



Via Portal Submission

December 17, 2014
MGEX Submission No. 14-30

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 and Regulations

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 Regulation 2007.00. and new Regulation 2007.01., as set forth in the attached Exhibit A, comply with the CEAct and the CFTC Regulations promulgated thereunder. MGEX further certifies that the submission and pending changes to the MGEX Rules and Regulations have been posted on the MGEX website at the following link: <http://www.mgex.com/regulation.html>.

I. AMENDMENTS TO FRAUDULENT TRADING REGULATIONS AND ADDITION OF EXPRESS SPOOFING PROHIBITION.

MGEX maintains a strong and robust market surveillance program, overseen by its Department of Audits and Investigations (“Department”). Existing MGEX Rules and Regulations serve to prohibit any and all illegal, fraudulent, or otherwise disruptive trade practices that may be perpetrated by MGEX market participants. In order to enhance the Department’s ability to effectively enforce rules prohibiting such practices and take action on violations, MGEX proposes to amend Regulation 2007.00., Fraudulent Trading Prohibited, to encompass both intentional and reckless conduct.

MGEX has long monitored the market for potential violations of the kind commonly known in the industry as “spoofing.” Previously, MGEX has utilized Rule 732.00., Fictitious Bids or Offers Prohibited, as its primary anti-spoofing provision. In order to be abundantly transparent and clear with the market, MGEX has enacted Regulation 2007.01., “Spoofing” Practices Prohibited, to specifically and unambiguously prohibit spoofing on MGEX contracts.

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 new regulation (collectively, the “Proposed Changes”) may impact the following DCM Core Principles:

- *DCM Core Principle 2, Compliance with Rules:* The Proposed Changes consist of critical upgrades to MGEX's ability to enforce MGEX Rules and Regulations. By adopting the Proposed Changes, MGEX and the Department will be in a better position to identify and investigate possible abusive trade practices, as well as take enforcement action.
- *DCM Core Principle 3, Contracts Not Readily Subject to Manipulation:* The Proposed Changes are being adopted to expressly prohibit spoofing activities, prohibit reckless practices that have abusive effect, and provide clarity and transparency on both. The Proposed Changes will also assist the Department in identifying and investigating possible abusive trade practices, as well as taking enforcement action.
- *DCM Core Principle 4, Prevention of Market Disruption:* The Proposed Changes are designed to prevent market disruption by prohibiting spoofing activities and reckless trade practices that have abusive effect.
- *DCM Core Principle 7, Availability of General Information:* The Proposed Changes will be publicly available in the MGEX Rules and Regulations. In addition, the Proposed Changes have been disseminated on the MGEX website.
- *DCM Core Principle 9, Execution of Transactions:* Core Principle 9 states that MGEX must "provide a competitive, open, and efficient market" that "protects the price discovery process...." The Proposed Changes aid in protecting the legitimate price discovery functions of MGEX by prohibiting abusive trade practices that could artificially inflate or otherwise affect legitimate market conditions.
- *DCM Core Principle 12, Protection of Markets and Market Participants:* The Proposed Changes promote fair and equitable trade practices by clarifying certain prohibited trade practices. By enhancing the overall regulatory framework of MGEX and the Department, the Proposed Changes will serve to protect market participants from harm.

Pursuant to the authority set forth in MGEX Rule 210.01., the MGEX Board of Directors unanimously approved the proposed amendment to Regulation 2007.00. and new Regulation 2007.01. at its meeting held on December 16, 2014. There were no substantive opposing views expressed by the Board of Directors, nor is the Exchange 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) 321-7128. Thank you for your attention to this matter.

Sincerely,



Aaron C. Nyquist
Assistant Corporate Counsel

Enclosure

EXHIBIT A

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

2007.00. FRAUDULENT TRADING PROHIBITED.

The Exchange prohibits any and all forms of fraudulent trading or attempted fraudulent trading on its markets, regardless of whether such fraudulent or attempted fraudulent trading is intentional or is made with reckless disregard for the adverse impact of any such activity.

2007.01. "SPOOFING" PRACTICES PROHIBITED.

The Exchange expressly prohibits all trade practices that are, or are of the character of, what is commonly known within the derivatives trading industry as "spoofing," regardless of whether any such trade practices are made intentionally or with reckless disregard for their adverse impact. Prohibited practices include, but are not limited to:

- (1) the entry of any and all bids, offers, or trades that are not made for the purpose of executing bona fide transactions, or made for any illegitimate purpose;
- (2) entering orders with the intent to cancel the bid or offer before execution, or modifying the order to avoid execution; and
- (3) bidding or offering trades and then cancelling said bids or offers prior to execution with reckless disregard for the adverse impact of such practices on the market in violation of these Rules and Regulations.