



February 11, 2011

Mr. David Stawick
Secretary
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

Via Online Submission

SUBJECT: RIN 3038-AC98

Dear Mr. Secretary:

The Minneapolis Grain Exchange, Inc. ("MGEX" or "Exchange") would like to thank the Commodity Futures Trading Commission ("CFTC" or "Commission") for this opportunity to respond to the Commission's request for comment on the above referenced matter published in the December 13, 2010 Federal Register Vol. 75, No. 238.

MGEX is both a Designated Contract Market ("DCM") and Derivatives Clearing Organization ("DCO"). MGEX appreciates the continued efforts the Commission has put forth to address the requirements placed upon it by Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act").

39.10(c) – Chief Compliance Officer Comments

The CFTC requested comment regarding the degree of flexibility in reporting structure for a DCO's Chief Compliance Officer ("CCO"). Specifically, the Commission asked whether it would be more appropriate for a CCO to report to a senior officer or the board of directors. MGEX believes that a high level of flexibility should be provided to the DCO. Each DCO may have different business and reporting structures and, therefore, having rigid rules in this regard may only hinder the effectiveness and independence of the CCO.

The Commission further requested comments as to whether additional limits should be placed on who might be a CCO and specifically whether it should restrict in-house counsel or general counsel from being the CCO. The Commission should grant wide latitude to the DCO in deciding who should fill the CCO role. The smaller the entity the more important it is for the entity to maximize the utility of each employee. Limiting who can be the CCO extends beyond the mandate the CFTC has been given by Congress in the Dodd-Frank Act. The CFTC's proposed rules regarding the duties and obligations of the CCO sufficiently limit who could serve as the CCO. In regards to the specific

inquiry regarding in-house or general counsel, MGEX sees little reason to restrict such employees from being the CCO. Attorneys have additional ethical duties which can compliment the duties and obligations of a CCO. Should conflict arise, the attorney can step out of one or both of the roles. However, more often than not the role of an in-house attorney may align with that of CCO and the DCO can utilize the efficiency that comes with a dual serving person. Creating the most efficiency possible without materially impacting the benefits of the regulations will play a key role in the effectiveness of the Dodd-Frank Act as the burdens keep stacking up on both the market and the Commission. Further, the timing of implementing the CCO rules would be impacted by unnecessarily limiting who could serve as a CCO. By granting the DCO reasonable latitude in selecting who can fill the role of CCO it will allow the DCO to more quickly fill the role. While having a dedicated CCO might be the best long-term solution, having more flexibility as to who can serve as CCO provides the market with time to implement the requirements.

To that end, MGEX also recommends that the CFTC allow a Chief Regulatory Officer (“CRO”) to also function as the CCO. In the case of MGEX, both a DCM and DCO, the functionality of a CRO and CCO are neither mutually exclusive nor do they inherently present a conflict of interest. As such, it makes sense to allow this person to serve as the DCM’s CRO and the DCO’s CCO. While MGEX understands that it is the exception to the rule since it is both a DCO and DCM, it makes sense to allow this dual function in the rules.

Combined DCO/DCM Unaddressed Issues

Several issues have not been addressed in this proposed rulemaking that could impact MGEX as a combined DCO/DCM. As such, MGEX believes the following interpretations will not conflict with the Commission’s proposal:

- A DCO/DCM can use its current Audits and Investigations Department to serve as both the compliance and enforcement arm of the entity and will not be required to have multiple compliance and enforcement departments.
- A DCO/DCM can use its current disciplinary committees and will not be required to have exclusive disciplinary committee for DCO and DCM matters respectively.
- A DCO/DCM can use combined rules, policies and manuals which may contain unique DCO or DCM specific items as need be. This only seems practical and much more efficient than duplicating paperwork. Of course, the CCO and CRO, and their respective oversight committees should have discretion to make such independent decisions.
- The DCO/DCM can use one request for approval or certification for trading and clearing new products.
- The DCO/DCM president and/or CEO can be considered the “senior officer” for both the DCO and DCM.

Burden

The Commission further requests comment as to whether the burden is appropriate. The Exchange reiterates its opinion that core principles are much better for the industry than prescriptive rulemaking. Dictating the conduct of the CCO, organizational structure

and reporting lines, and the content of Annual Reports in such detail seems excessive and beyond what was contemplated by the passage of the Dodd-Frank Act. Further, adding required layers of regulatory oversight on DCOs and DCMs does not guarantee improved market protection, which is one of the main goals of the Dodd-Frank Act. Such additional layers is a cost and burden on the market that will be passed along to the market participants which decreases the overall efficiency and risk mitigation.

Conclusion

The Exchange thanks the Commission for the opportunity to comment on the notice of proposed rulemaking. If there are any questions regarding these comments, please contact me at (612) 321-7169 or lcarlson@mgex.com. Thank you for your attention to this matter.

Regards,

A handwritten signature in cursive script that reads "Layne G. Carlson".

Layne G. Carlson
Corporate Secretary

cc: Mark G. Bagan, CEO, MGEX
Jesse Marie Bartz, Assistant Corporate Secretary, MGEX
Eric J. Delain, Legal Advisor, MGEX
James D. Facente, Director, Market Operations, Clearing & IT, MGEX