



Via Portal Submission

May 21, 2019  
MGEX Submission No. 19-11

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 and Bylaws**

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 2.2.8. (formerly 2088.00.), 2.2.9. (formerly 2084.00.), 2.3.1. (formerly 2009.00.), and 1402.00., Resolution 372.00., and MGEX Bylaws 201.01. and 372.00. as set forth in the attached Exhibit A, comply with the CEAct and the CFTC Regulations promulgated thereunder (collectively, the “Proposed Amendments”). MGEX further certifies that the submission and pending deletion of MGEX Rules have been posted on the MGEX website at the following link: <http://www.mgex.com/regulation.html>.

**I. AMENDMENTS TO MGEX RULES AND BYLAWS**

MGEX continually evaluates its Rulebook to ensure compliance with CFTC regulations as well as general principles of law. The amendments to MGEX Rules 2.2.8. (formerly 2088.00.), 2.2.9. (formerly 2084.00.), and 2.3.1. (formerly 2009.00.) (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 First Proposed Amendments include continued implementation of the new numbering system that provides each rule with a chapter, section, and rule number. This new system allows for improved organization, usability, and flexibility of the Rulebook over time. The new system will be implemented in conjunction with this ongoing process, with the objective of minimizing disruption and maintaining usability.

The amendments to MGEX Rule 1402.00., (the “Second Proposed Amendment”) are to clarify when Hard Red Spring Wheat option serial months become available for trading.

The amendments to MGEX Resolution 372.00. and Bylaws 201.01. and 372.00. (the “Third Proposed Amendments”) are to provide greater clarity to the Bylaws and remove unnecessary language in Resolution 372.00. Specifically, MGEX Bylaw 201.01. is to clarify that each candidate for the annual election must already be a Record Holder in Good Standing to be nominated by the Nominations Committee. Resolution 372.00. is being removed since it is incorporated into Bylaw 372.00.

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

MGEX has reviewed the Core Principles for designated contract markets (“DCM Core Principles”) and identified that the Proposed Amendments 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. The Second Proposed Amendments provide better alignment with trading practices. The Third Proposed Amendments will enhance and clarify foundational bylaws.
- *DCM Core Principle 7, Availability of General Information:* The Proposed Amendments have been disseminated on the MGEX website. The Proposed Amendments 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 provide greater clarity to help ensure protection of the market and market participants. The Second Proposed Amendments provide better alignment with trading practices. This better alignment should help ensure protection of the market and market participants. The Third Proposed Amendments will enhance and clarify foundational bylaws, which should better ensure protection of the market and market participants.
- *DCM Core Principle 13, Disciplinary Procedures:* The First Proposed Amendments will enhance the ability of MGEX to enforce its rules through greater clarity of language addressing these foundational topics. The Second Proposed Amendments will enhance the ability of MGEX to enforce its rules through better alignment of the rules with trading practices.

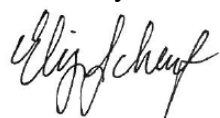
Pursuant to the authority set forth in MGEX Bylaw 210.01., the MGEX Board of Directors unanimously approved the Proposed Amendments at its meeting held on April 23, 2019. There were no substantive opposing views expressed by the Board of Directors, nor is MGEX aware of any substantive opposing views with respect to this filing.

Pursuant to the authority set forth in MGEX Bylaws 205.01. and 210.01., the MGEX Board of Directors unanimously approved the attached amendments to Bylaws 202.01. and

372.00. As required by MGEX Bylaw 205.01., the MGEX ownership also voted and approved of the amendments. There were no substantive opposing views expressed by the Board of Directors, nor is the Exchange aware of any substantive opposing views of the MGEX ownership 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) 321-7140. Thank you for your attention to this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Elizabeth Schenfisch". The signature is written in a cursive, flowing style.

Elizabeth Schenfisch  
Associate Corporate Counsel

Enclosure

## Exhibit A

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

### ~~2088.00~~2.2.8. REDUCTION OF CAPITAL.

~~Any Members with clearing and/or cash trading privileges, FCMs with customers trading MGEX Futures and Options contracts or any other entity~~Any Person required by the Exchange to provide financial information must immediately notify the Exchange of any material reduction of its net capital, adjusted net capital, working capital, and/or its net worth, including the incurring of a contingent liability that would materially affect net capital, adjusted net capital, working capital, and/or net worth should such liability become fixed. Such notice must be in writing and signed by an authorized representative. Failure to so notify the Exchange ~~shall~~will be considered an act detrimental to the interest and welfare of the ~~Corporation~~Exchange.

~~For the purposes of~~Circumstances that may trigger this Regulation, a Rule and/or be considered a material reduction include, but are not limited to:

1. A reduction amounting to twenty percent (20%) or more from the net capital or adjusted net capital ~~of an FCM or Guaranteed IB~~ reported as of the last date for which a financial statement or answer to a financial questionnaire was filed under ~~these Regulations shall be deemed material. Likewise, for Members with clearing and/or cash trading privileges, a~~the MGEX Rules.
- ~~4.2.~~ A reduction amounting to twenty percent (20%) or more from the working capital and/or net worth, for any Person declared Regular for delivery on any Exchange contract or with clearing and/or cash trading privileges, reported as of the last date for which a financial statement or answer to a financial questionnaire was filed under ~~these Regulations shall be deemed material. Working capital, for the purpose of this Regulation, shall be defined as total current assets minus total current liabilities. In defining net worth for the purposes of this Regulation, owner's equity, whether shareholder's equity, partnership equity or other equity capital, shall be considered as well as equities and deficits in proprietary accounts which are properly included in determining net worth. Adjusted net capital is defined in accordance with CFTC Regulation 1.17~~the MGEX Rules.

~~Any entity~~For purposes of this Rule, working capital is defined as total current assets minus total current liabilities.

For purposes of this Rule, net worth is defined as equities, whether shareholder's equity, partnership equity or other equity capital, minus deficits, in proprietary accounts or which are properly included in determining net worth.

For purposes of this Rule, adjusted net capital is defined in accordance with CFTC Regulation 1.17.

For purposes of this Rule, net capital is defined in accordance with SEC Rule 15c3-1.

~~-declared Regular for delivery on any Exchange contract must comply with this Regulation.~~

~~Information submitted must be signed by an authorized representative.~~

## ~~2084.00-~~ **2.2.9. RISK REQUIREMENTS MANAGEMENT PROGRAM FOR FUTURES COMMISSION MERCHANTS.**

All FCMs who are Members of the Exchange must establish, maintain, and enforce a risk management program designed to manage and monitor the risks associated with the FCM's activities ~~associated with the FCM including, but~~ The risk management program should include, but is not limited to, risks relating to operations, capital, and customer funds segregation.

Such risk management program must include written policies and procedures and, at a minimum, must meet the requirements set forth in CFTC Regulation 1.11, ~~as amended.~~ The ~~However, the~~ Exchange, ~~at may, in~~ its discretion, ~~may~~ adopt risk management requirements for Member FCMs that are more stringent than those of the CFTC if it deems such requirements appropriate.

Upon request of the Exchange ~~or the CFTC~~, the written risk management policies and procedures and other related information and documentation must be promptly made available for review.

## ~~2009.00~~ **2.3.1. RECORDS OF TRANSACTIONS.**

~~Any Member or Market Participant initiating or executing transactions on the Exchange must~~ Any Person subject to CFTC Regulation 1.35 shall keep full, complete, and systematic records ~~of their activity, including, but not limited~~ (including all pertinent data and memoranda) of all transactions relating to, ~~records its business of their activity dealing in the underlying commodity and related derivatives markets as well as~~ interests and any related cash ~~and~~ or forward transactions ~~in accordance with CFTC Regulation 1.35.~~ Such records may include, but are not limited to, records of electronic trading, all orders (filled, unfilled, or canceled), electronic audit trails, trading cards, signature cards, street books, journals, ledgers, wire transfer, canceled checks, copies of confirmations, and copies of statements of purchase and sale, and all other records which have been prepared in the course of business of dealing in commodity interests and any related cash or forward transactions.

Additionally, ~~all Members and non-member FCMs and IBs are~~ such Person is required to ~~record and maintain~~ keep all oral and written communications provided or received concerning quotes, solicitations, bids, offers, instructions, trading, and prices that lead to the execution of a transaction in ~~a commodity or~~ interests and any related ~~derivative market~~ cash or forward transactions, whether ~~communicated~~ transmitted by telephone, voicemail, facsimile, instant messaging, chat rooms, electronic mail, mobile device, or other digital or electronic media. ~~However, this~~ The requirement to record oral communications ~~shall~~ does not apply to: oral communications that lead solely to the execution of a related cash or forward transaction.

~~A. Oral communications that lead solely to the execution of a related cash or forward transaction;~~

~~B. Oral communications provided or received by a floor broker that do not lead to the purchase or sale for any person other than the floor broker of any commodity for future delivery or commodity option;~~

~~C. An Introducing Broker that has generated over the preceding three years \$5 million or less in aggregate gross revenue from its activities as an Introducing Broker;~~

~~D. A floor trader;~~

~~E. A commodity pool operator;~~

~~F. A Member of the Exchange that is not registered or required to be registered with the CFTC in any capacity.~~

All records of oral communications ~~required under this Regulation~~ must be retained for a ~~minimum period~~ of ~~not less than one year~~, from the date of such communication in accordance with CFTC Regulation 1.31. All other records must be retained for a ~~minimum period of not less than five years and readily accessible during the first two years of the five year period~~, from the date on which the record was created in accordance with CFTC Regulation 1.31. Additionally, all records must be ~~made available and open to produced for inspection at the request of~~ the Exchange, and any representative of the CFTC, or the United States Department of Justice.

#### **1402.00. OPTION TRADING.**

- A. **Hours of Trading.** The Hours of Trading Spring Wheat Options shall be determined by the Board of Directors in accordance with **Regulation 2011.00.**
- B. **Months Traded In.** Trading may be conducted in Spring Wheat options in the same months that are listed for trading in the Spring Wheat Futures Contract (see **Rule 715.00.**). Additionally, trading may be conducted in Spring Wheat options in months that are not listed for trading in the Spring Wheat Futures Contract. For options that are traded in months which Spring Wheat Futures are not traded, the underlying futures contract is the subsequent futures contract month that is nearest to the expiration of the option. ~~No more than two (2) options months outside the delivery cycle shall be available to trade at one time and shall be limited to those months immediately preceding the current delivery month and the next delivery month. Trading in an options month outside the delivery cycle may begin the first business day of the month immediately preceding its month of expiration. The underlying Spring Wheat Futures Contract month for such options month shall be the next month in the delivery cycle. However, t~~The Board of Directors shall determine the months available for trading, and may, at its discretion, restrict trading in any month should market conditions so warrant.
- C. **Last Trading Day.** The last trading day will be the Friday which precedes by at least two (2) business days, the last business day of the month preceding the option month. If such Friday is not a business day, the last trading day shall be the business day prior to such Friday (see **Res. 1402.00. C.**).
- D. **Option Expiration.** The contractual rights and obligations arising from the option contract expire on the last day of trading.

- E. **Option Premium Price Basis.** The premium for Spring Wheat futures options shall be in multiples of one-eighth of one cent (1/8) per bushel of a five thousand (5,000) bushel Spring Wheat futures contract or six dollars and twenty-five cents (\$6.25) per contract. However, in the case of a cabinet trade, when both sides are closing transactions, the option premium may range from one dollar (\$1.00) to six dollars (\$6.00) in one dollar (\$1.00) increments per option contract.
- F. **Position Limits.** Position Limits for Spring Wheat futures options shall be those limits currently in effect pursuant to Part 150 of the Regulations of the Commodity Futures Trading Commission.
- G. **Reportable Positions.** A position of twenty-five (25) or more put or call options on this Exchange, long or short, in any one (1) month of the first two (2) nearby delivery months or a position of one hundred (100) or more put or call options, long or short, in any one (1) month of the remaining delivery months shall be reportable position level for wheat options on this Exchange. All such positions shall be reported in a manner and form as designated by the Exchange and pursuant to Exchange **Rule 1505.00**.
- H. **Daily Price Limits.** Trading is prohibited in a Spring Wheat futures option at a premium of more than the trading limit for the Spring Wheat futures contract above and below the previous day's settlement premium for that option. On the first (1st) day of trading, limits shall be set from the lowest premium of the opening range.

#### **201.01. CANDIDATES: NUMBER TO BE NOMINATED.**

The Nominations Committee shall nominate any number of candidates, each of which must be a Record Holder of an Exchange Membership in Good Standing. Each candidate must confirm their acceptance of such nomination. ~~No individual can and cannot~~ be placed on the ballot for the Annual Election without being nominated by the Nominations Committee.

#### **372.00. DELEGATION.**

A Record Owner may lease the rights and privileges of Membership to an individual ("Delegate") on the following conditions:

- A. The Delegate ~~shall~~will be approved by the Exchange under the standards of **Bylaws 300.00** and **301.00**. The Delegate shall sign a written agreement to observe and be bound by the Bylaws and MGEX Rules and all subsequent amendments. ~~subsequently made thereto.~~
- B. The Delegation Agreement and any subsequent amendment(s) ~~thereto shall~~must be in writing in such form as the Exchange may prescribe and a copy ~~shall~~must be filed with the Exchange. However, the Delegation Agreement ~~shall~~will automatically be nullified if there is a loss of any of the qualifications for entering a Delegation Agreement, such as sale of the Membership by the Record Owner or expulsion of the Record Owner or Delegate. In the event the Record Owner sells its Membership, the Delegate ~~shall~~will have thirty (30) days from the



effective date of ownership change to enter into another Delegation Agreement and the transfer fee ~~shall~~will be waived.

- C. The Record Owner will~~shall~~ remain liable for all assessments and dues.
- D. A Record Owner who has delegated his/her Record Holder privileges ~~shall~~will not have physical access to the Exchange Room during the period the Membership has been leased, unless he/she is a Record Holder of another Membership, or registers as a visitor.
- E. No Delegation Agreement ~~shall~~may have a term of less than ninety (90) days.
- F. A Delegate is limited to trading for his/her own account. A Delegate may not act as a Broker ~~under Regulation 2055.02.~~
- G. The Delegate ~~shall~~must deposit with the Exchange an amount of money to be determined by the Exchange. The deposit ~~is to~~will be held for the term of the lease. No interest will be paid on the deposit. The deposit ~~shall~~will be refunded at the end of the lease if the Delegate has no outstanding debts due to ~~MGEX~~the Exchange or lease payments due to the Record Owner. Claims by ~~MGEX~~the Exchange ~~shall~~will be satisfied first with any surplus to be made available to the Record Owner to satisfy lease payments. ~~(See Resolution 372.00.)~~
- H. A Delegate shall pay ~~an~~ fee each month unless said Delegate trades a minimum number of ~~MGEX~~ Futures and/or Options C contracts. The ~~Board of Directors shall~~Exchange will determine the fee to be paid and the minimum number of contracts to be traded. ~~(See Resolution 372.00.)~~
- I. Unless renegotiated, upon expiration or default of a Delegation Agreement, the Membership ~~shall~~will be transferred into the name of the Record Holder designated by the Record Owner. If the individual designated as Record Holder is not a current Record Holder, he/she will have to apply for Membership.
- J. No Delegate or former Delegate ~~shall~~may enter into a Delegation Agreement or a renewal thereof if there are any unpaid debts due to ~~MGEX~~the Exchange or lease payments due to the Record Owner until such debts have been satisfied or reviewed to the satisfaction of the Exchange.
- K. No Delegate will be eligible to serve on the Board of Directors.

**~~RESOLUTION 372.00.——~~**

~~Pursuant to Rule 372.00. G. and H., the Minneapolis Grain Exchange Board of Directors has adopted the following requirements to be met by Delegates of the Exchange.~~



~~A Delegate shall deposit one thousand dollars (\$1,000.00) with the Exchange. No interest will be paid on the deposit.~~

~~A Delegate shall pay a fee of two hundred dollars (\$200.00) each month unless said Delegate trades a minimum of twenty five (25) MGEX futures and/or options contracts.  
Approved by the Board July 9, 2009, effective September 1, 2009.~~