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BY ELECTRONIC TRANSMISSION

Submission No. 21-50
July 1, 2021

Mr. Christopher J. Kirkpatrick
Secretary of the Commission
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

Re: Amendment to ICE Futures U.S. Rules 12.03, 12.13 and 12.14 (Deliverable Grades of Canola) Submission Pursuant to Section 5c(C)(1) of the Act and Regulation 40.6(a)

Dear Mr. Kirkpatrick:

Pursuant to Section 5c(c)(1) of the Commodity Exchange Act, as amended (the "Act") and Commodity Futures Trading Commission ("Commission") Regulation 40.6(a), ICE Futures U.S., Inc. ("IFUS" or "Exchange") hereby self-certifies the amendments to Exchange Rules 12.03, 12.13 and 12.14, as set forth in Exhibit A. As described below, the amendments change the discount for delivery of No. 2 Canadian canola against the Exchange's canola futures contract.

The Exchange's Canola futures contract calls for delivery of canola seed graded as No. 1 Canadian canola at par and allows for delivery of canola graded as No. 2 Canadian canola at a discount of $13 per metric tonne. The contract recognizes Canadian Grain Commission ("CGC") quality standards which take into account several quality parameters, including but not limited to the proportion of green seeds (a color-based measure of the maturity of the canola seed), commonly referred to as "Green". For the Green quality parameter alone, the CGC No. 1 Canadian tolerance is up to 2% by weight, and the No. 2 tolerance is up to 6% by weight. (Any reading of more than 6% is No. 3 or other grade, and not deliverable against the futures contract.)

The amendments to Echange Rule 12.03 replace the current $13 per metric tonne discount for delivery of No. 2 canola with a two-tiered system based on the Green reading: No. 2 Canadian canola with a lower Green result (defined as anything 4% or lower) will receive a $10 per metric tonne discount, and No. 2 canola with a higher Green result (defined as either 5% and 6%) will receive a $20 per metric tonne discount.

The amendments to IFUS Rule 12.03 resulted from an IFUS Canola Committee working group which surveyed current commercial practices and considered the current No. 2 canola discount at length.[1]

[1] It should be noted that there is no CGC or other publicly available data reflecting commercial differentials that could be used as the basis for a establishing a discount for No. 2 Canola and that the commercial discount for Green

The working group ultimately concluded that while there are multiple quality factors in the classing process, the most relevant driver of commercial quality differentials is Green; and that in commercial practice there is not a single differential for all No. 2 canola as differentials typically increase based on the Green percentage. After completing the survey, the working group concluded that the $10 discount (for canola with 4% or lower Green and the $20 discount (for canola with 5% or 6% Green) represented the correct differential from the CGC No. 1 Canadian canola. These levels comport with the guidance in Appendix C to Part 38, which provides that "[i]f the terms of the contract provide for the delivery of multiple qualities of a specific attribute of the commodity having different cash market values, then a 'par' quality should be specified with price differentials applicable to the "non-par" qualities that reflect discounts or premiums commonly observed or expected to occur in the cash market for that commodity."

The IFUS Canola Committee voted to recommend the adoption of the amendments to Rule 12.03 (12 in favor and 3 opposed) which were proposed by the working group. Those in favor opined that the two-tier discount more closely matches commercial practice and would more appropriately value low and high Green No. 2 Canola in delivery than the current $13 per metric tonne discount. Those opposed did not provide any specific substantive opposing views, but opined that there was no need to revise the current provisions.

The Exchange is making additional conforming amendments to Rules 12.13 (Warrants - Indemnification) and 12.14 (Delivery Certificates), which are related to the change to the Discount for Delivery of No. 2 Canola. The amendment to Rule 12.13 eliminates the adjustment for the No. 2 discount in calculating the base indemnification that is collected from a Warrant Issuer and held until the Warrant is cancelled after loadout of canola against the Warrant; this adjustment is being eliminated since the dollar amount of the No. 2 discount applicable to a No. 2 warrant is not known at the time the Warrant is issued. The amendment to Rule 12.04 clarifies that Delivery Certificates will remain specific as to No. 1 or No. 2 Canola but will be generic as to the percentage of Green - since that percentage will not be known until the canola is loaded out to the Delivery Certificate Holder.

The amendments to Rules 12.03, 12.13 and 12.14 will become effective on July 20, 2021 for the November 2022 contract. Both the IFUS Canola Committee and the Exchange's Board of Directors voted unanimously to implement the amendments starting with the November 2022 contract, which is the first contract month in the 22/23 crop season. The Exchange notes that the size and condition of the new crop – and not minor revisions to the Contract's quality specifications – would typically be the principal factors in determining new crop price levels. Since the crop size and condition are currently unknown, those factors and their impact on price levels cannot be accurately estimated. As such, applying the amendments to existing positions is not likely to have any predictable effect on the value of existing positions. Implementation with the November 2022 contract would also provide an appropriate amount of time for the Exchange and market participants to complete any systems or other work needed to support the new provisions.

Certifications

The Exchange certifies that amendments to Rules 12.03, 12.13 and 12.14 comply with the requirements of the Act and the rules and regulations promulgated thereunder. Specifically, the amendments comply with the following core principles:

Core Principle 3 (Contracts not Readily Subject to Manipulation)

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can vary widely from season to season and within a crop season due to the variability of the share of production or stored product at any time that classes as No. 2 based on Green.

The guidance in Appendix C to Part 38 of the Commission Regulations regarding Core Principle 3 provides that "…the terms and conditions of the contract should conform to the most common commercial practices and conditions in the cash market for the commodity underlying the futures contract. The terms and conditions should be designed to avoid any impediments to the delivery of the commodity so as to promote convergence between the price of the futures contract and the cash market value of the commodity at the expiration of a futures contract." Consistent with that provision, the Exchange believes that the amendments to Rules 12.03, 12.13 and 12.14 and new No.2 Canadian Canola discount more closely align the terms and conditions of the Canola Futures Contract with commercial discounts for No. 2 Canadian Canola. This, in turn, will help ensure convergence and good delivery against the physically settled futures.

Core Principle 1 (Compliance with Rules)
The Exchange will continue to establish, monitor, and enforce compliance with all rules and procedures, including amended Rules 12.03, 12.13 and 12.14.

Core Principle 7 (Availability of information)
This submission and the amended Rule will be posted on the Exchange's Website.

The Exchange is not aware of any other opposing views with regard to the amendments to Rule 12.03, 12.13 and 12.14 and further certifies that, concurrent with this filing, a copy of this submission was posted on the Exchange's website at https://www.theice.com/futures-us/regulation#rule-filings

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

Sincerely,

Jason V. Fusco
Assistant General Counsel
Market Regulation

Enc.

EXHIBIT A

(In the text of the amendments below, additions are shown underscored and deletions are bracketed and lined through.)

12.03 Contract Deliverable Grades

a. Contract deliverable grades shall be based on primary elevator grade standards as established by the Canadian Grain Commission:

(1) non-commercially clean Canadian canola with a maximum dockage of 8%, all other specifications to meet No. 1 Canada Canola at contract price; or

(2) commercially clean No. 1 Canada Canola at a premium of $5.00 per net tonne; or

(3) commercially clean No. 2 Canada Canola with a Green of 4% or less at a discount of $[~~8~~]5.00 per net tonne; or

(4) [~~non-~~]commercially clean Canadian canola with a Green of 5% or 6% [~~, with maximum dockage of 8%, all other specifications to meet No. 2 Canada Canola~~] at a discount of $15[~~3~~].00 per net tonne; or

(5) non-commercially clean Canola with a maximum dockage of 8% and with a Green of 4% or less, all other specifications to meet No. 2 Canada Canola at a discount of $10.00 per net tonne; or

(6) non-commercially clean Canola with a maximum dockage of 8% and with a Green of 5% or 6%, all other specifications to meet No. 2 Canola at a discount of $20.00 per net tonne.

b. Canadian canola that meets the contract deliverable grades and is of a variety that is derived from Genetically Modified Organisms (GMOs or “transgenic” canola) is also deliverable against the canola futures contract.

c. Grade specifications of canola being delivered shall be clearly identified on the Warrants and Delivery Certificates in accordance with the Annexes hereto.

d. Warrants and Delivery Certificates shall be generic as to commercially clean or non-commercially clean specifications.

12.13 Warrants – Indemnification

a. All Warrant Issuers must provide Initial Indemnification and Additional Indemnification as and when requested by the Exchange for all Issuer-Owned and third party Warrants issued and outstanding.

b. Initial Indemnification is paid by the Warrant Issuer as provided in Rule 12.11 in an amount that is no less than the sum of the base indemnification plus the tonnage surcharge calculated as follows:

(1) Base indemnification for canola is the daily settlement price for the nearby contract, or a preliminary settlement price estimate to be determined by the Exchange in its absolute discretion if such settlement price is not timely available after the close of trading[~~, adjusted for deliverable grade, and~~] multiplied by the number of metric tonnes for which Warrants are issued and outstanding.

(Balance of the Rule unchanged.)

12.14 Delivery Certificates

a. All Delivery Certificates will be issued, recorded and maintained in electronic form in the Delivery System.

b. The records in the Delivery System shall constitute the final record for all purposes.

c. Delivery Certificates may be transferred by the Delivery Certificate Holder in accordance .with Exchange Rules.

d. Delivery Certificates shall be generic as to region, but not as to [~~grade~~] No. 1 or No. 2 Canola. Delivery Certificates shall be generic as to commercially clean or non-commercially clean and as to the percentage of Green.

e. A fee, as established by the Exchange, shall be assessed upon the registration, issuance and reissuance of each Delivery Certificate.