

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 23-388

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): 10/12/23 Filing Description: Amendments to Rules 41101. ("Contract Specifications") and 41102. ("Trading Specifications") of the Urea (Granular) FOB US Gulf Futures Contract Commencing with the April 2024 Contract Month and Temporary Suspension of Trading and Clearing of April 2024 and Beyond

SPECIFY FILING TYPE

Please note only ONE choice allowed per Submission.

Organization Rules and Rule Amendments

- Certification § 40.6(a)
- Approval § 40.5(a)
- Notification § 40.6(d)
- Advance Notice of SIDCO Rule Change § 40.10(a)
- SIDCO Emergency Rule Change § 40.10(h)

Rule Numbers:

New Product

Please note only ONE product per Submission.

- Certification § 40.2(a)
- Certification Security Futures § 41.23(a)
- Certification Swap Class § 40.2(d)
- Approval § 40.3(a)
- Approval Security Futures § 41.23(b)
- Novel Derivative Product Notification § 40.12(a)
- Swap Submission § 39.5

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

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

Official Name(s) of Product(s) Affected: Urea (Granular) FOB US Gulf Futures.

Rule Numbers: See filing.

October 12, 2023

VIA ELECTRONIC PORTAL

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

Re: CFTC Regulation 40.6(a) Certification. Amendments to Rules 41101. (“Contract Specifications”) and 41102. (“Trading Specifications”) of the Urea (Granular) FOB US Gulf Futures Contract Commencing with the April 2024 Contract Month and Temporary Suspension of Trading and Clearing of April 2024 and Beyond. CBOT Submission 23-388

Dear Mr. Kirkpatrick:

The Board of Trade of the City of Chicago, Inc. (“CBOT” or the “Exchange”) is certifying to the Commodity Futures Trading Commission (“CFTC” or “Commission”) several amendments to the Urea (Granular) FOB US Gulf Futures contract (CME Globex Code: UFV; Clearing Code: UFV; Rulebook Chapter: 41) (the “Contract”) effective on October 27, 2023.

Specifically, CBOT will:

- Effective on October 27, 2023, implement amendments to Rule 41101. (“Contract Specifications”) and 41102. (“Trading Specifications”) of the Contract commencing with the April 2024 contract month and beyond. These amendments specify that the final settlement calculation will be based on daily ranges as opposed to weekly ranges, and, as a result of that change, amend the last trade date for the Contract.
- Amend Rule 41104. (“Disclaimers”) to add disclaimer language for Profercy Ltd., effective on October 27, 2023.
- Effective immediately and until October 27, 2023 suspend trading and clearing of the April 2024 contract month and beyond of the Contract. There is no open interest in the impacted contract months of the Contract.
- Effective March 29, 2024, implement amendments to Rule 41101. and Rule 41102. to delete obsolete language therein (collectively, the “Rule Amendments”).

Currently, final settlement for the Contract is based on an average of the weekly (Thursday) ranges from two (2) price reporting agencies: Profercy Ltd. (“Profercy”) and Independent Commodity Intelligence Services (“ICIS”) (collectively, the “PRAs”). The Exchange is amending the final settlement of the Contract such that it will be based on an average of daily assessments from the PRAs:

1. Granular Barges Spot FOB USG 0-30 Days published by ICIS
2. US Gulf \$ps ton fob 30 days published by Profercy

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The urea market in the US Gulf is the most liquid cash market in the existing futures suite. The shift to a daily assessment underlying the Contract allows the final settlement to be based on a larger number of data points. Similar to current final settlement methodology using weekly price ranges, the daily prices from the PRAs will be considered, the highest overall price (regardless of source) and the lowest overall price (regardless of source) for each day will be removed from the data set. The arithmetic average of the remaining data points will be calculated to represent the daily average and used to final settle the Contract.

The Rule Amendments will also amend the last trading day from the last Thursday of the month, which was the day of the week that the weekly assessments were published, to the last business day of the month with a Profercy and/or ICIS assessment. This change allows for the most observations into daily assessments to be considered. Daily assessments will allow for greater observations for purposes of final settlement.

The Exchange conducted extensive market participant outreach regarding the Rule Amendments. The daily assessment methodology is widely supported by the vast majority of participants. The Exchange is implementing the Rule Amendments commencing with the April 2024 contract month and beyond in order to provide market participants with sufficient lead time.

CBOT reviewed the designated contract market core principles (“Core Principles”) as set forth in the Commodity Exchange Act (“CEA”) and identified the following Core Principles as potentially being impacted:

- **Contracts not Readily Subject to Manipulation:** The Contract will continue to be not readily subject to manipulation because of its structural attributes, active underlying market and reliance on a well administered index. Final settlements are now based on the averaging of daily assessments from two price reporting agencies licensed with the Exchange.
- **Prevention of Market Disruption:** A daily assessment provides a greater number of observations going into a final settlement calculation, further ensuring a prevention of market disruption.
- **Availability of General Information:** The Exchange will issue a Special Executive Report (“SER”) regarding the Rule Amendments. The SER will be posted on CME Group’s website.
- **Daily Publication of Trading Information:** The Exchange will continue to publish price information daily on its website and through quote vendors for the Contract.

Pursuant to Section 5c(c) of the Act and CFTC Regulation 40.6(a), Exchange certifies that the Rule Amendments comply with the CEA and regulations thereunder. There were no substantive opposing views to this proposal.

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>.

If you require any additional information regarding this action, please contact me at 212-299-2200 or via e-mail at CMEGSubmissionInquiry@cmegroup.com.

Sincerely,

/s/ Christopher Bowen
Managing Director and Chief Regulatory Counsel

Attachments: Exhibit A - CBOT Rulebook Amendments (blackline format)
(Effective October 27, 2023)
Exhibit B - CBOT Rulebook Amendments (blackline format)
(Effective March 29, 2024)
Exhibit C – Cash Market Overview and Deliverable Supply Analysis

EXHIBIT A

CBOT Rulebook

(Effective October 27, 2023)

(additions underlined)

Chapter 41 Urea (Granular) FOB US Gulf Futures

41100. SCOPE OF CHAPTER

The provisions of these rules shall apply to all futures contracts bought or sold on the Exchange for cash settlement based on the Floating Price.

41101. CONTRACT SPECIFICATIONS

(FOR ALL CONTRACT MONTHS UP TO AND INCLUDING MARCH 2024)

The Floating Price for each contract month shall be based on price assessments for “Urea granular bulk (spot): US Gulf ps ton fob” published weekly by ICIS during the contract month and price assessments for “Urea granular bulk (spot): US Gulf pst fob to 30 days” published weekly by Profercy during the contract month, as described in paragraph (A) below.

Notwithstanding the above, the Floating Price for all listed December contract months shall be based on price assessments published up to and including the last trading day of the December contract month.

(A) For each set of weekly data published by ICIS and Profercy, comprising both a high and a low price from each source, the highest overall price (or in the case of multiple prices, one of the highest prices) and the lowest overall price (or in the case of multiple prices, one of the lowest prices) shall be removed from the data set, subject to paragraph (B). The arithmetic average of the remaining data points shall be calculated as the weekly average price. The Floating Price shall be the arithmetic average of the weekly average prices determined from price assessments published during the contract month.

(B) Should either ICIS or Profercy, for any reason, publish a single price in respect of a weekly price assessment, such price shall be used twice in the formulation described in paragraph (A) in order to determine the weekly average price. Should either ICIS or Profercy, for any reason, fail to publish any price in respect of a weekly price assessment, the weekly average price shall be determined as the arithmetic average of the remaining published prices. Should both ICIS and Profercy, for any reason, fail to publish any price in respect of a weekly price assessment, no weekly average price shall be recorded for that week, and that week shall not be included in calculation of the Floating Price.

(FOR ALL CONTRACT MONTHS COMMENCING WITH THE APRIL 2024 CONTRACT AND BEYOND)

The Floating Price for each contract month shall be based on price assessments for “Granular Barges Spot FOB USG 0-30 Days” published daily by ICIS during the contract month and price assessments for “US Gulf \$ps ton fob 30 days” published daily by Profercy during the contract month, as described in paragraph (A) below.

Notwithstanding the above, the Floating Price for all listed December contract months shall be based on price assessments published up to and including the last trading day of the December contract month.

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(B) Should either ICIS or Profercy, for any reason, publish the same price in respect of a daily price assessment, such price shall be used twice in the formulation described in paragraph (A) in order to determine the daily average price. Should either ICIS or Profercy, for any reason, fail to publish any price in respect of a daily price assessment, the daily average price shall be determined as the arithmetic average of the remaining published prices. Should both ICIS and Profercy, for any reason, fail to publish any price in respect of a daily price assessment, that day shall not be included in calculation of the Floating Price.

41102.

TRADING SPECIFICATIONS

Contracts shall be listed for a series of contract months. The number of months open for trading at any given time shall be determined by the Exchange.

41102.A. Trading Schedule

The hours of trading for this contract shall be determined by the Exchange.

41102.B. Trading Unit

The contract size shall be 100 short tons. Each contract shall be valued as the contract size multiplied by the settlement price.

41102.C. Price Increments

Prices shall be quoted in U.S. dollars and cents per ton. The minimum price fluctuation shall be \$0.25 per ton. The minimum fluctuation in respect on the Floating Price shall be \$0.01 per ton. There shall be no maximum price fluctuation.

41102.D. Position Limits, Exemptions, Position Accountability and Reportable Levels

The applicable position limits and/or accountability levels, in addition to the reportable levels, are set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5.

A Person seeking an exemption from position limits for bona fide commercial purposes shall apply to the Market Regulation Department on forms provided by the Exchange, and the Market Regulation Department may grant qualified exemptions in its sole discretion.

Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.

41102.E. Termination of Trading

(FOR ALL CONTRACT MONTHS UP TO AND INCLUDING MARCH 2024)

Trading shall terminate on the last Thursday of the contract month. If that day is not a business day, trading shall terminate on the preceding business day. If that day is not an Exchange business day or a London business day, trading shall terminate on the preceding Exchange business day that is also a London business day.

Notwithstanding the above, all listed December contract months shall terminate on the Thursday immediately preceding December 26, unless that day is not a business day in which case all listed December contract months shall terminate on the preceding business day. As such, in no circumstance shall a December contract month terminate on December 26.

(FOR ALL CONTRACT MONTHS COMMENCING WITH THE APRIL 2024 CONTRACT AND BEYOND)

Trading shall cease on the last business day in the contract month which is also a Profercy and/or ICIS publication date for the price assessment.

41103.

FINAL SETTLEMENT

Delivery under the contract shall be by cash settlement. Final settlement, following termination of trading for a contract month, will be based on the Floating Price. The final settlement price will be the Floating Price calculated for each contract month.

41104.

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EXHIBIT B

CBOT Rulebook

[Effective March 29, 2024]

(deletions struck through)

Chapter 41 Urea (Granular) FOB US Gulf Futures

41100. SCOPE OF CHAPTER

The provisions of these rules shall apply to all futures contracts bought or sold on the Exchange for cash settlement based on the Floating Price.

41101. CONTRACT SPECIFICATIONS

~~(FOR ALL CONTRACT MONTHS UP TO AND INCLUDING MARCH 2024)~~

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(FOR ALL CONTRACT MONTHS COMMENCING WITH THE APRIL 2024 CONTRACT AND BEYOND)

The Floating Price for each contract month shall be based on price assessments for “Granular Barges Spot FOB USG 0-30 Days” published daily by ICIS during the contract month and price assessments for “US Gulf \$ps ton fob 30 days” published daily by Profercy during the contract month, as described in paragraph (A) below.

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41102.D. Position Limits, Exemptions, Position Accountability and Reportable Levels

The applicable position limits and/or accountability levels, in addition to the reportable levels, are set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5.

A Person seeking an exemption from position limits for bona fide commercial purposes shall apply to the Market Regulation Department on forms provided by the Exchange, and the Market Regulation Department may grant qualified exemptions in its sole discretion.

Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.

41102.E. Termination of Trading

(FOR ALL CONTRACT MONTHS UP TO AND INCLUDING MARCH 2024)

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(FOR ALL CONTRACT MONTHS COMMENCING WITH THE APRIL 2024 CONTRACT AND BEYOND)

Trading shall cease on the last business day in the contract month which is also a Profercy and/or ICIS publication date for the price assessment.

41103.

FINAL SETTLEMENT

Delivery under the contract shall be by cash settlement. Final settlement, following termination of trading for a contract month, will be based on the Floating Price. The final settlement price will be the Floating Price calculated for each contract month.

41104.

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EXHIBIT C

Cash Market Overview and Deliverable Supply Analysis

Cash Market Overview:

Urea is a fertilizer that is commonly used in the agricultural industry. Urea is a combination of ammonia, carbon dioxide and oxygen, and is comprised of 46% nitrogen. Urea can be purchased in two forms: prilled or granulated. The Urea (Granular) FOB US Gulf Futures contract (the “Contract”), which is based on two assessments from price reporting agencies, includes only granular urea and excludes prilled urea.

Urea is one of the most commonly used nitrogen fertilizers, and is produced around the world. Nearly 180 million tonnes of urea are produced globally on an annual basis, and global production capacity is expected to increase.¹ The largest increases in overall fertilizer capacity will come from urea. The largest producers of urea – China and India – are also the largest consumers of urea, which means only about a quarter of urea produced around the world is traded across border. Global trade of urea, which is about 52 million metric tons annually, is concentrated among the top few exporting countries, mostly found in the Black Sea and Middle Eastern regions.

The United States is one of the largest importers of urea globally. The agricultural sector in the United States relies on imported fertilizer – namely nitrogen products like urea – to continually increase yield in field crops. The other major importers of urea include India and Brazil. Demand is expected to increase and supply is expected to stabilize in the next few years. It takes approximately four years to build out urea plants, so aside from those already known to be under construction (a few plants in Brazil and in Iran), global production and supply is not expected to grow significantly. However, as the United States and Brazil continue to plant large acreage for agricultural production, demand will continue to grow.

The Contract is based on two aggregated assessments from price reporting agencies: Profercy and ICIS.

Urea Production/Imports:

The assessments used by Profercy and ICIS cover both imported and domestically produced urea. However, the United States produces a negligible amount of urea when compared to imports, and no good data are available on US production. Therefore, deliverable supply will focus solely on US urea imports.

On average, the United States makes up about 15-20% of global urea imports. As of only a few years ago, it was the largest importer of urea in the world. As Brazil's agricultural growth has exploded, so has its need for fertilizer. The US imports from a wide variety of suppliers, mainly located in the Middle East and the Black Sea. The United States also relies on Canada for urea supply.

<u>U.S. Urea Suppliers (MT) 2022</u>	
Qatar	1,093,067
Oman	797,978
Russia	733,576
Saudi Arabia	694,919
Canada	525,335
Nigeria	280,929
Algeria	270,223
Netherlands	126,714
Bahrain	80,246
Trinidad and Tobago	79,923

¹ [The Fertilizer Industry Handbook](#).

WORLD

4,682,910

The following table aggregates all the suppliers to the US into one table and breaks down the imports on a monthly basis over the last three full years.²

US Urea Imports (Short Tons)				
	2020	2021	2022	AVERAGE
January	289,650	483,054	454,698	409,134
February	429,752	342,651	504,920	425,774
March	628,209	935,514	800,222	787,982
April	1,082,974	1,149,971	774,278	1,002,408
May	853,925	636,107	644,731	711,588
June	224,173	401,477	478,182	367,944
July	199,137	499,464	197,131	298,577
August	163,312	284,288	166,897	204,832
September	268,246	307,202	265,473	280,307
October	377,865	691,961	216,476	428,767
November	331,947	818,489	580,674	577,037
December	182,242	359,287	313,940	285,156
TOTAL	5,031,432	6,909,464	5,397,622	5,779,506
AVERAGE	419,286	575,789	449,802	481,626

The assessments used to settle the fertilizer contract look at urea imported into the US Gulf. The U.S. Census Bureau provides monthly data broken down by import port, which is found in the table below. While deliverable supply is based on three full years of data from 2020 to 2022, data from 2023 is being included for greater continuity of trend.

US Urea Imports (Gulf Districts) (Short Tons)					
	2020	2021	2022	2023	3-Year AVERAGE
January	161,842	258,056	333,371	255,652	251,090
February	121,167	192,818	310,959	476,412	208,315
March	427,226	691,357	662,833	510,949	593,805
April	807,869	839,240	605,313	340,366	750,807
May	588,453	332,461	388,345	435,285	436,420
June	58,064	259,063	263,925	*	193,684
July	115,564	307,294	54,798	*	159,219
August	48,502	145,580	54,607	*	82,896
September	115,264	75,077	187,896	*	126,079
October	260,996	555,029	124,444	*	313,490
November	174,019	586,224	490,810	*	417,018
December	54,490	283,821	187,227	*	175,179
TOTAL	2,933,456	4,526,020	3,664,529	2,018,664	3,708,002

² USDA, Foreign Agricultural Service, Global Agricultural Trade System (GATS).

AVERAGE	244,455	377,168	305,377	403,733	309,000
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Imports of urea are generally seasonal. The United States imports more urea in the late winter/early spring for application in April and May. Urea imports into the United States decrease during the height of the summer months. The Exchange evaluates seasonality on the deliverable supply across all fertilizer futures contract expirations. The Exchange will continue to monitor whether there is a need to adjust the spot-month position limit for that corresponding contract month.

These figures represent overall urea imports, both prilled and granular. As the Contract and underlying assessments only price granular urea, a trimming of the data is required to retrieve only granular urea imports into the United States. Both price reporting agencies have experts that estimate over 90% of urea imported into the United States is granular, while only a small segment is prilled. To that end, the following table shows a reduction of 10% of urea imports into United States Gulf ports, and should represent only granular imports.

US Granular Urea Imports (Gulf Districts) (Short Tons)					
	2020	2021	2022	2023	3-Year AVERAGE
January	145,658	232,251	300,033	230,087	225,981
February	109,050	173,536	279,864	428,771	187,483
March	384,503	622,221	596,550	459,854	534,425
April	727,082	755,316	544,781	306,329	675,727
May	529,607	299,215	349,510	391,756	392,778
June	52,258	233,156	237,532	*	174,316
July	104,008	276,565	49,318	*	143,297
August	43,651	131,022	49,147	*	74,607
September	103,738	67,570	169,107	*	113,471
October	234,897	499,526	112,000	*	282,141
November	156,618	527,602	441,729	*	375,316
December	49,041	255,439	168,505	*	157,662
TOTAL	2,640,111	4,073,418	3,298,076	1,816,797	3,337,202
AVERAGE	220,009	339,451	274,840	363,359	278,100

Additionally, the Exchange excludes all urea under long term contract. Estimates from the price reporting agencies suggest that approximately 30% of urea imported into the United States is under long term contract, and not considered part of underlying deliverable supply. The table below reduces the granular urea imports into United States Gulf ports by 30%.

US Granular Urea Imports (Gulf Districts) (Short Tons)					
	2020	2021	2022	2023	3-Year AVERAGE
January	101,961	162,575	210,023	161,061	158,187
February	76,335	121,476	195,904	300,139	131,238
March	269,152	435,555	417,585	321,898	374,097
April	508,957	528,721	381,347	214,430	473,009
May	370,725	209,450	244,657	274,229	274,944
June	36,580	163,209	166,273	*	122,021
July	72,805	193,595	34,523	*	100,308
August	30,556	91,715	34,403	*	52,225

September	72,616	47,299	118,375	*	79,430
October	164,428	349,668	78,400	*	197,498
November	109,632	369,321	309,210	*	262,721
December	34,329	178,807	117,953	*	110,363
TOTAL	1,848,077	2,851,392	2,308,653	1,271,758	2,336,041
AVERAGE	154,006	237,616	192,388	254,352	194,670

Deliverable Supply Analysis:

The assessments from Profercy and ICIS are based on transactions, bids, and offers on US Gulf FOB prices. The assessment captures the value of imports into the United States through Gulf ports globally, which is why granular urea imports are being used to determine the amount of the underlying commodity.

Using the average of the last three years of available data, the deliverable supply of granular urea from the United States Gulf is 2,336,041 tons (23,360 contract equivalents) annually, or 194,670 tons (1,946 contract equivalents) per month. This figure represents the average of 2020-2022 granular urea imports into the United States Gulf not under long term contract. Using the spot-month speculative position limit formula of 25% of deliverable supply, the maximum deliverable supply for the Contract supports position limits of 486 contracts ($1,946 \times 0.25$). However, due to the seasonality of urea imports into the United States Gulf, there are a few summer months that have average import volumes below annual averages, which is in part due to lower demand in these months once the crops have been planted in the United States. To account for this difference, the Exchange determined that a spot month position limit below 411 contracts. Ultimately, the Exchange determined that a spot month position limit of 400 contracts. The Exchange shall continue to evaluate any necessary seasonal adjustments to the spot-month position limit of the Contract.