



Via Portal Submission

April 29, 2016  
MGEX Submission No. 16-9

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 MGEX Rule 2070.00., as set forth in the attached Exhibit A, complies 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>.

**I. AMENDMENTS TO MGEX RULES**

MGEX continually evaluates its Rules to ensure compliance with CFTC regulations as well as general principles of law. MGEX has utilized and relied upon general principles of legal agency between parties when evaluating a party’s conduct in the market. MGEX has decided to codify some of these agency principles as well as specify the duty to supervise agents, with the addition of Rule 2070.00. Duty To Supervise.

The Proposed Amendments codify that any act, omission, or failure of an agent may be deemed an act, omission, or failure of a party who had direct or indirect control of such agent. Under the Proposed Amendments actions may be delegated but responsibility is retained by the delegating party. Additionally, MGEX is not prohibited from bringing disciplinary action against either the party and/or the agent. The Proposed Amendments also allow MGEX to consider lack of internal controls of a party as an exacerbating factor when evaluating a violation of Rule 2070.00.

## 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 provide greater clarity to the MGEX Rules, and therefore permit MGEX to more efficiently monitor and enforce the applicable rules. The Proposed Amendments will also codify that a party may delegate the acts of complying with the MGEX Bylaws and Rules but may not delegate the responsibility.
- *DCM Core Principle 12, Protection of Markets and Market Participants:* The Proposed Amendments will further enhance MGEX’s ability to protect the market and market participants from abusive practices committed by any party, including abusive practices committed by a party acting as an agent for a participant.
- *DCM Core Principle 13, Disciplinary Procedures:* The Proposed Amendments will clarify and enhance the ability of MGEX to enforce its Rules on market participants including such participant’s delegation of the functions to third parties.

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 26, 2016. 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 amendments are intended to become effective ten (10) days from the date of this submission. If there are any questions regarding this submission, please contact me at (612) 321-7188. Thank you for your attention to this matter.

Best regards,

A handwritten signature in blue ink that reads "Emily Spott". The signature is written in a cursive style with a large initial "E" and "S".

Emily Spott  
Associate Corporate Counsel

Enclosure

# **EXHIBIT A**

## **2070.00. DUTY TO SUPERVISE.**

A party subject to MGEX Bylaws or Rules has a duty to supervise any agent, employee, or contractor under their direct or indirect control (for purposes of this Rule, an “agent”), who engages in this market or performs any Exchange-related activity. Any act, omission, or failure of any agent may be deemed to be an act, omission, or failure of the party.

Unless prohibited by MGEX Bylaw or Rule, a party may delegate the act of performance, but not the responsibility, of any MGEX Bylaw or Rule.

When assessing whether a party has violated MGEX Rule 2070.00., the Exchange may consider the party’s lack of sufficient internal controls as an exacerbating factor.

MGEX Rules do not prohibit the Exchange from bringing disciplinary action against both the party and the agent based on the same event or set of operative facts. If an agent is found to be in violation of any MGEX Bylaw or Rule, the Exchange may, in its discretion, take disciplinary action against the agent, the party, or both.