



September 29, 2017

Mr. Christopher J. Kirkpatrick
Secretary of the Commission
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street NW
Washington, DC 20581

VIA ONLINE SUBMISSION

Re: CFTC Requests Public Input on Simplifying Rules ("Project KISS") – Miscellaneous

Dear Secretary Kirkpatrick:

The Minneapolis Grain Exchange, Inc. ("MGEX" or "Exchange") would like to thank the Commodity Futures Trading Commission ("CFTC" or "Commission") for its Project KISS initiative, as set forth in a May 3, 2017 news release.¹ MGEX appreciates an opportunity to respond to the Commission's request for public input.

Introduction

MGEX, a Designated Contract Market ("DCM") and Subpart C Derivatives Clearing Organization believes there is a useful and practical addition the Commission should make to CFTC Regulation § 39.10; specifically, providing a "safe harbor" for information provided in the Chief Compliance Officer ("CCO") annual report. Additionally, while MGEX is neutral on the submission of the CCO annual report, it believes that the regulatory burdens for the CCO annual report have increased with no apparent proportional benefit to the Commission or the public. As such, MGEX believes additional prescriptive guidance on the CCO annual report should be eliminated going forward.

MGEX thanks the Commission in advance for reviewing this comment letter.

¹ <http://www.cftc.gov/PressRoom/PressReleases/pr7555-17>.

1. The Commission should provide a safe harbor for information provided in the Chief Compliance Officer annual report.

As background, the Commission requires:

(3) *Annual report.* The chief compliance officer shall, not less than annually, prepare and sign a written report that covers the most recently completed fiscal year of the derivatives clearing organization, and provide the annual report to the board of directors or the senior officer. The annual report shall, at a minimum:

(i) Contain a description of the derivatives clearing organization's written policies and procedures, including the code of ethics and conflict of interest policies;

(ii) Review each core principle and applicable Commission regulation, and with respect to each:

(A) Identify the compliance policies and procedures that are designed to ensure compliance with the core principle;

(B) Provide an assessment as to the effectiveness of these policies and procedures;

(C) Discuss areas for improvement, and recommend potential or prospective changes or improvements to the derivatives clearing organization's compliance program and resources allocated to compliance;

(iii) List any material changes to compliance policies and procedures since the last annual report;

(iv) Describe the financial, managerial, and operational resources set aside for compliance with the Act and Commission regulations; and

(v) Describe any material compliance matters, including incidents of noncompliance, since the date of the last annual report and describe the corresponding action taken.

(4) *Submission of annual report to the Commission.*

(i) Prior to submitting the annual report to the Commission, the chief compliance officer shall provide the annual report to the board of directors or the senior officer of the derivatives clearing organization for review. Submission of the report to the board of directors or the senior officer shall be recorded in the board minutes or otherwise, as evidence of compliance with this requirement.

(ii) The annual report shall be submitted electronically to the Secretary of the Commission in the format and manner specified by the Commission not more than 90 days after the end of the derivatives clearing organization's

fiscal year, concurrently with submission of the fiscal year-end audited financial statement that is required to be furnished to the Commission pursuant to § 39.19(c)(3)(ii) of this part. The report shall include a certification by the chief compliance officer that, to the best of his or her knowledge and reasonable belief, and under penalty of law, the annual report is accurate and complete.

(iii) The derivatives clearing organization shall promptly submit an amended annual report if material errors or omissions in the report are identified after submission. An amendment must contain the certification required under paragraph (c)(4)(ii) of this section.

(iv) A derivatives clearing organization may request from the Commission an extension of time to submit its annual report in accordance with § 39.19(c)(3) of this part.²

While MGEX is neutral on submission of the CCO annual report, it supports the addition of a “safe-harbor” or similar provision within CFTC Regulation § 39.10 that provides for no-action outside of the Commission’s Rule Enforcement Review (“RER”) process. This would specify that information provided in the report on its own would not be subject to enforcement. Although the information disclosed in the report would be potentially scrutinized in the course of RERs, MGEX believes that offering a “safe-harbor” provision may increase candor in the annual report and allow for a better balance of transparency and enforcement.

2. The Commission should eliminate prescriptive guidance on the Chief Compliance Officer annual report going forward.

MGEX appreciates the Commission’s desire to provide continued guidance on the form and content of the CCO annual report. However, detailed, prescriptive, and constant revisions to the requirements of the report increase the regulatory burden and cost to MGEX and other organizations to review, interpret, and implement said guidance into existing policies and procedures. As such, MGEX would encourage eliminating prescriptive guidance on the report going forward unless there is a substantial and demonstrated need.

MGEX recognizes that sometimes adjustments to the CCO annual report may be necessary over time, in which case, MGEX would favor the notice-and-comment rulemaking process which will have the assistance of public input, cost-benefit analysis, and other mechanisms, which provide a more fair and complete approach. This approach would also allow the Commission to demonstrate that it is benefitting from any changes to the CCO annual report that may increase reporting entity’s regulatory burden.

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² CFTC Reg. § 39.10(3)-(4).

If you have any questions or concerns regarding this letter, please feel free to contact me at (612) 321-7128 or psparby@mgex.com. Thank you for your attention to this matter.

Sincerely,



Peter D. Sparby

Associate Corporate Counsel

cc: Mark G. Bagan, President & CEO, MGEX

Layne G. Carlson, Treasurer & Corporate Secretary, MGEX