



September 26, 2023

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

VIA ONLINE SUBMISSION

RE: Request for Comment on The Impact of Affiliations on Certain CFTC-Regulated Entities

Dear Mr. Kirkpatrick:

Miami International Holdings, Inc. (“**MIH**”) and the Minneapolis Grain Exchange, LLC (“**MGEX**”) thank the Commodity Futures Trading Commission Staff (“**Commission Staff**” or “**CFTC Staff**”) for its thoughtful request for comment on potential issues that may arise if a designated contract market (“**DCM**”), derivatives clearing organization (“**DCO**”), or swap execution facility (“**SEF**”) is affiliated with an intermediary, such as a futures commission merchant (“**FCM**”), or other market participant that is a member of the DCM, DCO, or SEF (each such party a “**Regulated Entity Affiliate**,” the relationship a “**Regulated Entity Affiliation**”). As explained further below, we believe Regulated Entity Affiliations provide a demonstrable benefit to the marketplace by increasing competition and choice among execution venues and helping to ensure open and impartial access to markets. Accordingly, we believe they should be permitted, provided that measures described below are implemented to help ensure potential risks associated with Regulated Entity Affiliations, including conflicts of interest, are effectively and rigorously monitored and managed.

I. Introduction

MIH is the corporate holding company for a global exchange group composed of Miami International Securities Exchange, LLC (“**MIAX**”), MIAX PEARL, LLC and MIAX Emerald, LLC (together, the “**MIAX Exchange Group**”) which are regulated by the U.S. Securities and Exchange Commission (“**SEC**”); The Bermuda Stock Exchange, which is regulated by the Bermuda Monetary Authority; MGEX, which is a CFTC-registered DCM and a Subpart-C DCO;

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LedgerX LLC, which is a CFTC-registered DCM, DCO, and SEF; and Dorman Trading, LLC (“**Dorman Trading**”), which is a CFTC-registered FCM and a member of the National Futures Association. Dorman Trading is a clearing member of MGEX, and as a result, MIH manages a Regulated Entity Affiliation.¹ As a corporate holding company that manages several entities registered with both the CFTC and the SEC, MIH understands the protection of confidential information is a core tenet of regulations applicable to it. As a service provider for various market participants through its subsidiaries, MIH also understands it must uphold a reputation beyond reproach. As a corporate holding company that manages a Regulated Entity Affiliation, MIH believes it is uniquely positioned to provide a perspective on (i) the critical service a Regulated Entity Affiliation may provide to the market and (ii) the measures Regulated Entity Affiliates must implement to help ensure risks attendant to these affiliations are effectively monitored and managed.

Ensuring impartial and open access to markets is a fundamental principle of the Commodity Exchange Act and the work of the CFTC. For example, DCM Core Principle 2 states that a DCM must provide its members, persons with trading privileges, and independent software vendors with impartial access to its markets and services.² Further, DCO Core Principle C provides that a DCO must ensure fair and open access for participation³ and must select product unit sizes and other terms and conditions that promote open access.⁴ Chairman Benham has recently stated that, in part, “what success looks like for the CFTC is fostering open, transparent, competitive, and financially sound markets.”⁵ We believe, for the reasons stated and subject to the conditions described below, that Regulated Entity Affiliations help facilitate the goals of these Core Principles.

To trade futures or securities products listed on DCMs or securities exchanges, end users must have access to both the market that lists the product and the clearinghouse that clears and settles the product. In traditional market structure, access to both the market and the clearinghouse is intermediated, typically by an FCM for futures-based products and a securities broker-dealer for securities-based products. At its most efficient, this traditional market structure furthers twin goals of market regulators: (i) providing impartial and open access⁶ to products on a market for eligible end users, and (ii) reducing risk to both the end users and the financial market infrastructures by interposing a sophisticated and heavily-regulated entity into the transaction flow. However, we have first-hand experience demonstrating that market forces sometimes operate to create a profound market inefficiency – namely, the inability of market

¹ This document uses “Regulated Entity Affiliations” to refer to the relationship wherein an affiliated entity is a member of, and supervised by, an affiliated exchange. MIH’s companies and MIH are “affiliates” of one another in the traditional sense. The discussion herein is limited to Regulated Entity Affiliations, but the MIH Information Barrier Policy applies to all MIH affiliates.

² 17 CFR 38.151(b). See also 7 U.S.C. § 7(d)(2).

³ 17 CFR 39.12(a)(1). See also 7 U.S.C. § 7a-1(c)(2)(C)(3).

⁴ 17 CFR 39.12(b)(5). See also 7 U.S.C. § 7a-1(c)(2)(C)(3).

⁵ Commodity Futures Trading Commission 2022-2026 Strategic Plan, available at https://www.cftc.gov/media/7081/CFTC2022_2026StrategicPlan/download. See also, Opening Statement of Commissioner Caroline D. Pham before the Agricultural Advisory Committee Meeting, July 19, 2023 (“Access to markets is one of my three core values as a Commissioner...”).

⁶ See supra notes 1–3.

participants who have actively demonstrated an interest in trading certain products to access a market listing those products.

For example, MIH, in collaboration with T3 Index, developed a proprietary volatility index in April 2018 as an alternative to a volatility index that has enjoyed a virtual monopoly in the industry for nearly thirty years. Market participants indicated an interest to trade derivative products based on the index, and MIH launched options and futures on the index in 2019 and 2020, respectively. The index options are listed by MIAX and cleared and settled by The Options Clearing Corporation, while the index futures are offered by MGEX and cleared and settled by MGEX.⁷

Market participants had little trouble gaining access to the index options. According to the most recently available data, there were over three thousand FINRA-registered broker-dealers in 2021,⁸ approximately forty-six of which are clearing members of The Options Clearing Corporation (the clearinghouse that clears and settles the index options) and members of MIAX (the exchange that lists the index options).⁹ Conversely, market participants faced obstacles gaining access to the index futures. There are 60 FCMs, as of June 30, 2023.¹⁰ We believe approximately 47 of those provide access to customers and a small fraction of those have demonstrated a willingness to take on introducing broker business. Only thirteen of these FCMs have direct access to MGEX products (the clearinghouse that clears and settles and the exchange that lists the index futures).¹¹ The market is also heavily concentrated: of the approximately 60 FCMs currently operating, 5 hold the largest amount of combined customer segregated funds and Part 30 funds by a wide margin when compared with the remaining FCMs.¹² According to at least one industry participant, there has been a nearly fifty percent

⁷ SPIKES™ futures are listed and traded as futures regulated solely by the CFTC, and not as security futures regulated by both the CFTC and the Securities and Exchange Commission (“SEC”), per a conditional exemptive order (“**Exemptive Order**”) issued by the SEC in 2020. See Order Granting Conditional Exemptive Relief, Pursuant to Section 36 of the Securities Exchange Act of 1934 With Respect to Futures Contracts on the SPIKES™ Index, Release No. 34-90510 (Nov. 24, 2020), 85 FR 77297 (Dec. 1, 2020). This Exemptive Order was challenged by the owner of the incumbent volatility index, and on July 28, 2023, the U.S. Court of Appeals for the D.C. Circuit vacated the Exemptive Order on non-substantive grounds. See *Cboe Futures Exchange, LLC v. Securities and Exchange Commission, and Minneapolis Grain Exchange, LLC*, Case No. 21-1038 (D.C. Cir. July 28, 2023). On September 11, 2023, MGEX filed a petition for panel rehearing and rehearing *en banc*. The Exemptive Order remains in effect through at least December 31, 2023, and we are exploring options to ensure the futures product continues to be listed and traded beyond that date.

⁸ See Table 2.3, Securities Industry Registered Firms by Type of Registration, 2012-2021, FINRA 2022 FINRA Industry Snapshot, available at <https://www.finra.org/sites/default/files/2022-03/2022-industry-snapshot.pdf>.

⁹ See The Options Clearing Corporation, Membership Directory, available at <https://www.theocc.com/company-information/member-directory>.

¹⁰ See National Futures Association Membership and Directors, available at <https://www.nfa.futures.org/registration-membership/membership-and-directories.html>.

¹¹ See MGEX Clearing Member List, available at <https://www.mgex.com/documents/mgex-clearing-member-list-v1.2-07072023.pdf>.

¹² See FIA Comparison Table, June 2023 data, available at <https://www.fia.org/fia/fcm-comparison-table>.

decline in the number of FCMs providing clearing services to customers within the last two decades. We are aware of large, sophisticated market participants being denied access to our index futures because the FCMs with which they had a relationship either (i) declined to become an MGEX clearing member or (ii) if already a member of MGEX, declined to offer the index future to their customers. An intermediated market that inhibits or restricts access to approved products through approved means results in no market at all.

Regulated Market Affiliates avoid this inefficient outcome by providing market participants with an FCM that is willing to facilitate their trading of an exchange group proprietary product they wish to trade. We believe this outcome will increase competition among execution venues by ensuring market participants have the freedom to trade the products of their choice on the venue of their choice and will benefit market participants more generally, provided that the (i) Regulated Entity Affiliates are managed such that risks attendant to one Regulated Entity Affiliate are unlikely to affect another Regulated Entity Affiliate, and (ii) confidential information in the possession of one Regulated Entity Affiliate is not shared with another Regulated Entity Affiliate. We believe these goals may be achieved if Regulated Entity Affiliations are established and managed according to the following principles:

- The company maintains a well-conceived, thorough, and rigorously enforced intra-company information barrier policy;
- Regulated Entity Affiliates do not share senior compliance and risk management personnel, such as the Chief Risk Officer, the Chief Compliance Officer, and the Chief Regulatory Officer; and
- Each Regulated Entity Affiliate is capable of meeting its regulatory financial resource requirements without access to the others' funds.

II. Responses to Specific Questions

We believe Commission Staff's questions fall into the following categories: (i) how a Regulated Entity Affiliation would affect the supervisory responsibilities of the DCO, DCM, and/or SEF; (ii) information and resource sharing between and among Regulated Entity Affiliates; (iii) the adequacy of financial and liquidity resources for each of the Regulated Entity Affiliates and the possibility of contagion risk among Regulated Entity Affiliates; and (iv) potential anti-competitive effects of a Regulated Entity Affiliation. We address each in turn below.

A. Supervisory Responsibilities with Respect to the Intermediary

1. DCO

Commission Staff asks several questions regarding the extent to which market participants can be assured that the DCO will exercise its supervisory authority appropriately for an FCM that is a Regulated Entity Affiliate. For example, a DCO may have discretion in certain instances over the following: (i) margin changes to specific clearing members; (ii) a determination whether to suspend a clearing member that experiences an instance of default for reasons other than non-payment; (iii) the process by which a defaulting clearing member's portfolio will be liquidated; and (iv) whether and the extent to which to investigate a clearing member and, if so, the appropriate discipline to levy.

2. DCM/SEF

Commission Staff also identifies several instances in which a DCM or SEF has supervisory responsibility over an FCM member, including the requirement that DCMs monitor the financial condition of member FCMs and the positions of member FCM's customers. DCMs must also continually monitor the obligations of each FCM member created by the positions of the FCM's customers, compare those obligations to the financial resources of the FCM, and take appropriate steps to use this information to protect customer funds. In addition to these financial supervision requirements, DCMs and SEFs must surveil, investigate, and discipline FCM members.

3. Response

We believe it is imperative that DCOs, DCMs, and SEFs establish and rigorously enforce comprehensive rules, policies, and internal processes to help ensure Regulated Entity Affiliates receive the same treatment as other FCMs.¹³ Absent such rules, policies, and internal processes, we do not believe Commission Staff or market participants can be assured that supervisory responsibilities with respect to Regulated Entity Affiliates are discharged appropriately.

In the case of the Regulated Entity Affiliation established by MIH, for example, MGEX maintains a public rule that requires, in pertinent part, that “[the Regulated Entity Affiliate] will **not receive preferential treatment in any respect**, including with respect to Exchange disciplinary processes or pricing” and “will be subject to the **same access criteria and must abide by the same Rules** as all other Clearing Members or Market Participants.”¹⁴ This rule is reinforced by a recently updated MGEX Compliance Manual, which outlines and expands on the contents of MGEX Rule 2.1.15 cited above. The MGEX Compliance Manual explicitly prohibits the MGEX Compliance Department from treating a Regulated Entity Affiliate differently than any other Clearing Member, FCM, intermediary, or market participant in its surveillance/monitoring and disciplinary processes. Further, as Rule 2.1.15 states, all potential clearing members are subject to the same access criteria at MGEX. While the documentation submitted by clearing member applicants may differ due to their individual business needs or requirements, the application and supplemental documentation required, as well as the application fee and minimum security deposit amount, is universal. Additionally, the same level of scrutiny is applied to all clearing member applicants, meaning that an applicant that is a Regulated Entity Affiliate is not given more leniency on meeting MGEX's requirements. In order to ensure that all participants, regardless of affiliation, are treated equally, the Department of Audits and Investigations (the Department primarily responsible for all monitoring and disciplinary functions of the exchange) reports directly to MGEX's Chief Regulatory Officer, who in turn reports directly to the Regulatory Oversight Committee.

¹³ We also believe the rules that guide their relationship with Regulated Entity Affiliates should be public, so that market participants can be assured of the overarching guidelines by which the DCO, DCM, and/or SEF manages the Regulated Entity Affiliation. MGEX also discloses publicly its Regulated Entity Affiliation on its website. See <https://mgex.com/membership.html>.

¹⁴ MGEX Rule 2.1.15. (emphasis added).

We believe entities managing Regulated Entity Affiliations must adhere to these or similar rules to assure non-affiliated members that the Regulated Entity Affiliate is not receiving preferential treatment. As discussed further below, we also believe these rules must be supported by rigorously managed and enforced information barriers policies.

B. Shared Resources and Information Barriers

1. DCO

Commission Staff requested comments on what limits, if any, should be placed on DCOs sharing resources with Regulated Entity Affiliates, and whether shared personnel resources might exacerbate concerns non-affiliated clearing members may have regarding the confidentiality of material non-public information they provide to the DCO. Commission Staff also requested comment whether information barriers are appropriate for Regulated Entity Affiliates, and if so, whether such information barriers must include a prohibition on the use of shared physical space for Regulated Entity Affiliate personnel. Finally, Commission Staff requested comment on whether there are certain functional areas where sharing of personnel presents less of a potential conflict of interest, or where sharing of personnel presents benefits to the market.

2. DCM/SEF

Commission Staff requested comment on whether there should be any restrictions on DCMs or SEFs sharing personnel with Regulated Entity Affiliates, and whether any overlap of personnel between Regulated Entity Affiliates might make it more difficult for a DCM or SEF to conduct its surveillance, investigatory, or disciplinary responsibilities with respect to the Regulated Entity Affiliate. Commission Staff also requested comment on whether information barriers are appropriate for Regulated Entity Affiliates, and if so, whether such information barriers must include a prohibition on the use of shared physical space for Regulated Entity Affiliate personnel.

3. Response

We believe well-conceived, thorough, and rigorously enforced information barriers should be required for Regulated Entity Affiliations to help ensure that material non-public information of non-affiliated FCMs is obtained and possessed by personnel working for the DCO, DCM, and/or SEF and not the affiliated FCM. We also believe it is imperative that Regulated Entity Affiliates do not share (i) senior compliance and risk management personnel, such as the Chief Risk Officer, the Chief Compliance Officer, and the Chief Regulatory Officer, or (ii) physical office space. Finally, we believe information technology systems of Regulated Entity Affiliates must be physically and logically separate to help ensure that unauthorized persons cannot access confidential information originating from a Regulated Entity Affiliate.

Robust information barriers are necessary for Regulated Entity Affiliations that may operate on the same network and with certain shared services. To this end, MIH has developed, implemented, and trained personnel¹⁵ on a company-wide Information Barrier Policy to ensure:

¹⁵ The MIH Information Barrier Policy applies to all officers, employees, contractors, and consultants of any of the MIH companies.

(i) only authorized personnel obtain and possess confidential information originating from any affiliate; (ii) such authorized personnel possess confidential information originating from any affiliate in a manner to prevent it from being shared with non-authorized personnel; and (iii) personnel working principally for a Regulated Entity Affiliate obtain and possess **no non-public information** originating from another Regulated Entity Affiliate. We believe the scope of this last prohibition is critical: if Regulated Entity Affiliations are to be managed in a manner that prevents the Regulated Entity Affiliate member from receiving preferential treatment vis-à-vis other members, all non-public information originating from the Regulated Entity Affiliate that is the DCO, DCM, or SEF must not be disclosed to the Regulated Entity Affiliate. In furtherance of this goal to ensure that non-public information of a Regulated Entity is not shared with the other Regulated Entity, MGEX Rule 2.1.15 requires an affiliate to maintain offices and information technology systems separate from those of MGEX. MIH's information barrier policy also prohibits unauthorized persons who work principally for an affiliate¹⁶ from obtaining and possessing material non-public information that originates from a different affiliate.

In response to the question from Commission Staff, we believe there are certain functional areas where sharing of personnel presents no conflict of interest and, in fact, provides a benefit to the market. We believe the most prominent of these areas is cybersecurity, wherein best-in-class tools and processes can and should be deployed across all Regulated Entity Affiliations without concern of conflicts of interest. Other examples include: physical security, internal audit, and information security services.

C. Adequacy of Financial Resources and Management of Contagion Risk

1. DCO

Commission Staff noted that financial or liquidity resources of Regulated Entity Affiliates may need to be tapped effectively simultaneously in the event of a simultaneous default at the entities, and asked whether the financial or liquidity resource requirement should be increased as a result. Commission Staff requested comment whether the imposition of a requirement for "sufficient supplementary default and liquidity resources to cover (under stress conditions) the default of the affiliate in addition to the DCO's current Cover 1 or Cover 2 requirements" would be appropriate to help ensure the financial and liquidity resources of the DCO are sufficient to withstand extreme but plausible stress events.

Commission Staff also asked (i) whether a loss of confidence in one of the Regulated Entity Affiliates may start a run on the other Regulated Entity Affiliate, and (ii) the extent to which Regulated Entity Affiliates can provide assurances such that contagion risks are controlled to the fullest extent possible.

2. DCM/SEF

Commission Staff asked whether risks facing an intermediary could spread to the affiliated DCM or SEF, or vice versa. Commission Staff also asked generally how any contagion risks should be considered and addressed.

¹⁶ MIH's Information Barrier Policy extends beyond Regulated Entity Affiliations and applies to all MIH company affiliations.

3. Response

We believe that each Regulated Entity Affiliate should be required to demonstrate that it is capable of meeting its regulatory financial resources requirement without access to the others' funds. We also believe that each Regulated Entity Affiliate should be capitalized in consideration of the plausible risks of their respective business lines. With respect to whether DCOs with Regulated Entity Affiliates should be required to maintain additional default or liquidity resources to cover the default of a Regulated Entity Affiliate in addition to current requirements, we respectfully believe such a requirement would not be appropriate. Provided Regulated Entity Affiliates are sufficiently capitalized independently of one another – including, in the case of a DCO, by holding required cover-1 or cover-2 default and liquidity resources – we believe any additional requirement is unnecessary. If the CFTC is nonetheless inclined to impose additional financial resources requirements on DCOs that have Regulated Entity Affiliates, we suggest it first conduct additional data analysis to ensure such requirements are necessary.

D. Potential Anti-Competitive Effects of Regulated Entity Affiliations, Impartial Access, and Treatment of Nonpublic Information

1. DCO

Commission Staff asked questions regarding the extent to which non-affiliated clearing members of a DCO could be assured that nonpublic information they provide to the DCO in the course of its risk management and surveillance function would not be shared by the DCO with the affiliated FCM. Commission Staff expressed a concern that non-affiliated FCM clearing members may be less inclined to provide material nonpublic information to a DCO if the DCO maintains a Regulated Entity Affiliation, for fear that such information may be communicated with a competitor. Commission Staff also asked whether a market operated with either (i) a single affiliated FCM clearing member, or (ii) a single affiliated FCM clearing member and other non-FCM, non-affiliated clearing members would raise heightened concerns.

2. DCM/SEF

Commission Staff asked several questions regarding possible requirements that could be implemented to ensure that Regulated Entity Affiliates do not receive preferential treatment compared to non-affiliates. These questions include: (i) what assurances could the Commission require to demonstrate that Regulated Entity Affiliations are managed consistent with Commission regulation that requires a DCM to establish and maintain access criteria that is "impartial, transparent, and applied in a non-discriminatory manner;"¹⁷ (ii) whether DCMs and SEFs should be obligated to adopt barriers or other internal procedures to ensure that personnel of a Regulated Entity Affiliate do not obtain or possess confidential information that could be used to manipulate or disrupt the market; and (iii) what disclosures should be required of DCMs or SEFs that establish Regulated Entity Affiliations.

¹⁷ CFTC Regulation 38.151(b).

3. Response

We believe an entity that manages a Regulated Entity Affiliation must: (i) have explicit rules prohibiting the Regulated Entity Affiliates from having access to nonpublic information originating from either of the Regulated Entity Affiliates, and (ii) implement robust information barrier policies and processes to ensure this mandate is enforced. We believe the Commission should consider, at a minimum, requiring entities that establish Regulated Entity Affiliations to create and maintain rules and procedures that prohibit the sharing of nonpublic information between the affiliates and a robust information barrier policy to ensure the Regulated Entity Affiliates operate consistently with the rule. We believe that implementing and rigorously enforcing the rules and policies discussed above sufficiently mitigate any concerns that a Regulated Entity Affiliate could improperly access non-public information originating from the other Regulated Entity Affiliate.

Regarding the Commission Staff's general concern about competitive effects, we emphasize the point above that Regulated Entity Affiliates may in fact lead to increased competition within the markets, eliminating potential anticompetitive burdens that currently exist. As previously mentioned, an FCM that is a clearing member of a DCO decides which products listed on an exchange it will clear for its customers. If an FCM that is a clearing member chooses not to make a particular product available to its customers, the customers cannot avail themselves of the product. As stated above, the Regulated Entity Affiliation between MGEX and Dorman Trading promotes greater customer access to MGEX and its products, provides a pathway to new and novel products, and promotes greater competition in the markets by allowing for viable alternatives to monopolistic market segments and anticompetitive behavior. Increased customer access through Regulated Entity Affiliations does not mean reduced competition; in fact, it serves to bolster competition amongst products and guard against anticompetitive behavior in the industry. As a result, competition is the only way to ensure market participants have greater access to products and risk management tools that promote innovation and alternative products.

In operating its DCM/DCO, MGEX utilizes an intermediated, multiple-FCM model, where it encourages impartial access and competition through the ability of any qualified FCM to become an MGEX clearing member. MGEX currently has thirteen clearing members with direct access to MGEX products and continues to grow its clearing membership. To this end, it is not in MGEX's interest to prefer its Regulated Entity Affiliate over any other clearing member FCM.¹⁸ Customers may choose to trade MGEX products through a Regulated Entity Affiliate or an unaffiliated clearing member. We are cognizant of the Commission's concerns, particularly as it relates to a single FCM model or an affiliated FCM responsible for the bulk of volume at a DCO (especially where the incentive not to prefer a Regulated Entity Affiliate over non-affiliated members may not be as compelling). We do not believe that imposing a volume cap on an affiliated FCM is necessary or appropriate. Rather, should the Commission choose to enact

¹⁸ Similarly, Dorman Trading has no incentive to prefer MGEX's products over products offers by other markets to which Dorman Trading has trading privileges. In addition to MGEX, Dorman Trading is a clearing member of: the Chicago Mercantile Exchange Group (serving the Chicago Mercantile Exchange (CME), the Chicago Board of Trade (CBOT), the New York Mercantile Exchange (NYMEX), and the Commodity Exchange (COMEX)) and the Intercontinental Exchange (ICE US). Dorman Trading is also a non-clearing member of Eurex and clears through a carrying broker for: ICE Futures Europe, Euronext, Coinbase Derivatives, and Cboe.

restrictions, we believe a minimum threshold of non-affiliated FCMs or clearing members (such as three) would better accomplish this goal by providing appropriate impartial access and sufficient competition amongst clearing members for customers. A minimum threshold for clearing member participation would not restrain trade, whereas alternative mitigation measures, such as percentage volume caps on Regulated Entity Affiliates, could. In addition to being a potential restraint on trade, percentage volume caps – since they would in part be dependent on trading activity outside of the control of the Regulated Entity Affiliate – would be impossible to manage effectively.

Finally, to help ensure MGEX fosters markets with impartial access and no anti-competitive effects, MGEX maintains several forums and open communication lines within which current or prospective clearing members could raise concerns regarding any aspect of its operations, including the existence of a Regulated Entity Affiliation. During the several months in which MGEX has had a Regulated Entity Affiliation, no current or prospective clearing member has raised concerns with any aspect of this arrangement, and no current member has expressed a reluctance to provide MGEX with material nonpublic information that it has requested in the course of its supervisory function, indicating trust in MGEX's handling of its Regulated Entity Affiliation.

III. Conclusion

We believe Regulated Entity Affiliations are, given the evolution of market structure and FCM services, critical to ensure market participants have access to the products they wish to trade. When managed according to the principles and guidelines discussed here, we believe Regulated Entity Affiliations will lead to increased competition in the market and promote the development of new and novel products by exchanges. We also strongly believe, however, that (i) Regulated Entity Affiliations must be accompanied by well-conceived, thorough, and rigorously enforced information barrier policies; (ii) key personnel at Regulated Entity Affiliates must be independently staffed with experienced and well-suited personnel; and (iii) each Regulated Entity Affiliate must meet its regulatory financial resource requirements independently.

If you have any questions please feel free to reach out to us.

Sincerely,

MIAMI INTERNATIONAL HOLDINGS, INC.

MINNEAPOLIS GRAIN EXCHANGE, LLC

By: 

Thomas P. Gallagher
Chairman and Chief Executive Officer

By: 

Mark G. Bagan
President and Chief Executive Officer