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Ms. Jean Webb
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

RE: Self-Regulation and Self-Regulatory Organizations

Dear Ms. Webb:

The Minneapolis Grain Exchange ("MGEX") would like to take this opportunity to thank the Commodity Futures Trading Commission ("CFTC") for allowing the MGEX to provide comments regarding the above referenced matter published in the November 25, 2005 Federal Register as part of the CFTC's ongoing self-regulation and self-regulatory organizations study ("SRO Study").

The MGEX ownership structure has not changed and continues to be a not-for-profit, self-regulatory organization ("SRO"). As a SRO, the MGEX must meet the requirements of the Commodity Exchange Act ("CEACT") along with the Core Principles of the Commodity Futures Modernization Act ("CFMA"). These Core Principles are intended to empower each SRO with the flexibility to effectively address their respective regulatory issues while meeting their business needs. Each SRO needs to retain as much flexibility as possible to adapt to the fast changing environments in which we find ourselves. The elimination or diminution of flexibility of SROs may have a negative impact or reverse the efficiency trend of the market. Specifically, SRO's ability to modify products and services, as well as address regulatory issues in a timely and efficient manner.

Although the MGEX is a not-for-profit SRO and has not experienced as many changes as other SROs, we must be prepared for and be able to change our governing structure as we determine to be in our best interest, as well as those of our market participants. Attached to this letter is the response of the MGEX regarding self-regulatory governance practices and conflicts of interest.

If you have any questions, you may contact me at (612) 321-7190.

Sincerely,

Sandra S. Sullivan
Director, Market Regulation
Minneapolis Grain Exchange

Enclosure

MGEX RESPONSE TO SRO QUESTIONS

1. Is the present system of self-regulation an effective regulatory model for the futures industry?

The current system of self-regulation has proven to be an effective regulatory model for the futures industry, particularly since the implementation of the CFMA. The current model affords the MGEX a measure of flexibility to address its regulatory issues without sacrificing regulatory controls to ensure market integrity along with other critical regulatory factors. Additionally, these controls are further reinforced by the CFTC's oversight via periodic rule enforcement reviews.

2. As the futures industry adapts to increased competition, new ownership structures and for-profit models, what conflicts of interest could arise between: (i) an SRO's self-regulatory responsibilities and the interest of its members, shareholders, and other stakeholders; and (ii) an SRO's self-regulatory responsibilities and its commercial interests?

The MGEX as a not-for-profit SRO continues to have a vested interest in an effective self-regulatory program. SROs, whether for-profit or not-for-profit, must meet the requirements of the CEACT and the Core Principles specified in the CFMA as previously stated. If SROs are meeting these requirements and the rule enforcement reviews conducted by the CFTC do not evidence a breakdown or potential breakdown in the self-regulatory program of the SRO, it is the opinion of the MGEX that further changes would not be necessary. The MGEX has demonstrated it has been able to adequately balance the needs of its owners without compromising its integrity or regulatory responsibilities.

3. Given the ongoing industry changes cited above, please describe how self-regulation can continue to operate effectively. What measures have SROs taken thus far, and what additional measures are needed to ensure fair, vigorous, and effective self-regulation by competitive, publicly-traded, for profit SROs?

As noted in our prior responses, the MGEX is a not-for-profit SRO and has not had direct experience regarding these issues. However, the MGEX believes the current self-regulation model is performing effectively and no further changes appear to be necessary at this time.

4. What is the appropriate composition of SROs' boards of directors to ensure the fairness and effectiveness of their self-regulatory programs?

MGEX believes the Board of Directors of SROs must be representative of their member composition and what the SROs believe is in its best interest. Accordingly, the appropriate composition of SROs' Boards of Directors must be determined by the SRO

as independently as possible from prescriptive government standards or tests. This process ensures that those who have a vested interest in the long term success of the SROs' core business, as well as those most suitable are taken into consideration in the Board of Directors member selection process. Furthermore, it would most likely be difficult to determine a standard board composition that would be effective for both publicly-traded, for-profit SROs and not-for-profit SROs.

5. Should SROs' boards include independent directors, and, if so, what level of representation should they have? What factors are relevant to determining a director's independence?

As previously stated in our response to question 4, it is necessary for the respective SRO to determine the number of independent directors to be represented on their Board of Directors. While the MGEX values the importance of independent directors as members of the board, and agrees with and exceeds the CFTC twenty percent requirement of independent directors, all factors must be considered and incorporated in the Board of Directors member selection process to ensure no conflict of interest arises.

6. Should self-regulation be overseen by an independent entity within an SRO? If so, what functions and authority should be vested in such an entity? At least two futures exchanges have implemented board-level regulatory oversight committees ("ROCs") to oversee their regulatory functions in an advisory capacity. Commenters are invited to address any strengths or weaknesses in this approach.

As previously stated in our response to question 3, the MGEX believes the current self-regulation model is performing effectively and no further changes appear to be necessary at this time. Additionally, if the results of the CFTC rule enforcement reviews indicate compliance with the Core Principles, there is no need to include another layer of regulation for SROs to comply with and incur additional expenses.

7. The parent companies of some SROs are subject to the listing standards of the securities exchanges on which they are traded. Are such listing standards relevant to self-regulation and to conflicts of interest with DCMs?

The MGEX is not subject to the listing standards of securities exchanges. Consequently, we do not have any experience in this matter. However, the MGEX would suggest relying upon the expertise and comments of those SROs also subject to the listing standards of securities exchanges.

8. What is the appropriate composition of SROs' disciplinary committees to ensure both expertise and impartiality in decision-making? Should a majority of committee members be independent? Should the composition of SROs' disciplinary committees reflect the diversity of the constituency? Should similar safeguards apply to other key committees and if so, which committees? Should

SRO disciplinary committees report to the board of directors, an independent internal body, or an outside body?

Similar to the Board of Directors member selection process, the MGEX believes a SRO must establish its disciplinary committee members utilizing the best composition to enforce its disciplinary measures without any conflicts of interest. For those committee members found to have a conflict of interest, they should be, at a minimum, removed from the voting process. The MGEX has rules that define diversity of disciplinary committees. Additionally, disciplinary actions from our Futures Trading Conduct Committee and the Business Conduct Committee are reported to the Board of Directors. The MGEX has not had any prior issues with the current system of reporting and sees no reason to initiate changes at this time.

9. What information should SROs make available to the public to increase transparency (e.g., governance, compensation structure, regulatory programs and other related matters)? Are the disclosure requirements applicable to publicly traded companies adequate for SROs?

The current SRO structure regarding disclosure requirements along with the oversight authority of the CFTC have been and continue to be sufficient to ensure compliance with the proper amount of disclosure to the public. The governance structure of the MGEX is specified in its publicly available rulebook. Other internal operational matters such as regulatory programs, are disclosed to the applicable committee or Board of Directors as needed and the MGEX believes should not be disseminated to the public.

10. What conflicts of interest standards, if any, should apply specifically to Designated Clearing Organizations (“DCO”) both stand-alone DCOs and those integrated within Designated contract markets (DCM)?

As previously stated in our response to question 1, the MGEX strongly believes the current system of self-regulation has proven to be effective. The MGEX has a Clearing House Committee that is charged with oversight of the Clearing House and clearing operations. This committee should be comprised of knowledgeable peers. The decisions of the committee have been demonstrated to be in the best interest of the DCO. Accordingly, the MGEX believes that there is no need to initiate additional conflicts of interest standards at this time.

11. What conflicts of interest standards, if any, should be applicable to third-party regulatory service providers, including registered futures associations, to ensure fair, vigorous and effective self-regulation on their part?

There should be conflicts of interest standards for third-party regulatory service providers. The established standards should be consistent with the current SRO's conflicts of interest standards.