



Via Portal Submission

February 14, 2022
MGEX Submission No. 22-10

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); Amendments to MGEX Rules on Clearing Member Withdrawal

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, Inc. (“MGEX” or “Exchange”) hereby certifies that amendment of the attached MGEX Rules 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>. All capitalized terms used but not defined herein have the meanings assigned to them in the MGEX Rules.

Overview of Amendments

Chapter 21 of MGEX’s Rules sets forth relevant clearing member requirements and financial safeguards related to MGEX’s operation as a Designated Clearing Organization (“DCO”). The proposed amendments to these Rules add procedures by which Clearing Members follow if they wish to withdraw their clearing membership. Additionally, amendments were made to clarify assessments on withdrawing Clearing Members in the event of a default.

Feedback Considered

In the development of these amendments, MGEX distributed and posted a memo on June 22, 2021, requesting feedback from Clearing Members, customers, and other market participants. The Exchange received generally positive feedback from a number of Clearing Members, and subsequent comments discussions led to additional adjustments to the proposed Rules. Accordingly, the amended Rules are a product of guidance and industry feedback from Clearing Members and customers.

Rule Amendments

Withdrawal of Clearing Members

Proposed MGEX Rule 2100.04. is a new Rule that provides requirements and obligations that Clearing Members must meet to withdraw their clearing membership. Once such conditions are satisfied by the withdrawing Clearing Member and the Exchange has approved of such withdrawal, the withdrawing Clearing Member's security deposit, as well as any other assets deposited with the Exchange, will be returned within 60 days.

Clearing Member Assessments

The proposed amendment to MGEX Rule 2110.00. provides clarity on the in what circumstance and timeframe a withdrawing Clearing Member would be subject to assessments in the event of a Clearing Member default.

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 DCOs to establish appropriate admission and continuing eligibility standards for members of, and participants in, the DCO. The amendments regarding Clearing Member withdrawal provide Clearing Members and participants clarity on what is required to withdraw its clearing membership. This further enhances MGEX standards for membership eligibility, even at the conclusion of the Clearing Member relationship.

DCO Core Principle F – Treatment of Funds: Core Principle F requires DCOs to establish standards and procedures that are designed to protect and ensure the safety of member and participant funds and assets. Proposed MGEX Rule 2100.04. would provide enhanced standards and procedures for a withdrawing Clearing Member to receive the return of their security deposit, as well as any other deposits with the Exchange. Accordingly, these proposed amendments comply with Core Principle F.

DCO Core Principle G – Default Rules and Procedures: Core Principle G requires DCOs to have rules and procedures designed to allow for the efficient, fair, and safe management of events during a Clearing Member default. The proposed amended Rule 2110.00. offers greater clarity for withdrawing clearing members on whether assessments may be made in the even of a Clearing Member default. As such, these proposed amendments comply with Core Principle G.

Pursuant to MGEX Bylaw 3.1., the MGEX Board of Directors unanimously approved the attached proposed amendments at its meeting held February 3, 2022. 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.

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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) 321-7144 or mleisen@mgex.com. Thank you for your attention to this matter.

Sincerely,

A handwritten signature in black ink that reads "Matthew Leisen". The signature is written in a cursive style with a large initial "M" and a long horizontal line extending from the end of the name.

Matthew D. Leisen
Corporate Counsel, MGEX Clearing

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EXHIBIT A

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

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, 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**.

2110.00. CLEARING MEMBERS: ASSESSMENTS.

Losses (as defined in **Rule 2109.03**.) shall first be satisfied by applying the funds in the order of priority listed in **Rule 2109.03**. The balance of any Losses remaining after the application of such funds shall be assessed against all Clearing Members (excluding any Insolvent or Defaulting Clearing Members). Each Clearing Member (excluding any Insolvent or Defaulting Clearing Member) shall be subject to an assessment in direct proportion to the Clearing Members' total security deposit requirement up to an amount that does not exceed (i) a total of three (3) times such Clearing Member's total security deposit requirement at the time of the default with respect to Losses that are attributed to the default of a single

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Clearing Member and (ii) a total of six (6) times such Clearing Member's total security deposit requirement at the time of the default with respect to Losses that are attributed to the default of multiple Clearing Members during a Cooling Off Period (as defined in [Rule 2113.00](#) below). Non-defaulting Clearing Members shall take no actions, including but not limited to, attempting to obtain a court order that would interfere with the ability of the Clearing House to collect and apply such assessments.

Each Clearing Member shall pay any assessment made pursuant to this Rule by wire or other method acceptable to MGEX within two (2) hours of the notice of the assessment being delivered to Clearing Members. If a Clearing Member pays such assessment by wire and the wire transfer service is not open or operational at the time notice is sent, payment is due within one (1) hour on the next business day that the wire transfer service is open and operational. Any Clearing Member that does not satisfy an assessment shall be in default, and any Loss that occurs as a result of such default shall itself be assessed by MGEX to non-defaulting Clearing Members. In the event that the amount of assessments received exceeds the amount of the Loss, the Clearing House will return such excess funds as soon as practicable.

If a [non-defaulting](#) Clearing Member has made payments of all assessed amounts, ~~and~~ has replenished any deficiency in its security deposits or margin and performance bonds in accordance with [Rule 2109.05](#), [and has satisfied all other conditions of withdrawal set forth in Rule 2100.04](#), it may withdraw as a Clearing Member ~~by giving written notice to and receiving approval from the Exchange~~. [A withdrawing Clearing Member will be subject to assessments, and its security deposits may be utilized, for all defaults and any Losses occurring before and during the Cooling Off Period in which such Clearing Member submitted its Withdrawal Notice and/or continues to have open positions, as well as any Losses stemming from such default\(s\) regardless of when the Loss is realized by MGEX. For the avoidance of doubt, even after a Clearing Member has submitted its Withdrawal Notice and liquidated or transferred all of its open customer and house positions, it will continue to be subject to assessments, and its security deposits may be utilized, for all Losses from additional default\(s\) that occur during the Cooling Off Period after submission of a Withdrawal Notice and the liquidation or transfer of all open positions. However, the withdrawing Clearing Member will not be subject to future assessments that are assessed to cover Losses for defaults that occur after the Cooling Off Period during which the Clearing Member provided its Withdrawal Notice and liquidated or transferred all of its open customer and house positions has concluded even if the Exchange has yet not provided written approval of such withdrawal. In addition, the Exchange will not apply such Clearing Member's replenished security deposit to Losses for defaults that occur after the conclusion of the Cooling Off Period during which the Clearing Member provided its Withdrawal Notice and liquidated or transferred all of its open customer and house positions even if the Exchange has yet not provided written approval of such withdrawal. For purposes of this Rule, MGEX will consider the liquidation or transfer of all open positions by a Clearing Member effective after completion of the Business Day's settlement cycle during which all positions were closed.](#)

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