



Via Portal Submission

August 25, 2023
MGEX Submission No. 23-46

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 amendments to the MGEX Rules (the “Proposed Amendments”) comply 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 making the Proposed Amendments to properly reflect Bitnomial’s option contract in the MGEX Rulebook Definitions as an option on the Bitcoin U.S. Dollar Futures contract and to change the period during which market participants may transfer bitcoin to the Bitnomial Settlement Facility from two days before the last trading day to three days.

DCO Core Principles

In connection with the Proposed Amendments, the Exchange has reviewed the core principles for DCOs (“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 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 Proposed Amendments 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 Proposed Amendments were approved on August 25, 2023. There were no substantive opposing views expressed with respect to this filing. The Proposed Amendments are to be effective when incorporated into the MGEX Rulebook and posted 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 Hopkins
Vice President, Senior Counsel

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EXHIBIT A

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

CHAPTER 1 DEFINITIONS

BITNOMIAL EXCHANGE CONTRACTS: Any contract listed on the Bitnomial Exchange and approved to be cleared by MGEX. Presently, the Bitnomial Bitcoin U.S. Dollar Futures Contract, Bitnomial Deci Bitcoin U.S. Dollar Futures Contract, and Bitnomial Options on Deci Bitcoin U.S. Dollar Futures ~~Options~~ Contract, each as described in Chapter 12 of Bitnomial Exchange rules.

CHAPTER 23 BITNOMIAL EXCHANGE CLEARING RULES

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~~ three 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 Settlement Facility 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

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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.

23.12.2. DELIVERY PROCEDURES AND REPORTING.

Unless stated otherwise, the Clearing House will electronically issue notices and reports to relevant Clearing Members.

Delivery of a Bitnomial Exchange Contract is based upon open positions after contract expiration. The delivery process, as set forth below, consists of the following requirements and deadlines (all references to days are Business Days and times are noted in Central time):

| | | | |
|------------------------|---|------------------|--|
| T-5 | 5 Days Prior to Last Trading Day | 5:10 p.m. | Clearing Members file Bitnomial delivery files and all other requested information at the end of each day with the Clearing House. |
| T-32 | 23 Days Prior to Last Trading Day (start of Delivery Period) | 5:00 p.m. | Settlement Facility opens to delivering Market Participants. |

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| T | Last Trading Day of Contract | 9:30 a.m. | Clearing Members are responsible for ensuring all Market Participants making delivery deliver underlying asset through Settlement Facility. |
| | | 5:10 p.m. | Clearing Members file Bitnomial delivery files with the Clearing House, which will serve as a binding Delivery Notice to MGEX. |
| | | 8:45 p.m. | Clearing House issues final Delivery Report and corresponding payment information. |
| T+1 | Delivery Day | 11:30 a.m. | All payments for delivery are due to the delivering Clearing Member. |
| | | 12:30 p.m. | Clearing Member notification to Bitnomial Exchange and Clearing House regarding receipt of final payment is due. |
| | | By 7:00 p.m. | Delivery process and movement of corresponding Digital Assets is completed. |
| T+2 | Release of Margin | By 9:00 a.m. | Provided that notification of delivery has been received by the applicable Delivery Day deadlines, MGEX will release margins. |

Any discrepancies or material reporting errors may result in MGEX disciplinary action.

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