



Via Portal Submission

February 15, 2023  
MGEX Submission No. 23-9

Mr. Christopher Kirkpatrick  
Secretary of the Commission  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21<sup>st</sup> 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 regarding liens on collateral deposited by Clearing Members with the Clearing House complies 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 is proposing the following Rule amendments to better illuminate the bankruptcy remoteness of collateral deposited by Clearing Members with the Clearing House. MGEX previously submitted a similar Rule which MGEX allowed to become dormant, as defined in Part 40, in favor of drafting this version Rule which provides added clarity and specificity. As amended, the Rule will still require Clearing Members grant the Clearing House a first priority security interest against any collateral deposited with the Clearing House. The Rule now also provides additional information on Clearing Member duties and the method of receiving Clearing Member collateral. Finally, this Rule makes Clearing Member ownership of such collateral more evident in the occurrence of an MGEX bankruptcy or related MGEX bankruptcy proceedings.

**DCO Core Principles**

In connection with adding Rule 2100.05., 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 the following DCO Core Principles as potentially being impacted:

- *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. This Rule provides greater clarity on the tools MGEX may utilize to manage risks associated with discharging its responsibilities as a DCO to satisfy this core principle.
- *DCO Core Principle F– Treatment of Funds:* As amended, CFTC Regulation 39.15 requires that DCOs “establish standards and procedures that are designed to protect and ensure the safety of funds and assets belonging to the clearing members and their customers.” Part of this requirement is that a DCO shall “hold funds belonging to clearing members in a manner which minimizes the risk of loss or of delay in the access” to such funds. The proposed addition of MGEX Rule 2100.05. acts as an additional safeguard to further enhance the manner that MGEX holds funds and assets of its clearing members, and is therefore consistent with the requirements of Core Principle F.
- *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 2100.05. 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@mgex.com](mailto:apilon@mgex.com). Thank you for your attention to this matter.

Sincerely,



Amanda R. Pilon  
Associate Corporate Counsel, MGEX Clearing

MINNEAPOLIS GRAIN EXCHANGE, LLC

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[mgex.com](http://mgex.com)

## EXHIBIT A

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

### 2100.05 LIEN ON COLLATERAL

Each Clearing Member hereby grants to the Clearing House to secure obligations of such Clearing Member to the Clearing House a first priority and unencumbered security interest and lien against any property, cash, securities, or collateral deposited with, transferred or pledged to, or otherwise where control is given to the Clearing House by such Clearing Member. Clearing Members shall take any action that may be required by the Clearing House to create, preserve, perfect, validate or enforce any such security interest.

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