



Via Portal Submission

April 24, 2020
MGEX Submission No. 20-15

Mr. Christopher J. Kirkpatrick
Secretary of the Commission
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st 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 3.1.11. (formerly 718.02.), 3.2.1. (formerly 2053.00.), 3.2.2. (formerly 2055.00.), 3.2.3. (formerly 2055.01.), 3.2.4. (formerly 2055.02.), 3.2.5. (formerly 765.00.), 3.4.1. (formerly 730.00.), 3.4.2. (formerly 730.01.), and 3.4.3. (formerly 732.00.) 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 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.

II. COMPLIANCE WITH 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 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.
- *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 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.
- *DCM Core Principle 13, Disciplinary Procedures:* The Proposed Amendments will enhance the ability of MGEX to enforce its rules through greater clarity of the terms and concepts of these foundational topics.

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 April 21, 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,



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~~.

~~718-02~~3.1.11. CONCURRENT LONG AND SHORT POSITIONS.

Concurrent long and short positions are long and short positions traded in the same Futures for the same delivery month, or Options ~~contract~~ with the same strike price for the same expiration date.

Concurrent long and short positions may be held by a Clearing Member, or non-member FCM, at the discretion of a customer or on behalf of an omnibus account. It is the duty of the FCM carrying the account(s) holding concurrent long and short positions to ascertain whether such positions are intended for offset or to be held open prior to final submission of position data by the reporting Clearing Member.

Accounts that have had concurrent long and short positions continually reported to the Exchange, may offset such positions at a date later than the original trade date; however, offsets must meet all the provisions of Rule 3.1.8.

For the purpose of this Rule, hold-open positions are positions offset at the Exchange, but for the convenience of the customer have been held open on the FCM's internal bookkeeping records. Therefore, after being offset at the Exchange, hold-open positions cannot be reported as open interest nor re-established at the Exchange at a later date. An FCM's internal booking records must clearly indicate all hold-open positions. Since hold-open positions only remain open on the FCM's internal records and are not true Exchange positions, no margin is required.

The Exchange does not prohibit the internal bookkeeping of hold-open positions by its Clearing Members. However, the Clearing Member must accurately report to the Exchange, as required by MGEX Rules, all reportable positions, large trader positions, long positions eligible for delivery, and open interest.

~~2053-00~~3.2.1. LIMITATIONS ON OPTIONS TRANSACTIONS-; SOLICITATION AND ACCEPTANCE.

No Member or ~~entity shall~~Person may solicit or accept orders ~~(, other than in a clerical capacity),~~ for the purchase or sale of ~~Option Contracts~~Options or supervise any ~~person~~Person so engaged unless that ~~individual~~Person meets the requirements of ~~17 CFR~~CFTC Regulation § 33.3.

~~2055-00~~-3.2.2. MEMBERS: LIMITATION ON PARTIES FOR WHOM THEY MAY ACT.

A Record Holder whose Membership is owned by a Clearing Member, an entity having cash trading privileges, an FCM, or a Regular facility may act only in the name of or for the account of such ~~entity~~owner, unless an authorized representative of such ~~entity~~owner has provided a written release to MGEX that the Record Holder can trade for ~~his~~their personal account. See Form 3-20.00.

A Record Holder whose ability to act is limited by this Rule, may give up the name of a party as principal, other than the entity for which ~~he is~~they are authorized to act, when making trades pursuant to MGEX Rule 704.00.

2055.01.3.2.3. WHEN AUTHORIZATION TO TRADE IS NOT REQUIRED.

~~Any Member who is the~~A Record Owner ~~of a Membership standing in his name~~ may act ~~in the capacity of~~as a Broker by making trades or other transactions in the name of other parties that have the privilege to make trades in addition to making trades that are for ~~his or its~~their own account and risk.

The privileges conferred by this Rule ~~shall~~ apply only in connection with Futures and Options ~~Contracts~~ and ~~shall~~do not apply to cash sales and purchases.

2055.02.3.2.4. ACTING AS A BROKER.

The making of trades or transactions in Options through open outcry ~~in the capacity of~~as a Broker ~~shall be~~are subject to the following conditions and restrictions:

- A. A Broker must be either:
 - 1. A Record Owner ~~of a Membership standing in his name~~ who has not designated ~~the~~their Membership to an entity and who is properly registered with NFA ~~to act in the capacity of~~as a Broker; or,
 - 2. An entity that is the Record Owner ~~of a Membership~~ and the Record ~~Holder~~Holder and is properly registered with NFA ~~to act in the capacity of~~as a Broker.
- B. Any ~~Record Holder~~Broker ~~acting in the capacity of a Broker~~, must at the time of making each trade or transaction report the name of a principal who has authorized ~~him~~them to make the trade or transaction.

765.00.3.2.5. TRADING FOR OFFICERS, COPARTNERS ANOTHER MEMBER'S OFFICER, CO-PARTNER, OR EMPLOYEES EMPLOYEE: WRITTEN CONSENT REQUIRED.

~~No~~A Member ~~shall make a~~may purchase or ~~a sale of any commodity futures~~sell Futures or ~~options in this market~~Options, or accept or carry an account for ~~such purchase~~purchasing or ~~sale~~selling, for the account of ~~an~~another Member's officer, ~~copartner~~co-partner, or employee ~~of another Member without the~~, provided written consent ~~of~~is received from such other Member.

730.00.3.4.1. 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 ~~730.01~~3.4.2.

The forgoing prohibition shall not apply to Exchange For Related Positions transactions

executed pursuant to Rule 719.00.

730.013.4.2. PRE-EXECUTION COMMUNICATIONS REGARDING ELECTRONIC TRADES.

Persons may engage in pre-execution communications with regard to Futures and Options for MGEX Agricultural Indexes and HRSW transactions executed on the Electronic Trading System, where one Person wishes to be assured that an opposing, secondary Person, will take the opposite side of the order under the following circumstances:

- A. A Person may not engage in pre-execution communications with market participants on behalf of another Person unless the Person for whose benefit the trade is being made has previously consented to permit such communications.
- B. Persons involved in pre-execution communications shall not disclose the details of such communications to any third Person. Additionally, no Persons shall enter orders based on information conveyed during pre-execution communications except for the orders required and in accordance with the protocol noted within this Rule.
- C. Utilizing the RFQ + RFC Cross (“R-Cross”) protocol. Following the pre-execution communication, a Request for Quote (“RFQ”) for Futures or Options must be entered into the Electronic Trading System. Thereafter, the Request for Cross (“RFC”) order must be entered no less than five (5) seconds for Futures, or fifteen (15) seconds for Options, as well as no more than thirty (30) seconds for either Futures or Options after the entry of the RFQ in order to proceed with the trade. The RFQ and RFC must be entered within the same trading session. Failure to enter the RFC within 30 seconds after the entry of the RFQ will require a new RFQ to be entered prior to the entry of the RFC, and in accordance with the aforementioned timing parameters.

3.4.3732.00. FICTITIOUS BIDS OR OFFERS PROHIBITED.

~~No Members and/or Market Participants shall must make any bids or offers in commodity fFutures or options Options in this market which are not made in good faith and intended with the intent to be carried out if accepted, and the mMaking of pretended or fictitious or pretended bids or offers is hereby prohibited.~~