



BY ELECTRONIC TRANSMISSION

Submission No. 22-123
July 6, 2022

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

Re: Amendments to the Delivery Rules for Sugar No. 16[®] Futures Contracts - Submission Pursuant to Section 5c(C)(1) of the Act and Regulation 40.6(a)

Dear Mr. Kirkpatrick:

Pursuant to Section 5c(c)(1) of the Commodity Exchange Act, as amended (the “Act”) and Commodity Futures Trading Commission (“Commission”) Regulation 40.6(a), ICE Futures U.S., Inc. (“IFUS” or “Exchange”) hereby self-certifies the amendments to Exchange Rules 29.00, 29.05, 29.09 and 29.10 set forth in Exhibit A. As described below, the amendments clarify and revise the list of delivery points for the Sugar No. 16 futures contract; and codify various requirements related to the discharge, weighing and sampling of the sugar delivered.

Amendments to Sugar No. 16 Delivery Points:

Exchange Rule 29.00(e) sets forth the list of eligible locations for delivery against the Sugar No. 16 futures contract. The Exchange is amending the Rule to: (i) more precisely identify eligible locations within the New York and New Orleans delivery areas, (ii) remove Galveston, TX, as a delivery point; and (iii) add Morrisville, PA, as a delivery point. Specifically, the amendments identify and delimit the eligible locations for delivery within New York (Yonkers only) and New Orleans (Gramercy, Chalmette and Reserve only). The more precisely identified delivery areas are based on the locations of sugar refineries in each area and align with current commercial practice and actual Exchange deliveries. Amendments to the Rule also remove Galveston as a delivery point, as there has not been a sugar refinery located at this port since before the Contract was listed and it has not been an active either as a commercial or Exchange delivery point.

The Exchange is also amending Rule 29.00(e) to add a new delivery point. There is a refinery located in Morrisville, Pennsylvania which regularly receives, stores and processes raw sugar. The Exchange believes that the addition of this location will facilitate the use of the contract for hedging and risk management by the domestic sugar trade. We note that the Domestic Sugar Committee (“Committee”) voted to recommend approval of the amendments adding Morrisville as a delivery point by a vote of 6 in favor, 5 opposed with 1 abstention. Members in favor of the proposed addition opined that it would allow an existing refinery served by the port to participate in the delivery process; that the refinery using the port has received sugar there from multiple origins with no issues resulting from those commercial deliveries; and that the port already offers commercial-standard weighing and supervisions standards.

Members who were opposed to the addition of Morrisville had a lack of familiarity with the new delivery point and the freight costs associated with making delivery there. Committee Members also discussed the increased potential for multi-port deliveries with the additional location (which can and do occur with the existing delivery points). Under the terms of the Sugar No. 16 contract, it is the Receiver

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ICE Futures US, Inc. a designated contract market under
the Commodity Exchange Act, as amended.



who selects the delivery location from the approved delivery points; the Deliver is then obligated to deliver the sugar by boat to the location selected by the Receiver. As such, a Deliverer that is matched with multiple receivers may have to deliver sugar to more than one location under the terms of the contract.

After consideration of the issues raised by the Committee, the Exchange's Board of Directors subsequently approved the addition of the new delivery point by unanimous vote. Corresponding amendments updating the list of eligible locations are also being made to Exchange Rule 29.05(a).

Amendments Related to Discharge, Weighing and Sampling of Sugar:

The Exchange is amending Rules 29.00, 29.09 and 29.10 to codify and clarify certain procedures related to the discharge, sampling and weighing of sugar delivered against the No. 16 futures contract. An amendment to Rule 29.09 adds an express provision setting a Discharge Rate of 1,500 tons per weather working day.¹ Currently, the Rules do not include an express Discharge Rate. Rather, the Rules incorporate by reference the terms of the Bulk Sugar Charter Party U.S.A - April 1962 or as amended, which includes a Discharge Rate of 1,500 tons per weather working day. When adopting this amendment, the Committee first voted to recommend that the rules be changed to expressly provide a discharge rate and then subsequently voted to set the actual rate. The vote to recommend adoption of the proposed amendment adding a Discharge Rate to the Rules was 9 in favor and 3 opposed. Committee members in favor of the proposed amendment opined that an explicit statement of the Discharge Rate in the Rules would provide clarity; those opposed felt it was not necessary to do so at this time.

The Committee vote to set the Discharge Rate in the Rule at 1,500 tons per weather working day was 11 in favor and 1 opposed. Members in favor opined that this rate is consistent with the terms of the Bulk Sugar Charter Party agreement and with consistent with the majority of commercial transactions, particularly those involving multiple shipping destinations; the member opposed opined that a rate of 3,000 tons per weather working day would be appropriate given the advances in equipment used to discharge sugar and frequent commercial practice to negotiate rates other than those specified in the Bulk Sugar Charter Party agreement. . The Exchange's Board of Directors subsequently approved the amendments recommended by the Committee by unanimous vote.

Rule 29.00(e) is also being amended to make clear that both weighing and sampling are done at the discharge berth. The amendment codifies a long-standing presumption and practice by market participants in Exchange deliveries. An additional clarifying amendment is being made to Rule 29.10(b), which codifies standards for weighing facilities. The amendment adds language which states that "[f]acilities used for weighing shall have a maximum tolerance of 1/10th of one percent (0.10%), and the Receiver's Weighmaster shall satisfy himself that such facilities are tested by means of certified check weights at least once in every twenty-four hours." The amendment codifies longstanding practice and conforms the Sugar No. 16 Rules to the weighing provisions of the Sugar No. 11 contract and the Sugar Association of London contract. The Exchange believes that the foregoing amendments to Rules 29.00 and 29.10 add needed clarity to the Rules going forward.

Finally, an additional amendment to Rule 29.10(b) expressly allows for the use of weighbridges and sets standards for weighbridges.² The standards are based on the current provisions of the Sugar No.

¹ A weather working day is a day for which vessel operations is normally conducted at a port without the interference of inclement weather.

² A weighbridge, or truck scale, is a large set of scales, usually mounted permanently on a concrete foundation, that is used to weigh entire rail or road vehicles and their contents. By weighing the vehicle both empty and when loaded, the load carried by the vehicle can be calculated.

11 Rules. The Committee voted to recommend adoption of the amendments regarding weighbridges by a vote of 7 in favor, 3 opposed and 1 abstention. Following that vote, the Committee voted to recommend that the amendments should be implemented on the first month with no outstanding open interest following adoption by the Board and filing with the CFTC, by a vote of 7 in favor, 3 opposed and 1 abstention. The Members opposed to the amendments opined that weighbridges have not been used in Exchange deliveries in recent years, and that introducing their use could introduce undue risk to deliverers from unintentional errors or deliberate abuse that is not present when other weighing equipment is used. Members in favor opined that the current Rules do not prohibit the use of weighbridges; that the proposed amendment therefore clarifies but does not effectively change the Rule regarding their use; and that weighbridges, when used, will be subject to the same standards as other weighing equipment and therefore should not introduce any undue risk to deliverers.

After consideration of the issues raised by the Committee, the Exchange's Board of Directors approved the foregoing amendments by unanimous vote.

Effective Dates

The amendments to Rule 29.00 and 29.05, which add Morrisville as a delivery point and the amendments to Rule 29.10 which provides for the use of weighbridges will become effective on July 22, 2022 for the July 2024 delivery month, which will be listed for trading on August 1, 2022. All of the other amendments to Exchange Rules 29.00, 29.05, 29.09 and 29.10 will become effective for all contract months on July 22, 2022. The Committee and the Exchange's Board of Directors, by unanimous vote, determined that such changes would not have any material impact on the value of the contract and should be implemented immediately. Specifically, Galveston has not been a viable delivery point for years. As such, removing it as a delivery point will not impact the value of the contract. Similarly, the amendments to the delivery points in New York and New Orleans conform with current practice and will not impact the value of the contract. The amendment requiring weighing and sampling to be done at the discharge berth codifies existing practice at all delivery points. Such change will not materially impact the price of the contract. Finally, the amendments adding standards for weighing is procedural and will not materially impact price.

Certifications

The Exchange certifies that amendments to Rules 29.00, 29.05, 29.09 and 29.10, comply with the requirements of the Act and the rules and regulations promulgated thereunder. Specifically:

Core Principle 3 (Contracts not Readily Subject to Manipulation) and 4 (Prevention of Market Disruption)

The amendments to Rule 29.00 and 29.05 revise and clarify the eligible locations for the delivery of sugar against the No. 16 futures contract. The removal of a delivery point no longer engaged in the domestic sugar trade and the addition of new delivery point where a refinery is located is consistent with the guidance in Appendix C to Part 38 of the Commission's Regulations, which states that futures contracts should provide for delivery at "locations where the underlying cash commodity is normally transacted or stored and where there exists a viable cash market." Additional amendments to those rules also more precisely identify existing delivery points, adding clarity to the rules.

The amendments to Rules 29.00, 29.09 and 29.10 related to the discharge rate, weighing and sampling specify standards for facilities and delivery standards as required by Appendix C, which states that contract terms and conditions should specify appropriately detailed delivery procedures that describe the responsibilities of deliverers, receivers and any required third parties in carrying out the delivery process.

Core Principle 1 (Compliance with Rules)

The Exchange will continue to establish, monitor, and enforce compliance with all rules and procedures, including amended Rules 29.00, 29.05, 29.09 and 29.10.

Core Principle 7 (Availability of information)

This submission and the amended Rule will be posted on the Exchange's Website.

The Exchange is not aware of any other opposing views with regard to the amendments and 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". The signature is written in a cursive style with a large, sweeping initial "J".

Jason V. Fusco
Assistant General Counsel
Market Regulation

Enc.

EXHIBIT A

(in the text of the amendment below, additions are underscored and deletions are bracketed and lined through.)

Rule 29.00. Contract Terms—Forms

* * *

(e)

Contract No. 16

New York _____ **20** _____

(has) (sold)

(have) this day (bought)

(deliver to)

and agreed to (receive from) _____ fifty (50) tons of two thousand two hundred forty (2,240) pounds each of Raw Centrifugal Cane Sugar, in bulk, of any grade or grades and qualities as specified in Rule 29.00 at the price of _____ cents per pound net cash duty and import fee, if any, paid or duty free. Such price to be for 96 degrees average polarization outturn, and Standard Quality Range, with additions or deductions for other grades and qualities according to the differentials established or to be established for the delivery month stated below by the Rules, adopted or to be adopted in accordance with the provisions of Rule 16.00.

Deliverer shall deliver and Receiver shall receive the sugar in a vessel berthed at a customary Refiner's [~~B~~]berth equipped with the necessary weighing and sampling facilities in [~~New York (including Yonkers)~~], Baltimore, New Orleans (~~[including]~~ consisting of Gramercy, [~~Burnside~~] Chalmette and Reserve), Savannah (Port Wentworth); or Morrisville Pennsylvania [~~Galveston~~] during the month of _____ 20_____. The port and berth shall be declared by Receiver, who shall discharge the sugar as customary at said berth at his own expense in accordance with Rule 29.09(c). Weighing in accordance with Rule 29.10 and sampling in accordance with Rule 29.11 shall be performed at the discharge berth.

(balance of the Rule unchanged)

Rule 29.05. Delivery

(a) Each Receiver shall on or before 3:00 P.M. of the fifteenth (15th) calendar day of the month preceding the delivery month, provided if same is not a Business Day then on the next succeeding Business Day, declare to the Deliverer, in writing, one (1) of the following options for each delivery notice received:

- (i) North of Hatteras (~~[New York]~~ including Yonkers, [~~or~~] Baltimore or Morrisville Pennsylvania).
- (ii) New Orleans (consisting of [~~including~~] Gramercy, Chalmette [~~Burnside~~] and Reserve).
- (iii) Savannah (Port Wentworth).
- ~~[(iv) Galveston.]~~

(balance of the Rule unchanged)

Rule 29.09. Discharge

- (a) The Deliverer shall guarantee that the sugar shall be delivered and the Receiver shall guarantee that the sugar shall be received under the terms and conditions (except as provided in the paragraphs below) of the freight agreement known as Bulk Sugar Charter Party U.S.A.—April 1962 or any amended form of such freight agreement, and such conditions which the Board of Governors, in its discretion, may from time to time determine to be appropriate to make such amended form of freight agreement fair and equitable between the parties.
- (b) For purposes of determining despatch and demurrage, lay time at the rate of 1500 tons (2240 pounds each) per weather working day at berth or awaiting berth, Friday 1700 until 0800 Monday, stevedoring holidays and all other overtime periods excepted even if used, shall be allowed to Charterer and shall be continuous.

(~~b~~c) No liberty or car carrier type vessel may be used to carry sugar delivered under the Sugar No. 16 Contract.

(~~h~~d) The Receiver shall discharge the sugar at his designated berth at his own expense. However, the amount the Deliverer shall allow the Receiver for the discharge of sugar under Sugar No. 16 Contract, known as the stevedoring allowance, shall be calculated as follows:

(balance of the Rule unchanged)

Rule 29.10. Weights and Tests

(a) The Receiver shall advise the Deliverer as to the name and location of the refinery and the Receiver shall nominate the Weighers and Samplers employed by such refinery to act for him in determining the weight and test of the sugar. The Deliverer shall advise the Receiver of the name of the Weighmaster and Sampler (licensed by the Exchange) who will act in his behalf.

(b) All sugar weighed for delivery on the Exchange, shall be weighed and checked as customary at such refinery. Facilities used for weighing (including weighbridges) shall have a maximum tolerance of 1/10th of one percent (0.10%), and the Receiver's Weighmaster shall satisfy himself that such facilities are tested by means of certified check weights at least once in every twenty-four (24) hours. In the event that weighbridges are used, the weighbridges shall be tested against a second weighbridge with a loaded vehicle at least once in every twenty-four hours; they shall also be tested with certified check weights at least once every year; and each truck shall be weighed both gross and tare. Acting for the Deliverer, the Weighmaster shall weigh the sugar in the presence of, and the weights shall be checked by, the representative of the refinery who shall endorse on the Weighmaster's weight certificate the following:

I hereby certify that the weights of the sugar specified in this return agree with those checked by me at the time of weighing.

Refiner's Representative

(c) ~~[Prior to the commencement of weighing, the scales shall be tested as customary at said refinery.]~~

(d) By mutual consent between Receiver and Deliverer and where it is customary at the receiving refinery, the Weighmaster may represent both parties. However, the endorsement referred to in (b) above shall be signed by the Weighmaster as the refiner's representative.