

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 19-152S

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): May 15, 2019 Filing Description: Request for Non-Material Agricultural Rule Change - Amendments to CBOT Rule 703.C. ("Load-Out") of Chapter 7 ("Delivery Facilities and Procedures") in Connection with Load-Out Procedures for Physically-Delivered Corn, Soybean, and SRW Wheat Futures 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 |

Official Product Name:

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

- | | | |
|-------------------------------------|---|----------------------|
| <input 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 checked="" 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.

May 15, 2019

VIA ELECTRONIC PORTAL

Mr. Christopher J. Kirkpatrick
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, D.C. 20581

Re: CFTC Regulations 40.4(b)(5) and 40.6(a): Request for Non-Material Agricultural Rule Amendments – Amendments to CBOT Rule 703.C. (“Load-Out”) of Chapter 7 (“Delivery Facilities and Procedures”) in Connection with Load-Out Procedures for Physically-Delivered Corn, Soybean, and SRW Wheat Futures Contracts. CBOT Submission No. 19-152S

Dear Mr. Kirkpatrick:

Pursuant to Commodity Futures Trading Commission (“CFTC” or “Commission”) Regulations 40.4(b)(5) and 40.6(a), The Board of Trade of the City of Chicago, Inc. (“CBOT” or “Exchange”) is requesting a determination of non-materiality for amendments to CBOT Rule 703.C. (“Load-Out”) of Chapter 7 (“Delivery Facilities and Procedures”) (the “Rule Amendments”) in connection with load-out procedures in anticipation of maintenance on the Illinois waterway that may obstruct river traffic, therefore impacting the majority of regular shipping stations relating to the physically-delivered Corn and Soybean Futures contracts (the “Contracts”) effective on Monday, June 3, 2019.

CBOT Submission No. 19-152S updates the original submission to include references to CFTC Regulation 40.6(a). No other changes have been made to CBOT Submission No. 19-152.

Rule 703.C. (“Load-Out”) outlines procedures for delivery facilities and takers upon the cancellation of a shipping certificate for load-out. Specifically, 703.C.G.(9) addresses the responsibilities of both makers and takers of deliveries, including the assessment of barge freight costs, should there be a publicly announced obstruction to river traffic that impacts a majority of regular shipping stations. One potential obstruction is currently being planned for July 2020 through October 2020 and could impact a majority of regular corn and soybean shipping stations on the Illinois River. Note that this potential obstruction to Illinois River traffic will not affect SRW wheat load-outs as there are no wheat delivery facilities on the Illinois River.

The Rule Amendments are intended to ensure that Rule 703.C. remains current regardless of the price of barge freight in light of a potential obstruction to Illinois River traffic that could impact the majority of regular shipping stations relating to the Contracts. Recently, the U.S. Army Corps of Engineers announced plans to temporarily close waterway locks and dams on the Illinois River to perform maintenance, tentatively scheduled to begin July 1, 2020.

Pursuant to Rule 703.C.G.(9), in the event that it has been announced by the U.S. Coast Guard, after consulting with the U.S. Army Corps of Engineers and the River Industry Action Committee, the Illinois River traffic will be obstructed for a period of fifteen (15) days or longer as a result of a condition of impossibility and in the event that the obstruction will affect a majority of regular shipping stations, then the barge load-out procedures in Rule 703.C.G.(9) for corn, soybeans, and SRW wheat at facilities in the St. Louis-Alton Territory and on the Ohio and Mississippi River shall apply to shipping stations upriver from the obstruction. Due to the anticipated closure, the Exchange reviewed the language in Rule 703.C.G.(9) and found it to be outdated.

Current Rule 703.C.G.(9) stipulates specific, fixed amounts for barge freight to be paid by the taker to the maker of delivery under this rule. However, since barge freight rates fluctuate, generally, and have increased significantly in the last two decades, the amounts specified in Rule 703.C.G.(9) no longer “fall within the range of commonly observed or expected commercial price differences” as set forth in the Commission’s Guidance in Appendix C to Part 38. Because this rule is infrequently invoked and due to the variable nature of barge freight rates, the Exchange believes that it is appropriate to delete specific numerical values from Rule 703.C.G.(9) and insert language stating that current barge freight rates, available publicly via the USDA-AMS Transportation Report, apply. The Rule Amendments ensure that Rule 703.C.G.(9) shall remain current and accurate regardless of the price of barge freight.

In consideration of the level of uncertainty in the market as to whether the U.S. Army Corps of Engineers will close the locks on the Illinois River as well as the difficulty of forecasting potential crop production in 2019/20 and potential crop demand in July 2020, the Exchange believes that the Rule Amendments will not have affected a reasonable traders’ decision to enter into an existing position nor would affect a reasonable trader’s decision to make or take delivery on or to exercise an option on the Contracts. Moreover, the Rule Amendments will not have an impact on the economic value of existing positions. In fact, not updating Rule 703.C.G.(9) could have a material impact on regular facility’s decisions to make delivery leading up to any potential closing since the compensation level in the current Rule is not sufficient to cover current costs.

Furthermore, two of the lowest locks on the Illinois River, La Grange and Peoria, may be navigable if there are sufficient water levels in July 2020. If these locks are navigable, fewer than 50% of facilities would be impacted and Rule 703.C.G.(9) would not apply.

The Rule Amendments provide clarity to market participants and ensure contract terms include price differentials that reflect consistency with commercial prices.

The Rule Amendments are provided in Appendix A attached with additions **underscored** and deletions ~~struck through~~.

The Exchange reviewed the designated contract market core principles (“Core Principles”) as set forth in the Commodity Exchange Act (“CEA” or “Act”) and identified that the following Core Principle may be impacted by the Rule Amendments as follows:

- **Availability of General Information**: The Exchange will make publicly available the details of the Rule Amendments herein by publishing a Registrar’s Office Notice (“MKR”) and a Special Executive Report (“SER”) to the market. The MKR and SER will be available on CME Group’s website.
- **Contracts not Readily Subject to Manipulation**: The Contracts will continue to comply with this Core Principle as the Rule Amendments simply provide clarity to market participants and consistency with commercial prices.
- **Prevention of Market Disruption**: The Rule Amendments are necessary to assure normal delivery behavior prior to the potential closing.

Pursuant to Section 5c(c) of the Act and CFTC Regulations 40.4(b)(5) and 40.6(a), the Exchange hereby certifies that the Rule Amendments comply with the Act, including regulations under the Act. There were no substantive opposing views to the proposal by market participants.

The Exchange certifies that this submission has been concurrently posted on the Exchange’s 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

Attachment: Appendix A – CBOT Chapter 7 (“Delivery Rules and Procedures”) (blackline format)

Appendix A
CBOT Rulebook
Chapter 7

DELIVERY FACILITIES AND PROCEDURES

(additions underscored; deletions ~~struck through~~)

* * *

703. REGULAR WAREHOUSES AND SHIPPING STATIONS

703.C. Load-Out

G. Barge Load-Out Procedures for Corn, Soybeans, and SRW Wheat at facilities in the St. Louis-Alton Territory and on the Ohio and Mississippi Rivers

When corn, soybeans, or SRW Wheat ~~at facilities in the St. Louis-Alton Territory and on the Ohio and Mississippi Rivers~~ represented by shipping certificates are ordered out for shipment by water conveyance, the regular shipper has the obligation to load-out grain at his registered daily rate of loading. The shipper's obligation to a party shall begin no sooner than three business days after it receives canceled shipping certificates and written loading orders from the party or one business day after the constructive placement of the water conveyance, whichever is later.

(1) All loading orders and shipping instructions received by 2:00 p.m. on a given business day shall be considered dated that day. Orders received after 2:00 p.m. on a business day shall be considered dated the following business day. "To be nominated" (TBN) barge identities are acceptable in loading orders. Load-out shall be in the order in which barge equipment, clean and ready to load, is constructively placed at the appropriate fleeting service serving the designated delivery point. Load-out of transportation constructively placed on the same day shall be in the order in which loading orders and shipping instructions were received. Notification to the shipper of loading orders and shipping instructions must be in writing.

(2) When loading orders and shipping instructions are received by 2:00 p.m. on any given business day, the shipper will advise the owner by 10:00 a.m. the following business day of the scheduled loading dates. Scheduled loading dates are estimated based on constructively placed equipment and current loading orders. These dates are subject to change if conditions covered in Rule 703.C.(G)(5) preclude the shipper from meeting its minimum daily barge load-out rate or if barges for subsequent loading orders are constructively placed. Notification will be by telephone, e-mail, or fax to the owner. The shipper is required to provide scheduled loading dates at owner's request.

(3) Official grades as loaded into the water conveyance shall govern for delivery purposes.

(4) Official weights as loaded into the barge shall govern for delivery purposes when available. When official weights are available at the shipping station, the shipping certificates are considered a minimum/maximum quantity with overfills/underfills settled by mutual agreement. When official weights as loaded into the barge are not available, it is the responsibility of the taker to obtain official weights at the destination. Any other governing weights and methods of obtaining weights and any such other information on the weighing process must be mutually accepted by the maker and taker of delivery before the barge is loaded. When the official weight becomes known for a barge, overfills and underfills will be settled at the market value, expressed as a basis, for grain FOB barge at the barge loading station on the day that the grain is loaded. Before the barge is loaded, the taker and maker of delivery will agree on a basis over or under the nearby futures at which overfills and underfills will be settled. On the day that the weight tolerance becomes known to both parties, the flat price settlement will be established by applying the basis to the nearby futures month settlement price on the day of unloading or the day of loading if origin weights are used. If the day of unloading is the last trading day in the nearby futures month, the next following futures month will be used for settlement. If the day of unloading is not a business day, the next following business day will be used to establish the flat price. In order to convert the agreed upon basis on the day that the grain was loaded to a basis relative to the current nearby futures month, the futures spread on the day of loading will be used, provided that, the nearby futures did not close outside of the price limits set for all other futures months. In this case, the spread on the first following business

day that the nearby futures closed within the price limits applicable for all other futures months would be used.

(5) The shipper shall not be required to meet its minimum daily barge load-out rate when transportation has not been actually placed at the shipping station, transportation equipment is not clean and load ready, inspection services are not available, or inclement weather, including severe ice conditions, prevents loading. However, the exceptions to load-out requirements shall not include corn, soybeans, or SRW Wheat that have not made grade. If precluded from loading when equipment is available, the shipper shall notify the owner by 10:00 a.m. the following business day. Notification shall be by telephone, e-mail or fax to the owner.

(6) For Illinois Waterway barge loading at Burns Harbor, the following shall apply with respect to the protection of the Chicago barge rate and inclement weather:

(a) When grain represented by shipping certificates is ordered out for shipment by a barge, it will be the obligation of the party making delivery to protect the barge freight rate from the Chicago Switching District (i.e. the party making delivery and located in the Burns Harbor Switching District will pay the party taking delivery an amount equal to all expenses for the movement of the barge from the Chicago Switching District, to the Burns Harbor Switching District and the return movement back to the Chicago Switching District).

(b) If inclement weather conditions make the regular facility located in the Burns Harbor Switching District unavailable for barge loadings for a period of five or more calendar days, the party making delivery will make grain available on the day following this five calendar day period to load into a barge at one mutually agreeable water facility located in the Chicago Switching District; PROVIDED that the party making delivery is notified on the first day of that five day period of inclement weather that the barge is available for movement but cannot be moved from the Chicago Switching District to the Burns Harbor Switching District, and is requested on the last day of this five calendar day period in which the barge cannot be moved.

(c) When grain represented by shipping certificates is ordered out for shipment by vessel, and the party taking delivery is a recipient of a split delivery of grain between a regular facility located in Burns Harbor and a regular facility in Chicago, and the grain in the Chicago facility will be loaded onto this vessel; it will be the obligation of the party making delivery at the request of the party taking delivery to protect the holder of the shipping certificates against any additional charges resulting from loading at one berth in the Burns Harbor Switching District and at one berth in the Chicago Switching District as compared to a single berth loading at one location. The party making delivery, at his option, will either make the grain available at one water facility operated by the party making delivery and located in the Chicago Switching District for loading onto the vessel, make grain available at the facility in Burns Harbor upon the surrender of shipping certificates issued by other regular elevators or shipping stations located in the Chicago Switching District at the time vessel loading orders are issued, or compensate the party taking delivery in an amount equal to all applicable expenses, including demurrage charges, if any, for the movement of the vessel between a berth in the other switching district. On the day that the grain is ordered out for shipment by vessel, the party making delivery will declare the regular facility in which the grain will be available for loading.

(7) Any expense for making the grain available for loading on the Illinois Waterway, Ohio River, or Mississippi River will be borne by the party making delivery, provided that the taker of delivery constructively places barge equipment, clean and ready to load, within five (5) business days following the scheduled loading date of the barge on the Illinois Waterway, Ohio River, or Mississippi River. If the taker's barges are not constructively placed within five (5) business days following the scheduled loading date of the barge on the Illinois Waterway, Ohio River, or Mississippi River, the taker shall pay the shipper an amount not to exceed 30/100 of one cent per bushel per day multiplied by the number of calendar days from the fifth business day following the scheduled loading date to the date that the barge is constructively placed, including both dates, but excluding business days the shipper meets his minimum daily barge load-out rate. Requests to cancel loading instructions and re-issue shipping certificates more than two business days after shipping certificates are cancelled are subject to mutual agreement. All fees for re-issuance are payable by the owner.

(8) The shipper shall load water conveyance at the shipping station designated in the shipping certificate. If it becomes impossible to load at the designated shipping station for three (3) consecutive business days due to any circumstance beyond the control of the shipping station (including, but not limited to an act of God, strike, lockout, blockage, embargo, governmental action or terrorist activity) and precludes any party from making or taking delivery of product, the shipper will arrange for water conveyance to be loaded at another regular shipping station in conformance with the shipping certificate and will compensate the owner for any transportation loss resulting from the change in the location of the shipping station. If the aforementioned condition of impossibility prevails at a majority of regular shipping stations, and a declaration of Force Majeure is made pursuant to Rule 701, then shipment may be delayed for the number of days that such impossibility prevails at a majority of regular shipping stations. If conditions covered in this Rule make it impossible to load at the designated shipping station, the shipper shall notify the Registrar's Office in writing of such condition within 24 hours of when the condition of impossibility began.

(9) In the event that it has been announced by the U.S. Coast Guard, after consulting with the Army Corps of Engineers and the River Industry Action Committee, that river traffic will be obstructed for a period of fifteen days or longer as a result of one of the conditions of impossibility listed in (8) above and in the event that the obstruction will affect a majority of regular shipping stations, then the following barge load-out procedures for corn, soybeans, and SRW Wheat at facilities in the St. Louis-Alton Territory and on the Ohio and Mississippi Rivers shall apply to shipping stations upriver from the obstruction:

(a) The maker and taker of delivery may negotiate mutually agreeable terms of performance.

(b) If the maker and/or the taker elect not to negotiate mutually agreeable terms of performance, then the maker is obligated to provide the same quantity and like quality of grain pursuant to the terms of the shipping certificate(s) with the following exceptions and additional requirements:

(i) For corn and soybeans, the maker must provide loaded barge(s) to the taker on the Illinois River between the lowest closed lock and St. Louis, inclusive, or on the Mid-Mississippi River between Lock 11 at Dubuque, Iowa and St. Louis, inclusive. For SRW Wheat at Ohio River facilities, the maker must provide loaded barge(s) to the taker on the Ohio River between the lowest closed lock and the Mississippi River, inclusive, or on the Mid-Mississippi River between St. Louis and the Ohio River, inclusive. For SRW Wheat in the St. Louis-Alton Territory and at Mississippi River facilities, the maker must provide loaded barge(s) to the taker on the Mississippi River below the point of obstruction.

(ii) The loaded barge(s) provided to the taker must have a value equivalent to C.I.F. NOLA, with the maker of delivery responsible for the equivalent cost, insurance and freight.

(iii) The taker of delivery shall pay the maker **barge freight between the issuing facility and NOLA calculated from the relevant barge freight rate reported in the latest available USDA-AMS Transportation Report on the date that loaded barges are provided to the taker** ~~18 cents per bushel for Chicago and Burns Harbor Switching District shipping certificates, 16 cents per bushel for Lockport-Seneca District shipping certificates, 15½ cents per bushel for Ottawa-Chillicothe District shipping certificates, 15 cents per bushel for Peoria-Pekin District shipping certificates, for soybeans only, 14½ cents per bushel for Havana-Grafton District shipping certificates, for SRW Wheat only, 18 cents per bushel for Ohio River shipping certificates, and 14 cents per bushel for St. Louis-Alton Territory and Mississippi River shipping certificates as a reimbursement for the cost of barge freight.~~

(c) In the event that the obstruction or condition of impossibility listed in (8) above will affect a majority of regular shipping stations, but no announcement of the anticipated period of obstruction is made, then shipment may be delayed for the number of days that such impossibility prevails.

(10) In the event less than eleven shipping certificates of a like grade/quality are outstanding at a shipping station the owner of all such outstanding shipping certificates may cancel the shipping certificates and obligate the shipper to provide a market value at which the shipper will either buy back all the canceled shipping certificates or sell the balance of corn or soybeans of a like grade/quality to complete a barge loading of at least 55,000 bushels, the choice being at the discretion of the taker of delivery.
