



Via Electronic mail

January 9, 2014
MGEX Submission No. 14-2

Ms. Melissa Jurgens
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); Update to MGEX Rulebook

Dear Ms. Jurgens:

Pursuant to Commodity Exchange Act ("CEAct") Section 5c and Commodity Futures Trading Commission ("CFTC" or "Commission") Regulation 40.6(a), the Minneapolis Grain Exchange, Inc. ("MGEX" or "Exchange") hereby certifies that the attached amended MGEX Rules and Regulations comply with the CEAct and the Commission regulations promulgated thereunder. MGEX further certifies that the submission and pending changes to the MGEX Rules and Regulations have been posted on the Exchange website at the following link: <http://www.mgex.com/regulation.html>.

I. Amendments to Rule 730.00, and the addition of Regulation 2070.00, in connection with pre-execution communications

The purpose of the amendments to Rule 730.00, and new Regulation 2070.00, is to allow for pre-execution communications for options products outside of open outcry trading hours, to specify under which circumstances pre-execution communications would be permitted, and to provide for use of the Request for Cross ("RFC") functionality.

II. Amendments to the MGEX Rules and Regulations in connection with MGEX summary fine schedules

The purpose of the addition of Regulation 1225.00., removal of Regulation 2068.00., and amendments to Regulation 2069.00, and Resolution 210.01.F.¹ is to properly adopt the summary fine schedules into the MGEX Rulebook by removing duplicate information and codifying the Exchange's authority to impose and amend the summary fine schedules.

¹ See also: MGEX Submission 13-27 dated December 30, 2013, which included amendments to Resolution 210.01.F. in connection with a liquidity event and related risk management requirements.

III. The addition of MGEX Regulation 2084.00. in connection with risk requirements for Futures Commission Merchants ("FCMs")

The purpose of new Regulation 2084.00. is to codify the requirement that all FCMs who are members of the Exchange establish, maintain, and enforce a risk management program designed to manage and monitor the risk associated with activities associated with the FCM as set forth in CFTC Regulation 1.11.

The Exchange has reviewed the core principles for designated contract markets ("DCM Core Principles") and has determined that the attached amendments comply with the requirements of DCM Core Principle 7, Availability of General Information, in that the Exchange is ensuring the information regarding the rules, regulations and procedures of the Exchange are accurate, complete and current.

Pursuant to the authority set forth in MGEX Rule 210.01., the MGEX Board of Directors unanimously approved to add, amend, or remove the following MGEX Rules and Regulations: 730.00.; 1225.00.; 2068.00.; 2069.00.; 2070.00.; 2084.00.; and Resolution 210.01.F. As required by MGEX Rule 204.01., the MGEX ownership voted and approved the amendments to Rule 730.00. 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 attached amendments are to be effective immediately after the 10th business day following the date of this submission. If there are any questions regarding this submission, please contact me at (612) 321-7188. Thank you for your attention to this matter.

Sincerely,



Amber R. Donley

Enclosure

cc: Thomas J. Bloom

EXHIBIT A

The following MGEX Rule, Regulations, and Resolution are to be amended. Additions are underlined while deletions are marked through.

I. Amendments to Rule 730.00. and the addition of Regulation 2070.00. in connection with pre-execution communications

730.00. PREARRANGED PRICES PROHIBITED.

Purchase or sales or offers to purchase or sell commodity futures or options in this market may not be made at prearranged or pre-negotiated prices, except in accordance with MGEX Rules and Regulations.

The foregoing prohibition shall not apply to EFP or EFR transactions made in accordance with MGEX Rule 719.00.

2070.00. PRE-EXECUTION COMMUNICATIONS.

During those hours designated by the Exchange, parties may engage in pre-execution communications with regard to options transactions executed electronically where one party wishes to be assured that another party will take the opposite side of the order.

Pre-execution communications on options may occur under the following circumstances:

- A. A party may not engage in pre-execution communications with other market participants on behalf of another party unless the party for whose benefit the trade is being made has previously consented to permit such communications.
- B. Parties to pre-execution communications shall not (i) disclose to a non-party the details of such communications or (ii) enter an order to take advantage of information conveyed during such communications except in accordance with this Rule.
- C. Subsequent to the pre-execution communication, a Request for Quote ("RFQ") for the particular option must be entered into the Electronic Trading System. Thereafter, a Request for Cross ("RFC") order which contains both the buy and the sell orders must be entered into the Electronic Trading System. The RFQ and the RFC order must be entered within the same trading session.

II. Amendments to the MGEX Rules and Regulations in connection with MGEX summary fine schedules

1225.00. SUMMARY FINES.

- A. The Exchange shall have the authority to impose summary fines on Members, Market Participants and all nonmembers approved as Regular, not to exceed \$5,000 per offense for individuals and not to exceed \$10,000 per offense for entities, for violations of the requirements set forth in the summary fine schedules of the Exchange.
- B. Notwithstanding anything to the contrary, the Department of Audits and Investigations may, at any time, take further disciplinary action including, but not limited to, referring violations to the Disciplinary Committee.
- C. In the event a fine is imposed, the Exchange will issue a notice of the offense and fine amount to the offending party. Any fines must be paid within thirty (30) days of issuance unless otherwise stated by the Exchange.

2068.00. STOCKS REPORTING FACILITIES.

All entities approved as Regular by the Exchange must submit accurate stocks reports to the Exchange pursuant to the deadlines below.

Daily Stocks Reports: 2:00 p.m. (Central Time)

Weekly Stocks Reports: 1:00 p.m. (Central Time) Monday (Tuesday if Monday is a MGEX holiday)

Any deadline or submission listed herein that is missed, late, inaccurate or incomplete, may result in a fine or the matter being referred to the Disciplinary Committee as determined by the Exchange.

2069.00. REPORTING REQUIREMENTS AND SANCTIONS.

- A. Members, Market Participants and all nonmembers approved as Regular are required to submit all data, records and other information 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.
- B. Failure to comply with such reporting requirements will subject the Member, Market Participant or nonmember approved as Regular to a summary fine or other disciplinary action. The Exchange shall have the authority to impose summary fines on Members, Market Participants and all nonmembers approved as Regular not to exceed \$5,000 per offense for individuals and not to exceed \$10,000 per offense for entities for the inaccurate, incomplete or untimely submission of data, records or information submitted to the Exchange.

Notwithstanding anything to the contrary, the Department of Audits and Investigations may, at any time, take further action including, but not limited to, referring the matter being referred to the Disciplinary Committee for failing to comply with this regulation.

RESOLUTION 210.01.F.

Pursuant to the provisions of **Rule 210.01. F.**, the Board of Directors has adopted this Resolution.

Limited authority of the Board of Directors to amend MGEX Regulations, Resolutions, and Interpretations and to take emergency action is hereby delegated to Exchange officers. Such authority includes, suspending or curtailing trading, amending Hours of Trading, imposing margin requirements, declaration of holidays, amending reportable position limits, price limits and intraday market restrictions, managing settlement procedures, open or closing periods, fees, forms, notices, deadlines, dress and decorum policies, minimum financial requirements, notification and reporting requirements, striking prices, cash market reporting, recordkeeping requirements, honorary memberships, default procedures, give-up procedures, transferring customer contracts and margins, definition of emergencies, declarations of Force Majeure and action taken as a result of such declarations. The Exchange shall also have the authority to take such market action as may be directed by the CFTC. The President and Chairperson of the Board of Directors may determine whether a Regulation, Resolution or Interpretation can be amended by Exchange officers. Such amendments shall be forwarded promptly to the Board of Directors.

Further, limited authority of the Board of Directors is hereby delegated to Exchange officers to exercise certain other powers including amending transfer procedures, approving membership requests, transfers, applications and cancellations, approving applications and renewals for Regularity, approving applications for Cash Trading Privileges and/or clearing privileges, establishing minimum filing and financial requirements, establishing and amending summary fine schedules, approving standing committee appointments, granting admission to the Exchange Room, and amending the matching algorithm for the electronic trading system. Such approvals and changes shall be forwarded promptly to the Board of Directors.

III. The addition of MGEX Regulation 2084.00. in connection with risk requirements for Futures Commission Merchants ("FCMs")

2084.00. RISK REQUIREMENTS 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 activities associated with the FCM including, but 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 Exchange, at 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.