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BY ELECTRONIC TRANSMISSION

Submission No. 17-201
October 24, 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 Licensing Rule 7.08
Submission Pursuant to Section 5c(c)(1) of the Act and Regulation 40.6**

Dear Mr. Kirkpatrick:

Pursuant to Section 5c(c)(1) of the Commodity Exchange Act, as amended, and Commission Regulation 40.6(a), ICE Futures U.S., Inc. (“IFUS” or “Exchange”) self certifies the amendments to IFUS Licensing Rule 7.08, which are set forth in Exhibit A. As described below, the amendments to Rule 7.08 increase certain insurance and performance bond coverage amounts for Exchange licensed coffee, cocoa and cotton warehouse operators and frozen concentrate orange juice (“FCOJ”) tank facility operators. The amendments attempt to harmonize the requirements across product and store type, to the extent practicable, and, where appropriate, also increase the minimum required levels for certain coverages to account for inflation since the last increase, which was in 2010.

Legal Liability Insurance Requirements:

Currently, licensed cocoa and coffee warehouse operators are required to have \$500,000 of legal liability insurance for each location where the operator has licensed stores; licensed FCOJ tank facility operators are required to have legal liability insurance in such amounts as determined by the Exchange. In order to harmonize the requirement across operators, the amendments increase the legal liability coverage amount to \$750,000 for each location for FCOJ tank facility operators and cocoa and coffee warehouse operators. This would represent a \$250,000 increase for cocoa and coffee warehouse operators and would provide a set level for FCOJ tank facility operators. Cotton warehouse operators are required to carry All Risk-policies which covers the value of certificated bales in store in lieu of legal liability insurance.

Fidelity Insurance Requirements:

Exchange licensed cocoa and coffee warehouse operators are currently required to have \$100,000 of fidelity insurance. Licensed cotton warehouse operators are not currently required to have fidelity insurance and licensed FCOJ operators are required to have fidelity insurance in such amounts as determined by the Exchange. The amendments to Rule 7.08 will require all licensed warehouse and tank facility operators to have fidelity insurance coverage in the amount of \$100,000. This would represent no increase for cocoa and coffee warehouse operators and a \$100,000 increase for cotton warehouse operators, which are not currently required to carry any fidelity insurance. The increase would also standardize the amount required for FCOJ tank facility operators and harmonize the requirements across all facility operators.

Performance Bond Requirements:

The current performance bond or letter of credit (“LOC”) requirements for coffee and cocoa warehouse operators are scaled based upon the amount of licensed space. The following is the current scale:

Amount	Exchange Licensed Storage Space
\$125,000	Up to 100,000 Sq. Ft.
\$200,000	100,001 through 250,000 Sq. Ft.
\$275,000	250,001 through 500,000 Sq. Ft.
\$325,000	500,001 Sq. Ft. and above

Cotton warehouse operators are currently required to have a \$100,000 performance bond or LOC and FCOJ tank facility operators are required to have a \$1,000,000 performance bond or LOC.

The amendments to Rule 7.08 increase the coverage amount requirements for licensed coffee, cocoa and cotton warehouses in scaled amounts up to a capped \$1,000,000 maximum, as set forth below:

COFFEE AND COCOA WAREHOUSES	
Amount	Exchange Licensed Storage Space
\$125,000	Up to 100,000 Sq. Ft.
\$200,000	100,001 through 250,000 Sq. Ft.
\$300,000	250,001 through 500,000 Sq. Ft.
\$500,000	500,001 through 750,000 Sq. Ft.
\$750,000	750,001 through 1,000,000 Sq. Ft.
\$1,000,000	1,000,000 Sq. and above

COTTON WAREHOUSES

The performance bond or LOC shall be set at a level equal to \$1 times the maximum certified bales that the operator can store at all facilities, capped at \$1,000,000 maximum requirement

The amendments do not change the amount of performance bond or LOC coverage required for FCOJ tank facility operators.

Elimination of New Worth Requirements for Cotton Warehouse Operators

In conjunction with the increase to the performance bond requirement, the Exchange is eliminating the net worth requirement for cotton warehouse operators. Currently, licensed cotton

operators must have and maintain at all times a total net worth of at least ten dollars (\$10.00) times the maximum number of bales that the warehouse operator can store, up to a maximum of two hundred fifty thousand dollars (\$250,000) per jurisdiction (country or state) in which the warehouse operator has Licensed Stores, but in no event less than twenty-five thousand dollars (\$25,000) total net worth. This net worth requirement is just another way to ensure that the warehouse operator has the financial means to fulfill its contractual obligations. With the adoption of higher performance bond/LOC coverage levels to ensure performance, the Exchange no longer believes the above net worth requirement is necessary. Furthermore, there are no current net worth requirements for coffee or cocoa warehouse operators.

Please note, the Exchange is also deleting several provisions for foreign cotton warehouse operators which became obsolete with the delisting of the World Cotton Contract.

The Exchange is not aware of any opposing views to the amendments, which will become effective on November 8, 2017. The Exchange certifies that the amendments to Rule 7.08 comply with the requirements of the Commodity Exchange Act and the rules and regulations promulgated thereunder. The Exchange further certifies that, concurrent with this filing, a copy of this submission was posted on the Exchange's website and may be accessed at (<https://www.theice.com/futures-us/regulation#rule-filings>).

If you have any questions or need further information, please contact the undersigned at 212-748-4021 or (jason.fusco@theice.com).

Sincerely yours,

A handwritten signature in black ink, appearing to read "Jason V. Fusco". The signature is fluid and cursive, with a large initial "J" and a long, sweeping underline.

JASON V. FUSCO
Assistant General Counsel
Market Regulation

cc: Division of Market Oversight

Enc.

EXHIBIT A

[Additions are underlined and deletions have been struck through]

Rule 7.08. Warehouse and Tank Facility Operators

To be eligible for an Exchange license or renewal thereof, a warehouse operator must:

(i) for cocoa and coffee warehouse operators,

(A)(1) Outstanding performance bond coverage or an unconditional irrevocable letter of credit from a financial institution approved by the Exchange (an "Approved Financial Institution") in the amount of at least the following:

Amount	Exchange Licensed Storage Space
\$125,000	Up to 100,000 Sq. Ft.
\$200,000	100,001 through 250,000 Sq. Ft.
\$275,000	250,001 through 500,000 Sq. Ft.
\$325,000	500,001 Sq. Ft. and above
<u>\$125,000</u>	<u>Up to 100,000 Sq. Ft.</u>
<u>\$200,000</u>	<u>100,001 through 250,000 Sq. Ft.</u>
<u>\$300,000</u>	<u>250,001 through 500,000 Sq. Ft.</u>
<u>\$500,000</u>	<u>500,001 through 750,000 Sq. Ft.</u>
<u>\$750,000</u>	<u>750,001 through 1,000,000 Sq. Ft.</u>
<u>\$1,000,000</u>	<u>1,000,000 Sq. and above</u>

(2) Any performance bond or irrevocable letter of credit submitted to satisfy the requirements of subparagraph (a)(i)(A)(1), above, must be issued or confirmed by an Approved Financial Institution, be in such form as may be prescribed by the Exchange from time to time, and shall not expire until the thirtieth (30th) day of April occurring next following the effective date of the granting or renewal of the license;

(B) Outstanding fidelity insurance coverage in the amount of at least one hundred thousand dollars (\$100,000); and

(C) Outstanding warehouse operator's legal liability insurance coverage which is in the amount of at least ~~five~~ seven hundred fifty thousand dollars (~~[\$50]~~750,000) for each location where one (1) or more buildings containing a Licensed Store are situated and which provides for coverage for each Licensed Store.

(ii) for cotton warehouse operators,

(A) a performance bond or letter of credit with satisfactory sureties in the amount of at least ~~one hundred thousand dollars (\$100,000)]~~ \$1 for each certified bale that the operator can store capped at one million dollars (\$1,000,000) and subject to such conditions as shall be acceptable to the Exchange and satisfactory evidence of the existence of such bond and of its

continuance in force during the term of the license; *provided, however*, that a cotton warehouse operator located outside of the U.S. may deposit with the Exchange a cash bond in place of such performance bond or letter of credit with respect to cotton warehouses located outside of the U.S., subject to such conditions as shall be acceptable to the Exchange;

(B) ~~[For cotton warehouses located within the U.S.,]~~ All Risk-Policies which insure the value of certificated bales against the loss or damage by sprinkler malfunction, fire, lightning, windstorm, cyclone, tornado, hurricane, flood including influx or rising water (whether wind driven or not) or inherent explosion and other risk (whether an act of God or force majeure), and which automatically attach as soon as such cotton is placed in the warehouse operator's custody and remains in effect so long as the cotton remains in the warehouse operator's legal custody;

(1) for the purposes of subparagraph (b)(ii)(B) of this Rule, the term "value of the certificated cotton" shall mean no less than the value determined in accordance with Rule 10.22 ~~[for cotton located in a warehouse within the U.S.]~~ with the value date being the date the damage to the certificated bales occurred; provided, however, that if such damage occurs on a weekend or holiday, the value date shall be the preceding Business Day; and

(2) in the event that the amount of any loss or damage sustained by the owner of the certificated bale(s) is not payable, or is not payable in full, by the insurer by reason of any deductible set forth in any such policy or otherwise, the warehouse operator will promptly pay such amount.

(C) outstanding fidelity insurance coverage in the amount of at least one hundred thousand dollars (\$100,000).

~~[For cotton warehouses located outside of the U.S., outstanding warehouse operator's legal liability insurance coverage which is in the amount of at least five hundred thousand dollars (\$500,000) for each location where one (1) or more buildings containing a Licensed Store are situated and which provides for coverage for each Licensed Store; and outstanding fidelity insurance coverage in the amount of at least one hundred thousand dollars (\$100,000).]~~

(iii) for FCOJ tank facility operators,

(A) Property Insurance

(1) All-Risk policies which insure the full value of the FCOJ stored at the tank facility for the benefit of the holder of an EWR issued by the tank facility operator against the perils covered in an All Risk Policy;

(2) said All Risk Policies shall be in effect at each licensed tank facility for which it is licensed and continue in full force and effect with respect to the interests of the holders of EWRs for the term of each such policy and shall be renewed or replaced for such period that any of said EWRs are outstanding, and that the Exchange is named in such policies as either an insured party or loss payee with regard to FCOJ for which EWRs have been issued;

(3) the amount of insurance coverage provided in each such All Risk Policies will at all times be in an amount adequate to fully cover the interests of the holders of EWRs, either by maintaining overall limits adequate to cover all insured property at each licensed tank facility, or by providing a specific separate policy limit with respect to the interests of holders of EWRs which limit is sufficient to fully cover such interests;

(4) in the event that any loss or damage is paid in full or in part to the licensed facility by the insurer, such payment, in preference to any and all other claims, shall be assigned first to any and all claims for FCOJ for which an EWR has been issued;

(5) in the event that any loss or damage sustained by a holder of an EWR is not payable, or is not payable in full, by the insurer, by reason of any deductible set forth in any such policy, or otherwise, the facility operator will promptly pay such amount; and

(6) if requested by any holder of an EWR issued by the tank facility operator, furnish evidence of the All-Risk Policies in effect;

(B) legal liability insurance in the amount of seven hundred fifty thousand dollars (\$750,000) for each location and~~[or]~~ fidelity insurance in the amount of one hundred thousand (\$100,000) in such form and in such amount as shall be approved by the Exchange; and

(C) Performance Bond: Letter of Credit. Limitation of Issuance of EWRs

(1) a performance bond with a principal amount of one million dollars (\$1,000,000); or

(2) a letter of credit, in favor of the Exchange which is unconditional and irrevocable and available to be drawn upon by the Exchange by clean sight drafts, in the amount of one million dollars (\$1,000,000).

(3) any performance bond or irrevocable letter of credit submitted to satisfy the requirements of subparagraphs (a)(i)(C)(1) or (2), above, must be issued in such form as may be prescribed by the Exchange from time to time, and shall not expire until the thirty-first (31st) day of December occurring next following the effective date of the granting or renewal of the license.

(D) Alternate Compliance

(1) In the event that the Exchange licensed tank facility operator is not also the owner of the facility, the Licensee may notify the Exchange that in fulfilling its insurance and financial requirement standards under these Rules it is relying on an unlimited guarantee in a form satisfactory to the Exchange from the owner of the tank facility and/or insurance purchased by the owner of the tank facility; provided, however, that nothing in this alternative compliance arrangement shall be deemed to lessen the duties of a Licensee under the Rules.

(2) Any licensed tank facility in meeting Working Capital, net worth and letter of credit (but not performance bond) requirements may provide substituted compliance by an Affiliate of the licensed tank facility provided that such Affiliate executes and delivers an unconditional guarantee in such form and with such safeguards as are satisfactory to the Warehouse and License Committee.

(c) with respect to an application to store Cocoa, hold a valid Cocoa Merchants' Association of America, Inc. (CMA) Warehouse Compliance Certificate for each store to be licensed;

(d) with respect to an application to store Cotton,

(i) ~~[if storage will be within the U.S.,]~~ applicant shall be licensed as a Cotton warehouse operator by the USDA or the state in which the Licensed Store is located, and

(ii) ~~[in the case of warehouses located within the U.S.,]~~ have operational rail sidings or, in the absence of such, must agree at the option of a Receiver in a delivery to move cotton in a delivery to the nearest operational rail siding at the warehouse operator's expense;

~~[(iii) in the case of warehouses located in Taiwan, be: (i) located in a free trade zone; and (ii) licensed and registered with the customs authority where the warehouse is located for the storage of cotton, among other bonded goods.~~

~~(iv) submit a financial statement as of the end of the warehouse operator's last fiscal period certified by an independent public accountant; and~~

~~(v) have and maintain at all times a total net worth of at least ten dollars (\$10.00) times the maximum number of bales that the warehouse operator can store, up to a maximum of two hundred fifty thousand dollars (\$250,000) per jurisdiction (country or state) in which the warehouse operator has Licensed Stores, but in no event less than twenty five thousand dollars (\$25,000) total net worth;]~~

(e) with respect to an application to store FCOJ,

(i) the tank facility must have the capacity and equipment for the storage and delivery of FCOJ in a manner and under the conditions acceptable to the USDA and the demonstrated ability to make daily tank deliveries, as defined in FCOJ Resolution No. 1(I), equivalent to at least eight (8) FCOJ Futures Contracts;

(ii) be equipped to handle FCOJ under continuous inspection of the USDA, or Quality Assurance Program inspection of the USDA, or Florida Quality Systems Certification Program inspection and shall provide an on-site laboratory that is accepted by the USDA for purposes of USDA performance of grading and testing of product in accordance with FCOJ Resolution No. 1(III);

(iii) have and shall continue to maintain:

(A) a working capital of two million dollars (\$2,000,000); or

(B) a letter of credit in the amount of one million dollars (\$1,000,000), which letter of credit shall meet the requirements of subparagraph (b)(iii)(C) of this Rule and shall be in addition to any letter of credit maintained pursuant to subparagraph (b)(iii)(C) of this Rule;

(C) for the purposes of this Rule, the term "Working Capital" means the excess of current assets over current liabilities.

(f) bear all expenses incurred by the Exchange for any inspection of a store or tank facility and any investigation of the suitability of a store for the proper handling and storage of the Commodity to be stored or already stored for which a license is requested or has been issued; and

(g) meet such other requirements as are prescribed in the Rules or as may be established from time to time by the Warehouse and License Committee or by the Board.