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BY ELECTRONIC TRANSMISSION

Submission No. 17-105
June 26, 2017

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

**Re: Amendments to the Terms and Conditions of the Cotton No. 2 Futures Contract
Submitted Pursuant to Regulation 40.4(a).**

Dear Mr. Kirkpatrick:

Pursuant to Commodity Futures Trading Commission (“CFTC” or “Commission”) Regulation 40.4(a), ICE Futures U.S., Inc. (“IFUS” or “Exchange”) submits for approval by the Commission under the procedures set forth in CFTC Regulation 40.5, the amendments to the terms and conditions of the Cotton No. 2 Futures Contract in attached Exhibit A. As described below, the Exchange is amending Rule 10.26 to more clearly state the obligations of the parties to delivery of under the “Delayed Certification” procedures.

The Cotton No. 2 rules allow for delivery under Delayed Certification, which postpones the date of delivery to allow additional time for the classing of cotton by the USDA. A deliverer may opt for Delayed Certification delivery during the notice period. Delayed Certification is available if the Deliverer wishes to tender cotton that is stored in an Exchange licensed warehouse that has: (1) not been submitted to the USDA for classing prior to the last notice day; or (2) been submitted for classing, but the USDA classing results will not be available by the delivery date specified in Rule 10.14(b) (“Regular Delivery Date”).

The requirements and timeline for Delayed Certification delivery are set forth in Exchange Rule 10.26 and the Cotton Deliverer’s Guide. Generally, a deliverer choosing Delayed Certification delivery must provide notice to the Exchange and the receiver during the notice period. Any samples of cotton that is not certified must be delivered to the USDA in readiness for classing no later than 8:00 pm Memphis local time on the second business day preceding the last delivery day for the expiring month. The Deliverer must identify the lot numbers for the cotton to be delivered: (1) to the Exchange on the day prior to the Regular Delivery Date; and (2) the receiver on the Regular Delivery Date. After the USDA classing process is complete, the results will be transmitted to the warehouse where the cotton is stored

and the electronic warehouse receipt (“EWR”) for such cotton will be updated. The updated EWR triggers the commencement of a seven business day period for the deliverer to complete delivery of the cotton to the receiver.

The Exchange is amending Rule 10.26 to provide greater clarity and to add structure to the Delayed Certification delivery process. First, the amendments to Rule 10.26(a) delete unnecessary and ambiguous language that suggests the deliverer has to be unable to tender any cotton that has been classed by the USDA in order to be eligible for Delayed Certification delivery. This is not the case. A deliverer who has both certificated cotton that is eligible for delivery and cotton that has not been classed may still elect to deliver the cotton that has not been classed under the Delayed Certification procedures.

Second, the amendments to Rule 10.26(a)(iv) are intended to ensure that the deliverer receives prompt notification that classing of any cotton being delivered by Delayed Certification has been completed by the USDA. The amendments will require warehouse operators to: (1) contact the USDA on a daily basis to determine the status of any cotton being delivered by Delayed Certification that is pending classing; and (2) promptly notify the deliverer in writing or via email that the USDA has completed classing and that the EWRs containing the USDA classing information are available.

Third, the amendments to Rule 10.26(a)(v) provide guidance on when a delivery default has occurred under the Delayed Certification procedure. The provision will now expressly provide that the seven day period for the deliverer to complete delivery commences on the Business Day after the latest classing date for any bales to be delivered against a lot and that failure to complete delivery by the seventh business day constitutes a default under the rules. The amendments further provide that the failure to provide notice of intent to deliver or the dollar amount of the delivery in accordance with the timeline provided in the Rule 10.26(a)(v) may not be the sole basis of a default claim.

Finally, Rule 10.26(b) is being amended to incorporate language that is currently memorialized in the Cotton Deliverers Guide which requires samples of the cotton to be delivered by Delayed Certification to be delivered to the USDA in readiness for classing no later than 8:00 pm Memphis local time on the second business day preceding the last delivery day for the expiring month.

The above amendments to Rule 10.26 arose from a review of the current Cotton No. 2 Rules, which was initiated by the Exchange and conducted with the help of an industry expert who served as an outside consultant. Each amendment was subsequently reviewed and, in certain instances, revised by the Exchange’s Cotton Committee. The Committee vote to recommend adoption of these proposed amendments to Rule 10.26 was unanimous, and the Committee vote to recommend implementation of the proposed amendments with an effective date as early as is possible following filing with the Commission was also unanimous.

The Exchange is proposing to make the amendments effective upon approval by the Commission or forty-five days from the date of submission for the October 2017 delivery month. The Exchange’s Cotton Committee voted to recommend implementation of the proposed amendments with an effective date as early as is possible following filing with the Commission. The recommendation to implement the amendments on contract months with outstanding open interest was taken after reaching a unanimous consensus that the amendments do not change the qualities of cotton allowed in delivery or in any way impact the delivery value of the contract.

The amendments comply with the Commodity Exchange Act, as amended, and the regulations thereunder. Specifically, the amendments comply with designated contract market core principle 2 (Compliance with Rules), 3 (Contracts not Subject to Manipulation) and 7 (Availability of information). Consistent with the objectives of core principles 2 and 7, to provide better information about the rules to market participants, the amendments also clarify several practices and procedures related to the delivery of cotton against the Cotton No. 2 futures contract under the Delayed Certification procedures. 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 212-748-4021 or at jason.fusco@theice.com.

Sincerely,

A handwritten signature in black ink, appearing to read "Jason V. Fusco", written in a cursive style.

Jason V. Fusco
Assistant General Counsel
Market Regulation

Enc.

Exhibit A

(In the text below, deletions are bracketed and lined through, and additions are underscored.)

Rule 10.26. Delayed Certification

(a) When the Deliverer delivers by “delayed certification” [~~because he is unable to tender to the Receiver certificates of grade, staple and micronaire and strength determination classed by the USDA~~], on the Date of Delivery set forth in the Delivery Notice (the “stated delivery date”) as provided in Rule 10.14(b), the procedure for delivery set forth in Rule 10.14 shall be revised as follows and delivery shall take place on a later date (the “delayed delivery date”) as follows:

(i) Prior to the stated delivery date, the Deliverer shall deliver to the Exchange a confirmation, in a form prescribed by the Exchange, for the cotton to be delivered, stating lot numbers representing cotton weighed and sampled in an approved warehouse. A copy of the confirmations shall also be provided to the Receiver in accordance with subparagraph (a)(iii) of this Rule. The confirmations obtained by the Deliverer from the warehouse are not transferable and may only be used by the Deliverer making delivery under this Rule.

(ii) On the stated delivery date, the Deliverer shall deliver to the Receiver only the aforesaid confirmations. The Receiver shall make no payment for the cotton at that time.

(iii) Certification of color grade, leaf grade, staple, micronaire and strength reading shall be issued to the Deliverer by the USDA promptly after classification at which time the [~~Board~~] USDA shall [~~transmit~~] make available to the warehouse the USDA’s [~~Board’s~~] classification.

(iv) [~~Notification shall be made to the warehouses when the classing of cotton is completed.~~] When samples are pending USDA classing pursuant to this Rule, the warehouse[~~s are~~] is required to contact the USDA daily to determine the status of any samples pending USDA classing pursuant to this Rule, to promptly input EWRs from the information received from the USDA, and to promptly notify the Deliverer in writing or via email that EWRs containing the USDA classing information are available.

(v) Under this Rule, the Deliverer shall have seven (7) Business Days ~~{(including the day on which the warehouse issues notification to the Deliverer that EWRs are available)}~~ to complete delivery in accordance with the following chart; failure to complete delivery by the seventh Business Day constitutes a default under the Rules. For each Delayed Certification lot, the first day in this period shall be the Business Day after the latest classing date of the bales to be delivered against that lot; in the event that a Deliverer has issued more than one Delayed Certification lot, Deliverer shall make a good faith effort to complete each Delayed Certification lot at the earliest date possible. Deliverer shall make a good faith effort to comply with each deadline in the schedule below, but in the event that Deliverer completes delivery by the seventh Business Day, failure to meet any of the other deadlines in the following chart shall not in and of itself constitute a Default under the Rules:

Days

- 1-2 Notification by warehouses that EWRs are available.
- 3-4 Deliverer must notify Receiver by express communication, (i.e., fax, email [~~express mail, federal express~~], etc.) that Deliverer intends to deliver cotton within three (3) Business Days under delayed certification.
- 5-6-7 Deliverer must notify Receiver and the Clearing Organization by express communication twenty-four (24) hours prior to actual delivery of the dollar amount of cotton involved in this delivery.

Delivery of cotton must take place.

(vi) On or before 12:00 pm on the Business Day prior to the delayed delivery date, the Deliverer shall:

(1) transfer ownership of the EWRs to the Clearing Organization; and

(2) provide the Clearing Organization with a written summary of the invoice charges for each Receiver.

(vii) On or before the delayed delivery date, the Deliverer shall provide each Receiver with two (2) copies of the invoice, two (2) copies of the tag list, and certificates of color grade, leaf grade, staple, micronaire and strength determination issued by the USDA.

(b) All of the foregoing shall be in compliance with the Regulation for Cotton Classification of the United States Department of Agriculture, and the samples of the cotton for which the Deliverer is seeking delivery pursuant to this Rule must be delivered to the USDA in readiness for classification no later than 8:00 pm Memphis local time on the second business day preceding the last delivery day.

(c) On the delayed delivery date, at 9:00 am, the Clearing Organization shall debit the account designated by the Receiver for delivery purposes and credit the account designated by the Deliverer for such purposes for the full amount of the invoice charges detailed in the invoice summary provided to the Clearing Organization pursuant to subparagraph (a)(vi) of this Rule, and transfer ownership of the EWRs to the Receiver.