

**SUBMISSION COVER SHEET**

**IMPORTANT:** Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 23-141

Organization: The Board of Trade of the City of Chicago, Inc. ("CBOT")

Filing as a:  DCM  SEF  DCO  SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 04/13/23 Filing Description: Amendments to Rule 1305. ("Sampling") to Reduce the Rejection Threshold for Protein Content of the Soybean Meal Futures Contract

**SPECIFY FILING TYPE**

Please note only ONE choice allowed per Submission.

**Organization Rules and Rule Amendments**

- |                          |                                     |            |
|--------------------------|-------------------------------------|------------|
| <input type="checkbox"/> | Certification                       | § 40.6(a)  |
| <input type="checkbox"/> | Approval                            | § 40.5(a)  |
| <input type="checkbox"/> | Notification                        | § 40.6(d)  |
| <input type="checkbox"/> | Advance Notice of SIDCO Rule Change | § 40.10(a) |
| <input type="checkbox"/> | SIDCO Emergency Rule Change         | § 40.10(h) |

**Rule Numbers:**

**New Product**

Please note only ONE product per Submission.

- |                          |                                       |            |
|--------------------------|---------------------------------------|------------|
| <input type="checkbox"/> | Certification                         | § 40.2(a)  |
| <input type="checkbox"/> | Certification Security Futures        | § 41.23(a) |
| <input type="checkbox"/> | Certification Swap Class              | § 40.2(d)  |
| <input type="checkbox"/> | Approval                              | § 40.3(a)  |
| <input type="checkbox"/> | Approval Security Futures             | § 41.23(b) |
| <input type="checkbox"/> | Novel Derivative Product Notification | § 40.12(a) |
| <input type="checkbox"/> | Swap Submission                       | § 39.5     |

**Official Product Name:**

**Product Terms and Conditions (product related Rules and Rule Amendments)**

- |                                     |   |                      |
|-------------------------------------|---|----------------------|
| <input type="checkbox"/>            | Certification   | § 40.6(a)            |
| <input type="checkbox"/>            | Certification Made Available to Trade Determination     | § 40.6(a)            |
| <input type="checkbox"/>            | Certification Security Futures                          | § 41.24(a)           |
| <input type="checkbox"/>            | Delisting (No Open Interest)                            | § 40.6(a)            |
| <input type="checkbox"/>            | Approval  | § 40.5(a)            |
| <input type="checkbox"/>            | Approval Made Available to Trade Determination          | § 40.5(a)            |
| <input type="checkbox"/>            | Approval Security Futures                               | § 41.24(c)           |
| <input type="checkbox"/>            | Approval Amendments to enumerated agricultural products | § 40.4(a), § 40.5(a) |
| <input checked="" type="checkbox"/> | "Non-Material Agricultural Rule Change"                 | § 40.4(b)(5)         |
| <input type="checkbox"/>            | Notification  | § 40.6(d)            |

Official Name(s) of Product(s) Affected: See filing.

Rule Numbers: See filing.

April 13, 2023

**VIA ELECTRONIC PORTAL**

Mr. Christopher K. Kirkpatrick  
Office of the Secretariat  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21st Street, N.W.  
Washington, D.C. 20581

**Re: CFTC Regulation 40.4.(b)(5). Amendments to Rule 1305. (“Sampling”) to Reduce the Rejection Threshold for Protein Content of the Soybean Meal Futures Contract. CBOT Submission No. 23-141**

Dear Mr. Kirkpatrick:

The Board of Trade of the City of Chicago, Inc. (“CBOT” or “Exchange”) is certifying to the Commodity Futures Trading Commission (“CFTC” or “Commission”) amendments to Rule 1305. (“Sampling”) of the Soybean Meal Futures contract (CME Globex Code: ZM; Clearing Code: 06, Rulebook Chapter: [13](#)) (the “Contract”) to amend the rejection threshold for protein content of the Contract commencing with the January 2024 contract month and beyond (the “Rule Amendments”). This submission shall become effective on May 1, 2023.

Specifically, the Exchange is implementing the Rule Amendments such that the protein threshold of the Contract at which buyers may reject loadouts will be reduced from 47.0 percent to 46.0 percent. Currently, soybean meal testing below 47 percent protein may be rejected by the buyer, and if not rejected, subject to discount.<sup>1</sup> Pursuant to the Rule Amendments, soybean meal loaded out that tests below 47.0 percent protein will still be subject to discount, but load-outs at or above 46.0 percent protein and below 47.0 percent protein will not be subject to rejection. The Rule Amendments are consistent with activity in the related cash market which rarely, if ever, experiences product rejection based on protein content.<sup>2</sup>

The Exchange proposes the Rule Amendments take effect in the new crop year following the expiration of the December 2023 contract month. Thus, all load-outs occurring in the 2023 calendar year will follow current protein rejection rules, and all load-outs beginning on January 2, 2024 and beyond will follow the amended protein rejection rules. The Rule Amendments are provided in Exhibit A and Exhibit B below in blackline format.

**Non-Material Rule Change**

The Exchange believes that the Rule Amendments are not material and will not affect a market participant’s decision to either enter into an existing position or make or take delivery of the Contract. Moreover, the Rule Amendments will not have an impact on the economic value of existing positions in the new crop year.

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<sup>1</sup> CBOT Rule 13105. Sampling states, “Protein deficiency claims shall be settled between the parties on the basis of two times the delivered market price per unit of protein on date of shipment and shall be calculated on the same moisture basis as for protein rejection.” This language is consistent with National Oilseed Processors Association (“NOPA”) trade rules and used in U.S. domestic cash market transactions. How discounts for protein deficiency claims are calculated are explained by [SER-7444](#) dated August 21, 2015.

<sup>2</sup> Based on market feedback, the Exchange is not aware of any rejections of cash market soybean meal due to protein content despite the ability to also reject under NOPA Rules.

The par delivery grade and the discount schedule for protein deficiencies shall remain unchanged. That is, soybean meal loaded-out will be priced in exactly the same manner. The Rule Amendments shall reduce the buyer's ability to reject loads due to protein. However, as mentioned above, rejection of soybean meal for protein in cash market transactions is rarely, if ever invoked. This suggests that the NOPA discount schedule for protein claims is more valuable than the ability to reject for buyers. The same NOPA discount schedule for protein deficiency on futures load-outs shall continue to apply. It should be noted that the value of rejection versus discount in 2024 cannot yet be known as the protein level for the soybeans that will be used to produce that soybean meal is also unknown since planting will not occur until late Spring of 2023.

### **Market Participant Feedback**

All solicited feedback supports implementing the Rule Amendments as quickly as possible to assure continued sufficient deliverable supply in the Contract. The Exchange conducted a holistic review of the Contract and no market participants expressed opposing views to the Rule Amendments. The Exchange also released a survey, which was available to the general public. Feedback obtained from the survey suggested that rejection below 46.0 percent was acceptable by the industry.

The Exchange has been conducting continual and extensive market outreach regarding the Contract's specifications for several years, and reduced the par protein level and resultant discount and rejection level effective on the January 2019 expiry (see [CBOT Submission No. 16-472](#) dated November 28, 2016) to reflect shifting dynamics in the physical market. That submission concluded that "the protein content of domestically grown soybeans has been decreasing as soybean production has shifted north and west." That trend has continued, and the protein content of deliverable soybeans has further decreased. Additionally, as described above, the related cash market continues to allow the receipt of soybean meal with reduced protein content at the specified NOPA discount.

As noted above, market participants are in favor of the Rule Amendments. The Exchange is not in receipt of opposing views to the proposal.

The Exchange reviewed the designated contract market core principles ("Core Principles") as set forth in the Commodity Exchange Act ("CEA" or "Act") and identified that the Rule Amendments may have some bearing on the following Core Principles:

- **Prevention of Market Disruption**: A reduction in the rejection level and implementation of a specified discount schedule for soybean meal protein will further align the Contract with the cash market specifications and further diminish the likelihood of a rejection of delivery based on a protein percentage below the minimum acceptable level.
- **Availability of General Information**: CBOT will issue a CME Group Special Executive Report ("SER") to provide notification to the marketplace. The SER will also be posted on the CME Group website.

Pursuant to Section 5c(c) of the Act and CFTC Regulation 40.4(b)(5), the Exchange hereby certifies that the Rule Amendments comply with the Act, including regulations under the Act. The Exchange notes that there was no substantive opposing views to the Rule Amendments.

The Exchange certifies that this submission has been concurrently posted on the Exchange's website at <http://www.cmegroup.com/market-regulation/rule-filings.html>.

Should you have any questions concerning the above, please contact the undersigned at (212) 299-2200 or email [CMEGSubmissionInquiry@cmegroup.com](mailto:CMEGSubmissionInquiry@cmegroup.com).

Sincerely,

/s/Christopher Bowen  
Managing Director and Chief Regulatory Counsel

Attachments:           Exhibit A - Amendments to CBOT Rules 13105. ("Sampling") (blackline format)  
                                  (Effective May 1, 2023)  
                                  Exhibit B - Amendments to CBOT Rules 13105. ("Sampling") (blackline format)  
                                  (Effective January 2, 2024)

## Exhibit A

### **CBOT Rulebook** (additions underscored)

(Effective May 1, 2023)

## **Chapter 13** **Soybean Meal Futures**

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### **13105. SAMPLING**

#### **(FOR ALL CONTRACT MONTHS UP TO AND INCLUDING DECEMBER 2023)**

The official sample will be taken at origin by Automatic Mechanical Sampler (A.O.C.S. Official Method BA 1-38, Rev. 1966) or Pneumatic Probe Sampler (A.O.C.S. Official Method BA 1-38, Rev. 1966). Shipper shall, on the next business day after loading, mail a portion of the official sample in an airtight container properly identified to the owner at an address specified by the owner when he submits loading orders.

Any shipment testing 12.5% moisture or less based on an official sample shall not be subject to rejection or penalty on account of moisture content. Penalty for excess moisture:

Excess moisture two times delivered market price on date of shipment for excess moisture from 12% to 13% and 2½ times delivered market price on date of shipment for excess moisture above 13%.

Any shipment testing no more than 0.3% of fiber above the fiber specification (based on official sample adjusted to 12% moisture) shall not be subject to rejection or penalty on account of fiber content. When the amount of fiber exceeds 3.8% (based on official sample adjusted to 12% moisture), the shipment shall be discounted 1.0% of the delivered market price on date of shipment for each 0.1% fiber in excess of 3.5%.

Any shipment of Soybean Meal testing within 0.5% of protein below 47.5% protein (basis official sample moisture 12.0% or less; protein to be calculated on 12.0% moisture basis if official sample moisture exceeds 12.0%) shall not be subject to rejection or penalty on account of protein content. Protein deficiency claims shall be settled between the parties on the basis of two times the delivered market price per unit of protein on date of shipment and shall be calculated on the same moisture basis as for protein rejection.

If the owner's analysis of the official sample indicates a quality deficiency, the owner shall submit his analysis and claim in writing to the shipper within 30 days after arrival of the car. The shipper shall, within five (5) business days, after receipt of the owner's analysis and claim, report his analysis of the official sample to the owner. In the event that the owner and the shipper do not reach agreement on analysis and/or settlement, the third portion of the official sample shall be sent to an Official Chemist and his analysis will be binding upon both parties for final settlement. The expense of the analysis will be borne by the party in error.

If the owner and the shipper cannot agree that the official sample is representative of the shipment, a representative sample shall be obtained at destination by a disinterested qualified person mutually agreed upon by the owner and shipper. Such destination sample must be obtained within 24 hours of arrival and prior to unloading. "Constructive placement" shall be considered arrival at destination. The official procedure for sampling at destination shall be the Pneumatic Probe Sampler. (A.O.C.S. Method BA 1-38, Rev. 1966) and the sample shall be submitted to an Official Chemist. The results of his analysis of the destination sample shall be binding on both parties for final settlement. The expense of such sampling and analysis shall be borne by the owner if the owner insists on destination sampling and analysis unless the shipper has failed to take an official sample at origin, in which event, the expense of taking and analyzing the destination sample shall be borne by the shipper.

## **13105. SAMPLING**

### **(FOR ALL CONTRACT MONTHS COMMENCING WITH JANUARY 2024)**

The official sample will be taken at origin by Automatic Mechanical Sampler (A.O.C.S. Official Method BA 1-38, Rev. 1966) or Pneumatic Probe Sampler (A.O.C.S. Official Method BA 1-38, Rev. 1966). Shipper shall, on the next business day after loading, mail a portion of the official sample in an airtight container properly identified to the owner at an address specified by the owner when he submits loading orders.

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If the owner and the shipper cannot agree that the official sample is representative of the shipment, a representative sample shall be obtained at destination by a disinterested qualified person mutually agreed upon by the owner and shipper. Such destination sample must be obtained within 24 hours of arrival and prior to unloading. "Constructive placement" shall be considered arrival at destination. The official procedure for sampling at destination shall be the Pneumatic Probe Sampler. (A.O.C.S. Method BA 1-38, Rev. 1966) and the sample shall be submitted to an Official Chemist. The results of his analysis of the destination sample shall be binding on both parties for final settlement. The expense of such sampling and analysis shall be borne by the owner if the owner insists on destination sampling and analysis unless the shipper has failed to take an official sample at origin, in which event, the expense of taking and analyzing the destination sample shall be borne by the shipper.

[End of Rule.]

## Exhibit B

### CBOT Rulebook

(additions underscored; deletions ~~struck through~~)

(Effective January 2, 2024)

## Chapter 13 Soybean Meal Futures

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### ~~13105. SAMPLING~~

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[End of Rule.]