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**New York, NY 10055**

**BY ELECTRONIC TRANSMISSION**

Submission No. 16-43  
March 30, 2016

Mr. Christopher J. Kirkpatrick  
Office of the Secretariat  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21<sup>st</sup> Street, NW  
Washington, DC 20581

**Re: Amendments to World Cotton Rules 12.23, 12.24 and Res. No. 2--- Submission Pursuant to Commission Regulation 40.6(a)**

Dear Mr. Kirkpatrick:

Pursuant to Regulation 40.6(a) ICE Futures U.S., Inc. (“IFUS” or “Exchange”) submits by written certification amendments to the World Cotton Rules referenced above, which will become effective on April 14, 2016, commencing with the May ’16 contract month. The amendments, which are attached as Exhibit A, clarify various aspects of the Rules and are intended to provide certainty to market participants in advance of the first delivery period, as described below.

Rule 12.23 - the amendments clarify the first month to be counted for purposes of calculating the “age of certification” weight allowances. Depending on the age of certification, a greater or lesser pound penalty is taken as delineated in the amendments. These weight allowances are consistent with how the allowances are treated under the Cotton No. 2® contract in the Deliverer’s Guide for that contract. Because there is no such guide for the World contract, they are included in the Rules.

Rule 12.24 - the amendments clarify the operation of the penalty for low-strength bales, by referencing the definition of “invoice weight” contained in Rule 12.23(d) for both 100% classed lots and Container Lots. The amendments also provide guidance on calculating the penalty for Container Lots that is consistent with the current language of paragraph (d) of the Rule.

Resolution No. 2 - the amendments add a clarifying note that Color 41 Leaf 4 bales may not be registered as tenderable under the Resolution because Color 41 Leaf 4 bales are not deliverable under the contract.

Leaf 4 bales are deliverable for Color Grades 11, 21 and 31 and therefore reference to color 4 remains in the Table. Finally, the amendments correct an incorrect cross-reference in the third paragraph

The Exchange certifies that the amendments comply with the Commodity Exchange Act, as amended, and the regulations thereunder, including Core Principles 2 and 7, as they clarify certain aspects of the World Cotton contract's terms and conditions for market participants. There were no substantive opposing views to the amendments. The Exchange further certifies that concurrent with this filing a copy of this submission was posted on the Exchange's website at (<https://www.theice.com/futures-us/regulation#rule-filings>).

If you have any questions or need further information, please contact me at [Audrey.hirschfeld@theice.com](mailto:Audrey.hirschfeld@theice.com).

Sincerely,

A handwritten signature in blue ink that reads "Audrey R. Hirschfeld". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Audrey R. Hirschfeld  
SVP and General Counsel

cc: Division of Market Oversight

## EXHIBIT A

### 12.23 Contract Weight

(a) The official delivery weight of a bale shall be the weight input onto the EWR. The bale shall be sampled before weighing and the official delivery weight shall not include the weight of the sample.

(b) The net weight of a bale shall be the delivery weight of the bale minus the tare weight, as defined in Rule 12.19(c).

(c) The contract weight shall be the sum of the net weights of the bales, and shall be within a variation of three percent (3%) of fifty-five thousand (55,000) pounds.

(d) The invoice weight of a bale shall be the net weight minus the age of weight allowance and age of certification allowance.

(e) The age of weight allowance shall be one half pound per bale per month beyond the month of weighing. The first (1st) month to be counted, in computing this allowance, shall be the next month following the month in which the cotton was weighed.

(f) The age of certification allowance shall be calculated in accordance with this rule, where cotton remains under certification for:

(i) a period exceeding five (5) months following the month in which the cotton was classed pursuant to these Rules, shall carry a penalty of three (3) pounds per bale per month up to month twelve (12);

(ii) a period exceeding twelve (12) months following the month in which the cotton was classed pursuant to these Rules, shall carry a penalty of twenty-one (21) pounds per bale pursuant to paragraph (i) above and an additional penalty of five (5) pounds per bale per month for each month after month twelve (12);

(iii) for container lots, the age of certification allowance for all bales shall be calculated as an average of the time the cotton has remained under certification based on all bales that have been sampled and classed for the container lot; and

(iv) the first month to be counted in computing the age of certification allowances of paragraphs (i) and (ii) above shall be the sixth (6<sup>th</sup>) and thirteenth (13<sup>th</sup>) months, respectively, following the month in which cotton was classed.

### Rule 12.24 Invoicing and Grade, Staple and Strength Differences

(g) In the case of cotton being tendered against the World Cotton Futures Contract, it shall be invoiced by calculating in bale units the average value on or off color grade of middling white (31), leaf grade 3, staple length 1-4/32 inch (36) and adding or deducting such average

premium or discount to or from the notice price and figuring the invoice weight of the total quantity being invoiced by the price ascertained in the manner outlined.

(h) The notice price shall be the invoice price for all cotton with a color grade of middling white (31), leaf grade 3, staple length of 1-4/32 inch (36 staple). For all origins other than Australia and the U.S., for which additions and deductions for other deliverable grades shall be made as per Resolution No. 3 of these Rules, additions and deductions for other deliverable grades shall be made at the average of the differences quoted on the sixth (6<sup>th</sup>) Business Day prior to the Date of Delivery for corresponding grades in the spot markets designated by the Secretary of Agriculture for the purpose of quoting grade differences in accordance with the United States Cotton Futures Act and the regulations issued thereunder. No additional premium may be given for delivery of bales with a staple greater than 1-5/32 inch (37 staple); to be clear, this means that bales delivered at a staple of 37 and higher shall receive the grade difference applicable to staple 37.

(i) For lots delivered as 100% Classed Lots, the invoice additions and deductions for other deliverable grades shall be calculated on a bale-by-bale basis.

(i) For Color, the maximum premium that can be earned for a White Color bale is that applicable to one White Color grade above the lowest White Color grade bale in the lot, and the maximum premium that can be earned for a Light Spotted Color bale is that applicable to one Light Spotted Color grade above the lowest Light Spotted Color grade bale in the lot;

(ii) For Staple, the maximum premium that can be earned is that applicable to one Staple above the lowest Staple bale in the lot; and

(iii) For Leaf, there shall be no premium for Leaf 1 and/or Leaf 2 if there are any Leaf 4 bales in the lot.

(j) For lots delivered as Container Lots, the invoice additions and deductions shall be calculated based on the average of the allowance parameter of the bales sampled and tested for the Container Lot; and the Container Lot shall be subject to an additional discount of two (2) cents per pound.

(i) For Color, the maximum premium that can be earned for a White Color bale is that applicable to one White Color grade above the lowest White Color grade bale in the bales sampled and tested for that Container lot, and the maximum premium that can be earned for a Light Spotted bale is that applicable to one Light Spotted Color grade above the lowest Light Spotted Color grade bale in the bales sampled and tested for that Container Lot;

(ii) For Staple, the maximum premium that can be earned is that applicable to one Staple above the lowest Staple bale in the bales sampled and tested for that Container Lot; and

(iii) For Leaf, there shall be no premium for Leaf 1 and/or Leaf 2 if there are any Leaf 4 bales in the bales sampled and tested for that Container Lot.

(k) If delivery is made pursuant to delayed certification class, all premiums, discounts and weight allowances shall be based on the last regular delivery day not the date of physical delivery of the documents.

(l) For both 100% Classed and Container Lots, a deduction shall be made for each bale having a strength reading of 26.0 to 26.9 grams per tex, which shall be equal to five percent (5%) of the notice price. For 100% Classed Lots, this deduction shall be calculated using the invoice weight of each relevant bale as defined in Rule 12.23(d). For Container Lots, this deduction shall be calculated by first determining the percentage of the bales sampled and tested for the Container Lot that have a strength reading of 26.0 to 26.9, then multiplying this percentage by the sum of the invoice weights of the bales in the lot as defined in Rule 12.23(d).

(m) For both 100% Classed and Container Lots, a deduction shall be made for each bale where Cotton remains under certification for a period exceeding ten (10) months following the month in which the cotton was classed pursuant to these Rules, as determined by the notice price below:

(i) Notice Price of \$1.00 per pound or below – two (2) cents per pound-

(ii) Notice Price above \$1.00 at or below \$1.50 per pound – three (3) cents per pound.

(iii) Notice Price above \$1.50 per pound – four (4) cents per pound.

(iv) For Container Lots, this deduction shall be calculated as specified in paragraph (d) above.

(n) For both 100% Classed and Container Lots, for all Growths other than the United States, an addition or deduction shall be made as a Growth premium or discount, as provided in Resolution No. 3 of these Rules.

(o) For both 100% Classed and Container Lots, for delivery in a Licensed Store in the United States or in Australia, a deduction shall be made as a delivery location discount, as provided in Resolution No. 3 of these Rules.

## **Resolution No. 2 - Use of Original Smith Doxey Classing Data to Register United States Origin Bales As Tenderable**

In addition to the inspection, sampling and classing procedures as provided in Exchange Rules 12.29 and 12.30 United States origin cotton stored in a Licensed Store in the U.S. may be submitted to USDA for registration as tenderable against the World Cotton Futures Contract at any time between the Original Smith Doxey classing date of the bale and the close of business on the one hundred and eightieth (180<sup>th</sup>) calendar day after the classing date of the bale, subject to the quality limitations and administrative procedures below. In the event of any inconsistency between this Resolution and any other provision of the Rules, this Resolution shall prevail.

Once a bale has been registered as tenderable based upon its Original Smith Doxey classing data pursuant to this Resolution, it shall be considered to be cotton eligible for delivery under an ICE Cotton Contract for purposes of deliveries under the Rules.

### Limitations:

In order to be eligible for registration as tenderable based upon Original Smith Doxey classing data, a bale must be stored in a Licensed Store, and must meet the quality, weight, packaging bands, bagging and the compression requirements of Rule 12.~~22~~03.

In addition, the USDA Original Smith Doxey classing data for the bale must meet the following standards for each of the respective qualities below:

- Color – White Grades, USDA codes 11, 21, 31 and 41
- Leaf – USDA codes 4, 3, 2 and 1
- Micronaire – 3.7 to 4.7, inclusive
- Strength – 27 grams per tex and higher
- Fiber Length – 1.09 dig and longer

[Notwithstanding the above, bales of Color Grade 41, Leaf 4 are not deliverable under the World Cotton Contract and therefore such bales may not be registered as tenderable under this Resolution.]

No bale may be submitted for registration as tenderable based upon Original Smith Doxey classing data on and after the 181<sup>st</sup> calendar day after the date of Original Smith Doxey classing by the USDA, and a bale may only be submitted for such registration once.

### Procedures:

In order to seek registration of a bale as tenderable based upon Original Smith Doxey classing, the Cotton Warehouse Operator must first submit to the Exchange a request for a lot number, and subsequently submit to the USDA a request for registration of the bale, in a form prescribed by the Exchange and the USDA, stating the number of bales included in the request for registration, the Exchange lot number and the gin code/gin tag number of each such bale and such other information as may be required by the Exchange and/or the USDA.

Upon confirmation by the USDA that a bale for which registration as tenderable based upon Original Smith Doxey classing has been made meets the quality standards above for such registration, the EWR

record for the bale shall be marked as tenderable as of the date of such registration, and the bale shall be included in certificated stock.

**Weighing:**

The official delivery weight for bales that qualify for certificated classification based upon Original Smith Doxey classing data shall be the most recent weight determined by the Cotton Warehouse Operator input into the EWR. Such bales shall be subject to weight allowances and the weight penalties provided for in Rule 12.24. Weight allowances and Penalties will accrue using the certification registration date (inclusive).

**Delayed Certification:**

Bales entered into certificated stocks based upon Original Smith Doxey classing data may not be used to issue Delivery Notices under the delayed certification provisions of Rule 12.14 and Rule 12.28.

**Invoicing:**

For purposes of calculating invoices under Rule 12.24 for bales entered into certificated stocks based upon Original Smith Doxey classing data only, the staple length of the bale shall be determined based upon the USDA calculation of the length of the fiber expressed in dig terms, as shown below:

Dig Measurement From:	Invoiced as Staple:
1.09 to 1.11	35 (1 and 3/32nds of an inch)
1.12 to 1.14	36 (1 and 4/32nds of an inch)
1.15 and higher	37 (1 and 5/32nds of an inch)

In the interest of clarity, for all other certified cotton the Staple used for invoicing shall be the staple as shown in the EWR record for the bale based upon USDA certified classing of the bale.