



Via Portal Submission

June 27, 2019
MGEX Submission No. 19-15

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 2.3.2. (formerly 2017.00.), 2.3.3. (formerly 769.00.), 2.3.4. (formerly 770.00.), 2.3.5. (formerly 2069.00.), 2.3.6. (formerly 768.00.), 2.4.2. (formerly 2020.00.), and the addition of new MGEX Rule 2.4.1. 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 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

MGEX continually evaluates its Rulebook to ensure compliance with CFTC regulations as well as general principles of law. The amendments to MGEX Rules 2.3.2. (formerly 2017.00.), 2.3.3. (formerly 769.00.), 2.3.4. (formerly 770.00.), 2.3.5. (formerly 2069.00.), 2.3.6. (formerly 768.00.), 2.4.2. (formerly 2020.00.), and the addition of new MGEX Rule 2.4.1. 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 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.

II. COMPLIANCE WITH CORE PRINCIPLES

MGEX has reviewed the Core Principles for designated contract markets (“DCM Core Principles”) and identified that the Proposed Amendments and Addition 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. The Proposed Amendments will also provide greater clarity through updated language and structure.
- *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 Proposed Amendments will incorporate these foundational rules earlier in the MGEX Rulebook. Such organizational structuring and updated language may provide greater clarity to help ensure protection of 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 language addressing 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 June 25, 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.

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~~.

~~2017.00~~2.3.2. **RECORDING ORDERS.**

Each Clearing Member, ~~or Member~~FCM, and Person who is authorized to, and who receives an order from a customer, ~~including a customer who is a Floor Trader or Floor Broker,~~ which is not in the form of a written record showing the account identification, order number, and the date and time, to the nearest minute such order was transmitted or received, or cannot immediately be entered into the Electronic Trading System, ~~shall~~must immediately upon receipt thereof prepare a written record of such order, including an account identification and order number and shall record thereon, by time-stamp, the date and time, to the nearest minute, the order is received. Further, all option orders reduced to writing must be time-stamped, to the nearest minute, upon transmittal to the ~~options pit~~Exchange Room for execution, and upon execution.

~~769.00~~2.3.3. **OMNIBUS ACCOUNTS.**

An omnibus account ~~stands in the name of an organization or firm and~~ is utilized for placing and clearing the trades of one or more undisclosed customers of the account.

An omnibus account may be carried only for a ~~person, organization or firm which~~Person that is in compliance, with the registration requirements of the Commodity Futures Trading Commission. It ~~shall~~will be the responsibility of the ~~firm~~Person handling an omnibus account to be aware of, and vouch for the registration status of the account.

The ~~person~~Person responsible for an omnibus account ~~shall~~must at all times disclose, upon request of the Clearing Member carrying that account, the gross long and short positions held by that account in each commodity. The ~~person~~Person responsible for an omnibus account ~~shall~~must, at least two (2) business days prior to the first delivery day in a contract month, provide the Clearing Member carrying that account, with a complete list of the purchase and sale dates of all open positions for that contract month. Such list ~~shall~~must be kept up to date throughout the delivery month. Clearing Members carrying omnibus accounts must maintain a complete list of all omnibus accounts maintained on their books.

A Clearing Member carrying an omnibus account (except an omnibus account of another Clearing Member) ~~shall~~will indemnify and hold harmless the Exchange for any loss of damage suffered by the Exchange by reason of fraudulent dealings with, or management of, customer funds and transactions within the omnibus account. Each Clearing Member that maintains an omnibus account with another Clearing Member shall also bear financial responsibility to the Exchange for that omnibus account.

~~770.00~~2.3.4. **DISCRETIONARY ACCOUNTS.**

No Clearing Member ~~shall~~will accept or carry an account over which any Person, other than the Person in whose name the account is carried, exercises discretionary trading authority or control without ~~meeting the following conditions:~~

~~A. — Authorization.~~

~~The Person in whose name the account is being carried shall sign first~~ obtaining a written and ~~submit to the Clearing Member a dated~~ power of attorney, trading authorization, or ~~other similar~~ document (hereinafter "Power of Attorney") by which trading authority ~~or control is clearly given and that designates~~ is given. Such Power of Attorney must be signed and submitted to the Clearing Member and must designate the trading authority or control given and precisely to whom the trading authority or control is given.

~~The power of attorney, trading authorization, or the document by which trading authority is given, shall be in writing showing the date it was entered into. It shall~~ Such Power of Attorney will remain in effect until it is terminated by ~~a~~ written revocation signed by the ~~person~~ Person for whom the account is carried or by the death or incapacity of such ~~person.~~

Person. Termination may also be made by ~~the person~~ written revocation signed by the Person to whom such ~~power~~ authority or control has been ~~delegated and must be in writing~~ given or by the death or incapacity of such ~~person~~ Person.

~~B. — Orders.~~

~~Any person initiating an order for an account over which he has discretion must reduce the order~~ The records of the Clearing Member must clearly identify each discretionary account it carries. The Clearing Member agrees to ~~writing, record thereon the account number and date, and time stamp the order.~~ promptly provide the Exchange with a list of such accounts upon request.

This ~~requirement shall~~ Rule does not apply to the following:

~~(1. — Accounts)~~ accounts maintained by Members for their families (spouse, parent, child, grandparent, grandchild, brother, sister, aunt, uncle, nephew, niece, or in-law);

~~);~~ ~~(2. — Accounts)~~ accounts belonging to other Exchange Members;

~~); and~~ ~~(3. — Proprietary)~~ proprietary accounts of Clearing Members.

~~C. — Records.~~

~~—The records of the Clearing Member shall clearly identify each controlled account it carries, and the Clearing Member agrees to provide the Exchange with a list of such accounts promptly upon request.~~

~~2069.00~~ **2.3.5. REPORTING REQUIREMENTS AND SANCTIONS** DISCIPLINARY ACTION.

~~A. Members, Market Participants and all nonmembers approved as Regular are required to~~ Persons subject to MGEX Rules must submit all data, records and other information required by MGEX Rules or requested by the Exchange ~~or required by MGEX Rules and Regulations~~ in an accurate, complete and timely manner, and in a method and format agreeable to the Exchange.

Failure to comply with such reporting requirements will subject ~~the Member, Market Participant or nonmember approved as Regular~~ said Person to a summary fine or other disciplinary action including, but not limited to, the matter being referred to the Disciplinary Committee.

~~768.00.~~ **2.3.6. ACCEPTANCE OF ACCOUNTS FROM OTHERS THAN PRINCIPALS.**

Except as provided in ~~OMNIBUS ACCOUNTS~~ omnibus accounts and ~~DISCRETIONARY ACCOUNTS~~ discretionary accounts, no Member or Market Participant shall make a purchase or a sale of any commodity in futures or options in this market for the account of another ~~party~~ Person, nor shall any Member or Market Participant accept or carry such an account for such other ~~party~~ Person, if such other ~~party~~ Person is known to be acting as an agent for and on behalf of others, unless such other ~~party~~ Person is properly registered with the CFTC or the National Futures Association.

No purchase or sale of commodities in futures or options shall be made in this market, and no account for such purchase or sale shall be accepted or carried for the account of any ~~person~~ Person if such purchases or sales are made pursuant to trading authority given by such ~~person~~ Person to another ~~person~~ Person (not a member of the same family) to trade in his or her name, except on the following terms and conditions:

- A. A monthly statement ~~shall~~ must be sent directly to the ~~person~~ Person for whose account such purchases or sales have been made, showing the exact position of the account, including all open trades figured to the market;
- B. Each transaction ~~shall~~ must be specifically designated with the name of the ~~person~~ Person for whose account such purchase or sale has been made at the time the order is accepted;
- ~~C. —No transaction shall be held open in the name of the person for whose account such transaction has been made if such transaction can be closed by making up an Account of Purchase and Sale;~~

- ~~D~~C. Confirmations of all trades ~~shall~~must be sent promptly, both to the ~~person~~Person for whose account such purchases or sales have been made and to the ~~party~~Person authorized to act for his ~~or~~/her account;
- ~~E~~D. Written evidence of such delegation of authority by such ~~party~~Person to such other ~~party~~Person to trade in his ~~or~~/her name ~~shall~~must have been furnished to the Member or Market Participant making the trade.

2.4.1. FEES: COLLECTIONS.

The Exchange may from time to time issue invoices for fees or other money owed to the Exchange and collect the same. Furthermore, the Exchange has the authority to take disciplinary action under MGEX Rules and enforce such collections to the fullest extent allowable by law.

~~2020.00.~~2.4.2. FEES: EXCHANGE FEE.~~FEES.~~

~~Pursuant to the provisions of Rule 231.00., the Exchange has adopted this Regulation:~~

- A.—— The Exchange ~~shall~~will set ~~Exchange~~exchange fees from time to time and ~~shall~~ make such fees publicly available. The Exchange may elect to waive or modify such fees.
- B.—— Payment of ~~the Exchange fee will be~~ such fees is due onto the Exchange upon receipt of invoice ~~at the end of each month for the transactions (whether purchases, sales or deliveries) executed on the Exchange during that month. Payment is to be submitted to the Treasurer of the Corporation.~~