



Via Portal Submission

June 18, 2021
MGEX Submission No. 21-41

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);
Amendments to MGEX Rule 719.00.**

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 Rule 719.00., 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

The Proposed Amendments to the MGEX Rule 719.00., which governs EFRPs, remove an outdated citation relative to Exchange for Risk transactions that references Part 35 related to agricultural swaps, along with a minor grammatical change. The amendment to this citation provides clarity to the marketplace that EFRPs are not restricted based on Part 35 of the CFTC Regulations.

II. COMPLIANCE WITH CORE PRINCIPLES

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

- *DCM Core Principle 2, Compliance with Rules:* The Proposed Amendments will enhance the clarity of Rule 719.00. related to the EFRPs.

- *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 12, Protection of Markets and Market Participants:* The Proposed Amendments will enhance the clarity of Rule 719.00. related to EFRPs. As a result, the Proposed Additions should help ensure protection of the market and market participants.

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 June 17, 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) 321-7128. Thank you for your attention to this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Peter D. Sparby". The signature is written in a cursive, flowing style.

Peter D. Sparby
Corporate Counsel

Enclosure

Exhibit A

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

719.00. EXCHANGE FOR RELATED POSITION.

An Exchange for Related Position (“EFRP”) transaction involves a privately-negotiated off-exchange execution involving two separate, but related transactions, consisting of an Exchange for futures and, on the opposite side of the market, the simultaneous execution of an equivalent quantity of physical (cash product, by-product, or related product) or in connection with a risk (a related non-MGEX exchange traded derivative, an over-the-counter (OTC) derivative or a swap agreement) component that corresponds to the asset underlying the Exchange futures contract.

The following types of EFRP transactions are permitted to be executed in accordance with the requirements of this rule and any other requirements established and published by the Exchange:

Exchange for Physical Transaction (“~~An~~-EFP”) - An exchange of futures for, or in connection with, a physical consisting of a cash commodity transaction and a futures transaction.

Exchange for Risk Transaction (“EFR”) - An exchange of futures for, or in connection with, a risk consisting of a related non-MGEX exchange traded derivative, an OTC derivative or a swap agreement and a futures transaction.

EFRP transactions are subject to the requirements below and any other requirements established and published by the Exchange.

- A. The opposing accounts to EFRP transactions must be (a) independently controlled accounts with different beneficial ownership; (b) independently controlled accounts of separate legal entities with common beneficial ownership; or (c) independently controlled accounts of the same legal entity, provided that the account controllers operate in separate business units.
- B. The quantity or economic value covered by the physical or risk transaction must be approximately equivalent to or bear a relationship to the quantity or economic value covered by the futures contract(s). At the time such transaction is effected, the buyer and seller of the futures transaction must be the seller and buyer of the physical or risk transaction. The risk component of an EFR transaction, if executed in connection with an OTC derivative or a swap agreement, must comply with ~~Part 35 of CFTC Regulations and the CEA.~~ the CEA and CFTC Regulations.
- C. Each buyer and seller must satisfy the Department of Audits and Investigations, at its request, that the transaction is a bona fide EFRP transaction. Upon request of the Department of Audits and Investigations, all documentary evidence relating to the EFRP, including, but not limited to, contracts, confirmations, invoices, warehouse receipts, documents of title, a master swap agreement and any supplements thereto, or any other document that demonstrates the existence and nature of the over-the-

counter or derivative transaction shall be obtained by the Clearing Members from the buyer or seller and submitted to the Department of Audits and Investigations. Clearing Members are responsible for exercising due diligence as to the bona fide nature of EFRPs submitted on behalf of their customers.

- D. An EFRP may be made at such prices as are mutually agreed upon by the two parties to the transaction. If the price of an EFP cannot be mutually agreed upon by the date of shipment, the cash commodity buyer has the option to set the price within that day's trading range.
- E. EFRP transactions should be submitted to the Exchange as soon as possible on the same day during the hours of trading, following final agreement to contract terms by the parties involved in the trade. An EFRP executed after the close of trading of the underlying futures contract must be submitted for clearing no later than the next business day.
- F. A third party may facilitate, as the principal, the related position component of an EFRP on behalf of a customer so long as the third party is able to demonstrate that the related position was passed through to the customer who received the futures contract as part of the EFRP.
- G. The futures contracts that may be exchanged for a physical or a risk transaction, and the last day and time for executing an EFRP shall be determined by the Exchange.

(See [Resolution 719.00.](#))