



Via Portal Submission

December 18, 2020
MGEX Submission No. 20-40

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); Updates to MGEX Rules

Dear Mr. Kirkpatrick:

Pursuant to Commodity Exchange Act (“CEAct”) Section 5c and Commodity Futures Trading Commission (“CFTC”) Regulation 40.6(a), the Minneapolis Grain Exchange, LLC (“MGEX” or “Exchange”) hereby certifies that amendment of the attached MGEX Rules complies with the CEAct and the CFTC regulations promulgated thereunder. 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>. All capitalized terms used but not defined herein have the meanings assigned to them in the MGEX Rules.

Overview of Amendments

Pursuant to an agreement between the parties, MGEX will provide clearing services for derivative contracts traded on Bitnomial Exchange, LLC (“Bitnomial”). In preparation to begin clearing Bitnomial contracts, MGEX previously made a number of additions and amendments to Chapters 1, 21, and 23 of the MGEX Rules. In reviewing these changes, MGEX identified a couple of Rules that would benefit from further clarification and housekeeping changes. Specifically, MGEX amended Rule 2100.02., which sets forth the standards a firm must meet to be granted clearing privileges, to clarify and explicitly address certain eligibility standards for Clearing Members wishing to clear Bitnomial contracts. In addition, MGEX amended Rule 23.12.1. to clarify and correct that in addition to filing an arbitration claim against a non-performing customer, a customer opposite a non-performing customer may also file a claim against such customer’s Clearing Member.

Feedback Considered

MGEX made the amendment to Rule 2100.02. in response to feedback it received from its Clearing Members. Existing Clearing Members raised questions about what type of entities would be eligible to clear Bitnomial contracts, and the amendments provide more details with respect to the approval process.

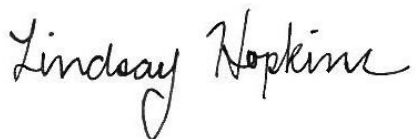
DCO Core Principles

The Exchange has reviewed the core principles for derivatives clearing organizations (“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 C – Participant and Product Eligibility:* Core Principle C requires a DCO to establish admission and continuing eligibility standards for its clearing members. As stated above, the amendments to Rule 2100.02. clarify and establish certain requirements for Clearing Member eligibility as it relates to firms seeking approval to clear Bitnomial contracts in compliance with Core Principle C.
- *DCO Core Principle L – Public Information:* Core Principle L requires DCOs to provide market participants with sufficient information to enable them to identify and evaluate accurately the risks and costs associated with using the services of the DCO and to have clear, comprehensive rules and procedures. The amendments enhance transparency and will be incorporated into MGEX’s publicly available Rulebook, thus ensuring that the information available to the public is accurate, clear, and comprehensive.

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) 321-7143 or lhopkins@mgex.com. Thank you for your attention to this matter.

Sincerely,



Lindsay R. Hopkins
Clearing House Counsel

EXHIBIT A

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

2100.02. CLEARING PRIVILEGES.

In order to clear trades at MGEX, a Clearing Member must be granted clearing privileges by the Exchange. 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, ~~and~~ 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. If another Person(s) (individually or collectively known as the parent) owns or controls, directly or indirectly, twenty percent (20%) or more of a Clearing Member, the parent must guarantee the obligations of the Clearing Member's non-segregated accounts including those accounts held or controlled by the parent. The Exchange shall determine whether a guarantee is adequate. This requirement may be waived at the discretion of the Exchange.

In addition, a Clearing Member will only be granted clearing privileges to clear Bitnomial Exchange contracts 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 Clearing Member Agreement for Clearing Bitnomial Exchange, LLC Contracts.

23.12.1. DELIVERY OF UNDERLYING DIGITAL ASSET – CLEARING MEMBER & MARKET PARTICIPANT DUTIES.

Any Clearing Member carrying an account of a Market Participant that is required to make or take delivery agrees to guarantee and assume full responsibility that its customers, as Market Participants, will comply with all delivery obligations set forth in MGEX and Bitnomial Exchange Rules including Rules requiring that Digital Assets be delivered by Market Participants during the Delivery Period in accordance with the Bitnomial Exchange delivery rules. For purposes of these Rules, the “Delivery Period” means the period beginning two Business Days before the last trading day and ending on the delivery day. Clearing Members must file all required forms and reports by the deadlines established by MGEX, including but not limited to final open positions and delivery reports.

Clearing Members are responsible for ensuring that their customers, as Market Participants, that have an obligation or desire to make delivery have the operational ability to, and ultimately satisfy, their full delivery obligation and that such customers have made deliverable Digital Assets available to deliver with the Depository by 9:30 a.m. on the last trading day in accordance with all applicable Rules. Should a customer fail to deliver Digital Assets in accordance with applicable requirements and the Clearing Member of such customer financially satisfies such obligation, the opposite customer who failed to receive the Digital Assets may still file an arbitration claim against the non-performing customer and/or such customer’s Clearing Member in accordance with Bitnomial Exchange Rules.

In the event a Clearing Member fails to perform its delivery obligations to the Clearing House, MGEX may deem such failure a default pursuant to this Rule and take any of the actions against the Clearing Member authorized in this or other MGEX Rules. For the avoidance of doubt, Clearing Members will not, under any circumstances, be required to own, hold, or control Digital Assets under these Rules or Bitnomial Exchange rules (unless the Clearing Member holds positions requiring delivery in its own proprietary account), but Clearing Members are responsible for ensuring their customers, as Market Participants, are able to satisfy or satisfy their obligations regarding delivery and acceptance thereof under the applicable MGEX and Bitnomial Rules.

In a Clearing Member default that involves a delivery failure, the Clearing House will ensure the financial performance to the Clearing Member whose actions or omissions did not cause or contribute to the delivery failure (the “Affected Clearing Member”). The Clearing House powers will include, but are not limited to, the right to sell or liquidate the Digital Asset subject to delivery and to distribute the proceeds as appropriate and access the funds and collateral available in a default in accordance with **Rule 2109.03**. For purposes of this Rule, “financial performance” means payment of commercially reasonable costs of the Affected Clearing Member related to replacing the failed delivery but does not include physical performance or legal fees. For the avoidance of doubt, payment of reasonable costs will be based on the price of the Digital Asset when delivery should have been made, and the Clearing House is not obligated to make or accept

delivery of the actual Digital Asset.

An Affected Clearing Member seeking financial performance must provide prompt notice to the Clearing House and to Bitnomial Exchange of the delivery failure and a good faith estimate of any financial performance being sought within one (1) hour of the delivery deadline set forth in [Rule 23.12.4](#) for the product. This deadline may be extended by the Exchange for extenuating circumstances in its sole discretion. An Affected Clearing Member seeking financial performance must provide the Clearing House with a detailed statement with supporting documentation of the amount sought, as well as any other documentation requested by the Clearing House.

MGEX shall not, under any circumstances, be responsible or liable for any losses, damages, or other costs arising out of a failure, malfunction, error, omission, delay, suspension, inaccuracy, or other event related in any way to the storing, transfer, delivery transfer, or movement of Digital Assets in association with Bitnomial Exchange Contracts.