



Via Portal Submission

October 10, 2019  
MGEX Submission No. 19-25

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 the amendments to MGEX Rules 2.1.4., 2.4.3. (formerly 2024.00.), 730.00., and 730.01; amendments to specific Chapter 1 Definitions and Chapter 70 Forms; and removal of Resolution 2024.00., 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 specific Chapter 1 Definitions and Chapter 70 Forms within the MGEX Rules, as well as MGEX Rule 2.1.4. and 2.4.3 (formerly 2024.00.) and removal of MGEX Resolution 2024.00. (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 amendments to MGEX Rule 730.00. and addition of MGEX Rule 730.01. (the “Second Proposed Amendments”) are to allow an exception to the prohibition on prearranged or pre-negotiated purchase or sales as well as non-competitively executed Futures or Options transactions.

## 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 as well as to clarify certain terms and concepts. The Second Proposed Amendments provide for the establishment, monitoring, and enforcement of the exception to the prohibition in MGEX Rule 730.00.
- *DCM Core Principle 7, Availability of General Information:* The Proposed Amendments have been disseminated on the MGEX website, and 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 also provide greater clarity to help ensure protection of the market and market participants and clarify certain terms and concepts to the market and market participants. The Second Proposed Amendments provide for the establishment, monitoring, and enforcement of the exception to the prohibition in MGEX Rule 730.00., which should help 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 the terms and concepts of these foundational topics. The Second Proposed Amendments will enhance the ability of MGEX to enforce its rules through the establishment and monitoring of the exception to the prohibition in MGEX Rule 730.00.

There were no substantive opposing views expressed by the Board of Directors, nor is MGEX 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,



Elizabeth Schenfisch  
Associate Corporate Counsel

Enclosure

## Exhibit A

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

### Chapter 1 (Definitions)

**BULLETIN BOARD:** The Official Bulletin Board, ~~in the Exchange Room and~~ at www.mgex.com, ~~where notices are customarily posted.~~

**BYLAWS:** The Bylaws of the ~~Minneapolis Grain Exchange, Inc., as~~ duly adopted by the Board of Directors and Members of the Exchange. ~~Bylaws do not include Chapter 1 and Chapters 4 – 82 of the MGEX Rules.~~

**CEA OR ACT:** The Commodity Exchange Act, as amended.

**CFTC OR COMMISSION:** The U.S. Commodity Futures Trading Commission.

**CHAIRPERSONMAN:** A Member of the Exchange serving on the Board of Directors elected by the Directors as the Chairperson ~~ief Executive Officer of the Board.~~

~~COMMODITIES: Wheat, Durum Wheat, Corn, Oats, Rye, Barley, Flaxseed, Soybeans, Field Seeds, Buckwheat, Speltz, Grain Sorghums, Screenings and such other commodities as are customarily traded on this Exchange subject to MGEX Rules.~~ **COMMODITY:** Any product approved and designated by the Exchange for trading or clearing pursuant to MGEX Rules.

~~FUTURES OR, FUTURES CONTRACTS, FUTURES TRADES, CONTRACTS OR TRANSACTIONS FOR FUTURE DELIVERY:~~ ~~Contracts for the purchase or sale of commodities for delivery "In Store" in an elevator (eligible to make deliveries under MGEX Rules) during some specified month, in accordance with~~ A legally binding agreement to buy or sell a Commodity for future delivery pursuant to MGEX Rules.

**FREIGHT BILLS:** See Rule 1019.00.

~~MGEX RULES OR RULES:~~ ~~Includes the~~ The Rules, Regulations, Resolutions, Interpretations, procedures, customs, and usages of the Exchange, duly adopted by the Board of Directors.

**OPTIONS OR OPTIONS CONTRACT:** A legally binding agreement that gives the buyer the right, but not the obligation, to buy, sell, or enter into a Futures Contract. See also Chapter 15.

**TIME, COMPUTATION OF:** Wherever in the MGEX Bylaws or ~~MGEX~~ Rules any act is required to be performed within a certain number of days (or business days), the Bylaw or ~~MGEX~~ Rule for computing time shall be to exclude the day on which notice pertaining to such act is given, and to include the day on which such act shall take place.

**VICE CHAIRPERSONMAN:** A Member of the Exchange serving on the Board of Directors ~~duly~~ elected by the Directors ~~to the Office of~~ as the Vice Chairperson man.

Rule 2.1.4. (MGEX Rules, Interpretation, And Enforcement Authority)

**2.1.4. MGEX RULES, INTERPRETATION, AND ENFORCEMENT AUTHORITY.**

The Exchange has adopted the MGEX Rules, and from time to time adopts amendments to such Rules (See Bylaw 204.010. and 204.024.), to promote a free and open market on the Exchange, to maintain appropriate business conduct, and to provide protection to the public. The Exchange, in its sole discretion, will interpret and enforce the MGEX Rules not inconsistent with applicable provisions of the Commodity Exchange Act, as amended, and Commodity Futures Trading Commission (“CFTC”) Regulations promulgated thereunder.

Chapter 70 (Forms)

**Form - Response to non-member complaint**

Please note that Exchange Rule 418517.00. PRE-HEARING EXCHANGE OF DOCUMENTS AND WRITTEN INFORMATION (see enclosed copy of Arbitration Rules) requires that all parties cooperate in the voluntary exchange of relevant documents and written information to facilitate a fair, equitable and expeditious hearing.

**2024.00-2.4.3. FEES: EXCHANGE REGULATORY FEEFEES.**

~~Pursuant to~~As a self-regulatory organization, the ~~provisions of Rule 210.01.,~~ the Board of Directors has adopted this Regulation:

~~An~~Exchange may assess an exchange regulatory fee ~~shall be paid by every Clearing Member or FCM~~fees. The ~~Exchange~~exchange regulatory fee or fees shall be ~~fixed~~set from time to time by the ~~Board of Directors.~~(See ~~Resolution 2024.00.~~)

Exchange. The ~~Board of Directors~~Exchange may, in its sole discretion, waive all or part of the exchange regulatory fee ~~based upon the clearing or Futures and Options trading activities of such Clearing Member or entity, or such other standard as may be adopted~~fees.

**RESOLUTION 2024.00.**

~~The Minneapolis Grain Exchange Board of Directors has adopted the following schedule of Exchange regulatory fees to be paid to the Corporation annually. The fee shall be prorated over the Corporation’s fiscal year for each month the entity is registered.~~

~~A fee of \$10,000 shall be paid by registered futures commission merchant members for which the Exchange is the self-regulatory organization responsible for monitoring and auditing for compliance with the minimum financial, segregation and related reporting and recordkeeping requirements. Such fee shall also apply if the Exchange has delegated its responsibilities to another designated self-regulatory organization. However, the fee shall be waived if the registered futures commission merchant member clears 50,000 contracts annually.~~

~~Approved by the Board on January 18, 2001.~~

**730.00. — PREARRANGED, PRE-NEGOTIATED, AND NONCOMPETITIVE TRADES PRICES PROHIBITED.**

~~Purchase or sales or offers to purchase or sell commodity futures or options in this market may not be made at prearranged prices.~~ No Person shall prearrange or pre-negotiate any purchase or sale or noncompetitively execute any Futures or Options transaction, except as permitted by the provision below or in accordance with Rule 730.01.

The forgoing prohibition shall not apply to Exchange For Related Positions transactions executed pursuant to Rule 719.00.

### **730.01. PRE-EXECUTION COMMUNICATIONS REGARDING ELECTRONIC TRADES.**

Persons may engage in pre-execution communications with regard to Futures and Options for MGEX Agricultural Indexes and HRSW transactions executed on the Electronic Trading System, where one Person wishes to be assured that an opposing, secondary Person, will take the opposite side of the order under the following circumstances:

- A. A Person may not engage in pre-execution communications with market participants on behalf of another Person unless the Person for whose benefit the trade is being made has previously consented to permit such communications.
- B. Persons involved in pre-execution communications shall not disclose the details of such communications to any third Person. Additionally, no Persons shall enter orders based on information conveyed during pre-execution communications except for the orders required and in accordance with the protocol noted within this Rule.
- C. Utilizing the RFQ + RFC Cross (“R-Cross”) protocol. Following the pre-execution communication, a Request for Quote (“RFQ”) for Futures or Options must be entered into the Electronic Trading System. Thereafter, the Request for Cross (“RFC”) order must be entered no less than five (5) seconds for Futures, or fifteen (15) seconds for Options, as well as no more than thirty (30) seconds for either Futures or Options after the entry of the RFQ in order to proceed with the trade. The RFQ and RFC must be entered within the same trading session. Failure to enter the RFC within 30 seconds after the entry of the RFQ will require a new RFQ to be entered prior to the entry of the RFC, and in accordance with the aforementioned timing parameters.