

**SUBMISSION COVER SHEET**

**IMPORTANT:** Check box if Confidential Treatment is requested

**Registered Entity Identifier Code (optional):** 18-193

**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):** 06/28/18 **Filing Description:** Initial Listing of Options on Black Sea Corn Financially Settled (Platts) Futures

**SPECIFY FILING TYPE**

**Please note only ONE choice allowed per Submission.**

**Organization Rules and Rule Amendments**

- Certification § 40.6(a)
- Approval § 40.5(a)
- Notification § 40.6(d)
- Advance Notice of SIDCO Rule Change § 40.10(a)
- SIDCO Emergency Rule Change § 40.10(h)

**Rule Numbers:**

**New Product**

**Please note only ONE product per Submission.**

- Certification § 40.2(a)
- Certification Security Futures § 41.23(a)
- Certification Swap Class § 40.2(d)
- Approval § 40.3(a)
- Approval Security Futures § 41.23(b)
- Novel Derivative Product Notification § 40.12(a)
- Swap Submission § 39.5

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

- Certification § 40.6(a)
- Certification Made Available to Trade Determination § 40.6(a)
- Certification Security Futures § 41.24(a)
- Delisting (No Open Interest) § 40.6(a)
- Approval § 40.5(a)
- Approval Made Available to Trade Determination § 40.5(a)
- Approval Security Futures § 41.24(c)
- Approval Amendments to enumerated agricultural products § 40.4(a), § 40.5(a)
- "Non-Material Agricultural Rule Change" § 40.4(b)(5)
- Notification § 40.6(d)

**Official Name(s) of Product(s) Affected:**

**Rule Numbers:**

June 28, 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 40.2(a) Certification. Notification Regarding the Initial Listing of  
 Options on Black Sea Corn Financially Settled (Platts) Futures.  
 CBOT Submission No. 18-193**

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 the initial listing of options on Black Sea corn financially settled (Platts) futures (the “Contract”) for trading on the CME Globex electronic trading platform and for submission for clearing via CME ClearPort, effective Sunday, July 15, 2018 for trade date Monday, July 16, 2018, as more specifically described below.

<b>Contract Title</b>	Options on Black Sea Corn Financially Settled (Platts) Futures
<b>Commodity Code</b>	BSO
<b>Rulebook Chapter</b>	10E
<b>Settlement method</b>	Financial
<b>Contract Size</b>	50 MT (metric tons)
<b>Listing Schedule</b>	Monthly contracts listed for twelve (12) consecutive months. Add a new contract month after the nearby expiry.
<b>First Listed Month</b>	July 2018
<b>Minimum Price Fluctuation</b>	\$0.05 per MT (metric ton)
<b>Value per tick</b>	\$2.50
<b>Block Trade Minimum Threshold</b>	5 contracts
<b>Termination of Trading</b>	Trading terminates on the last trading day of the underlying future.
<b>CME Globex Matching Algorithm</b>	FIFO
<b>Underlying Futures Contract / Commodity Code</b>	Black Sea Corn Financially Settled (Platts) Futures / (BCF)
<b>Strike Price Increment</b>	\$2.50
<b>Strike Price Listing Rule</b>	Dynamic strikes only

**Trading and Clearing Hours:**

<b>CME Globex and CME ClearPort</b>	Sunday - Friday 6:00 p.m. - 5:00 p.m. (5:00 p.m. - 4:00 p.m. Central Time/CT) with a 60-minute break each day beginning at 5:00 p.m. (4:00 p.m. CT)
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**Exchange Fees:**

Level	Account Owner	Execution Type	Venue/Transaction Type	Exchange Fee
<b>Individual Member</b>				
1	Individual Members	Member Account Owner	CME Globex	\$0.20
			EFP	\$1.07
			EFR	\$1.37
			Block	\$1.20
	Individual Delegates	Delegate Trading Own Account	CME Globex	\$0.30
			EFP	\$1.22
			EFR	\$1.52
			Block	\$1.30
<b>Equity Members (Individual Equity members, Clearing Firms and Equity Firms)</b>				
2	Equity Members <sup>1</sup>	Member or Delegate	CME Globex	\$0.20
			EFP	\$1.07
			EFR	\$1.37
		Non Member	Block	\$1.17
			CME Globex	\$0.46
			EFP	\$1.07
	Rule 106.S. Family of Funds Equity Member Firms	Member, Delegate or Non Member	EFR	\$1.37
			Block	\$1.17
			CME Globex	\$0.46
		EFP	\$1.07	
		EFR	\$1.37	
		Block	\$1.17	

**1** Clearing Closely Held Corporate Members & Sole Proprietors, Rule 106.J. Equity Closely Held Corporate Members & Rule 106.I. Affiliate Equity Member Firms, Individual Equity Members (other member/delegate executing), Clearing FCMs, Rule 106.J. Equity FCMs, Clearing Corporate Members, Rule 106.J. Equity Corporate Members & Rule 106.I. Affiliate Equity Member Firm (Affiliate of Clearing FCM, Clearing Corporate Member or Rule 106.J Equity FCM or Equity Corporate Member), Rule 106.I. Affiliate Membership Umbrella - Qualified Affiliate - Unlimited Number of Affiliates.

*(Execution Not a Factor in Membership Types Below)*

Level	Account Owner	Execution Type	Venue/Transaction Type	Exchange Fee
<b>Trading Members (Individual Non-Equity Members and Non-Equity Member Firms)</b>				
3	Individual Non-Equity Members (other member/delegate executing); Rule 106.H. Corporate Trading Firms; Rule 106.H. Trading FCMs; & Rule 106.I. Affiliate Trading Member Firms	Member, Delegate or Non Member	CME Globex	\$0.66
			EFP	\$1.21
			EFR/Block	\$1.66

	Individual Delegates (Other Member or Delegate executing the trade) & Rule 106.I. Affiliate Trading Member Firms	Member, Delegate or Non Member	CME Globex	\$0.81
			EFP	\$1.36
			EFR/Block	\$1.81
	Rule 106.S. Family of Funds Trading Member Firms	Member, Delegate or Non Member	CME Globex	\$0.66
			EFP	\$1.21
			EFR/Block	\$1.66
<b>Level</b>	<b>Account Owner</b>	<b>Execution Type</b>	<b>Venue/Transaction Type</b>	<b>Exchange Fee</b>
<b>Electronic Corporate Member Firm</b>				
4	Rule 106.R Electronic Corporate Member Firms (For open outcry and EFP/EFR/Block - Non-Member rates apply)	Member, Delegate or Non Member	CME Globex	\$0.81
<b>Non Members</b>				
5	International Incentive Program (IIP) and International Volume Incentive Program (IVIP) Participants (Open Outcry - Interest Rate products only)	Member, Delegate or Non Member	CME Globex	\$0.90
	Central Bank Incentive Program (CBIP), Emerging Markets Bank Incentive Program (EMBIP), Latin American Fund Manager Incentive Program (FMIP) (For open outcry and EFP/EFP/Block - Non-Member rates apply)	Member, Delegate or Non Member	CME Globex	\$1.03
	Non Members	N/A	CME Globex	\$1.03
			EFP	\$1.44
			EFR/Block	\$2.03
<b>Processing Fees</b>		<b>Fee</b>		
Exchange Fees for Non-Trades (Member/Delegate/Non-Member)		\$2.00		
Exchange Fees for Non-Trades - Expired Options		\$0.10		
Facilitation Fee		\$0.40		
Brokerage Fees – with discretion 106F within/106D or 106F outside		\$0.00/\$0.15		
Brokerage Fees – without discretion Member or 106F within/106D, 106F outside or CMACE Permit Holder		\$0.04/\$0.17		
Position Adjustments/Position Transfers		\$0.10		

The Exchange is also notifying the CFTC that it is self-certifying block trading on the Contract with a minimum block threshold of 5 contracts.

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

- **Compliance with Rules:** Trading in the Contract will be subject to all CBOT Rules, including prohibitions against fraudulent, noncompetitive, unfair and abusive practices as outlined in CBOT Rule Chapter 4, the Exchange’s trade practice rules, the majority of which are contained in Chapter 5 and Chapter 8 of the CBOT Rulebook, and the dispute resolution and arbitration procedures of CBOT Rule Chapter 6. As with all products listed for trading on one of CME Group’s designated contract markets, trading activity in the Contract will be subject to monitoring and surveillance by

CME Group's Market Regulation Department. The Market Regulation Department has the authority to exercise its investigatory and enforcement power where potential rule violations are identified.

- **Contract Not Readily Subject to Manipulation:** The Contract is not readily subject to manipulation because of its structural attributes, active underlying market and reliance on a well administered index. Final settlements are based on an index published by S&P Global Platts and licensed to the Exchange.
- **Prevention of Market Disruption:** Trading in the Contract will be subject to the rules of the Exchange, which include prohibitions on manipulation, price distortion, and disruption to the cash settlement process. As with any new product listed for trading on a CME Group designated contract market, trading activity in the Contract proposed herein will be subject to monitoring and surveillance by CME Group's Market Regulation Department.
- **Position Limitations or Accountability:** The speculative position limits for the Contract as demonstrated in this submission are consistent with the Commission's guidance.
- **Availability of General Information:** The Exchange will publish on its website information in regard to contract specifications, terms, and conditions, as well as daily trading volume, open interest, and price information for the Contract. The Exchange will issue a Special Executive Report ("SER") regarding the launch of the Contract.
- **Daily Publication of Trading Information:** The Exchange will publish contract trading volumes, open interest levels, and price information daily on its website and through quote vendors for the Contract.
- **Execution of Transactions:** The Contract will be listed for trading on the CME Globex electronic trading platform and for clearing through the CME ClearPort platform. The CME Globex trading venue provides for competitive and open execution of transactions. CME Globex affords the benefits of reliability and global connectivity. The CME ClearPort platform provides a competitive, open and efficient mechanism for the novation of transactions that are competitively executed by brokers.
- **Trade Information:** All requisite trade information for the Contract will be included in the audit trail and is sufficient for the Market Regulation Department to monitor for market abuse.
- **Financial Integrity of Contract:** The Contract will be cleared by the CME Clearing House, a derivatives clearing organization registered with the Commodity Futures Trading Commission and subject to all CFTC regulations related thereto.
- **Protection of Market Participants:** CBOT Rulebook Chapters 4 and 5 set forth multiple prohibitions that preclude intermediaries from disadvantaging their customers. These rules apply to trading in all of the Exchange's competitive trading venues.
- **Disciplinary Procedures:** Chapter 4 of the Rulebook contains provisions that allow the Exchange to discipline, suspend or expel members or market participants that violate the Rulebook. Trading in the Contract will be subject to Chapter 4, and the Market Regulation Department has the authority to exercise its enforcement power in the event rule violations in these products are identified.
- **Dispute Resolution:** Disputes with respect to trading in the Contract will be subject to the arbitration provisions set forth in Chapter 6 of the Rulebook. Chapter 6 allows all non-members to submit a claim for financial losses resulting from transactions on the Exchange to arbitration. A member named as a respondent in a claim submitted by a non-member is required to participate in the arbitration pursuant to Chapter 6. Additionally, the Exchange requires that members resolve all disputes concerning transactions on the Exchange via arbitration.

Pursuant to Section 5c(c) of the Act and CFTC Regulations 40.2(a), the Exchange hereby certifies that listing the Contract complies 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](mailto:CMEGSubmissionInquiry@cmegroup.com).

Sincerely,

/s/ Christopher Bowen  
Managing Director and Chief Regulatory Counsel

Attachments: Exhibit A: CBOT Rulebook Chapters 10E  
Exhibit B: Position Limits, Position Accountability and Reportable Level Table in Chapter 5 of the CBOT Rulebook (attached under separate cover)  
Exhibit C: CBOT Rule 588.H. – (“Globex Non-Reviewable Trading Ranges”) Table  
Exhibit D: Cash Market Overview and Analysis of Deliverable Supply

**Exhibit A**  
**CBOT Rulebook**

**Chapter 10E**  
**Options on Black Sea Corn Financially Settled (Platts) Futures**

**10E100. SCOPE OF CHAPTER**

This chapter is limited in application to put and call options on Black Sea Corn Financially Settled (Platts) futures contracts. In addition to the rules of this chapter, transactions in options on Black Sea Corn Financially Settled (Platts) futures shall be subject to the general rules of Exchange insofar as applicable.

**10E101. OPTION CHARACTERISTICS**

**10E101.A. Contract Months**

Trading may be scheduled in such months as determined by the Exchange and the number of months open for trading at a given time shall also be determined by the Exchange.

**10E101.B. Trading Unit**

Each option reflects one fifty (50) metric tons Black Sea Corn Financially Settled (Platts) futures contract with the same contract month.

**10E101.C. Minimum Fluctuations**

Prices shall be quoted in U.S. dollars and cents per metric ton. The minimum price fluctuation shall be \$0.05 per metric ton or \$2.50 per contract.

However, a position may be initiated or liquidated at a premium of \$1.00 per option contract.

**10E101.D. Trading Hours**

The hours of trading for this contract shall be determined by the Exchange.

**10E101.E. Exercise Prices**

Trading shall be conducted for call and put options with strike prices in integral multiples of \$2.50 per metric ton. New strike prices at regularly defined intervals shall be added for trading on an as-needed basis.

**10E101.F. 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.

**10E101.G. Nature of Option**

Options on Black Sea Corn Financially Settled (Platts) futures contracts are European-Style expiry options and may not be exercised prior to expiration. The options are financially settled on expiration day.

**10E101.H. Termination of Trading**

Trading terminates on the last trading day of the corresponding Futures contract.

**10E102. CASH SETTLEMENT**

For a Call option on Black Sea Corn Financially Settled (Platts) futures contracts, the cash settlement amount on expiration day is the differential between the Floating Price and the strike price, multiplied by 50 metric tons, or zero, whichever is greater.

For a Put option on Black Sea Corn Financially Settled (Platts) futures contracts, the cash settlement amount on expiration day is the differential between the strike price and the Floating Price, multiplied by 50 metric tons, or zero, whichever is greater.

The Floating Price for each contract month shall be equal to the arithmetic average of the "FOB Black Sea corn (Ukraine)" price assessment published by Platts for each day that it is determined during the contract month. The Floating Price shall be rounded to the nearest \$0.01.

**10E103. OPTION PREMIUM FLUCTUATION LIMITS**

There are no option premium limits during any day for options on Black Sea Corn Financially Settled (Platts) futures contracts.

**10E104. PAYMENT OF OPTION PREMIUM**

The option premium must be paid in full by each clearing member to the Clearing House and by each option customer to his futures commission merchant at the time that the option is purchased, or within a reasonable time after the option is purchased.

**10E105. DISCLAIMER**

NEITHER THE BOARD OF TRADE OF THE CITY OF CHICAGO, INC. ("CBOT"), ITS AFFILIATES, NOR S&P GLOBAL PLATTS GURANTEES THE ACCURACY AND/OR COMPLETENESS OF THE INDEX OR ANY OF THE DATA INCLUDED THEREIN.

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**Exhibit B**

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

(attached under separate cover)

## Exhibit C

### CBOT Rule 588.H. – (“Globex Non-Reviewable Trading Ranges”) Table

(additions are underscored)

Instrument Name	Globex Symbol	Bid/Ask Reasonability	Non-Reviewable Range (NRR)
<u>Options on Black Sea Corn Financially Settled (Platts) Futures</u>	<u>BSO</u>	<u>The greater of the delta times the underlying futures' non-reviewable range or 20% of the fair value premium up to the underlying futures' non-reviewable range with a minimum reasonability of \$0.01</u>	<u>The greater of delta times the underlying futures non-reviewable range or 20% of premium up to 1/4 of the underlying futures' non- reviewable range with a minimum of 1 tick</u>

**Exhibit D**  
**Cash Market Overview and Analysis of the Deliverable Supply**

**CASH MARKET ANALYSIS**

The Exchange is proposing to launch an options contract based on corn produced and delivered from the Black Sea region. The underlying Black Sea Corn futures contracts are financially settled, and settle against price assessments published for “FOB Black Sea corn (Ukraine)” by 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.

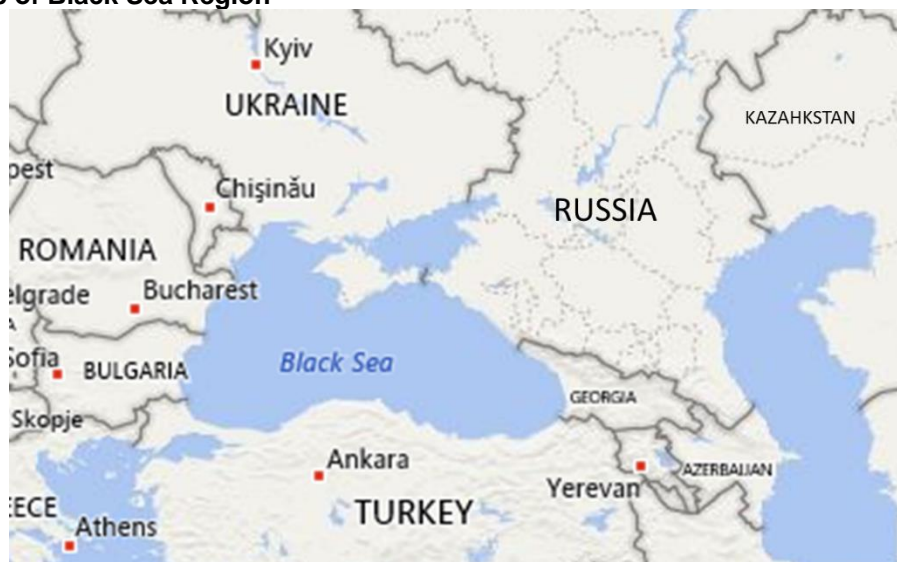
Eurostat is the statistical service of the European Union. It compiles and consolidates data collected by the statistical authorities in each EU member state. In addition, Eurostat ensures that all parties are employing the same methodology in collecting and reporting data.

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.

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 Corn 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 launched futures contracts based on corn 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

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

**Table 1: Black Sea Regional Corn Production**

Thousand Metric Tons

	2014/2015	2015/2016	2016/2017	2017/2018
Kazakhstan <sup>A</sup>	664	734	762	785
Russia <sup>A</sup>	11,325	13,168	15,305	13,229
Turkey <sup>A</sup>	4,800	6,200	5,500	6,000
Ukraine <sup>A</sup>	28,450	23,333	28,000	24,115
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Bulgaria <sup>B</sup>	3,141	2,709	2,278	2,610
Romania <sup>B</sup>	11,989	9,021	10,746	14,841
<b>Total</b>	<b>60,369</b>	<b>55,165</b>	<b>62,591</b>	<b>61,580</b>

Notes: A: data source: USDA, corn production, data on an October-September local marketing year basis (September-August for Turkey, July-June for Kazakhstan)<sup>1</sup>

B: data source: Eurostat, grain maize and corn-cob-mix production, data on a calendar year basis<sup>2</sup>

**Table 2: Black Sea Regional Corn Exports**

Thousand Metric Tons

	2014	2015	2016	2017
Bulgaria	1,828.8	1,175.6	1,318.1	989.0
Georgia	26.3	16.9	6.1	n/a

<sup>1</sup> See USDA grains data at <https://apps.fas.usda.gov/psdonline/app/index.html#/app/downloads>

<sup>2</sup> Eurostat Crop Statistics database apro\_acs\_a available at <http://ec.europa.eu/eurostat/data/database>

Kazakhstan	25.8	27.6	22.5	35.0
Rep. of Moldova	422.1	237.4	254.0	282.7
Romania	3,630.3	5,062.7	3,382.1	3,722.6
Russian Federation	3,487.2	3,695.3	5,319.9	5,175.7
Turkey	51.2	62.9	28.4	109.3
Ukraine	17,546.3	19,043.9	17,283.1	19,387.4
Total	27,017.9	29,322.3	27,614.1	28,712.7

data source: UN Comtrade Database<sup>3</sup>

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, about 100 destination countries are identified over recent years. In 2017, the Netherlands were the largest importer of corn from the region, receiving 10.2% of all reported exports. Other large importers in 2015 were Spain, Egypt, Turkey, Italy, China and Iran. 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 8% of exports can be identified in this way<sup>4</sup>.

Table 3 provides data on regional imports of corn.

**Table 3: Black Sea Regional Corn Imports**

Thousand Metric Tons

	2014	2015	2016	2017
Bulgaria	18.7	48.4	32.5	345.1
Georgia	56.4	69.1	68.2	78.6
Kazakhstan	6.4	21.7	0.1	0.1
Rep. of Moldova	0.0	0.5	1.1	0.3
Romania	447.2	1593.6	569.9	445.5
Russian Federation	6.2	5.1	6.0	13.3
Turkey	1422.1	1485.1	531.3	2,052.5
Ukraine	0.9	1.2	1.0	1.3
Total	1957.9	3224.7	1209.0	2,935.4

data source: UN Comtrade Database<sup>5</sup>

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

**Table 4: Black Sea Regional Corn Consumption**

Thousand Metric Tons

	2014/2015	2015/2016	2016/2017	2017/2018
Georgia	350	350	350	350
Kazakhstan	575	650	710	810

<sup>3</sup> See <https://comtrade.un.org/data/> using HS Code 100590

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

<sup>5</sup> See <https://comtrade.un.org/data/> using HS Code 100590

Russia	8,100	8,700	9,900	8,700
Turkey	7,050	6,550	6,850	7,270
Ukraine	8,600	6,900	6,500	4,800
<b>Total</b>	<b>24,675</b>	<b>23,150</b>	<b>24,310</b>	<b>21,930</b>

data source: USDA, corn domestic consumption, data on an October-September local marketing year basis (September-August for Turkey, July-June for Kazakhstan)<sup>6</sup>

Given its geographical size and position, data for Russian corn must be examined more closely, to better identify the volumes that are relevant to the Black Sea region. The USDA provides a graphic showing the corn growing regions in Russia.

**Figure 2: Location of Russian Corn Production in 2016**



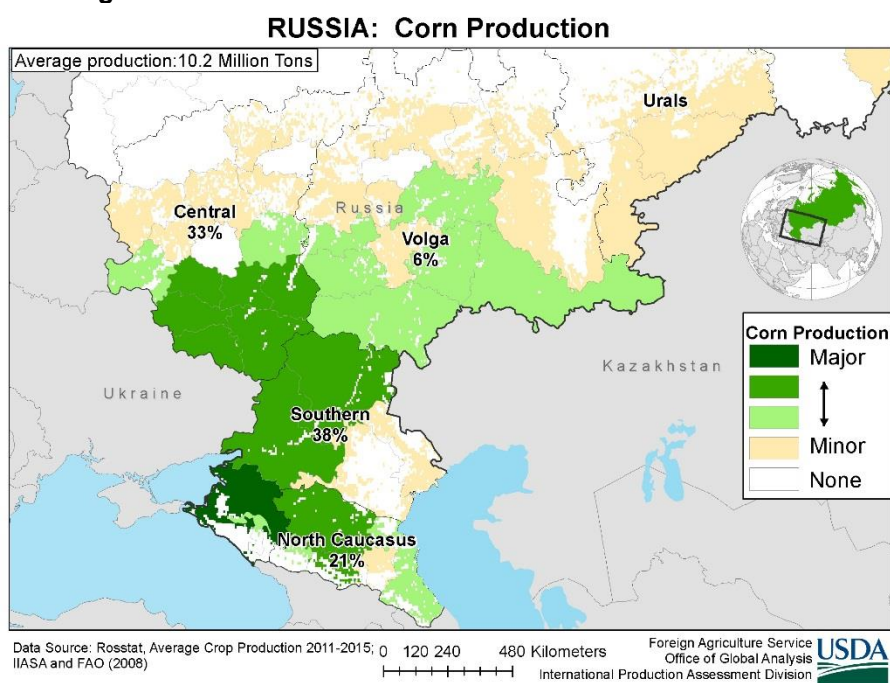
source: USDA<sup>7</sup>, darker colors indicate higher production.

<sup>6</sup> See USDA grains data at <https://apps.fas.usda.gov/psdonline/app/index.html#/app/downloads>

<sup>7</sup> 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\\_4-14-2017.pdf](https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Grain%20and%20Feed%20Annual_Moscow_Russian%20Federation_4-14-2017.pdf)

**Figure 3: Average Russian Corn Production 2011-2015**



source: USDA<sup>8</sup>, darker colors indicate higher production.

It is clear that corn production areas are in close proximity to the Black Sea, and therefore all production is likely to be relevant for the Black Sea export market.

The contracts are cash settled with reference to a Platts price assessment for export cargoes of corn from the Black Sea, using Ukrainian ports as the pricing reference point. The Platts methodology notes that “Platts may also include, for assessment purposes, other Black Sea ports or CFR prices from relevant destinations, normalized to so called Ukrainian Panamax ports as basis, using prevailing spot freight rates”<sup>9</sup>.

The export market is facilitated by numerous local and international firms who procure corn 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. Corn 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. Quotations for corn transactions are frequently priced as differential to the active CBOT Corn Futures price.

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 October, with larger export volumes in the months that follow, and lower export volumes in the

<sup>8</sup> Source USDA [https://ipad.fas.usda.gov/rssiws/al/rs\\_cropprod.htm](https://ipad.fas.usda.gov/rssiws/al/rs_cropprod.htm)

<sup>9</sup> Platts Grains Methodology at <https://www.platts.com/methodology-specifications/agriculture>

months leading up to October. The UN Comtrade Database provides export data on a monthly basis, however, data appears to be incomplete. Table 5 provides the monthly export data that is available.

**Table 5: Monthly Corn Exports**

Thousand Metric Tons

	Russia						Ukraine				
	2013	2014	2015	2016	2017		2013	2014	2015	2016	2017
Jan	137.8	407.7	109.4	273.5			1,636.90	2,509.80	1,894.70	1,676.00	2,312.10
Feb	147.1	423.3	302.7	688.7			1,431.30	2,514.40	2,216.20	2,369.90	1,811.70
Mar	116.4	593	444.3	668.9			1,469.90	2,714.60		2,365.70	3,125.10
Apr	181.6	388.3	465.2	676			1,318.50	1,391.60		2,041.00	
May	192	425.2	278.2	440.2			728.7	1,293.70		1,002.10	
Jun	140.6	133.3	306.3	198			741.9	308.1		919.7	
Jul	40	46.3	154.8				556.7	373.8		438.6	
Aug	23.9	15.2	29.9				28.2	87.3		136	
Sep	106.4	248.7	313.5				178.2	173.2		67.6	
Oct	242.4	276.8	356				1,304.10	1,274.60		1,354.80	
Nov	588.8	230.3	472.3				3,263.70	2,223.10		2,264.30	
Dec	681.8	299.1	462.8				4,062.20	2,683.50		2,647.40	
	Bulgaria						Romania				
	2013	2014	2015	2016	2017		2013	2014	2015	2016	2017
Jan	83.7	37.5	88.6	54	73.3		77.5	254.5	447.3	261.2	266.8
Feb	49.1	13	102.3	38.9	47.3		31.5	243.4	469.3	196.1	288.4
Mar	77.4	4.6	65.2	136.9	55.3		95.5	133	452.7	175.5	71.5
Apr	159.8	24	46.2	194.9	20.8		85.7	135.4	480.1	135.9	238.3
May	66.2	38.4	109.5	143.5	49.3		243.9	97.2	485.3		293.4
Jun	65.9	79.5	49	84.5	34		84	89.3		186.2	137.1
Jul	53.9	7.1	36.4	8	31.8		149.7				41.1
Aug	49.5	17.9	11.9	7.9			45.8				56.2
Sep	342.8	151	88.8	78.2				400.6		347.3	268.9
Oct	548.2	503.3	257.9	421.5				855.6		681.1	977.4
Nov	369.3	623.8	133	106.6				884.2	383.2	536.9	
Dec	237.1	328.3	185.9	43.3			471	406.4	413.3	394.2	

data source: UN Comtrade Database<sup>10</sup>

In Table 5, the data for Bulgaria is the most complete. For Bulgaria, August is the month with the lowest export volumes, with average level for August being at 16.3% of the average for all months in the data set (excluding 2017, for which data is incomplete). Bulgaria is also the smallest exporter in the group. A similar analysis for Romania suggests August has 17% of the average monthly volume, but with incomplete data. For Russia, for the years 2013-2015, August exports are 8.5% of the overall monthly average (excluding

<sup>10</sup> See <https://comtrade.un.org/data/> using HS Code 100590



2016 with incomplete data). For Ukraine, excluding the years 2015 and 2017 for which data is incomplete, August exports are 5.9% of the overall monthly average.

## DELIVERABLE SUPPLY ANALYSIS

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

Table 2 above provides gross data on corn exports. Export data is reduced by 8% in order to reflect exports that are likely shipped by seaborne vessels. With these reductions, adjusted exports volumes can be assessed as follows:

**Table 6: Adjusted Black Sea Regional Corn Exports**

Thousand Metric Tons

	2014	2015	2016	2017	Average 2015-2017
Bulgaria	1,682	1,082	1,213	910	1,068
Romania	3,340	4,658	3,112	3,425	3,731
Russian Federation	3,208	3,400	4,894	4,762	4,352
Ukraine	16,143	17,520	15,900	17,836	17,086
Total	24,373	26,659	25,119	26,933	26,237

data source: CME Group

The adjusted export volumes described in Table 6 represent the Exchange's assessment of deliverable supply. The average yearly total export volume for the three years 2015-2017 is 26.24 million metric tons. No adjustment is required to reflect long term supply arrangements in this market. No data on crop quality for corn is available, and no adjustment is made with respect to quality.

On a monthly basis, deliverable supply is assessed as 2.19 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 43,733 contracts per month.

In order to account for seasonality, deliverable supply is reduced to 6% of this value, reflecting the seasonal structure shown in Table 5. Seasonal minimum deliverable supply is therefore equivalent to 2,624 contracts per month. Position limits for contracts are being set at 600 lots, equal to 22.9% of the seasonal minimum deliverable supply.