

Chapter 14H

KC HRW Wheat Futures

14H00. SCOPE OF CHAPTER

This chapter is limited in application to futures trading of KC HRW Wheat Futures. The procedures for trading, clearing, inspection, delivery and settlement, and any other matters not specifically covered herein or in Chapter 7 shall be governed by the general rules of the Exchange.

14H01. CONTRACT SPECIFICATIONS

~~(For Contract Months Through December 2017 Contract Month)~~

~~Contracts for the delivery of Hard Red Winter Wheat shall be understood as for "Contract" Hard Red Winter Wheat, and the following grades may be tendered on contract at the premiums or discounts indicated:~~

~~No. 1 Hard Red Winter Wheat with eleven percent (11%) protein level or higher deliverable at one and one-half cents (1.5¢) per bushel over contract price.~~

~~No. 2 Hard Red Winter Wheat with eleven percent (11%) protein level or higher deliverable at contract price. All above grades are deliverable at protein levels equal to or greater than ten and one-half percent (10.5%) but less than eleven percent (11%) at a ten cent (10¢) per bushel discount to contract price. Protein levels of less than ten and one-half percent (10.5%) are not deliverable on the contract.~~

~~Electronic warehouse receipts delivered in satisfaction of futures contracts to the Clearing House and registered with the Exchange, must indicate thereon, if wheat, maximum of thirteen and one-half percent (13.5%) moisture.~~

~~Electronic warehouse receipts delivered in satisfaction of futures contracts to the Clearing House and registered with the Exchange must indicate thereon, for wheat, a maximum of ten (10) IDK (indicating no more than 10 insect damaged kernels per 100 grams).~~

~~Deliveries of the above grades may be made in such proportions as may be convenient to the seller; subject however, to the provisions of Chapter 7.~~

~~In the event of a change in United States Grain Standards, contracts for future delivery maturing after the effective date of such change shall be made on the basis of the standards as changed; provided, that this shall not be construed to prevent the closing of trades made prior to the effective date of such change.~~

~~(For Contract Months Beginning March 2018 and Beyond)~~

~~Contracts for the delivery of Hard Red Winter Wheat shall be understood as for "Contract" Hard Red Winter Wheat, and the following grades may be tendered on contract at the premiums or discounts indicated:~~

~~No. 1 Hard Red Winter Wheat with eleven percent (11%) protein level or higher deliverable at one and one-half cents (1.5¢) per bushel over contract price.~~

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~~Shipping certificates delivered in satisfaction of futures contracts to the Clearing House and registered with the Exchange, must indicate thereon, if wheat, maximum of thirteen and one-half percent (13.5%) moisture.~~

~~Shipping certificates delivered in satisfaction of futures contracts to the Clearing House and registered with the Exchange must indicate thereon, for wheat, a maximum of ten (10) IDK (indicating no more than 10 insect damaged kernels per 100 grams).~~

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14H02. TRADING SPECIFICATIONS

Trading in wheat futures is regularly conducted in five months - July, September, December, March and May. The number of months open for trading at a given time shall be determined by the Exchange.

14H02.A. Trading Schedule

The hours for trading of wheat futures shall be determined by the Exchange.

On the last day of trading in an expiring futures, the close of the expiring futures shall begin at 12 o'clock noon and trading shall be permitted thereafter for a period not to exceed one minute. Quotations made during this one minute period shall constitute the close.

14H02.B. Trading Unit

The unit of trading shall be five thousand (5,000) bushels of hard red winter wheat.

14H02.C. Price Increments

The minimum fluctuation for KC HRW Wheat futures shall be ¼ cent per bushel (\$12.50 per contract), including spreads.

14H02.D. Daily Price Limits

Daily price limits for KC HRW Wheat futures are reset every six months. The first reset date would be the first trading day in May based on the following: Daily settlement prices are collected for the nearest July contract over 45 consecutive trading days before and on the business day prior to April 16th. The average price is calculated based on the collected settlement prices and then multiplied by seven percent. The resulting number, rounded to the nearest 5 cents per bushel, or 30 cents per bushel, whichever is higher, will be the preliminary new initial price limit. This preliminary initial price limit and the preliminary initial price limit for Wheat futures shall be compared, and the higher of the two shall be the new initial price limit for KC HRW Wheat futures and will become effective on the first trading day in May and will remain in effect through the last trading day in October.

The second reset date would be the first trading day in November based on the following: Daily settlement prices are collected for the nearest December contract over 45 consecutive trading days before and on the business day prior to October 16th. The average price is calculated based on the collected settlement prices and then multiplied by seven percent. The resulting number, rounded to the nearest 5 cents per bushel, or 30 cents per bushel, whichever is higher, will be the preliminary new initial price limit. This preliminary initial price limit and the preliminary initial price limit for Wheat futures shall be compared, and the higher of the two shall be the new initial price limit for KC HRW Wheat futures and will become effective on the first trading day in November and will remain in effect through the last trading day in next April.

There shall be no trading in KC HRW Wheat futures at a price more than the initial price limit above or below the previous day's settlement price. Should two or more KC HRW Wheat futures contract months within the first five listed non-spot contracts (or the remaining contract month in a crop year, which is the May contract) settle at limit, or should two or more Wheat futures contract months within the first five listed non-spot contracts (or the remaining contract month in a crop year, which is the May contract) settle at limit, the daily price limits for all contract months shall increase by 50 percent the next business day, rounded up to the nearest 5 cents per bushel. If no KC HRW Wheat futures contract month and no Wheat futures contract month settles at the expanded limit the next business day, daily price limits for all contract months shall revert back to the initial price limit the following business day. There shall be no price limits on the current month contract on or after the second business day preceding the first day of the delivery month.

14H02.E. Position Limits, Exemptions, Position Accountability and Reportable Levels

The applicable position limits and/or accountability levels, in addition to the reportable levels, are set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5.

A Person seeking an exemption from position limits for bona fide commercial purposes shall apply to the Market Regulation Department on forms provided by the Exchange, and the Market Regulation Department may grant qualified exemptions in its sole discretion.

Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.

14H02.F Termination of Trading

~~(For Contract Months Through December 2017 Contract Month)~~

~~No trade in futures contracts deliverable in a current month shall be made after the business day preceding the fifteenth (15th) calendar day of that month. Any contracts remaining open after the last day of trading must be either:~~

~~(a) Settled by delivery no later than the last business day of the delivery month (last tender two business days prior to delivery).~~

~~(b) Liquidated by means of a bona fide Exchange of Futures for Related Position, no later than two business days prior to last delivery day.~~

~~(For Contract Months Beginning March 2018 and Beyond)~~

No trade in futures contracts deliverable in a current month shall be made after the business day preceding the fifteenth (15th) calendar day of that month. Any contracts remaining open after the last day of trading must be either:

(a) Settled by delivery no later than the second business day following the last trading day (tender on business day prior to delivery).

(b) Liquidated by means of a bona fide Exchange of Futures for Related Position, no later than the business day following the last trading day.

14H03. RESERVED

14H04. GRADES / GRADE DIFFERENTIALS

~~(For Contract Months Through December 2017 Contract Month)~~

~~A futures contract for the sale of wheat shall be performed on the basis of United States origin only upon written request by a taker of delivery at the time load-out instructions are submitted.~~

~~No. 1 Hard Red Winter Wheat with eleven percent (11%) protein level or higher deliverable at one and one-half cents (1.5¢) per bushel over contract price.~~

~~No. 2 Hard Red Winter Wheat with eleven percent (11%) protein level or higher deliverable at contract price All above grades are deliverable at protein levels equal to or greater than ten and one-half percent (10.5%) but less than eleven percent (11%) at a ten cent (10¢) per bushel discount to contract price. Protein levels of less than ten and one-half percent (10.5%) are not deliverable on the contract.~~

~~Electronic warehouse receipts delivered in satisfaction of futures contracts to the Clearing House and registered with the Exchange, must indicate thereon, if wheat, maximum of thirteen and one-half percent (13.5%) moisture.~~

~~Electronic warehouse receipts delivered in satisfaction of futures contracts to the Clearing House and registered with the Exchange must indicate thereon, for wheat, a maximum of ten (10) IDK (indicating no more than 10 insect damaged kernels per 100 grams).~~

~~At load-out, the buyer may request vomitoxin testing. Wheat loaded-out may contain no more than 2.0 parts per million vomitoxin.~~

~~(For Contract Months Beginning March 2018 and Beyond)~~

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Shipping certificates delivered in satisfaction of futures contracts to the Clearing House and registered with the Exchange must indicate thereon, for wheat, a maximum of ten (10) IDK (indicating no more than 10 insect damaged kernels per 100 grams).

At load-out, the buyer may request vomitoxin testing. Wheat loaded-out may contain no more than 2.0 parts per million vomitoxin.

14H05. LOCATION DIFFERENTIALS

In accordance with the provisions of Rule 14H06., hard red winter wheat for shipment from regular facilities located in Kansas City, Missouri/Kansas may be delivered in satisfaction of KC HRW Wheat futures contracts at contract price, subject to the differentials for grade outlined above. Hard red winter wheat for shipment from regular facilities located in Wichita, Kansas may be delivered in satisfaction of KC HRW Wheat futures contracts at a discount of 6 cents per bushel, subject to the differentials for grade outlined above. Hard red winter wheat for shipment from regular facilities located in Hutchinson,

Kansas may be delivered in satisfaction of KC HRW Wheat futures contracts at a discount of 9 cents per bushel, subject to the differentials for grade outlined above. Hard red winter wheat for shipment from regular facilities located in Salina/Abilene, Kansas may be delivered in satisfaction of KC HRW Wheat futures contracts at a discount of 12 cents per bushel, subject to the differentials for grade outlined above.

14H06. DELIVERY POINTS

Regular elevators or warehouses shall be located in the switching limits of:

- 1.) Kansas City, Missouri/Kansas,
- 2.) Hutchinson, Kansas,
- 3.) Salina/Abilene, Kansas, or
- 4.) Wichita, Kansas.

14H07. REGISTRATION AND DELIVERY OF KC HRW WHEAT ~~RECEIPTS (THROUGH CONTRACT MONTH DECEMBER 2017) / CERTIFICATES (BEGINNING WITH CONTRACT MONTH MARCH 2018 AND BEYOND)~~ AND DELIVERY PAYMENT

14H07.A. Registration and Delivery of Wheat Receipts/Certificates

(Refer to Rule 712. Delivery and Registration, and Rule 713., Delivery Procedures)

14H07.B. Delivery Payment

Delivery Payment shall be made utilizing the electronic delivery system via the Clearing House's online system. Delivery Payment will be made during the 6:45 a.m. collection cycle, or such other time designated by the Clearing House. Thus, the cost of delivery will be debited or credited to a clearing firm's settlement account. Buyers obligated to accept delivery must take delivery and make Delivery Payment and sellers obligated to make delivery must make delivery during the 6:45 a.m. settlement process, or such other time designated by the Clearing House, on the day of delivery, except on banking holidays when delivery must be taken or made and Delivery Payment made during the 6:45 a.m. settlement process, or such other time designated by the Clearing House, on the next banking business day. Adjustments for differences between contract prices and delivery prices established by the Clearing House shall be made with the Clearing House in accordance with its rules, policies and procedures.

~~**14H08. STORAGE CHARGES (For Contract Months Through December 2017 Contract Month)**~~

~~Effective with the September 2011 wheat futures contract month, no electronic warehouse receipts covering grain in store shall be valid for delivery on futures contracts unless the storage and insurance charges set forth in this Rule (but not load-out fee) on such grain have been paid up to the first calendar day of each contract delivery month (whether or not such receipts will be delivered in satisfaction of futures contracts) and such payment endorsed on the electronic warehouse receipt. Such endorsement may be made, at the option of the holder, by the regular warehouse issuing the receipt or Exchange staff upon payment to the Exchange Secretary as agent of the warehouse company. Unpaid accumulated storage and insurance charges and the load-out fee shall be assumed by the buyer. Failure to pay the storage and insurance charges by the business day preceding the first calendar day of each contract delivery month shall be deemed a violation subject to the disciplinary procedures set forth in Chapter 4 of the Rules.~~

~~On all deliveries by regular electronic warehouse receipts, the deliverer (seller) shall allow storage and insurance charges accrued to date of delivery.~~

~~Under the authority of Rule 14H16.G, effective September 1, 2011 the maximum storage and insurance charge for regular elevators on grain delivered on futures contracts is established at \$.00197 per bushel per day from December 1 to June 30, and \$.00296 per bushel per day from July 1 to November 30.~~

14H08. PREMIUM CHARGES (For Contract Months Beginning March 2018 and Beyond)

To be valid for delivery on futures contracts, all certificates covering wheat under obligation for shipment must indicate the applicable premium charge. No certificate shall be valid for delivery on futures contracts unless the premium charges on such wheat shall have been paid up to and including the 18th calendar day of the preceding month, and such payment is endorsed on the certificate. Unpaid accumulated premium charges at the posted rate applicable to the facility shall be allowed and credited to the buyer by the seller up to and including date of delivery.

The maximum premium charges on wheat shall be determined prior to the nearby contract delivery period. The Exchange shall measure the nearby spread relative to financial full carry each business day from the 19th calendar day of the delivery month of the contract that expires prior to the nearby contract until the last Friday which precedes by at least two business days the last business day of the month

preceding the nearby contract delivery month. For example, for a September expiration, the Exchange would measure the September – December spread relative to financial full carry each business day from July 19 until the last Friday in August which precedes by at least two business days the last business day in August. Financial full carry will be determined by the following formula:

$$N * \left[\left(\frac{i}{360} \right) * FP + P \right]$$

Where:

N = Number of calendar days from the first delivery day in the nearby contract to the first delivery day in the contract that follows the nearby contract

i = 3-Month LIBOR rate + 200 basis points

FP = Settlement price for the nearby futures contract

P = Current daily premium charge

The percentage of the nearby spread to financial full carry is calculated each business day during the calculation period and a running average of each of these daily values is calculated. At the end of the calculation period (the last Friday which precedes by at least two business days the last business day of the month preceding the nearby contract delivery month), should the running average carry be 80 percent of financial full carry or greater, then the maximum daily premium charge shall increase 10/100's of one cent per bushel on the 18th calendar day of the nearby contract delivery month. Should the running average carry be 50 percent of financial full carry or less, then the maximum daily premium charge shall decrease 10/100's of one cent per bushel on the 18th calendar day of the nearby contract delivery month.

The Exchange may adjust how the observed nearby spread is measured relative to financial full carry should pending contract changes exist that have the potential to affect the normal nearby spread relationship. Any adjustments to how the observed spread is measured will attempt to remove the potential effects caused by the pending contract change. Any adjustments in how the nearby spread is measured will be communicated to market participants through a Special Executive Report or Exchange Advisory Notice prior to the beginning of the measurement period.

Premium charges shall not be reduced below 16.5/100's of one cent per bushel per day.

14H09. REGULARITY OF FACILITIES AND ISSUERS OF ~~WAREHOUSE RECEIPTS (THROUGH CONTRACT MONTH DECEMBER 2017 / SHIPPING CERTIFICATES (BEGINNING WITH CONTRACT MONTH MARCH 2018 AND BEYOND)~~

(Refer to Rule 703. Regular Warehouses and Shipping Stations)

14H10. BILLING

~~(For Contract Months Through December 2017 Contract Month)~~

~~The Warehouseman is not required to furnish transit billing on grain represented by electronic warehouse receipt deliveries. Delivery shall be flat.~~

~~(For Contract Months Beginning March 2018 and Beyond)~~

~~The operator of the regular facility is not required to furnish transit billing on grain represented by shipping certificate deliveries. Delivery shall be flat.~~

14H11. ~~FINALITY OF USDA OR OTHER REQUIRED INSPECTION CERTIFICATE~~

~~(For Contract Months Through December 2017 Contract Month)~~

~~Delivery of grain by regular warehouses when ordered loaded out by holders of regular electronic warehouse receipts shall be by tender of an Official Inspection Certificate and with a weight certificate supplied by a Federally licensed weigh master attached. All deliveries on regular electronic warehouse receipts shall be settled on weights and grades of the respective market.~~

~~Electronic warehouse receipts delivered to fulfill a futures contract obligation shall be interpreted as "in store" a regular elevator and that any and all charges to move or transport the grain from the elevator is for the account of the warehouse receipt holder. This includes elevation, weight certificates, grade certificates and other charges known or unknown at this time.~~

14H12. ~~STORAGE CHARGES CEASE (Through Contract Month December 2017)~~

~~Storage charges for account of the holder of the warehouse receipts will cease on any amount on the date that amount is loaded. Furthermore, provided cars are actually or constructively placed, storage~~

charges for the account of the holder will also cease on any bushels not meeting the minimum weekly load-out requirements on the final day that loading is due. In the event loading orders are subsequently cancelled before completion, storage charges will accrue on the total remaining balance.