



Via Portal Submission

February 25, 2021
MGEX Submission No. 21-5

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

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 amendment to MGEX Rule 2106.00. complies with the CEAct and the Commission 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>.

Overview of Rule Amendment

The Commission published final rules¹ on January 27, 2020 that amended certain regulations applicable to registered derivatives clearing organizations (“DCOs”). Among other areas, the amendments modify CFTC Regulation 39.13(g)(8)(ii). Although the Exchange’s current Rules do not conflict with these changes, MGEX determined to make certain additions to its Rules to conform with 39.13(g)(8)(ii) by adding the amended regulatory language. Based on industry conversations, MGEX believes this amendment will provide market participants with clarity that may be helpful.

DCO Core Principles

In connection with amending Rule 2106.00., the Exchange has reviewed the core principles for DCOs (“DCO Core Principles”) and has determined that the amendment complies with the requirements of such principles. During the review, MGEX identified

¹ 85 Fed. Reg. 4800 (January 27, 2020) (RIN 3038-AE66).

the following DCO Core Principles as potentially being impacted:

- *DCO Core Principle D – Risk Management:* As amended, CFTC Regulation 39.13 mandates that DCOs require their Clearing Members to “collect customer initial margin at a level that is not less than 100 percent of the [DCO’s] clearing initial margin requirements with respect to each product and portfolio and commensurate with the risk presented by each customer account.” In addition, amended Regulation 39.13 provides that DCOs shall “have reasonable discretion in determining whether and by how much customer initial margin requirements shall, at a minimum, exceed clearing initial margin requirements for categories of customers determined by the clearing member to have heightened risk profiles.” The proposed amendments to MGEX Rule 2106.00. reflect these changes to CFTC Regulation 39.13 and are therefore consistent with the requirements of Core Principle D.
- *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 Rule 2106.00. 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) 321-7143 or lhopkins@mgex.com. Thank you for your attention to this matter.

Sincerely,

A handwritten signature in black ink that reads "Lindsay Hopkins". The signature is written in a cursive, flowing style.

Lindsay R. Hopkins
Clearing House Counsel

EXHIBIT A

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

2106.00. MARGINS.

The Exchange shall set minimum margin requirements at a level that it believes protects the interests of buyers and sellers and the Exchange. In addition, Clearing Members must identify categories of customers with heightened risk profiles, consistent with its risk management policies and procedures, and collect initial margin for each account with a heightened risk profile at a level that exceeds the clearing initial margin requirement determined by the Exchange by an amount commensurate with the risk presented by each account in accordance with CFTC Regulation 39.13(g)(8)(ii). Margin requirements are subject to change at any time but shall at all times be those requirements most recently adopted, publicly posted, and in compliance with the requirements of CFTC Regulation 39.13(g)(8), as amended.

The Exchange shall accept, as margin, cash or United States Treasury securities. Cash margin requirements shall be submitted by wire transfer of funds or other acceptable method approved by the Exchange. Cash and United States Treasury securities shall be submitted at times determined and posted by the Exchange. United States Treasury securities shall be maintained in multiples of \$1,000. The Exchange shall value securities as it deems appropriate. The President or his/her designee may, at their discretion, require of any Market Participant a margin upon any or all of such Market Participant's open trades which are deemed unduly insecure or hazardous in such amount as deemed advisable. Calls for such margin shall be paid by the Clearing Member within one business day or earlier if so requested. Further, the Exchange shall collect daily intra-day variations from Clearing Members apart from, and in addition to, any margin or daily settlement variation payments and collects.

~~Margin requirements are subject to change at any time but shall at all times be those requirements most recently adopted, publicly posted, and in compliance with the requirements of CFTC Regulation 39.13(g)(8), as amended.~~

Clearing Members called for margins under this Rule shall pay by the deadline announced by the Exchange. An extension of time for such payments can only be granted by the President or his/her designee. In such cases the extension of time so granted shall be noted on the written call, and a copy of said call shall be kept in the files of the Exchange.

Should a Clearing Member fail to deposit balances for additional margin as required in this Rule, or should the President or his/her designee deem the transaction of any Market Participant unduly insecure or hazardous, the Exchange may direct that the Market Participant close out all or a portion of the trades, or that the Market Participant transfer all or a portion of the trades to the books of another Clearing Member, as the situation may require. If such requests are not complied with within one (1) hour, the Exchange may, with the consent of the President or his/her designee, originate orders to transfer or close out all or a portion of the Market Participant's trades, as the situation may require. Any such action shall be taken with due consideration to the positions of customers.

All differences between the contract price reported and accepted and the price at which the

property may be bought or sold as a consequence of a Market Participant's failure to fulfill the obligations as set forth in this and other Rules shall be included in the measure of losses against the Market Participant so failing, and the differences shall be calculated, adjusted and settled within the time and in the manner and form determined by the Exchange.

Any financial obligations owed by a Clearing Member to the Exchange, which remain outstanding after all the Market Participant's trades have been closed out, may be satisfied through the Market Participant's security deposit with the Clearing House or such other assets, collateral or guarantees as necessary to satisfy the financial obligations.