



Via Portal Submission

June 14, 2024
MGEXDCO Submission No. 24-12

Mr. Christopher 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 Regulation 40.6(a): Amendment to MGEX Rules Chapter 21

Dear Mr. Kirkpatrick:

Pursuant to Commodity Exchange Act (“CEAct”) Section 5c and Commodity Futures Trading Commission (“CFTC” or “Commission”) Regulation 40.6(a), the Minneapolis Grain Exchange, LLC (“MGEX” or “Exchange”) hereby certifies that the attached amendments to MGEX Rules applicable to Clearing Members and Clearing Member applicants comply with the CEAct and CFTC Regulations. MGEX further certifies that the submission and pending changes to the MGEX Rules have been posted on the Exchange website at the following link: <http://www.mgex.com/regulation.html>.

Overview of Rule Amendment

MGEX proposes the following Rulebook amendments to reflect updated requirements applicable to Clearing Members and Clearing Member applicants seeking clearing privileges at MGEX and/or the designated contract markets for which MGEX provides clearing as a service, including Bitnomial Exchange and the Intelligent Medicine Exchange.

DCO Core Principles

In connection with adding the following Rule amendments, the Exchange has reviewed the core principles for DCOs (“DCO Core Principles”) and has determined that the amendments comply with the requirements of such principles. During the review, MGEX identified the following DCO Core Principles as potentially being impacted:

- *DCO Core Principle B – Financial Resources:* Core Principle B requires a DCO to possess financial resources that, at a minimum, exceed the total amount that would enable the organization to meet its financial obligations to its members and participants notwithstanding a default by the member or participant creating the largest financial exposure for that organization in extreme but plausible market conditions. The amendment to Rule 2105.00. clarifies how MGEX determines the amount required for a clearing member’s minimum security deposit, one of the sources of MGEX financial resources applied during a default.

- *DCO Core Principle C – Participant and Product Eligibility:* Core Principle C requires a DCO to establish admission and continuing eligibility standards for its members. The amendments to Chapter 21 clarify and establish requirements for Clearing Member eligibility as it relates to Clearing Members seeking approval to clear contracts of MGEX and/or the exchanges for which MGEX provides clearing as a service. The amendments also address requirements when a clearing member seeks to re-establish clearing privileges with MGEX following a withdrawal of clearing membership.
- *DCO Core Principle D – Risk Management:* Core Principle D requires DCOs to maintain the ability to manage risks associated with discharging the responsibilities of the DCO through the use of appropriate tools and procedures. The amendment to Rule 2105.00. clarifies and provides transparency surrounding the process for assigning security deposit requirements, the submission of which is required to become an MGEX Clearing Member approved to clear MGEX and/or other exchange contracts.
- *DCO Core Principle L – Public Information:* Core Principle L requires DCOs to provide market participants with sufficient information and to have clear and comprehensive rules and procedures. The amendment to these Rules will be incorporated into the Exchange's Rules, which are posted publicly on the MGEX website in satisfaction of this core principle.

Pursuant to MGEX Bylaw 3.1., the MGEX Board of Directors unanimously approved the attached amendments to the MGEX Rules. 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. The attached amendments are to be effective when incorporated into MGEX's Rules on its website, which will be at least 10 business days following the date of this submission.

If there are any questions regarding this submission, please contact me at (612) 321-7159 or apilon@miaxglobal.com. Thank you for your attention to this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Amanda R. Pilon". The signature is fluid and cursive, with the first name "Amanda" and last name "Pilon" clearly distinguishable.

Amanda R. Pilon
Associate Corporate Counsel, DCO & Int'l

EXHIBIT A

The following MGEX Bylaws are to be amended. Additions are underlined while deletions are ~~strike~~through.

CHAPTER 21. CLEARING HOUSE RULES

2100.01. ELECTRONIC TRADING SYSTEM CLEARING.

In addition to compliance with the applicable Rules in this Chapter, all transactions for Futures or Options traded on the Electronic Trading System or other designated contract market MGEX clears contracts for shall be submitted to the Clearing House for clearing. Submission of the data shall be at times determined by and in a format approved by the Exchange.

Any trade required for clearing and entered, executed and matched by the Electronic Trading System shall be submitted for clearing.

Upon acceptance of the submitted trade data and completion of the clearing process, a recapitulation statement of all trades and positions shall be produced and sent to the respective Clearing Member's electronic mail account.

Each Clearing Member shall be responsible for receipt and review of the recapitulation statement. The Exchange shall not be liable for the inability of a Clearing Member to receive a statement sent by the Exchange.

2100.02. CLEARING PRIVILEGES.

In order to clear trades at MGEX, a Clearing Member must be granted clearing privileges by the Exchange. Clearing privileges are only effective upon the Clearing Member's receipt of notice of MGEX Exchange Officer approval of the Clearing Member to clear contracts at MGEX. The Exchange may revoke said clearing privileges for cause at any time.

Clearing privileges may be granted and retained only if and when the terms and conditions set forth below have been met:

- A. A Clearing Member must have completed and remain in compliance with the terms contained in the Application for Clearing Privileges, the Clearing Member Agreement, and the MGEX Rules.
- B. A Clearing Member must be in good financial standing and meet the minimum financial requirements as may be determined by the Exchange.

- C. A Clearing Member must have the personnel, and computer hardware and software to effectively communicate with MGEX and otherwise conduct the business of clearing in an efficient manner.
- D. A Clearing Member must have provided all materials required by MGEX as a condition of Clearing Member approval, including but not limited to, documentation and financial resources.

In addition, a Clearing Member will only be granted clearing privileges to clear ~~Bitnomial Exchange contracts~~ contracts listed on another designated contract market and cleared by MGEX if it meets all of the above requirements and the following terms and conditions:

- E. A Clearing Member must be registered as a futures commission merchant with the CFTC and NFA and meet all applicable requirements, including, but not limited to, requirements relating to minimum net capital, financial reporting, and recordkeeping.
- F. A Clearing Member must have completed and remain in compliance with the terms contained in ~~the~~ any applicable Clearing Member Agreement(s) for Clearing Bitnomial Exchange, LLC Contracts the designated contract market(s) for which it clears contracts.

2100.04. WITHDRAWAL OF CLEARING MEMBERS.

A Clearing Member that intends or desires to withdraw from clearing membership must first provide written notice indicating such intent to the Clearing House (the "Withdrawal Notice"). A Withdrawal Notice must be submitted by an individual who is duly authorized to act on behalf of the organization, and if the Clearing Member is approved by MGEX to clear for more than one ~~exchange~~ designated contract market, the notice must indicate from which clearing membership(s) it is withdrawing. After a Clearing Member has delivered its Withdrawal Notice (including during any Cooling Off Period), it is subject to the following requirements and obligations:

- A. The Clearing Member must close out or transfer all open positions (Regular and/or Segregated accounts) to existing Clearing Members.
- B. The only transactions that may be submitted for clearing are those transactions used to transfer, terminate, liquidate, or otherwise reduce open positions and close out of contracts cleared by MGEX ~~contracts~~.
- C. The Clearing Member must satisfy and perform in full all obligations, financial and otherwise, to the Exchange and Clearing House.

- D. Any open investigations, disciplinary matters, or other regulatory issues must be closed.
- E. Any obligations to other Clearing Members and/or customers must be paid for or otherwise provided for.

A Clearing Member's withdrawal will be effective only after a Clearing Member has fully satisfied all of the above conditions and the Exchange has approved such withdrawal in writing (the "Withdrawal Date"). Following the Withdrawal Date, the Exchange will return the withdrawing Clearing Member's security deposit, as well as any other deposits or assets required by or available to the Clearing House, within sixty (60) days.

Any Withdrawal Notice issued by a Clearing Member will be considered irrevocable and clearing privileges may only be reinstated by ~~completing a new Application for Clearing Privileges and Clearing Member Agreement and~~ satisfying all of the requirements set forth in **Rule 2100.02**, including completion of a new Application for Clearing Privileges, execution of any applicable Clearing Member Agreement(s), and formal approval by the Exchange Officers.

2105.00. SECURITY DEPOSIT.

Each Clearing Member shall deposit with the Clearing House as security for its obligations thereto such amount as determined by the Exchange. Each designated contract market that the Exchange clears for shall have a dedicated minimum security deposit determined by the Exchange. Each Clearing Member's total minimum required security deposit shall be determined by the Clearing House and based on which designated contract markets the Clearing Member is approved to clear. The form of such deposit shall also be determined by the Exchange. The Exchange may change the amount and form of such deposit as necessary. Deposits may be withdrawn on written request when a Clearing Member ceases to be a Clearing Member and the Exchange has determined that all contracts and obligations with the Exchange have been settled in accordance with **Rule 2100.04**.