



BY ELECTRONIC TRANSMISSION

Submission No. 22-122
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 Canola Rules--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, and Commodity Futures Trading Commission (“Commission”) Regulation 40.6(a), ICE Futures U.S., Inc. (“IFUS” or “Exchange”) self certifies amendments to the Exchange’s Canola Rules as set forth in Exhibit A. The amendments address the use of Letters of Credit in the delivery process and make certain other clarifications to the Rules, as described below.

At the request of several market participants active in the Canola delivery process, the Exchange has adopted amendments to the Canola Rules that allow Merchants to use Letters of Credit (“LC’s”) to satisfy all or part of the Indemnification Amount required under the Rules. The Indemnification Amount is posted by a short position holder that issues a warrant at expiration of a contract. The Indemnification Amount is held by ICUS until the warrant is cancelled, typically when the holder of a delivery certificate seeks to take delivery--which can be years after the contract has expired. Because canola deliverable under the Exchange contract is fungible as long as it meets the quality specifications identified in the Exchange contract, i.e., not specifically identifiable via a warehouse receipt or otherwise, the Indemnification Amount protects the delivery certificate holders in the event that the canola against which the warrant was issued is not actually available at the time it is called for delivery.

The former ICE Futures Canada Rules permitted the use of LCs for this purpose, but those provisions were not carried into the IFUS Rules at the time of the transition to IFUS. The amendments to Rule 12.13(c) and (g) permit the use of an LC to meet some or all of the required Indemnification Amounts that must be posted and maintained by warrant issuers. After reviewing the Rules and procedures regarding LCs that were in place at ICE Futures Canada, and taking into account both experience gained since transition of the contract and input from merchants, the

Exchange has determined that allowing the use of LCs will provide merchants additional flexibility in meeting their Indemnification Amount requirements without weakening the protection the Indemnification Amount provisions afford in the delivery process for the contract. To be accepted by the Exchange, an LC must be issued by a bank recognized by the Exchange for this purpose and must be in a specified form naming the Exchange as beneficiary¹.

The Exchange is also making certain clarifying amendments to the Canola rules. Specifically, the Exchange is amending:

(1) Rule 12.11(h)(3) to add the clause “such amount” in providing for payment of the required Delivery Amount by the Clearing Member for the receiver on the Delivery Day,

(2) Rule 12.17(j) to eliminate an obsolete fee that is no longer charged

(3) Rule 12.18(a) and (b) to more clearly state that the minimum loadout rate in the Rule applies to the Warrant Issuer only and does not apply to the Delivery Certificate Holder, and

(4) Rule 12.20(a) to clarify the operation of the timely notification provision of the paragraph by stating that the event which triggers the start of the notification period is: (i) the completion of loading at origin in instances in which the first Official Sample is taken at the point of loading; or (ii) the completion of unloading at destination in instances in which the first Official Sample is taken at destination.

The amendments were unanimously recommended by the Canola Committee and the Exchange is not aware of any opposing views with respect to them. The Exchange certifies that the amendments comply with the requirements of the Act and the regulations promulgated thereunder, in particular the amendments satisfy Core Principle 4 as they reflect the Exchange’s ongoing review of the rules related to physical delivery of the canola contract and provide merchants with additional flexibility to meet their obligations under the contract. The rule changes will be made available to market participants via publication on the Exchange’s website in accordance with the standards of Core Principle 7. The Exchange further certifies that, concurrent with this filing, a copy of this submission was posted on the Exchange’s website, which may be accessed at (<https://www.theice.com/futures-us/regulation#Rule-Filings>). The amendments will become effective on July 18, 2022 or such other date as the Exchange may specify. If you have any questions or need further information, please contact me at 212-748-4083 or at Audrey.hirschfeld@ice.com.

Sincerely,



Audrey R. Hirschfeld
SVP and General Counsel

Enc.

¹ A list of banks approved to provider letters of credit can be found [here](#). In addition to the those listed, the Exchange will consider other banks based on their credit rating.

EXHIBIT A

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

12.11 Delivery Process

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h. On Delivery Day:

- (1) The Clearing Organization will post a Daily Delivery Report available to all Clearing Members by 10:30 am. This report identifies all matched deliveries, which are done on a FIFO basis and will constitute notice to the applicable Clearing Member for purposes of Clearing Organization Rule 602(c).
- (2) By 11:30 a.m., or such other time as may be determined the Clearing Member for the long futures position holder (buyer), will be notified of the invoice amount, which includes the amount of the Delivery Day Value and other applicable charges, if any.
- (3) The Clearing Organization will collect Delivery Day Value from the Clearing Member of the long futures position holder (buyer) and such amount must be paid by the long futures position holder (buyer) to the Clearing Member upon request.

(balance of the Rule unchanged)

12.13 Warrants – Indemnification

- a. All Warrant Issuers must provide Initial Indemnification and Additional Indemnification as and when requested by the Exchange for all Issuer-Owned and third party Warrants issued and outstanding.
- b. Initial Indemnification is paid by the Warrant Issuer as provided in Rule 12.11 in an amount that is no less than the sum of the base indemnification plus the tonnage surcharge calculated as follows:
 - (1) Base indemnification for canola is the daily settlement price for the nearby contract, or a preliminary settlement price estimate to be determined by the Exchange in its absolute discretion if such settlement price is not timely available after the close of trading, adjusted for deliverable grade, and multiplied by the number of metric tonnes for which Warrants are issued and outstanding.

Effective with the November 2022 canola futures contracts and thereafter

- (1) Base indemnification for canola is the daily settlement price for the nearby contract, or a preliminary settlement price estimate to be determined by the Exchange in its absolute discretion if such settlement price is not timely available after the close of trading multiplied by the number of metric tonnes for which Warrants are issued and outstanding.
- (2) Tonnage surcharge:
 - i. for tonnage up to 25,000 metric tonnes – 10% of base indemnification; and
 - ii. for tonnage more than 25,000 and less than 50,000 metric tonnes – 15% of base indemnification; and

- iii. for tonnage that is 50,000 metric tonnes or more – 20% of base indemnification.
- c. The Exchange will mark-to-market each Warrant [each Trading Day] to ensure that the amount of indemnification held by the Exchange is no less than the sum of the base indemnification, calculated in accordance with paragraph (b)(1) of this Rule, plus the tonnage surcharge [d], calculated in accordance with paragraph (b)(2) of this Rule. Warrant Issuers will be required to provide Additional Indemnification as market circumstances require. Where a Warrant Issuer is notified by the Exchange that it has to make payment of Additional Indemnification it shall satisfy the requirements no later than 10:00 am on the Trading Day following the notification. Initial Indemnification and Additional Indemnification must be provided by (1) payment in Canadian dollars via bank wire or (2) furnishing to the Exchange a Standby Letter of Credit in the form specified by the Exchange and issued by a bank recognized by the Exchange for such purpose, or (3) a combination of both forms of indemnification. Any excess indemnification held by the Exchange in the form of Canadian dollars shall be returned in accordance with paragraph (g) of this Rule.
- d. The Exchange may require such additional Initial Indemnification or Additional Indemnification that it deems appropriate under special circumstances, including but not limited to an inverse between the cash market for immediate delivery and the nearby futures prices; or periods of high price volatility of nearby futures prices.
- e. Initial and/or Additional Indemnification shall be maintained by the Exchange in a segregated account and shall not be commingled with Exchange funds.
- f. Failure to provide Initial or Additional Indemnification as required under these Rules is a violation of the Rules. The Exchange shall take whatever steps it deems appropriate in the circumstances.
- g. Requests for the return of excess indemnification held by the Exchange in the form of Canadian dollars must be received by the Exchange no later than 1:00 pm for processing the next Business Day. Requests received after 1:00 pm will not be processed until the second Business Day after receipt.

12.17 Shipment

- a. Delivery Certificate Holders shall initiate the shipment processes by submitting a Call for Shipment in the Delivery System. Upon submission, the Exchange shall:
 - (1) determine the oldest outstanding Warrant(s) ;
 - (2) notify the Warrant Issuer(s) of such Warrants of its obligation to ship out the canola; and
 - (3) notify the Warrant Issuer(s) who the Delivery Certificate Holder is.

A Call For Shipment received prior to noon on a Business Day will be processed by the Exchange on the Business Day it is received; and a Call For Shipment received after noon on a Business Day (or on a day that is not a Business Day) will be processed by the Exchange the next Business Day.

- b. Shipment shall only be made from elevators registered with the Exchange.
- c. The Warrant Issuer shall complete the Shipment Nomination in the Delivery System within two (2) Business Days (inclusive of the day of the Call for Shipment is entered in the system if the Call for Shipment is entered before noon) and indicate (i) the elevator(s) from which the canola will be shipped and (ii) whether the canola will be commercially clean or non-commercially clean.
- d. The quantity nominated shall not exceed two (2) full car spots at the nominated facility.
- e. When nominating shipping location points, the Warrant Issuer must be able to accommodate the ordering and placement of railcars, and the placement of trucks, at the nominated point, in such a way as to facilitate the shipment within the times prescribed by this Rule and within any railway-imposed limitations, to the best of its knowledge unless the Delivery Certificate Holder has specified truck as the method of conveyance on the Call For Shipment form. The Warrant Issuer may only nominate locations for which there is a reasonable expectation of rail service that would accommodate the shipment tonnage, unless the Delivery Certificate Holder has specified truck as the method of conveyance on the Call For Shipment form.
- f. At the time the shipping locations are nominated, the Warrant Issuer will enter in Nomination in the Delivery System the railway(s) providing services to the shipping locations, and any known restrictions or limitations related to rail shipment from the shipping locations, or specify truck as the method of conveyance (if shipping by truck has been selected by the Delivery Certificate Holder in accordance with paragraph h. below).
- g. A minimum of eighty (80) metric tonnes shall be nominated from any given point(s), with any odd lots of less than eighty (80) metric tonnes to come from a point already nominated. If the call for shipment is less than eighty (80) metric tonnes, the entire nomination must be from one location. All quantities nominated must be in twenty (20) tonne multiples.
- h. The Delivery Certificate Holder shall enter the following information in the Shipment Nomination Acceptance/Rejection field in the Delivery System within two (2) Business Days of the completion of the Nomination in the Delivery System by the Warrant Issuer (inclusive of the day of such completion if such completion is made before noon:
 - (1) the acceptance or rejection of the shipping locations, in whole or in part, in twenty (20) metric tonne multiples), including the selection of commercially clean or non-commercially clean;
 - (2) the amount, in twenty (20) metric tonne multiples, if any, that will be shipped; and/or
 - (3) the amount where the nomination is rejected, in twenty (20) metric tonne multiples, if any, that is to be converted back to a new Delivery Certificate(s).

Provided that, if either (1) or (2) is chosen, the Delivery Certificate Holder will also be responsible for nominating whether shipment will be by rail or by truck, and if the shipment is by rail, the Delivery Certificate Holder shall also enter the destination. If the Delivery Certificate Holder specified truck or rail on the Call For Shipment form, they must ship the product by that method of conveyance.

- i. If a shipment is by rail, the Delivery Certificate Holder must have in place all arrangements necessary to complete the shipment, including, but not limited to, accounts and credit with the railway, arrangements with customs and/or with customs brokers, and terminal authorizations.
- j. ~~[The Delivery Certificate Holder will be assessed a Non Shipment Fee for rejecting a shipment in whole or in part. A Delivery Certificate will be re-issued for the tonnage rejected.]~~ Rejection of a shipment in whole or in part by the Delivery Certificate Holder will cause a new Delivery Certificate to be issued for the tonnage rejected.
- k. Failure by the Delivery Certificate Holder to enter a properly completed Shipment Nomination and Acceptance in the Delivery System within the time required by these Rules shall be deemed rejection, in whole, of the shipping locations for the amount of canola as represented by the Delivery Certificates.
- l. The date on which a shipment is rejected, in whole or in part, whether deemed or not, will be the date for determining the oldest outstanding Warrant(s) for the purposes of subsequent calls for shipment.

12.18 Shipment by Truck

These provisions pertain to shipments by truck:

- a. The Delivery Certificate Holder shall give no less than two (2) Business Days load notice (inclusive of the day of notice if such notice is given before noon) to the Warrant Issuer and the Delivery Certificate Holder shall arrange for trucking sufficient to ~~handle~~ complete the shipment in accordance with paragraph (d) of this Rule, but is not subject to any daily load-out requirement.
- b. The ~~[minimum rate of load-out]~~ Warrant Issuer shall be required to load trucks arranged by the Delivery Certificate Holder at a minimum per day rate [the greater] of five hundred (500) metric tonnes or five percent (5%) of the shipment accepted at that location, whichever is greater[-per day].
- c. The Warrant Issuer is required;
 - (1) to load out the Canola at not less than the minimum rate of load-out, commencing on the day the stated conveyance is constructively placed.
 - (2) when loading trucks that have been constructively placed by the Delivery Certificate Holder, not to load out any other grain trucks during normal work day hours (8:00 am through 5:00 pm local time) until the Delivery Certificate Holder's load-outs have been completed, up to the minimum load-out requirement.
- d. Shipment must be completed within thirty-two (32) Business Days from:
 - (4) The date of acceptance of the nominated points on the Shipment Nomination and Acceptance as entered in the Delivery System; or
 - (5) Where Rule 12.19 c. is invoked, the date notice to amend the mode of transport from rail to truck was provided by the Delivery Certificate Holder to the Warrant Issuer.

12.20 Confirmation of Shipment

- a. Within two (2) Business Days of the completion of shipment, whether by rail or by truck, the Warrant Issuer and the Delivery Certificate Holder shall enter a Confirmation of Shipment form in the Delivery System, or shall advise the Exchange, in writing, that a dispute exists. For clarification, the two (2) day requirement set out in this Rule begins upon the completion of loading at origin when the first Official Sample is taken at loading, or upon the completion of unloading when the first Official Sample is taken at destination ~~unloading~~.
- b. A Shipment Fee, as established by the Exchange, shall be assessed to the Delivery Certificate Holder upon submission of the completed Confirmation of Shipment.
- c. The tonnage covered by a Warrant and a Delivery Certificate shall be reduced by the tonnage specified in the Confirmation of Shipment.