



September 30, 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-AD51

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 August 1, 2011 Federal Register Vol. 76, No. 147.

MGEX is both a Designated Contract Market ("DCM") and Derivatives Clearing Organization ("DCO") and is greatly affected by changes to the CFTC's regulations. 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"). While the Exchange understands the need for risk management across all levels, MGEX believes further clarity needs to be addressed associated with the proposed rulemaking. Therefore, MGEX respectfully submits the following comments and recommendations.

The proposed rulemakings outline risk management requirements for Future Clearing Merchants ("FCMs"), Swap Dealers ("SDs"), and Major Swap Participants ("MSPs"). First, the Exchange believes each FCM, SD and MSP should have in place and perform proper risk management on each of their respective customers. This is logical as these entities are either directly involved with trading swaps or have customers who might be trading swaps. While DCOs certainly play a critical role in appropriate risk management, a DCO performing clearing functions is not the appropriate party to establish detailed risk programs involving swap customers since the DCO does not have the direct relationship with the customers. A DCO should not be forced to be a proxy in performing risk management for these entity's customers. Each DCO, FCM, SD and MSP has different information and obligations and, therefore, should be responsible for their own information and obligations as part of the industry's overall risk

management regime. As such, it is best for the CFTC to act in its role of regulator and to oversee and hold accountable each entity directly to ensure they are meeting their respective requirements under an all encompassing industry program.

Additionally, the proposed rulemaking should clearly identify which entity will be responsible for supervising the compliance with this proposed rulemaking. During the July 19, 2011 Open Meeting on Three Final Rule Proposals and Two Proposed Rules under the Dodd-Frank Act, Commissioners asked whether the entity responsible for supervision would be the CFTC, a Designated Self-Regulatory Organization ("DSRO") or DCOs. The Commission staff stated that it would be either a DSRO or the CFTC itself. MGEX respectfully urges clarity in this regard and suggests that the final rule identify the CFTC or, alternatively, a DSRO as the responsible party for enforcement. However, in addition to identifying which entity will supervise compliance, the proposed rule should also incorporate a flexible methodology to allow the regulated entities to comply with the proposed regulations in the most cost efficient manner based on their capabilities. As such, the CFTC (or DSRO) should consult the FCM, SD or MSP in an effort to determine the best methods for ensuring compliance while also being the most cost effective method for all involved with the process. An increase in costs could push certain entities to restrict the number of clearing houses they choose to engage with or a consolidation of FCMs, SDs and MSPs, either of which could be an unfortunate unintended consequence. As such, MGEX respectfully requests that the Commission consider all factors and burdens when issuing the final rules and, while still addressing risk mitigation, allow flexibility to the entities to meet the obligations as efficiently as possible while keeping regulatory authority in the appropriate hands of the CFTC or a DSRO.

### **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,



Layne G. Carlson  
Corporate Secretary

cc: Mark G. Bagan, CEO, MGEX  
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