Via Portal Submission April 25, 2018

MGEX Submission No. 18-11

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” or “Exchange”) hereby certifies that amended MGEX Rule 742.00. and new MGEX Rules 742.01. and 742.02., 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 and pending changes to the MGEX Bylaws and Rules have been posted on the MGEX website at the following link: <http://www.mgex.com/regulation.html>.

# AMENDMENTS TO MGEX RULES

MGEX continually evaluates its Rules to ensure compliance with CFTC regulations as well as general principles of law. The Proposed Amendments provide clarity and additional guidance for cross trading of both buying and selling orders that are handled through brokerage. As result of the Proposed Amendments, there will be separate rules for such activity that occurs by open outcry versus in electronic trading.

# 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 provide greater clarity to market participants about cross trading of orders.
* *DCM Core Principle 7, Availability of General Information:* The Proposed Amendments have been disseminated on the MGEX website. The Rules will be amended in the Rulebook, which is accessible online.
* *DCM Core Principle 12, Protection of Markets and Market Participants:* The Proposed Amendments will enhance MGEX’s ability to protect the market and market participants.
* *DCM Core Principle 13, Disciplinary Procedures:* The Proposed Amendments will enhance the ability of MGEX to pursue disciplinary action, when appropriate, by having explicit language about cross trading that may occur by electronic trading.

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 24, 2018. 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.

These 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) 321-7141. Thank you for your attention to this matter.

Best regards,



Adam Wysopal

Associate Corporate Counsel

Enclosure

**EXHIBIT A**

**742.00. CROSS TRADING-HANDLING BOTH BUYING AND SELLING ORDERS.**

A Market Participant or Member, who simultaneously possesses both buying and selling orders for different beneficial owners for the same commodity in futures or options in the same contract month, may execute such orders for and directly between such beneficial owners upon the conditions set forth in MGEX Rule 742.01. or 742.02.

**742.01. CROSS TRADING-HANDLING BOTH BUYING AND SELLING ORDERS BY OPEN OUTCRY IN THE EXCHANGE ROOM.**

A. If such orders are first offered openly and competitively by open outcry in the Exchange Room by both bidding and offering at the same price at least three times, and neither such bid nor offer is accepted;

B. If such Member executes such orders in the presence of an official representative of the Exchange designated to observe such transactions and the Member themself clearly identifies all such transactions on the orders and trading cards at the time of execution as a cross trade, and promptly presents said orders and trading cards to the official representative of the Exchange for stamping and signature;

C. If the Member receiving or executing such orders has no interest therein, directly or indirectly, except as a Futures Commission Merchant, or as a Broker; and

D. Upon execution, such transaction(s) shall be made a matter of permanent record by the Exchange (See **Regulation 2019.00.**).

**742.02. CROSS TRADING-HANDLING BOTH BUYING AND SELLING ORDERS PLACED INTO THE ELECTRONIC TRADING SYSTEM.**

If a Market Participant enters such orders for different beneficial owners into the Electronic Trading System, one order must be exposed to market risk before entering the other, opposite order. The Exchange has the discretion to determine whether the order was exposed to sufficient market risk; however, for the purpose of this rule only, market risk will be presumed if the order was exposed to the market for at least five (5) seconds in the case of futures and at least fifteen (15) seconds in the case of options.