

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 18-358

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): 09/17/18 **Filing Description:** Increase of Position Limits and Accountability Levels of Three (3) Black Sea Wheat (Platts) Futures and Options Contracts

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 |

Product Terms and Conditions (product related Rules and Rule Amendments)

- | | | |
|-------------------------------------|---|----------------------|
| <input checked="" 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 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: See filing.

Rule Numbers: See filing.

September 17, 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, DC 20581

**Re: CFTC Regulation 40.6(a) Certification. Notification Regarding the Increase of Position Limits and Accountability Levels of Three (3) Black Sea Wheat (Platts) Futures and Options Contracts.
 CBOT Submission No. 18-358**

Dear Mr. Kirkpatrick:

The Board of Trade of the City of Chicago, Inc. (“CBOT” or “Exchange”) is notifying the Commodity Futures Trading Commission (“CFTC” or “Commission”) that it is self-certifying amendments to the spot month position limits and accountability levels of three (3) Black Sea Wheat (Platts) futures and options contracts (the “Contracts”) as noted in the table below effective on Monday, October 1, 2018 for trade date Tuesday, October 2, 2018 and commencing with the August 2019 contract month and beyond. There is currently no open interest in the affected contract months.

Contract Title	Rulebook Chapter	Commodity Code	Contract Size	Contract Units	Aggregate Into Futures Equivalent	Current Spot month limits	Proposed Spot month limits	Current Accountability levels (Single Month and All Month)	Proposed Accountability levels (Single Month and All Month)
Black Sea Wheat Financially Settled (Platts) Futures	14R	BWF	50	Metric Tons		2,500	3,000 (May), 6,000 all other months	5,000	6,000
Black Sea Wheat Financially Settled (Platts) Half Month Futures	14S	BWH	50	Metric Tons	1 BWH : 1 BWF	2,500	3,000 (May), 6,000 all other months	5,000	6,000
Options on Black Sea Wheat Financially Settled (Platts) Futures	14T	BWO	50	Metric Tons	1 BWO : 1 BWF	2,500	3,000 (May), 6,000 all other months	5,000	6,000

The Exchange is implementing seasonal spot month position limits to the Contracts to appropriately reflect seasonality in the underlying physical market.

CBOT is implementing The Position Limit, Position Accountability and Reportable Level Table and Header Notes located in the Interpretations and Special Notices Section of Chapter 5 of the CBOT Rulebook (the “Table”) will be amended to reflect the increased spot month position limits of the Contracts (See Exhibit A: Position Limit, Position Accountability, and Reportable Level Table in Chapter 5 of the CBOT Rulebook with additions underscored and deletions overstruck (attached under separate cover.)). Exhibit B, also provided under separate cover, provides a blackline of the Table effective July 31, 2019. Exhibit C below provides an updated cash market overview and analysis of deliverable supply for the Contracts.

300 Vesey Street New York, NY 10282 T 212 299 2200 F 212 299 2299 christopher.bowen@cmegroup.com cmegroup.com

The Exchange reviewed the designated contract market core principles (“Core Principles”) as set forth in the Commodity Exchange Act (“Act” or “CEA”) and identified that the rule amendments may have some bearing on the following Core Principles:

- **Contract Not Readily Susceptible to Manipulation**: Due to the liquidity and robustness in the underlying physical markets, the Contracts are not readily susceptible to manipulation.
- **Position Limitations or Accountability**: The speculative position limits for the Contracts as demonstrated in this submission are consistent with the Commission’s guidance.
- **Availability of General Information**: The information contained herein will be disseminated to the marketplace via a Market Surveillance Notice. The Exchange will publish information on the Contracts’ specifications on its website, together with daily trading volume, open interest, and price information.

Pursuant to Section 5c(c) of the Act and CFTC Regulations 40.6(a), the Exchange hereby certifies that the amendments comply with the Act, including regulations under the Act. There were no substantive opposing views to the proposal.

The Exchange certifies that this submission has been concurrently posted on the CME Group 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: Position Limits, Position Accountability and Reportable Level Table in Chapter 5 of the CBOT Rulebook (attached under separate cover) (Effective October 2, 2018)
Exhibit B: Position Limits, Position Accountability and Reportable Level Table in Chapter 5 of the CBOT Rulebook (attached under separate cover) (Effective July 31, 2019)
Exhibit C: Cash Market Overview and Analysis of Deliverable Supply

Exhibit A

**Position Limits, Position Accountability and Reportable Level Table
in Chapter 5 of the CBOT Rulebook**

(attached under separate cover)

(Effective October 2, 2018)

Exhibit B

**Position Limits, Position Accountability and Reportable Level Table
in Chapter 5 of the CBOT Rulebook**

(attached under separate cover)

(Effective July 31, 2019)

Exhibit C
Cash Market Overview and Analysis of the Deliverable Supply

Cash Market Overview Black Sea Wheat

The Black Sea Wheat futures contracts are financially settled instruments which settle against price assessments published for “FOB Black Sea wheat (Russia, 12.5 percent)” by S&P Global Platts (“Platts”).

In its cash market and deliverable supply analysis, the Exchange has incorporated data from a range of sources as described below.

The **US Department of Agriculture (“USDA”)**, is the department of the US Government responsible for agricultural markets. Its Foreign Agricultural Service collates and publishes data on global agricultural markets.

Eurostat is the statistical service of the European Union. It compiles and consolidates data collected by the statistical authorities in each EU member state. In addition, Eurostat ensures that all parties are employing the same methodology in collecting and reporting data.

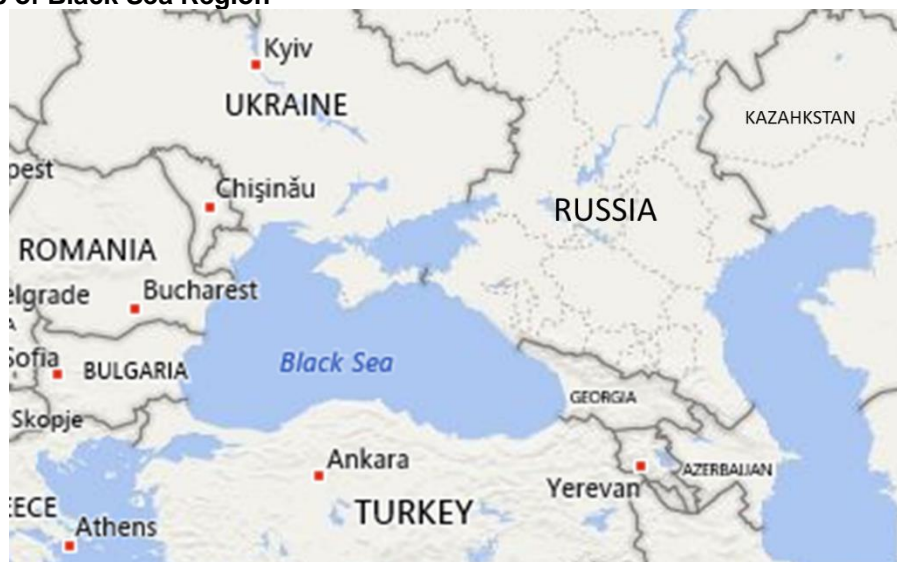
The **UN Comtrade Database** provides free access to detailed global trade data. UN Comtrade is a repository of official trade statistics and relevant analytical tables. It contains annual trade statistics starting from 1962 and monthly trade statistics since 2010.

Novorossiysk Commercial Sea Port, PJSC, is an operational division of NCSP Group, a Russian company which operates the port of Novorossiysk, and is listed on the MICEX Exchange in Moscow (ticker symbol NMTP) and has GDRs listed on the International section of the London Stock Exchange (ticker symbol NCSP).

Platts is a division of S&P Global. It is a leading price information provider for commodity products around the world. Platts’ assessment methodology for Black Sea Wheat are available on its website, as described below. CME Group is a party to license agreements with Platts to utilize their pricing data.

The Exchange’s Black Sea Wheat Financially Settled (Platts) Futures are based on wheat produced and delivered from the Black Sea region. The Black Sea is bordered by Russia, Ukraine, Romania, Bulgaria, Turkey and Georgia, and contains major grain seaborne export ports for grain produced across a wide area, including much of Southern Russia and Kazakhstan.

Figure 1: Map of Black Sea Region



source: Bing maps, www.bing.com

Russia is the main producer and exporter of wheat in the region, as can be seen in Tables 1 and 2 below. The USDA provides wheat production data for some countries in the region. Production data for Romania and Bulgaria are provided by Eurostat.

Table 1: Black Sea Regional Wheat Production

Thousand Metric Tons

	2014/2015	2015/2016	2016/2017	2017/2018
Russia ^A	59,080	61,044	72,529	84,992
Ukraine ^A	24,750	27,274	26,791	26,981
Turkey ^A	15,250	19,500	17,250	21,000
Kazakhstan ^A	12,996	13,748	14,985	14,802
	2014	2015	2016	2017
Bulgaria ^B	5,459	5,140	5,943	6,511
Romania ^B	7,585	7,962	8,431	9,877
Total	125,120	134,668	145,929	164,163

Notes:

A: data source: USDA, wheat production, data on a July-June local marketing year basis (June-May for Turkey)¹

B: data source: Eurostat, wheat and spelt production, data on a calendar year basis²

¹ See USDA publication “Grain: World Markets and Trade” <https://apps.fas.usda.gov/psdonline/circulars/grain.pdf>. Data taken from March 2018 publication.

² Eurostat Crop Statistics database apro_acs_a available at <http://ec.europa.eu/eurostat/data/database>

Table 2: Black Sea Regional Wheat Exports

Thousand Metric Tons

	2014	2015	2016	2017
Bulgaria	2,839.9	3,243.4	4,414.2	4,161.7
Georgia	39.8	0.7	5.0	21.1
Kazakhstan	4,208.2	3,635.9	4,448.0	4,256.3
Rep. of Moldova	420.2	303.8	662.0	667.8
Romania	4,965.4	3,555.3	6,994.0	5,847.8
Russian Federation	22,139.3	21,234.2	25,326.8	33,026.0
Turkey	68.6	68.8	26.5	42.6
Ukraine	10,543.8	13,451.8	17,921.0	17,314.3
Total	45,225.2	45,493.9	59,797.5	65,337.60

data source: UN Comtrade Database³

The UN Comtrade Database provides a breakdown of export destinations. For the four main exporting countries that border the Black Sea, ie Russia, Ukraine, Romania and Bulgaria, more than 100 destination countries are identified over recent years. Egypt is the largest importer of wheat from the region, receiving 19.2 percent of all reported exports in 2017. Other large importers in 2017 were Turkey, Bangladesh, Indonesia, Spain, and India. The focus of the underlying reference of the proposed futures contracts is seaborne trade. The information provided on export destinations can be used to identify destinations where the mode of transport is likely to be by land, or in the case of Russian exports likely to take a route other than through the Black Sea. This analysis suggests that approximately 12.5 percent of exports can be identified in this way⁴.

Table 3 provides data on regional imports of wheat.

Table 3: Black Sea Regional Wheat Imports

Thousand Metric Tons

	2014	2015	2016	2017
Bulgaria	46.2	42.8	55.8	60.5
Georgia	1,133.7	1,077.9	912.5	514.1
Kazakhstan	22.8	124.8	59.8	35.9
Rep. of Moldova		1.9	1.7	1.5
Romania	1,341.8	1,304.5	4,311.9	1,250.0
Russian Federation	793.8	807.3	1,159.8	269.0
Turkey	10,570.5	8,699.6	8,451.6	4,990.9
Ukraine	3.6	4.5	2.3	3.7
Total	13,913.2	12,063.3	14,955.4	7,125.6

data source: UN Comtrade Database⁵

Consumption data for the region is not widely available. The USDA provides information on certain countries, as detailed in Table 4.

³ See <https://comtrade.un.org/data/> using HS Code 1001

⁴ Identified destinations include eastern European countries, and for Russia, countries bordering Russia in central and eastern Asia and countries in northern Europe.

⁵ See <https://comtrade.un.org/data/> using HS Code 1001

Table 4: Black Sea Regional Wheat Consumption

Thousand Metric Tons

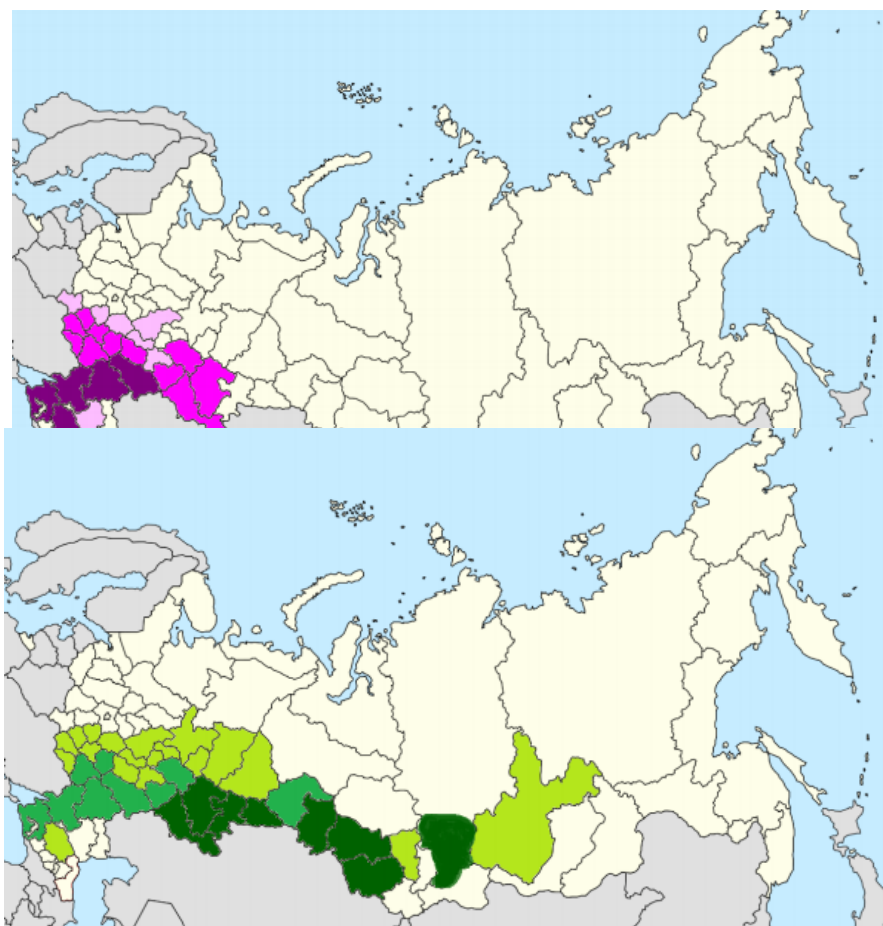
	2014/2015	2015/2016	2016/2017	2017/2018
Russia	35,500	37,000	40,000	45,000
Turkey	17,500	18,000	17,400	17,900
Ukraine	11,500	12,200	10,300	9,900
Total	64,500	67,200	67,700	72,800

data source: USDA, wheat consumption data on a July-June local marketing year basis (June-May for Turkey)⁶

Given its geographical size and position, data for Russian wheat must be examined more closely, to better identify the volumes that are relevant to the Black Sea region. As assessed by the USDA, Russia supports both a winter wheat crop and a spring wheat crop. The growing areas for these crops are distinct, and are described by the USDA in the following graphic.

⁶ See USDA publication "Grain: World Markets and Trade" <https://apps.fas.usda.gov/psdonline/circulars/grain.pdf>. Data taken from September 2017 publication.

Figure 2: Location of Winter and Spring Wheat Production in 2017



source: USDA⁷, Pink areas are winter wheat production, green areas are spring wheat production. Darker colors indicate higher production.

It is clear that the winter wheat production areas are in close proximity to the Black Sea, and are likely to be more relevant for the Black Sea export market. The USDA provides a breakdown of Russian wheat production as follows:

Table 5: Russian Wheat Production
Thousand Metric Tons

	2014	2015	2016	2017
Winter Wheat	41,639	41,322	51,542	n/a
Spring Wheat	17,441	19,722	20,987	n/a
Total	59,081	61,044	72,529	84,992
<i>Share of Winter Wheat in total Production</i>	70%	68%	71%	n/a

source: USDA⁸, based on data from Rosstat, the Russian Federal Statistical Service. The production split for 2017 was not available yet.

⁷ See USDA publication: "Russian Federation Grain and Feed Annual 2017"
https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Grain%20and%20Feed%20Annual_Moscow_Russian%20Federation_4-23-2018.pdf

⁸ See USDA publication: "Russian Federation Grain and Feed Annual 2017"
https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Grain%20and%20Feed%20Annual_Moscow_Russian%20Federation_4

In recent years, winter wheat has represented 70 percent of the total Russian crop.

The USDA also provides information on the quality distribution of Russian wheat. In both domestic production and the export market, Class 4 wheat is the main source of supply. In the 2016/17 season, the USDA states that Class 4 quality wheat contributed 50.1 percent of production and 82.5 percent of exports⁹. In 2016/17 Class 4 wheat had an average protein content of 12.1 percent, with the average protein content in Class 4 exports being 12.3 percent. Class 3 wheat, with higher protein content, contributed 22.7 percent of production and 12.6 percent of exports. Class 5 wheat, which has lower protein and is considered feed quality, contributed 27.2 percent of production and 4.9 percent of exports.

The proposed contracts are cash settled with reference to a Platts price assessment for export cargoes of wheat from the Black Sea, using the port of Novorossiysk as the pricing reference point. The Platts methodology notes that “In the absence of representative FOB Novorossiysk price information, Platts may also refer to other Black Sea ports or CFR prices in relevant destinations and will use prevailing spot freight rates and origin adjustments to normalize to FOB Novorossiysk”¹⁰.

The export market is facilitated by numerous local and international firms who procure wheat from farmers, typically paying local currency, move it to a port and sell it into the international market. Trades into the international market are typically transacted in US Dollars on a per cargo basis. Cargo sizes vary from 3,000 ton coasters to 78,000 ton panamax vessels. Handysize vessels, with deadweight tonnage in the region of 28,000 metric tons are the most frequently used vessels in the export market. Each physical cargo parcel may be traded multiple times, in what is referred to as a string of back to back contracts. Wheat is typically bought and sold on a spot basis, with the typical delivery term being 1 month to 6 weeks. Little or no long-term deals are concluded in the market, and all cargoes are considered re-tradable. Large multinational firms are active on both the buy and the sell side, and are active in the spot market.

As an agricultural crop, there is a seasonal pattern to volumes. This pattern is dampened to an extent through the use of grain storage facilities to manage deliveries throughout the year. Harvest traditionally starts in July, with larger export volumes in the months that follow, and lower export volumes in the months leading up to July. The Port of Novorossiysk publishes monthly data in on shipment volumes, which can be used as a guide to the seasonal nature of the business, as shown in Table 6.

Table 6: Novorossiysk Grain Cargo Shipments

Thousand Metric Tons

	2014	2015	2016	2017	2018	Average 2014- 2017	% of Average
Jan	378	513	477	828	1020	549	82%
Feb	473	357	663	741	1172	559	84%
Mar	602	493	560	956		653	98%
Apr	653	303	460	1018		609	91%
May	397	454	198	594		411	62%
Jun	37	421	64	259		195	29%
Jul	550	568	394	765		569	85%

⁹ -14-2017.pdf. 2017 data sourced from https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Grain%20and%20Feed%20Annual_Moscow_Russian%20Federation_4-23-2018.pdf

⁹ See USDA Publication “Quality of Wheat Crop in Russia in 2016” https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Quality%20of%20Wheat%20Crop%20in%20Russia%20in%202016_Moscow_Russian%20Federation_3-2-2017.pdf

¹⁰ Platts Grains Methodology at <https://www.platts.com/methodology-specifications/agriculture>

Aug	985	856	726	1189		939	141%
Sep	962	535	506	1114		779	117%
Oct	794	769	777	1218		890	133%
Nov	794	611	919	1303		907	136%
Dec	810	836	944	1229		955	143%

source: Novorossiysk Commercial Sea Port, PJSC¹¹

This data shows that the month of June has the smallest delivery volumes, which is consistent with the crop cycle. The average volume for the month of June in the past four years is 195,000 tons, which is 29 percent of the average for all months for the period shown in Table 6. The next lowest loading month is May, where loadings amount to 62 percent of the average monthly loadings.

According to the Platts assessment methodology, the Black Sea Wheat cash market assessment is based on a loading window of 28 – 42 days forward. This means that June port loadings correspond to the cash market activity observed during the month of May.

¹¹ See <http://www.nmtp.info/en/>

Deliverable Supply Analysis Wheat

For the Black Sea Wheat futures contracts, in its analysis of deliverable supply, the Exchange has determined deliverable supply as the volume of exports of wheat from the major exporting nations which border the Black Sea. These are Russia, Ukraine, Romania and Bulgaria.

Table 2 above provides gross data on wheat exports. Data for Russian exports is reduced by 30 percent to reflect the proportion of the national crop which is winter wheat – this is the proportion which produced relatively close to the Black Sea. In addition, export data for all nations is reduced by 12.5 percent in order to only account for exports that are likely shipped by seaborne vessels. With these reductions, adjusted exports volumes can be assessed as follows:

Table 7: Adjusted Black Sea Regional Wheat Exports

Thousand Metric Tons

	2015	2016	2017	Average 2015-2017
Bulgaria	2,838	3,862	3,641	3,447
Romania	3,111	6,120	5,117	4,782
Russian Federation	13,006	15,513	20,228	16,249
Ukraine	11,770	15,681	15,150	14,200
Total	30,725	41,176	44,137	38,679

data source: CME Group

The adjusted export volumes described in Table 7 represent the Exchange's assessment of deliverable supply. The average yearly total export volume for the three years 2015-2017 is 38.68 million metric tons. No adjustment is required to reflect long term supply arrangements in this market. No adjustment is made with respect to quality, as the Platts methodology states that "Wheat of other origin or with higher or lower protein content may be considered, but normalized back to Russian origin 12.5 percent protein."

On a monthly basis, deliverable supply is assessed as 3.22 million metric tons using the 2015-2017 period. The contract size of the proposed new futures contracts is 50 metric tons. Deliverable supply is therefore equivalent to 64,400 contracts per month prior to applying a seasonality adjustment.

Based on loading data for the entire year, loadings applicable to the June contract are 29 percent of the average and the loadings applicable to all other contract months is 62 percent of the average based on May loadings, which are the second lowest after June. Due to the one-month lag between physical trade and loading, the contract month corresponding to June loadings is the May contract. Thus, staff recommends lower spot-month position limits (3,000 lots) for the May contract and 6,000 lots for all other contract months.

The spot-month limits for the May contract months amount to 16.1 percent of the seasonally adjusted Deliverable Supply of 18,676 contracts (equal to 29 percent of 64,400 monthly contracts). The spot-month position limits for all other contract months amount to 15.0 percent of the seasonally adjusted Deliverable Supply of 39,928 contracts (equal to 62 percent of 64,400 monthly contracts).

Positions in the **Black Sea Wheat Financially Settled (Platts) Half Month Futures** and positions in the **Options on Black Sea Wheat Financially Settled (Platts) Futures** will continue to aggregate into the **Black Sea Wheat Financially Settled (Platts) Futures**.