



Via Portal Submission

February 25, 2021
MGEX Submission No. 21-6

Mr. Christopher J. 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 CFTC Regulation 40.6(a); Update to MGEX Rules

Dear Mr. Kirkpatrick:

Pursuant to Section 5c(c) of the Commodity Exchange Act (“CEAct”) and Commodity Futures Trading Commission (“CFTC”) Regulation 40.6(a), the Minneapolis Grain Exchange, LLC (“MGEX”) hereby certifies that the amendments to MGEX Rules 2013.03., 2013.04., 2013.05., and 1402.00. as set forth in the attached Exhibit A, comply with the CEAct and the CFTC Regulations promulgated thereunder (the “Proposed Amendments”). MGEX further certifies that the submission has been posted on the MGEX website at the following link: <http://www.mgex.com/regulation.html>.

I. AMENDMENTS TO MGEX RULES

MGEX has made revisions to MGEX Rules 2013.03., 2013.04., 2013.05., and 1402.00. to update Hard Red Spring Wheat (“HRSW”) position limits rules to reflect the recent CFTC rulemaking on position limits.

II. COMPLIANCE WITH CORE PRINCIPLES

MGEX has reviewed the Core Principles for designated contract markets (“DCM Core Principles”) and identified that the Proposed Amendments may impact the following DCM Core Principles:

- *DCM Core Principle 2, Compliance with Rules:* The Proposed Amendments further clarify HRSW position limits and align better with industry practices. The Proposed Amendments ensure that MGEX Rules 2013.03., 2013.04., 2013.05., and 1402.00. accurately reflect new position limits.
- *DCM Core Principle 5, Position Limits or Accountability:* The Proposed Amendments reflect updates to HRSW position limits which aim to help reduce the potential threat of market manipulation or congestion consistent with this Core Principle.

- *DCM Core Principle 7, Availability of General Information:* The Proposed Amendments have been disseminated on the MGEX website, and will be available in the MGEX Rulebook, which is accessible online.
- *DCM Core Principle 9, Execution of Transactions:* The Proposed Amendments detail the requirements for HRSW position limits authorized by MGEX consistent with this Core Principle.
- *DCM Core Principle 12, Protection of Markets and Market Participants:* The Proposed Amendments will provide greater clarity to help ensure protection of the market and market participants and clarify certain terms and concepts to the market and market participants.
- *DCM Core Principle 13, Disciplinary Procedures:* The Proposed Amendments will enhance the ability of MGEX to enforce its rules through greater clarity of the terms and concepts of these foundational topics within the MGEX Rules.

Pursuant to the authority set forth in MGEX Bylaw 3.1., the MGEX Board of Directors unanimously approved the Proposed Amendments at its meeting held on February 25, 2021. There were no substantive opposing views expressed by the Board of Directors with respect to this filing.

The Proposed Amendments are intended to become effective ten (10) business days from the date of this submission. If there are any questions regarding this submission, please contact me at (612) 321-7140. Thank you for your attention to this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Elizabeth Schenfisch". The signature is fluid and cursive, with the first name being more prominent.

Elizabeth Schenfisch
Associate Corporate Counsel

Enclosure

Exhibit A

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

2013.03. POSITION LIMITS FOR HARD RED SPRING WHEAT ~~FUTURES~~.

- A. **Applicability.** MGEX Rules 2013.03., 2013.04., 2013.05, and 1402.00.2013.06. will govern position limits for HRSW ~~futures, notwithstanding any other provisions of MGEX Rules that relate to position limits for HRSW options.~~
- B. **Limits.** Position limits for HRSW ~~futures~~ will be determined by the Exchange, but will not be greater than the position limits for HRSW pursuant to Part 150 of CFTC Regulations. ~~The position limits will not apply to bona fide hedging transactions or positions, as determined by the Exchange or CFTC Regulations.~~

No Market Participant ~~will own~~ may hold or control in excess of ~~six one thousand two-hundred (6001,200)~~ HRSW contracts~~futures~~ net long or short in the ~~settlement~~ spot month; twelve thousand (12,000) HRSW contracts~~futures~~ net long or short in any single month; or twelve thousand (12,000) HRSW contracts~~futures~~ net long or short in all contract months combined.

For the purposes of this Rule, the spot month is defined as beginning at the close of the trade day preceding first notice day.

- C. **Compliance.** No Market Participant may exceed the limits at any time during the trade day. ~~Other than bona fide hedging positions,~~ positions in excess of the limits will be presumed to be a violation. The Exchange may direct any Market Participant owning, holding, controlling, or carrying a position for another Market Participant in excess of the limits set forth in this Rule to liquidate or reduce its position to comply with this Rule. For any ~~futures~~ position that exceeds position limits for passive reasons such as a market move or exercise assignment, the Market Participant will be allowed one (1) business day following the date of the transaction that leads to excess positions to liquidate the excess position without being considered in violation of the limits.
- D. **Enforcement.** The Market Participant owning, holding, controlling, or carrying a position (as well as the account holder, FCM, or Clearing Member as the case may be) shall maintain adequate books and records that disclose the identity of and positions held by any Market Participant. ~~Such books and records shall~~ must be made available to the Exchange upon request. The Market Participant owning, holding, controlling, or carrying a position (as well as the account holder, FCM, and Clearing Member) may be held accountable for any violation of the limits. The Department of Audits and Investigations may take enforcement action against any or all of the parties, whether or not each had actual knowledge of the position or a violation.

2013.04. EXEMPTIONS FROM POSITION LIMITS FOR HARD RED SPRING WHEAT ~~FUTURES~~.

A Market Participant intending to exceed position limits for HRSW, including limits established pursuant to a previously approved exemption, must file, in good faith, an application for exemption and receive approval from the Department of Audits and Investigations prior to exceeding such limits. ~~To be eligible for an exemption from position limits for HRSW futures under this Rule, an applicant must submit a written request to the Department of Audits and Investigations. Such request~~ The application must include the following:

- A. a description of the size and nature of the proposed transactions and positions; including the cash market activity and an explanation that the exemption is for bona fide hedging

transactions or positions, or spread transactions as described in CFTC Regulation 150.3(a);

- B. a complete and accurate explanation of the underlying exposure and strategy related to the exemption request;~~information which demonstrates that the proposed transactions are bona fide hedging transactions;~~
- C. a statement indicating whether the Market Participant on whose behalf the request is made (i) maintains positions in the ~~futures~~ HRSW contract for which the exemption is sought with any other account holder or owner, and/or (ii) has made a previous or contemporaneous request pursuant to the Rule through another ~~applicant~~ Market Participant, and if so, the relationship of the information set forth in such requests;

~~D. a statement that the proposed transactions will be bona fide hedges;~~

- D. a statement that the applicant ~~Market Participant~~ will immediately supply the Exchange with any material changes to the information submitted pursuant ~~hereto~~ to this Rule;
- E. a statement that the Market Participant will comply with all Exchange rules, and the conditions or limitations imposed by the Department of Audits and Investigations with respect to the exemption; and
- F. such further information as the Exchange may request, including the daily, weekly, or periodic filing of any documents or reports.

The Department of Audits and Investigations may approve, deny, condition, or limit any exemption request based on factors deemed to be relevant in accordance with sound commercial practices, including, but not limited to, the Market Participant's business needs and financial status, as well as whether the positions can be established and liquidated in an orderly manner given characteristics of the market for which the exemption is sought.

The Department of Audits and Investigations will notify the Market Participant the exemption has been granted on all or specified portion of such transaction or position, and any limitations placed on the exemption, within five (5) business days of receiving a written request for exemption. An exemption will remain in effect until (i) Market Participant on whose behalf the request is made requests a withdrawal; or (ii) the Exchange revokes, modifies, or places further limitations on the exemption.

A Market Participant who establishes an exemption-eligible position in excess of position limits due to demonstrated sudden and unforeseen increases in its bona fide hedging needs and files the required application with the Department of Audits and Investigations will not be in violation of this rule provided the filing occurs within five (5) business days after assuming the position. If the positions in excess of the limits are not exemption-eligible, the Market Participant and Clearing Member will be in violation of speculative limits for the period of time in which the excess positions remained open and must reduce their positions at or below the positions limits within one (1) business day of being informed that the positions are not eligible for an exemption.~~The Department of Audits and Investigations shall notify the applicant whether the exemption has been granted, and any limitations placed thereon, within five (5) business days of receiving a written request for exemption. An exemption will remain in effect until (i) the applicant or Market Participant on whose behalf the request is made requests a withdrawal; or (ii) the Exchange revokes, modifies, or places further limitations thereon.~~

Any Market Participant who avails themselves of an exemption must keep and maintain complete books and records concerning the details of the exemption. A Market Participant who has received written authorization from the Department of Audits and Investigations to exceed position limits must file, at least annually, an updated application no later than one year following the approval date of

the most recent application. A Market Participant must renew an application if there are any material changes to the information provided on the application. Failure to file an updated application will result in expiration of the exemption. ~~At any time, the Exchange may limit bona fide hedging positions and deny or limit any request for exemption from position limits which the Exchange determines in its sole discretion are either not in accord with sound commercial practices or exceed the established or permitted amount which may liquidated in an orderly fashion.~~

Nothing in this Rule will in any way limit (i) the authority of the Exchange to take emergency action; or (ii) the authority of the Department of Audits and Investigations to review at any time the positions held or controlled by any Market Participant and to direct that such position be reduced to the position limits in Rule 2013.03.B. The Exchange will also use CFTC Part 150 as a guide when assessing the exemption request but will not be limited by it. ~~the CFTC definition of a bona fide hedging position as described in CFTC Part 151 (specifically 151.5, or elsewhere as applicable) as a guide when applied to the HRSW futures contract, but will not be limited by it.~~

2013.05. AGGREGATION OF POSITIONS FOR HARD RED SPRING WHEAT-FUTURES.

In determining whether any Market Participant has exceeded the position limits for HRSW-futures, all positions in accounts for which such Market Participant, by power of attorney or otherwise, directly or indirectly ~~holds positions or controls trading~~ or holds a ten percent (10%) or greater ownership or equity interest will be included with the positions held by such Market Participant. Such limits upon positions will apply to positions held by two (2) or more Market Participants acting pursuant to an expressed or implied agreement or understanding, the same as if the positions were held by a single Market Participant. Market Participants may be eligible for an exemption from aggregation under CFTC Regulation 150.4(b). Any Market Participant seeking an exemption must follow procedures listed in CFTC Regulation 150.4(c). Market Participants must notify the Department of Audits and Investigations of all CFTC approvals.

The Exchange will follow the CFTC definition of aggregation, ~~and~~ the procedures for aggregating positions, and exemptions from aggregation as described in CFTC Part 150, including CFTC Regulations 150.4(a), 150.4(b), and 150.4(c), or elsewhere as applicable.

1402.00. OPTIONS TRADING – HARD RED SPRING WHEAT.

- A. **Hours of Trading.** The Hours of Trading ~~Spring-Wheat-Options-Options shall~~ will be determined by the Board of Directors in accordance with MGEX Rule 2011.00.
- B. **Months Traded In.** Trading may be conducted in Options~~Spring-Wheat-options~~ in the same months that are listed for trading in the ~~Spring-Wheat-Futures Contract~~ (see MGEX Rule 715.00.). Additionally, trading may be conducted in ~~Spring-Wheat-Options~~ in months that are not listed for trading in the ~~Spring-Wheat-Futures Contract~~. For ~~Options~~ that are traded in months which ~~Spring-Wheat-Futures~~ are not traded, the underlying ~~Futures~~ Contract is the subsequent ~~Futures~~ Contract month that is nearest to the expiration of the ~~Option~~. The Board of Directors shall determine the months available for trading, and may, at its discretion, restrict trading in any month should market conditions so warrant.
- C. **Last Trading Day.** The last trading day will be the Friday which precedes by at least two (2) business days, the last business day of the month preceding the Option month. If such Friday is not a business day, the last trading day ~~shall~~ will be the business day prior to such Friday ~~(see Res. 1402.00. C.)~~.
- D. **Option Expiration.** The contractual rights and obligations arising from the Option Contract expire on the last day of trading.

- E. **Option Premium Price Basis.** The premium for ~~Spring Wheat futures~~ Options ~~shall~~will be in multiples of one-eighth of one cent (1/8) per bushel of a five thousand (5,000) bushel ~~Spring Wheat F~~ utures C contract or six dollars and twenty-five cents (\$6.25) per contract. However, in the case of a cabinet trade, when both sides are closing transactions, the Option premium for open outcry may range from one dollar (\$1.00) to six dollars (\$6.00) in one dollar (\$1.00) increments per Option C contract, and the Option premium for electronic trading is one dollar (\$1.00) per Option Contract.
- F. **Position Limits.** Position ~~L~~imits for HRSW for Spring Wheat futures options shall be those limits currently in effect pursuant to Part 150 of the CFTC Regulations. ~~will be determined by the Exchange but will not be greater than the position limits for HRSW pursuant to Part 150 of CFTC Regulations. See MGEX Rule 2013.03.~~
- G. **Reportable Positions.** A position of twenty-five (25) or more put or call Options on this Exchange, long or short, in any one (1) month of the first two (2) nearby delivery months or a position of one hundred (100) or more put or call Options, long or short, in any one (1) month of the remaining delivery months ~~shall~~will be reportable position level for wheat options on this Exchange. All such positions ~~shall~~must be reported in a manner and form as designated by the Exchange and pursuant to ~~Exchange~~ MGEX Rule 1505.00.
- H. **Daily Price Limits.** Trading is prohibited in ~~a Spring Wheat futures~~ Options at a premium of more than the trading limit for the ~~Spring Wheat F~~ utures C contract above and below the previous day's settlement premium for that Option. On the first (1st) day of trading, limits ~~shall~~will be set from the lowest premium of the opening range.