), host order number, trader order number, clearing member, type of action, customer type indicator, origin, and timestamps. In addition, for executed orders, records must include the execution time of the trade along with all fill information.

### ~~725.003.1.10.~~ **QUOTATIONS BASED ON TRADES.**

~~Quotations of prices~~ Price quotations in Futures and Options ~~Contracts made in this market shall be~~ are based on purchases or sales of such quantities ~~as the Board of Directors shall have prescribed by the Exchange for each commodity, from time to time, by Regulation~~ Commodity.

Person. Termination may also be made by ~~the person~~ written revocation signed by the Person to whom such ~~power~~ authority or control has been ~~delegated and must be in writing~~ given or by the death or incapacity of such ~~person~~ Person.

#### ~~B. Orders.~~

~~Any person initiating an order for an account over which he has discretion must reduce the order~~ The records of the Clearing Member must clearly identify each discretionary account it carries. The Clearing Member agrees to writing, record thereon the account number and date, and time stamp the order. promptly provide the Exchange with a list of such accounts upon request.

This ~~requirement shall~~ Rule does not apply to the following:

~~(1. Accounts)~~ accounts maintained by Members for their families (spouse, parent, child, grandparent, grandchild, brother, sister, aunt, uncle, nephew, niece, or in-law).

~~);~~ (2. Accounts) accounts belonging to other Exchange Members.

~~); and~~ (3. Proprietary) proprietary accounts of Clearing Members.

#### ~~C. Records.~~



~~—The records of the Clearing Member shall clearly identify each controlled account it carries, and the Clearing Member agrees to provide the Exchange with a list of such accounts promptly upon request.~~

### **2.1.2. JURISDICTION.**

Any Person initiating or executing a transaction on or subject to the Rules of the Exchange directly or through an intermediary, or any Person for whose benefit such a transaction has been initiated or executed, expressly consents to the jurisdiction of the Exchange and agrees to be bound by and comply with MGEX Rules in relation to such transactions, including, but not limited to, rules requiring cooperation and participation in investigatory and disciplinary processes. Any Futures Commission Merchant, Introducing Broker, associated Person, or foreign Person performing a similar role, that charges a commission or fee in connection with transactions on or subject to the Rules of the Exchange also expressly consent to the Exchange's jurisdiction.

### **~~2.1.2. CONSENT TO JURISDICTION.~~**

~~Any Person who engages in activity subject to MGEX Rules or any Person for whose benefit such activity is made, whether directly or indirectly, expressly consents to the jurisdiction of the Exchange and agrees to be bound by and comply with MGEX Rules in relation to such activity.~~

### **~~2.1.3. CONSENT TO INVESTIGATORY AND DISCIPLINARY PROCESSES.~~**

~~Any Person subject to MGEX Rules expressly consents to cooperate and participate in investigatory and disciplinary processes conducted by the Exchange.~~