September 16, 2013

Secretary of the Commission
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street NW
Washington, DC 20581

Via Electronic Mail

RE: RIN Number 3038-AE06

Dear Secretary Jurgens:

The Minneapolis Grain Exchange, Inc. ("MGEX" or "Exchange") would like to thank the Commodity Futures Trading Commission ("CFTC" or "Commission") for the opportunity to respond to the CFTC's request for comment on the above referenced matter published in the August 16, 2013 Federal Register Vol. 78, No. 159, page 50260.

MGEX is a CFTC designated contract market ("DCM") and derivatives clearing organization ("DCO") which currently offers for trade and clears physical delivery and cash settled agricultural commodities. As a DCO contemplating the potential benefits and challenges presented by the proposed rulemaking to establish additional standards for compliance with the DCO core principles for systemically important DCOs ("SIDCOs") and DCOs that elect to opt-in to the SIDCO regulatory requirements ("Subpart C DCOs"), MGEX respectfully submits the following comments.

Overview

MGEX generally agrees with the approach that the Commission has taken to encourage harmonization of its rules with international risk management standards, specifically, that the proposed rules at issue align with the Principles for Financial Market Infrastructures ("PFMIs") set forth by the Bank for International Settlements ("BIS") Committee on Payment and Settlement Systems and the Technical Committee of the International Organization of Securities Commissions ("CPSS-IOSCO").

MGEX applauds the Commission for attempting to establish an avenue by which DCOs not designated as systemically important could qualify for Qualified Central

Counterparty ("QCCP") status. However, as discussed below, MGEX believes that the requirement for DCOs that are not designated as systemically important to opt-in to Subpart C of the proposed regulations in order to potentially achieve QCCP status are unnecessarily burdensome and discriminatory when compared and contrasted with the requirements set forth by the final regulations for SIDCOs.

Specifically, when seeking to become a Subpart C DCO, proposed Regulation 39.31 would require that a formal application be submitted to the Commission as part of the proposed election or opt-in process. Per the Commission's estimate, 1,020 hours would be required to complete the Subpart C DCO election application ("Election Form"), including amendments. While the Commission doesn't explicitly identify the supplemental information that may be requested as a part of this process, MGEX would expect that much of the additional 1,125 hours estimated for responding to requests for supplemental information would be in connection with the Election Form. In contrast, while SIDCOs are to be held to the same standards as DCOs opting in under Subpart C, it appears as though they will not be required to go through the same extensive application and approval process. Consequently, the estimated 2,145 total hours noted above represents time that DCOs not designated as systemically important will be required to expel in order to potentially achieve the same QCCP status much more easily gained by SIDCOs. On its face, this disparate treatment appears discriminatory.

In addition to the disparity of application requirements between SIDCOs and other DCOs opting-in under Subpart C, MGEX notes that there is also a significant disparity in the time allotted for public comment on the proposed rules and in the time allowed to prepare for compliance. The proposed regulations at issue were published in the Federal Register on August 16, 2013 with a comment period of only 30 days. As noted within the proposed rules, the Commission intends to implement these by the end of 2013. As proposed, this compact implementation schedule would afford MGEX no more than 60 days to complete its application, provided final rules are released in October, while simultaneously working to provide the Commission with valid feedback during the brief comment period and working to prove compliance with the requirements set forth in the proposed rules, all of which is necessary in order to avoid penalizing MGEX Clearing Members and customers through doing business with a non-QCCP. MGEX has significant doubts that the preparation, completion and submission of the Subpart C DCO application, including the thorough review of that application by the Commission, will be completed by December 31, 2013.

Notwithstanding the burdensome application process, MGEX notes that Regulations 39.29 and 39.30, which are applicable to SIDCOs, were initially proposed and open for public comment on October 14, 2010 and January 20, 2011 respectively, and both were made final on August 15, 2013. Therefore, SIDCOs have been able to prepare for compliance with the enhanced standards at least since the release of the PFMIs in April of 2012, or seventeen months. Conversely, a DCO that is not designated as systemically important, but who nonetheless wishes to be afforded the same regulatory status, will have less than five months to prepare for compliance following the release of these proposed rules. This compressed time frame is unreasonable at best and effectively oppressive at worst.

Throughout the release, the Commission regularly asks for comments surrounding

alternatives to more effectively or efficiently implement the PMFIs. In response to the issue of disparate treatment and fundamental fairness as discussed above, MGEX suggests the following alternatives for consideration.

Alternative 1:

To alleviate the time restrictions imposed by the implementation deadline of December 31, 2013, MGEX recommends to the CFTC that all currently registered DCOs be held to the enhanced regulatory requirements in order to be considered for QCCP status. This is consistent with the interim requirements suggested by the Basel Committee on Banking Supervision ("BCBS") that a Central Counterpart ("CCP") may be treated as a QCCP until December 31, 2013, if the CCP's primary regulator has stated that it is working on and plans to implement all requirements set forth within the PFMIs by December 31, 2013. Under such a scenario, all currently CFTC registered DCOs would be treated fairly and identically in terms of their registration status and requirements as no additional application would need to be filed with the Commission.

However, MGEX recognizes and believes that the Commission has also identified a number of potential issues with this approach. Depending on a DCOs individual business model, a DCO may not wish to be held to the higher standards. Therefore, it would be necessary to allow DCOs the flexibility to decide which set of standards they wish to comply with. MGEX believes that this flexible approach may put the Commission in a difficult position whereby considerable resources would be required to verify compliance for each currently registered DCO shortly after the implementation of such requirements. This approach may also necessitate the CFTC to revoke the Subpart C DCO status from DCOs who could not meet the requirements of the new regulations.

While MGEX believes this alternative does not unnecessarily discriminate against an existing DCO seeking to be held to the higher standards for the benefits of its members, MGEX understands the complexity such an alternative may create. Therefore, an extended compliance period beyond December 31, 2013 for non-SIDCO DCOs to comply with the higher standards would be necessary.

Alternative 2:

Alternatively, MGEX suggests that the Commission consider an "opt-out" process for DCOs not wishing to be held to the higher regulatory standards, while for DCOs wishing to be designated a Subpart C DCO, granting compliance extensions for those regulations that may be particularly difficult to implement by the December 31, 2013 deadline. This alternative would provide additional time for a non-SIDCO DCO, such as MGEX, to perform the necessary analysis and review of its existing rules, regulations, policies and procedures to identify any variances from the new regulatory standard, and make necessary changes to address those differences. Additionally, it would provide the necessary time to gather the documentary evidence required to demonstrate its full compliance with the final regulations. This approach would remove the discriminatory requirement that a DCO, such as MGEX, put forth an application for approval prior to achieving Subpart C DCO status, and would allow MGEX to spend the hours, as estimated by the Commission to complete the application, on ensuring compliance with

the proposed regulations.

MGEX believes such an approach is possible under the proposed framework as the CFTC appears willing to grant compliance extensions of 365 days for particular sections of the business continuity and disaster recovery ("BCDR") plan. The Commission notes that this extension would be needed due to the dramatic changes involving personnel and the substantial costs to implement those changes. Likewise, MGEX would argue there are several other sections of the proposed regulations that also require compliance extensions for these same reasons. For example, proposed Regulation 39.39 requires that a DCO develop a recovery and wind down plan. While MGEX applauds the Commission for addressing this requirement within proposed regulations, due to the complexity and potential effects the contents a plan would have on the operation of a DCO such as MGEX, additional time may be required to address rule changes that cannot be made by the December 31, 2013 deadline. Similar to the BCDR requirements and Regulation 39.39, a DCO could be compliant with all sections of the new regulatory framework if given sufficient time to properly address any necessary changes. History reveals that SIDCOs were afforded sufficient time to evaluate and address many of the new requirements to ensure compliance with the new regulatory structure. Consequently, this alternative alleviates the burden of an application process while providing compliance extensions for certain portions of the proposed regulation. Additionally, it provides an avenue for DCOs not wishing to become Subpart C DCOs to opt-out of the higher regulatory standards. MGEX believes this alternative to be fair and appropriate. As mentioned previously, it is not likely that a DCO, such as MGEX, would be able to meet the application and implementation requirements by December 31, 2013 due to the limited amount of time allowed to accomplish the necessary preparations to ensure compliance with the proposed regulations. It is MGEX's belief that the current proposed application process is discriminatory and would hurt not only the existing non-SIDCO DCOs, through no fault of their own, but also Clearing Members and customers of such a DCO.

More detailed analysis and additional comments in response to the Commission's specific requests by regulation are below.

Regulation 39.31 (Election to become subject to the provisions of Subpart C)

Proposed amendment to Regulation 39.2 (Definitions) adds a definition for the term "Subpart C Derivatives Clearing Organization" ("Subpart C DCO"). MGEX notes that the addition of such term implies that, following the implementation of these regulations, a DCO will be categorized as one of the following: SIDCO, Subpart C DCO, or DCO. While MGEX recognizes the need for defining the Subpart C DCO category as DCOs cannot achieve SIDCO status independently, the addition unnecessarily and unfairly implies that a Subpart C DCO is a second class CCP, when in fact a Subpart C DCO would be held to the same regulatory requirements as SIDCOs. The Commission makes reference to proposed Regulation 39.37 as a way to promote competition between registered DCOs. When considering the marketing of a DCO and the competition among DCOs, it is apparent that the addition of the third category does not imply equality between a SIDCO and a Subpart C DCO from a PFMI compliance standpoint. Further, the title "Subpart C DCO" itself implies to the public that the DCO is of significantly lesser status, unless the public is sophisticated as to the background of

the underlying regulatory framework. Due to this perceived disparity, MGEX suggests that the Commission define the term Qualified Central Counterparty to include any DCO that is held to the higher risk management standards as promulgated by the PFMIs. The designation would then promote two categories of DCOs from a risk perspective: QCCP and DCO. As a result, the term SIDCO would be used to identify those DCOs that have been designated systemically important by FSOC without regard to its risk management practices. However, MGEX recognizes that the term SIDCO has been used prevalently throughout current and proposed regulations to identify a DCO subject to higher risk management standards and understands the difficulty and complexity that re-defining the term may bring. Consequently, MGEX would alternatively recommend that the term Subpart C DCO be changed to QCCP.

Secondly, the Commission states in the proposed regulations that, "The Commission anticipates considerable overlap between the information and documentation contained in the Registration Application files by a DCO Applicant and the information and documentation that would be required to be submitted to the Commission as part of the Subpart C Election Form." 78 FR at 50271. Given the Commission's stated comments surrounding the application process, it seems overly burdensome and costly for a currently registered DCO to be required to complete an entirely new application which calls for submission of the same or similar information and analysis that the DCO previously provided. The proposed regulations do not treat all DCOs equally as non-SIDCO DCOs face the risk of delayed regulatory approval while SIDCOs, who have been grandfathered in to Subpart C simply due to their SIDCO status, do not face this risk. Therefore, MGEX requests that the Commission waive the application requirement and consider implementing one of the alternatives provided by MGEX above to avoid overlap and duplicative efforts. MGEX believes it has provided viable alternatives to the lengthy and complex application process. However, should the Commission decide to add additional disclosure requirements as part of the application process, as contemplated in the proposed regulations, MGEX requests that these additional disclosure requirements be required for SIDCOs as well. This approach would ensure equal treatment among all DCOs who may be required or choose to meet the enhanced regulatory standards.

The Commission also asked for comment about whether or not the Commission should require the Election Form certifications be made under penalty of perjury. MGEX supports the Commission in pursuing charges against an organization or individuals found to have committed fraud. However, MGEX does not support regulations that specifically require the Election Form be submitted under penalty of perjury as this may hold an individual signer of a document, which potentially contains incomplete, misleading, or even false information, legally responsible for the information when that individual would likely be signing in reliance on the expertise of a variety of individuals and groups within their organization.

Finally, and most importantly, the Commission also requested comment on any additional measures it should take to help ensure that Subpart C DCOs obtain QCCP status. Given that the primary motivation behind electing to become subject to Subpart C is to obtain QCCP status and be recognized as such by both US and foreign regulators, MGEX believes the Commission should take any available course of action to work with other regulators, both in the US and abroad, to ensure that DCOs have the

necessary time to comply with the proposed CFTC regulations. Additionally, steps should be taken to ensure that the proposed regulations will be recognized by applicable regulators as being consistent with the PFMIs and that DCOs subject to those regulations would be considered QCCPs in all relevant jurisdictions. The Commission noted within the proposed regulations that implementing regulations consistent with the PFMIs promotes international harmonization of regulations. With the implementation of international standards, MGEX requests that the CFTC coordinate with other regulators in order to provide a uniform framework that recognizes the oversight provided by foreign regulators so as not to unnecessarily burden DCOs with requirements established by multiple regulatory jurisdictions. MGEX believes that codifying regulations consistent with international standards without attempting to alleviate regulatory overlap defeats the underlying purpose of international harmonization.

Regulation 39.32 (Governance for systemically important derivatives clearing organizations and Subpart C derivatives clearing organizations)

The proposed regulations set forth the requirement that major decisions of a DCOs board of directors be publically disclosed. It is unclear what guidance should be employed to determine what qualifies as a major decision in the eyes of the Commission. Footnote 137 in the proposed regulations states: "…the provisions concerning transparency describe which information, including the identities of board members, should be disclosed to the public and/or the Commission…" 78 FR at 50274, however, it is unclear which provisions the Commission is referring to. Additionally, the proposed regulation requires that these disclosures be made to an extent consistent with other statutory and regulatory requirements on confidentiality and disclosure, implying that the disclosure requirement in the proposed regulation is not a new requirement itself, but rather a reiteration of existing law or regulation. In order to provide a DCOs board of directors with adequate autonomy and necessary confidentiality so as to not impede its internal discussions and debate, MGEX believes it should be left to the discretion of the DCO which decisions of its board warrant public disclosure.

Additionally, Principle 2, of the PFMIs note that, "…the FMI should clearly and promptly inform its owners, participants, other users, and, where appropriate, the broader public, of the outcome of major decisions . . . where it would not endanger candid board debate or commercial confidentiality." PFMI section 3.2.18, page 31. For consistency with the PFMI's, MGEX suggests the CFTC add a provision to the proposed regulation to allow for confidentiality of matters that would otherwise stifle candid board debate or endanger commercial confidentiality.

Regulation 39.33 (Financial resources requirements for systemically important derivatives clearing organizations and Subpart C derivatives clearing organizations)

The Commission requested comment as to whether proposed Regulation 39.33 is consistent with the PFMI's, or whether there are more effective or efficient means for achieving consistency with the liquidity standards set forth in Principle 7. MGEX believes the proposed regulation requires clarification as to applicability of the cover two

requirement. Based upon its review of the PFMIs, MGEX is confident that a Subpart C DCO that is not systemically important in multiple jurisdictions or involved in activities with a more complex risk profile would not need to meet the cover two requirement. However, the CFTC's proposed regulations do not appear to allow for this exception for a Subpart C DCO. See 78 FR at 50275. To be consistent with the PFMIs, MGEX requests that the Commission implement regulations that provide legal certainty and require only those DCOs who are systemically important in multiple jurisdictions or involved in activities with a more-complex risk profile to meet the cover two requirement. MGEX, as a DCO that clears traditional exchange-traded derivatives in a domestic market, believes that clarifying the guidance of the cover one and cover two requirements alleviates confusion surrounding its application.

The Commission requested comment as to whether proposed paragraph (d)(4) should specify the frequency with which a SIDCO or Subpart C DCO must test its procedures for accessing its liquidity resources. MGEX believes the language is sufficient as proposed. Testing requirements should be reasonable, practical, and consistent with the applicable PFMIs. Each DCO is in the best position to determine the frequency at which it should test its liquidity to ensure its accessibility as redundant testing would cause the DCO to incur unnecessary costs.

Regulation 39.34 (System safeguards for systemically important derivatives clearing organizations and Subpart C derivatives clearing organizations)

MGEX thanks the Commission for recognizing the significant costs and time required to fully comply with Regulation 39.34 and appreciates the additional time granted for complying with the provisions of this regulation.

While MGEX maintains adequate geographical distance and technological resources between its production and disaster recovery locations, fully staffing a disaster recovery location will be extremely costly to a DCO. MGEX estimates that this requirement would require three or four additional employees designated to the sole purpose of being available outside the Minneapolis area. Otherwise, MGEX will be forced to outsource the requirement altogether, which creates an obvious competitive disadvantage. Outsourcing, while often times utilized to deal with perceived risks, in reality may add risk during a stressed situation as a contractor may not have the same motivation to act in the best interest of the DCO and its market participants as those staff directly employed by the DCO. Consequently, MGEX requests that the Commission be less prescriptive as to its implementation of a BCDR plan and allow a DCO to seek alternatives that would not require the costly hiring or relocation of personnel, provided that the DCO remain consistent with the guidance set forth within the PFMIs.

Regulation 39.35 (Default rules and procedures for uncovered credit losses or liquidity shortfalls (recovery) for systemically important derivatives clearing organizations and Subpart C derivatives clearing organizations)

Proposed Regulation 39.35 requires SIDCOs and Subpart C DCOs to have detailed plans and procedures to address both credit losses and liquidity shortfalls beyond their pre-funded resources. MGEX understands the benefits of having such plans and, per

existing CFTC regulations, maintains sufficient resources to cover at least twelve months of operating expenses. However, SIDCOs and Subpart C DCOs will need additional time to consider and adopt rule changes to establish the necessary operational protocol to implement the processes outlined within the proposed regulation. MGEX believes that it will be very difficult, if not impossible, to perform the detailed analysis required to establish rules and procedures necessary for compliance with the proposed regulation by December 31, 2013. Therefore, MGEX would respectfully request that the Commission consider granting an extension of time similar to the compliance extension granted for Regulation 39.34 (System Safeguards). Granting an extension for compliance will give DCOs with intent on achieving Subpart C DCO status the necessary time to properly comply with the regulation while not preventing them from obtaining QCCP status by the end of 2013. MGEX is only requesting adequate time to comply with the regulation, not an exemption from compliance.

Regulation 39.36 (Risk management for systemically important derivatives clearing organizations and Subpart C derivatives clearing organizations)

The Commission requested comment as to whether the proposed regulation is consistent with the PFMIs, and whether it could be implemented effectively. The PFMIs suggest that a DCO must stress test at relevant peak history. MGEX agrees with the approach taken within Principle 6 of the PFMIs and encourages the Commission to give a DCO the flexibility to use stress test parameters that can be justified by relevant data, and to select relevant time periods to review when conducting stress tests.

The Commission proposes that all stress testing scenarios and analysis under proposed Regulation 39.36 be shared with a DCOs Board or Risk Management Committee ("RMC"). While in theory this is not a bad idea, in reality MGEX does not believe it to be in the best interest of members or market participants to have what could be considered their confidential information shared with a DCOs Board or RMC. The sharing of information concerning a Clearing Members or market participants overall position with the DCOs Board or Committee members, who may have a vested interest in the information aside from the DCOs risk management systems perspective, would not be in the best interest of the disclosing party. Despite conflict of interest rules and fiduciary obligations of the Board, Board members should not be put in a potentially compromising position. Therefore, MGEX would respectfully ask the Commission to be less prescriptive in terms of what is specifically required to be shared with a DCOs Board or RMC since the disclosure of detailed stress tests results or other programs that should be considered confidential may in fact limit or diminish the talent pool from which parties are selected to serve on Committees and governing Boards of the DCO. As an alternative, MGEX suggests that high level summaries, redacted versions, or subsets of the pertinent information may be used to fulfill the proposed requirement.

Regulation 39.37 (Additional disclosure for systemically important derivatives clearing organizations and Subpart C derivatives clearing organizations)

The Commission requested comment on proposed Regulation 39.37. While the regulation appears consistent with the PFMIs, the Quantitative Disclosure Document has not yet been made available for public comment. Consequently, MGEX does not

support a regulation requiring the disclosure of information prior to gaining an understanding of what specific disclosures would be required. As such, MGEX believes the CFTC should delay implementation of this regulation until the Quantitative Disclosure Document is finalized so as to properly allow DCOs time to review and comment or otherwise prepare for compliance. Further, at the time of filing this letter, it is unknown what burdens or costs may be associated with compliance and disclosure; such costs could even prove prohibitive. No practical cost or time estimate can be made without being able to identify the resources needed to meet the requirement.

Regulation 39.38 (Efficiency for systemically important derivatives clearing organizations and Subpart C derivatives clearing organizations)

The Commission requested comment on proposed Regulation 39.38, which would require a SIDCO or Subpart C DCO to design efficiently and effectively its clearing and settlement arrangements, operating structure and procedures, product scope, and use of technology. Specifically, the regulation would require that DCOs facilitate this efficiency by accommodating internationally accepted communication standards. MGEX believes that a DCO must have some practical flexibility in terms of its chosen methods of communication. While it is in the best interest of a DCO to communicate using the most efficient means, MGEX urges the Commission not to be overly prescriptive with its regulations in this area. DCOs should be allowed to make independent business decisions to establish the communication methods that best serve its Clearing Members and market participants. MGEX is unclear as to whom or what organization is responsible for establishing international communication standards and would expect that there may be multiple methods available. MGEX would suggest that a broad interpretation be used by the Commission when evaluating a DCOs communication policies and practices, and that the exact forms and methods of communication be determined by the individual DCO.

Regulation 39.39 (Recovery and wind-down for systemically important derivatives clearing organizations and Subpart C derivatives clearing organizations)

Overall, MGEX applauds the Commission for giving due consideration to the requirements surrounding a DCOs wind down and recovery plan. MGEX believes it is in every market participant's best interest that a DCO have a plan in place for such events. As a CFTC registered DCO, MGEX maintains liquid resources specifically designed to meet operating expenses and risks beyond that of a default. MGEX has taken these steps in order to protect its market participants and provide additional assurance that MGEX will be able to continue to operate following a default. However, given the somewhat prescriptive requirements being contemplated under proposed Regulation 39.39, MGEX is concerned that codifying such a plan into formal procedures or written rules may take longer than 90 days to accomplish. Therefore, MGEX respectfully requests that the Commission provide relief by granting an extension for up to one year, similar to the extension provided for Regulation 39.34 (System Safeguards), which would not otherwise prevent a Subpart C DCO from obtaining QCCP status by the December 31, 2013 deadline.

Further, the Commission states the following under proposed Regulation 39.39: "Principle 15 requires a CCP to identify, monitor and manage its general business risk

and hold sufficient liquid net assets funded by equity to cover potential general business losses so that the CCP can continue operations and services as a going concern if those losses materialize" 78 FR at 50281. MGEX believes that an established line of credit, with the purpose of meeting potential business losses, should be acceptable as available liquidity especially if the line was extended by the lender on the basis that certain equity covenants be met. Considering that a DCO may have equity in various less liquid forms, a line of credit can aid in generating liquidity for unexpected expenses. Therefore, MGEX requests that a DCO who demonstrates adequate liquidity capabilities through the use of a line of credit be considered compliant with the funding requirements proposed under Regulation 39.39.

Proposed Regulation 39.39 also requires that a SIDCO and a Subpart C DCO maintain a viable plan for "recovery or orderly wind-down, necessitated by general business risk, operational risk, or any other risk that threatens the SIDCOs or Subpart C DCOs viability as a going concern." 78 FR at 50285. MGEX notes that the proposed regulation deviates from the PFMIs by interjecting additional language. Within the proposed regulation, the CFTC accounts for "operational risk" and "business risk" in accordance with the PFMIs. However, the CFTC appears to take these concepts further by adding the language: "or any other risk that threatens the SIDCOs or Subpart C DCOs viability as a going concern." 78 FR at 50291. MGEX believes this additional language is unnecessary and vague making compliance confusing and difficult. Rather, MGEX suggests a SIDCO and Subpart C DCO need only to account for identified operational and business risks as those terms are defined. Therefore, MGEX requests the Commission remove the language not contained within the PFMIs in order to provide DCOs with a uniform framework when identifying and addressing the relevant risk exposures of the DCO.

Conclusion

In summary, MGEX believes the Commission has proposed steps to ensure that DCOs are operating in a manner consistent with the PFMIs, and to promote international regulatory harmonization in the global marketplace. MGEX appreciates the Commission's efforts to establish a method by which a DCO, which has not been designated as systemically important, can obtain the same regulatory standing as a SIDCO and ultimately gain QCCP status. However, MGEX believes that while attempting to offer flexibility within the Subpart C DCO election requirements, there are a number of competitive disadvantages and an apparent discriminatory treatment of those DCOs attempting to receive the Subpart C DCO designation. As of today, MGEX believes that it is operating in accordance with a significant portion of the PFMIs, and believes that its resources would be put to a better use ensuring compliance with the proposed regulations rather than completing a lengthy application and review process, especially since there is considerable overlap between the information required in a Subpart C Election Form and the information contained in a registration application previously filed by a DCO. Therefore, while appreciative for the opportunity to obtain QCCP status by becoming a Subpart C DCO, MGEX believes that the Subpart C DCO election process, as proposed, unfairly discriminates against those DCOs not designated as systemically important, as SIDCOs were able to bypass any application requirements due to their systemic importance.

As pointed out earlier in this response, MGEX believes the proposed implementation schedule creates significant disadvantages for DCOs wishing to obtain Subpart C DCO status in order to be considered a QCCP. First, the analysis required by a DCO in order to provide meaningful comment on the proposed regulations at issue would warrant a period significantly greater than the 30 days that were allotted. In addition to requesting that DCOs provide comment on the effectiveness of the proposed regulations, the Commission also asked for comment surrounding the costs of implementing such regulations. While certain that it will face material expense as a result of the proposed regulations, MGEX has not had sufficient time to estimate the costs with enough detail to provide the Commission. MGEX also recognizes that Clearing Members and other market participants may face increased costs associated with the proposed regulations. Similarly, these costs were not considered in our response as we have not had sufficient time to analyze their impact to our marketplace.

Additionally, MGEX notes that various final regulations applicable to SIDCOs have had much longer comment and implementation periods, specifically in regards to Regulations 39.29 and 39.30. While appreciative of the Commission's efforts to adopt regulations for SIDCOs that are consistent with the PFMIs, it is apparent that a DCO not designated as systemically important has the much shorter time frame of 60 days to ensure compliance.

As noted above, MGEX believes that many of the proposed regulations, while appropriate, cannot be adequately implemented under the schedule proposed by the Commission. MGEX again requests the CFTC grant an extension for compliance with the proposed regulations should they become final as proposed. An extension will provide DCOs, such as MGEX, the necessary time to evaluate and implement potentially significant changes to its rules, regulations, and operational policies and procedures. MGEX anticipates that, if given the appropriate time, a DCO attempting to obtain Subpart C DCO status may be able to demonstrate compliance with the enhanced regulatory requirements.

MGEX highlights its request as stated herein that the Commission work with both US and foreign regulators so as to create the best opportunity for DCOs to obtain QCCP status and to find a solution that would not create a competitive disadvantage to a DCO like MGEX merely because it has not been designated as systemically important.

Finally, MGEX believes the Commission must not be more prescriptive or issue explicit interpretations that remove the flexibility allowed within the PFMIs. MGEX believes that DCOs work diligently to serve their individual markets and, due to differences that exist between each DCO and their markets, it is not ideal to utilize a one-size-fits-all regulatory framework when implementing new requirements or within CFTC compliance reviews.

MGEX thanks the CFTC for the opportunity to comment on this matter. If there are any questions regarding these comments, please contact me at (612) 321-7108 or jfacente@mgex.com. Thank you for your attention.

Regards,

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