

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 18-048

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): March 2, 2018 Filing Description: Amendments to CBOT Chapter 7 ("Delivery Rules and Procedures") and CBOT Chapter 17 ("Rough Rice Futures")

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 checked="" type="checkbox"/> | Approval Amendments to enumerated agricultural products | § 40.4(a), § 40.5(a) |
| <input 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: Rough Rice Futures.

Rule Numbers: See filing.

March 2, 2018

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 40.4(a)/40.5(a) Amendments to CBOT Chapter 7 (“Delivery Procedures and Facilities”) and CBOT Chapter 17 (“Rough Rice Futures”) to Amend the Delivery Mechanism for the Rough Rice Futures Contract. CBOT Submission No. 18-048

Dear Mr. Kirkpatrick:

Pursuant to Commodity Futures Trading Commission (“CFTC” or “Commission”) Regulations 40.4(a) and 40.5(a), The Board of Trade of the City of Chicago, Inc. (“CBOT” or “Exchange”) is requesting approval to transition the delivery instrument of Rough Rice futures from warehouse receipts to shipping certificates. Specifically, the Exchange is seeking to amend (1) the Rough Rice futures contract (Rulebook Chapter 17; CME Globex/Clearing Code: ZR) (the “Contract”) and (2) CBOT Chapter 7 (“Delivery Procedures and Facilities”) (collectively, the “Rule Amendments”) commencing with the May 2018 contract month and beyond. There is currently open interest in the affected contract months. Pending CFTC approval, this change will require outstanding warehouse receipts to be converted to shipping certificates on April 23, 2018, and will be applicable to the May 2018 contract month and all subsequent contract months.

Please note that the Exchange implemented non-substantive, administrative amendments to CBOT Chapter 7 effective on February 28, 2018 which are reflected herein.

Substantive Amendments

Commission approval is requested for the conversion of warehouse receipts to shipping certificates, impacting the following rule changes: Rules 703.C., 708, 712, 17102.F., 17102.G, 17104, 17107, 17108, 17109, and 17111 through 17114. This submission also includes conforming amendments to Chapter 7 and Chapter 17, which are non-material and made at the discretion of the Exchange under Core Principle 1. Subsequent to engaging the Commission on this matter, it was concluded that the most efficient method of implementing the Rule Amendments would be via one concise submission seeking CFTC approval.

The Exchange, in conjunction with support from the rice industry, seeks to transition the delivery instrument of the Contract from a warehouse receipt to a shipping certificate. The purpose of this action is to harmonize the Contract with the other CBOT physically-delivered grain products and provide greater efficiencies in the delivery market. The Exchange expects that the proposed changes will increase optionality for regular warehousemen. In addition, shipping certificates are more efficient for the Exchange and market participants since they allow for automated calculation and transfer of premium (storage) charges from the buyer’s clearing firm to the regular facility’s clearing firm through the CME Clearing House pay/collect system.

Warehouse receipts represent title to grain in a regular warehouse, and therefore each outstanding warehouse receipt is backed by physical grain in a regular warehouse. A shipping certificate requires a regular warehouse to perform on load-out just as with a warehouse receipt; however, a shipping certificate does not require that the regular warehouse have the grain represented by outstanding shipping certificates

in its facility. The grain needs to be in the regular facility only when the certificate is cancelled and load-out is scheduled to begin.

Since the grain represented by outstanding shipping certificates is not required to be in the facility until load-out, the Exchange requires issuing warehouses to post collateral with the CME Clearing House in the form of cash, secure letters of credit naming the Exchange as its beneficiary, U.S. Treasuries for 110% of current market value of outstanding certificates, or USDA Warehouse Receipts for the full value of outstanding certificates. This means that facilities that are regular for rough rice delivery can collateralize the new shipping certificates with their existing warehouse receipts. The Exchange is also requesting approval for modifications to the net worth and letter of credit requirements as they relate to rough rice.

With regard to the modification of the last delivery date, since shipping certificates do not require the grain to be in-store at the time of delivery (registration of shipping certificates), extra time is not needed for a warehouseman planning to put grain out for delivery to move that grain into the facility. Therefore, the Exchange is amending the last delivery date for the Contract from the seventh business day following the last trading day to the second business day following the last trading day, which is consistent with all other grain and oilseed contracts with shipping certificate delivery instruments.

Non-substantive Amendments

The conforming amendments made to Chapter 7 are intended to (1) migrate delivery rules, delivery procedures, and regularity rules for the Contract from the product contract rule chapter (Chapter 17) and into Chapter 7, consistent with other CBOT physically-delivered grain products, and (2) amend such delivery and regularity rules to incorporate the Contract. All changes made to this chapter are either wholesale movement of paragraphs regarding delivery and load-out from Chapter 17 to Chapter 7, or language adding rough rice to existing delivery and load-out rules surrounding physically-delivered commodities. All other rules applying to the Contract in Chapter 7 shall remain unchanged.

The changes made to Chapter 17 make applicable to rough rice the standard language used in physically-delivered grain futures that use shipping certificates as a delivery instrument. Additionally, language surrounding delivery and load-out contained in Chapter 17 and placed in Chapter 7, harmonizing the Rough Rice futures product rulebook chapter with similar physically-delivered grain CBOT rulebook chapters. Finally, rules relating only to warehouse receipts (Rules 17111., 17112., 17113., and 17114.) are being amended to stipulate effective exclusivity through the March 2018 contract month of the Contract.

Exhibit A, provided under separate cover, contains two versions of Chapters 7 and 17 in their entirety with additions underscored and deletions struck through. One version of each chapter is effective upon Commission approval, and the second version of each chapter is effective on April 28, 2018. Exhibit B provides a summary of the Rule Amendments.

Compliance with Core Principles

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 following Core Principle may be impacted by this initiative as follows:

- **Availability of General Information:** The Exchange will make publicly available the details of the Rule Amendments herein by publishing a Registrar’s Office Notice (“MKR”) and a Special Executive Report (“SER”) to the market. The MKR and SER will be available on CME Group’s website.

Pursuant to Section 5c(c) of the Act and CFTC Regulations 40.4(a) and 40.5(a), the Exchange hereby certifies that the Rule Amendments comply with the Act, including regulations under the Act. After many years of industry outreach and conversation, there were no substantive opposing views to the proposal by market participants.

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 via e-mail at CMEGSubmissionInquiry@cmegroup.com.

Sincerely,

/s/ Christopher Bowen
Managing Director and Chief Regulatory Counsel

Attachments: Exhibit A – CBOT Chapters 7 and 17 (blackline format) (attached under separate cover)
Exhibit B – CBOT Rule Amendments - Summary Chart

Exhibit A

CBOT Chapters 7 and 17

(blackline format)

(attached under separate cover)

Exhibit B

CBOT Rule Amendments

Summary Chart

Amendments Regarding Conversion of the Delivery Instrument	
Rule Number	Amendment
Chapter 7 (“Delivery Facilities and Procedures”)	
Rule 703.C.C.	Language was added to clarify the timing around notification to warehousemen when the delivery instrument is a warehouse receipt (prior to the May 2018 expiration).
Rule 708.2.	The text covering net worth requirements was edited to pertain to Rough Rice in addition to the existing commodities covered under the Rule. Rough Rice is specifically exempted from the \$5,000,000 net worth requirement, though is subject to the requirement that a warehouse’s net worth divided by its approved capacity must exceed \$5,000. This is not a change from the existing net worth requirement.
Rule 712.A.	This Rule governing delivery was modified to include Rough Rice and specify the delivery instrument for given contract expirations.
Interpretations and Special Notices Relating to Chapter 7	
Letter of Credit and Bond Standards Rules 1., 2., and 3.	Addition of Rough Rice to the letter of credit standards, as letters of credit can be used to collateralize shipping certificates.
Chapter 17 (“Rough Rice Futures”)	
Rule 17102.F.	Text was added to include shipping certificates (effective with the May 2018 expiration and beyond) as a delivery instrument in Rough Rice.
Rule 17102.G.	Standard language regarding termination of trading with a shipping certificate as the delivery instrument was included, in addition to a slight change in the timing of the last delivery day. Through the March 2018 expiration, the last delivery day is seven (7) days after last trade date, which shortens to two (2) days after last trade date with the implementation of shipping certificates on the May 2018 contract.
Rule 17104.	Standard language concerning delivery territory when a shipping certificate is the delivery instrument was inserted.
Rule 17108.	The term “storage charges” is used when the delivery instrument is a warehouse receipt, and this minor change adds a timeline for the change away from warehouse receipts.
Rule 17109.	Addition of a section on “premium charges,” the term synonymous with “storage charges,” but used when the delivery instrument is a shipping certificate. The language in this Rule is harmonized with language surrounding premium charges in other CBOT product-specific Rulebook chapters.
Rule 17112., Rule 17113., and Rule 17114.	Limitation of these Rules – regarding damage, inspection certificates, and risk of loss – to contracts with a warehouse receipt as the delivery instrument (through March 2018).
Non-Substantive Amendments	
Rule Number	Amendment
Chapter 7 (“Delivery Facilities and Procedures”)	
Rule 703.C.A.	The text was amended to include Rough Rice in the commodities covered by the specified load-out procedures.
Rule 703.A. (14)	The requirements for regular warehouses were moved from (existing) Rule 17109 to Rule 703.A. (14).
Rule 703.C.A.3.	Load-out rules, including timing, and quality specifications, such as milling yield, moved from (existing) Rule 17110 and Rule 17111.

Rule 703.C.A.4.	This rule was edited to specify that trucks are appropriate for load-out in Rough Rice.
Rule 703.C.B.	The text was amended to include Rough Rice in the commodities covered by the specified load-out rates. Additionally, the Rough Rice load-out fee was included, and the KC HRW Wheat daily rate of loading requirements were moved up from later in Chapter 7. Load-out rates and exceptions for load-out requirements were moved from (existing) Rule 17110 to be included in this Rule. Language was added clarifying loading obligations, which has been the practice as it relates to the Contract. The USA Rice Futures Working Group supports this language addition.
Rule 703.C.D.	Wording was added to exempt Rough Rice from premium charges carrying through to the last day of load-out. Premium charges on Rough Rice futures will continue cease three calendar days following the day on which canceled certificates are surrendered or loading instructions are given, whichever occurs later.
Interpretations and Special Notices Relating to Chapter 7	
Grain (Except EU Wheat) Load-Out Procedures Rule 2.d.	The timing requirements of loading orders was removed from Rule 17110 and placed here.
Grain (Except EU Wheat) Load-Out Procedures Rule 5.g.	An explanation of rights held by the certificate owner regarding load-out order and timing were moved from Rule 17110.
Chapter 17 (“Rough Rice Futures”)	
Rule 17107.	This change removes existing obsolete language on delivery payment in the form of checks in favor of a paragraph on electronic payment. It is harmonizing the language to other CBOT product-specific chapters.
Rule 17110. (New)	The content of this Rule was moved to Rule 703.A. (14), though the heading of the section was left in for Rulebook readers as a reference.
Rule 17110. (Existing)	The previous Rule 17110, before the removal and addition of other Rules, was moved wholesale into other locations – mostly Chapter 7 but also one paragraph into another section of Chapter 17. Content relating to load-out procedures was moved to Rule 703.A.3. and content relating to load-out rates was moved to Rule 703.C.B. Content relating to the communication between a warehouseman and the owner of the delivery instrument was moved to the Interpretations and Special Notices section of Chapter 7. Content on when storage charges cease to be levied was moved to the newly created Rule 17115. Some of the language in this Rule was already covered by Rule 703., specifically the times when warehouses are exempted from meeting load-out rates (Rule 703.C.B.), and when a warehouse is obligated to begin load-out (Rule 703.C.C.).
Rule 17111.A.	The Reserved section was deleted.
Rule 17111.B. and Rule 17111.C.	Paragraphs in these Rules regarding notification duties of warehousemen are covered in Rule 708.5.
Rule 17111.E.	This Rule regarding registration of receipts is covered in Rule 712.B. (1).
Rule 17111.G. and Rule 17111.H.	Content relating to the duties of a warehousemen during load-out and delivery is covered in Rule 703.C.
Rule 17111.I.	The paragraph on inspection of transportation facilities was moved to Rule 703.C.A.3.
Rule 17115.	This Rule was moved from (existing) Rule 17110, earlier in Chapter 17.