

**SUBMISSION COVER SHEET**

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

Registered Entity Identifier Code (optional): 17-424 (2 of 2)

Organization: The Board of Trade of the City of Chicago, Inc.

Filing as a:  DCM  SEF  DCO  SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 12/01/17 Filing Description: Initial Listing of Two Financially Settled Wheat Futures Contracts

**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:**

December 1, 2017

**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 Two (2) Financially-Settled Black Sea Wheat (Platts) Futures Contracts. CBOT Submission No. 17-424 (2 of 2)**

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 the “Commission”) that it is self-certifying the initial listing of two financially settled wheat futures contracts, as noted in the table below (the “Contracts”) for trading on CME Globex and for submission into clearing via CME ClearPort, effective Sunday, December 17, 2017 for first trade date Monday, December 18, 2017.

<b>Contract Title</b>	Black Sea Wheat Financially Settled (Platts) Futures	Black Sea Wheat Financially Settled (Platts) Half Month Futures
<b>Commodity Code</b>	BWF	BWH
<b>Rulebook Chapter</b>	14R	14S
<b>Settlement Method</b>	Financial	Financial
<b>Contract Size</b>	50 metric tons	50 metric tons
<b>Listing Schedule</b>	Monthly contracts listed for 12 consecutive months	Half-Monthly contracts listed for 24 consecutive half-month periods
<b>First Listed Month</b>	January 2018	January 2018 Half 1
<b>Minimum Price Fluctuation</b>	\$0.25 per metric ton	\$0.25 per metric ton
<b>Value per Tick</b>	\$12.50	\$12.50
<b>Block Trade Minimum Threshold</b>	5 contracts	5 contracts
<b>Termination of Trading</b>	Trading terminates on the last business day in the contract month which is also a Platts publication date for the price assessment	Trading terminates on the last business day in the settlement period which is also a Platts publication date for the price assessment  The settlement period for the first half of the month is the period from the 1st calendar day to the 15th calendar day of the contract month inclusive. The settlement period for the second half of the month is the period from the 16th calendar day to the last calendar day of the contract month inclusive.
<b>CME Globex Matching Algorithm</b>	First in First Out (FIFO)	First in First Out (FIFO)
<b>Initial Price Limits</b>	\$40 per metric ton	\$40 per metric ton

**Trading and Clearing Hours:**

**CME Globex and CME ClearPort:** Sunday – Friday 5:00 p.m. – 4:00 p.m. Central Time/CT with an hour break each day beginning at 4:00 p.m. CT.

**Exchange Fees:**

Level	Account Owner	Execution Type	Venue/Transaction Type	Exchange Fee
<b>Individual Member</b>				
1	Individual Members	Member Account Owner	Open Outcry	n/a
			CME Globex	\$0.20
			EFP	\$1.07
			EFR	\$1.37
			Block	\$1.20
	Individual Delegates	Delegate Trading Own Account	Open Outcry	n/a
			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>				
1	Equity Members <sup>1</sup>	Member or Delegate	Open Outcry	n/a
			CME Globex	\$0.20
			EFP	\$1.07
			EFR	\$1.37
			Block	\$1.17
		Non Member	Open Outcry	n/a
			CME Globex	\$0.46
			EFP	\$1.07
			EFR	\$1.37
			Block	\$1.17
	Rule 106.S. Family of Funds Equity Member Firms	Member, Delegate or Non Member	Open Outcry	n/a
			CME Globex	\$0.46
			EFP	\$1.07
			EFR	\$1.37
			Block	\$1.17

<sup>1</sup> 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.

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	Open Outcry	n/a
			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	Open Outcry	n/a
			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	Open Outcry	n/a
			CME Globex	\$0.66
			EFP	\$1.21
			EFR/Block	\$1.66
Level	Account Owner	Execution Type	Venue/Transaction Type	Exchange Fee
<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), Latin American Proprietary Trading Incentive Program (LAPTIP) Participants (For open outcry and EFP/EFP/Block - Non-Member rates apply)	Member, Delegate or Non Member	CME Globex	\$0.90
	Latin American Commercial Incentive Program (LACIP) Participants (For other than Ag CME Globex – Non-Member rates apply)	Member, Delegate or Non Member	CME Globex	\$1.03
	Non Members	N/A	Open Outcry	n/a
			CME Globex	\$1.03
EFP			\$1.44	
EFR/Block			\$2.03	

CMACE Permit Holders				
6	CMACE Permit Holders (For Rough Rice & Mini-sized Ag products only; all other products - Non-Member rates apply)	Member, Delegate or Non Member	Open Outcry	n/a
			CME Globex	n/a
			EFP	n/a
			EFR/Block	n/a

Processing Fees	Fee
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

CBOT is self-certifying block trading on these contracts with a minimum block threshold of five (5) contracts for the Contracts. The block level is consistent with the Exchange’s existing products.

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 Contracts may have some bearing on the following Core Principles:

**Compliance with Rules:** Trading in the Contracts 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 Contracts are 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 Contracts 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 option 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 Contracts 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 contracts. The Exchange will issue a Special Executive Report (“SER”) regarding the launch of the Contracts.

**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 Contracts.

**Execution of Transactions:** The Contracts 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 Contracts 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 Contracts 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 Contracts 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 Contracts comply with the Act, including regulations under the Act. There were no substantive opposing views to these proposals.

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: Appendix A: CBOT Rulebook Chapters  
Appendix B: Position Limits, Position Accountability and Reportable Level Table in Chapter 5 of the CBOT Rulebook (attached under separate cover)  
Appendix C: CBOT Rule 588.H. – (“Globex Non-Reviewable Trading Ranges”) Table  
Appendix D: CBOT Rule 589. – (“Special Price Fluctuation and Price Limits”) Table  
Appendix E: Cash Market Overview and Analysis of Deliverable Supply

**Appendix A**  
**CBOT Rulebook Chapters**

**Chapter 14R**

**Black Sea Wheat Financially Settled (Platts) Futures**

**14R100. SCOPE OF CHAPTER**

The provisions of these rules shall apply to all contracts bought or sold on the Exchange for cash settlement based on the Floating Price. The procedures for trading, clearing and cash settlement of this contract, and any other matters not specifically covered herein shall be governed by the general rules of the Exchange.

**14R101. CONTRACT SPECIFICATIONS**

The Floating Price for each contract month shall be equal to the arithmetic average of the "FOB Black Sea wheat (Russia, 12.5%)" 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.

**14R102. TRADING SPECIFICATIONS**

The number of months open for trading at a given time shall be determined by the Exchange.

**14R102.A. Trading Schedule**

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

**14R102.B. Trading Unit**

The contract quantity shall be fifty (50) metric tons.

**14R102.C. Price Increments**

Prices shall be quoted in U.S. dollars and cents per metric. The minimum price fluctuation shall be \$0.25 per metric ton. The final settlement price shall be rounded to the nearest \$0.01.

**14R102.D. Price Limits**

Daily price limits for Black Sea Wheat Financially Settled (Platts) Futures are reset every six months, on the first trading day in May and the first trading day in November. For the May reset, daily settlement prices are collected for the nearest June contract month over 45 consecutive trading days before and on the business day prior to April 16th. For the November reset, daily settlement prices are collected for the nearest December contract month over 45 consecutive trading days before and on the business day prior to October 16th. The average of these daily settlement prices is calculated, and the new daily price limit shall be 20% of this average price rounded to the nearest \$5.

There shall be no trading in Black Sea Wheat Financially Settled (Platts) Futures at a price more than the price limit above or below the previous day's settlement price.

Should two or more Black Sea Wheat Financially Settled (Platts) Futures contract months, excluding the contract month which is in its final settlement price calculation period, settle at limit, the daily price limits for all contract months shall increase by 50 percent the next business day. If no Black Sea Wheat Financially Settled (Platts) Futures contract month settles at the expanded limit the next business day, daily price limits for all contract months shall revert back the following business day to the pre-expansion price limit. There shall be no price limits on a contract month during its final settlement price calculation period. The final settlement price calculation period are all settlement days during the contract month.

#### **14R102.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.

#### **14R102.F. Termination of Trading**

Trading shall cease on the last business day in the contract month which is also a Platts publication date for the price assessment.

#### **14R103. FINAL SETTLEMENT**

Final settlement under the contract shall be by cash settlement. The final settlement price will be the Floating Price calculated for each contract month.

#### **14R104. DISCLAIMER**

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## Chapter 14S

### Black Sea Wheat Financially Settled (Platts) Half Month Futures

#### 14S100. SCOPE OF CHAPTER

The provisions of these rules shall apply to all contracts bought or sold on the Exchange for cash settlement based on the Floating Price. The procedures for trading, clearing and cash settlement of this contract, and any other matters not specifically covered herein shall be governed by the general rules of the Exchange.

#### 14S101. CONTRACT SPECIFICATIONS

The Floating Price for each contract month shall be equal to the arithmetic average of the “FOB Black Sea wheat (Russia, 12.5%)” price assessment published by Platts for each day that it is determined during the settlement period. The Floating Price shall be rounded to the nearest \$0.01.

The settlement period for the first half of the month is the period from the 1st calendar day to the 15th calendar day of the contract month inclusive.

The settlement period for the second half of the month is the period from the 16th calendar day to the last calendar day of the contract month inclusive.

#### 14S102. TRADING SPECIFICATIONS

Contracts shall be offered in half months. The number of contracts open for trading at a given time shall be determined by the Exchange.

##### 14S102.A. Trading Schedule

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

##### 14S102.B. Trading Unit

The contract quantity shall be fifty (50) metric tons.

##### 14S102.C. Price Increments

Prices shall be quoted in U.S. dollars and cents per metric. The minimum price fluctuation shall be \$0.25 per metric ton. The final settlement price shall be rounded to the nearest \$0.01.

##### 14S102.D. Price Limits

Daily price limits for Black Sea Wheat Financially Settled (Platts) Half Month Futures are reset every six months, on the first trading day in May and the first trading day in November. For the May reset, daily settlement prices are collected for the nearest June first half month contract over 45 consecutive trading days before and on the business day prior to April 16th. For the November reset, daily settlement prices are collected for the nearest December first half month contract over 45 consecutive trading days before and on the business day prior to October 16th. The average of these daily settlement prices is calculated, and the new daily price limit shall be 20% of this average price rounded to the nearest \$5.

There shall be no trading in Black Sea Wheat Financially Settled (Platts) Half Month Futures at a price more than the price limit above or below the previous day's settlement price.

Should two or more Black Sea Wheat Financially Settled (Platts) Half Month Futures contract months, excluding the contract month which is in its final settlement price calculation period, settle at limit, the daily price limits for all contract months shall increase by 50 percent the next business day. If no Black Sea Wheat Financially Settled (Platts) Half Month Futures contract month settles at the expanded limit the next business day, daily price limits for all contract

months shall revert back the following business day to the pre-expansion price limit. There shall be no price limits on a contract month during its settlement period.

**14S102.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.

**14S102.F. Termination of Trading**

Trading shall cease on the last business day in the settlement period which is also a Platts publication date for the price assessment.

**14S103. FINAL SETTLEMENT**

Final settlement under the contract shall be by cash settlement. The final settlement price will be the Floating Price calculated for each contract month.

**14S104. DISCLAIMER**

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## **Appendix B**

Position Limits, Position Accountability and Reportable Level Table in Chapter 5 of the CBOT Rulebook  
(attached under separate cover)

## Appendix C

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

(additions are underscored)

Instrument Name	Globex Symbol	Globex Non-Reviewable Ranges (NRR)	NRR: Globex Format	NRR: Ticks
<u>Black Sea Wheat Financially Settled (Platts) Futures</u>	<u>BWF</u>	<u>\$3.50 per metric ton</u>	<u>350</u>	<u>14</u>
<u>Black Sea Wheat Financially Settled (Platts) Half Month Futures</u>	<u>BWH</u>	<u>\$3.50 per metric ton</u>	<u>350</u>	<u>14</u>

Appendix D

CBOT Rule 589. – (“Special Price Fluctuations and Price Limits”) Table

(additions are underscored)

Product	Rulebook Chapter	Commodity Code	Primary/ Associated	Associated With	Base in Real Economic Value	Level
<u>Black Sea Wheat Financially Settled (Platts) Futures</u>	<u>14R</u>	<u>BWF</u>	<u>Primary</u>	<u>Primary</u>		\$40.00 per metric ton
<u>Black Sea Wheat Financially Settled (Platts) Half Month Futures</u>	<u>14S</u>	<u>BWH</u>	<u>Primary</u>	<u>Primary</u>		\$40.00 per metric ton

## **Appendix E**

### **Cash Market Overview and Analysis of the Deliverable Supply**

The Exchange is proposing to launch futures contract based on wheat produced and delivered from the Black Sea region. The proposed Black Sea Wheat futures contracts will be financially settled, and will settle against price assessments published for “FOB Black Sea wheat (Russia, 12.5%)” 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.

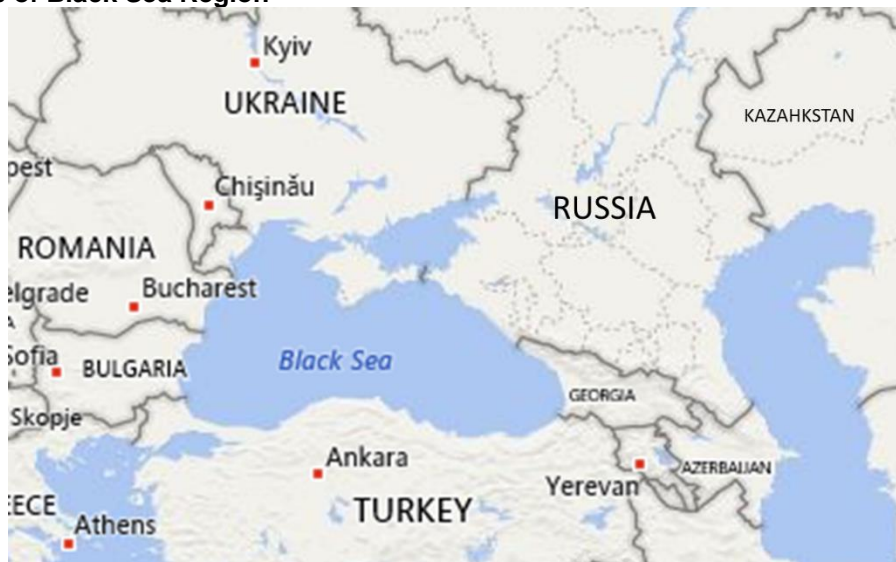
The UN Comtrade Database provides free access to detailed global trade data. UN Comtrade is a repository of official trade statistics and relevant analytical tables. It contains annual trade statistics starting from 1962 and monthly trade statistics since 2010.

Novorossiysk Commercial Sea Port, PJSC, is an operational division of NCSP Group, a Russian company which operates the port of Novorossiysk, and is listed on the MICEX Exchange in Moscow (ticker symbol NMTP) and has GDRs listed on the International section of the London Stock Exchange (ticker symbol NCSP).

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 Wheat 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 is proposing to launch futures contracts based on wheat 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

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

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

Thousand Metric Tons

	2013/14	2014/15	2015/16	2016/17
Russia <sup>A</sup>	52,091	59,080	61,044	72,529
Ukraine <sup>A</sup>	22,278	24,750	27,274	26,800
Turkey <sup>A</sup>	18,750	15,250	19,500	17,250
Kazakhstan <sup>A</sup>	13,941	12,996	13,748	14,985
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Bulgaria <sup>B</sup>	5,505	5,347	5,140	5,798
Romania <sup>B</sup>	7,296	7,585	7,962	8,431
<b>Total</b>	<b>119,861</b>	<b>125,008</b>	<b>134,669</b>	<b>145,793</b>

Notes: A: data source: USDA, wheat production, data on a July-June local marketing year basis (June-May for Turkey)<sup>1</sup>

B: data source: Eurostat, wheat and spelt production, data on a calendar year basis<sup>2</sup>

<sup>1</sup> See USDA publication “Grain: World Markets and Trade” <https://apps.fas.usda.gov/psdonline/circulars/grain.pdf>. Data taken from September 2017 publication.

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

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

Thousand Metric Tons

	2013	2014	2015	2016
Bulgaria	3,660.3	2,839.9	3,243.4	4,414.2
Georgia	150.0	39.8	0.7	5.0
Kazakhstan	5,100.2	4,208.2	3,635.9	4,448.0
Rep. of Moldova	312.4	420.2	303.8	662.0
Romania	4,773.3	4,965.4	3,555.3	6,994.0
Russian Federation	13,796.3	22,139.3	21,234.2	25,326.8
Turkey	275.1	68.6	68.8	26.5
Ukraine	7,762.3	10,543.8	13,451.8	17,921.0
<b>Total</b>	<b>35,830.0</b>	<b>45,225.2</b>	<b>45,493.9</b>	<b>59,797.5</b>

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, 131 destination countries are identified over recent years. Egypt is the largest importer of wheat from the region, receiving 19.5% of all reported exports in 2016. Other large importers in 2016 were Turkey, Bangladesh, Nigeria, Spain and Vietnam. 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 12.5% of exports can be identified in this way<sup>4</sup>.

Table 3 provides data on regional imports of wheat.

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

Thousand Metric Tons

	2013	2014	2015	2016
Bulgaria	53.4	46.2	42.8	55.8
Georgia	1,309.2	1,133.7	1,077.9	912.5
Kazakhstan	2.6	22.8	124.8	59.8
Rep. of Moldova			1.9	1.7
Romania	1,359.7	1,341.8	1,304.5	4,311.9
Russian Federation	1,826.7	793.8	807.3	1,159.8
Turkey	8,106.0	10,570.5	8,699.6	8,451.6
Ukraine	3.6	3.6	4.5	2.3
<b>Total</b>	<b>12,662.0</b>	<b>13,913.2</b>	<b>12,063.3</b>	<b>14,955.4</b>

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.

<sup>3</sup> See <https://comtrade.un.org/data/> using HS Code 1001

<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 1001

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

Thousand Metric Tons

	2013/14	2014/15	2015/16	2016/17
Russia	34,100	35,500	37,000	40,000
Turkey	17,750	17,500	18,000	17,400
Ukraine	11,500	11,500	12,200	10,300
Total	63,350	64,500	67,200	67,700

data source: USDA, wheat consumption data on a July-June local marketing year basis (June-May for Turkey)<sup>6</sup>

Given its geographical size and position, data for Russian wheat must be examined more closely, to better identify the volumes that are relevant to the Black Sea region. As assessed by the USDA, Russia supports both a winter wheat crop and a spring wheat crop. The growing areas for these crops are distinct, and are described by the USDA in the following graphic.

**Figure 2: Location of Winter and Spring Wheat Production in 2016**



source: USDA<sup>7</sup>, Red areas are winter wheat production, green areas are spring wheat production  
darker colors indicate higher production.

It is clear that the winter wheat production areas are in close proximity to the Black Sea, and are likely to be more relevant for the Black Sea export market. The USDA provides a breakdown of Russian wheat production as follows:

<sup>6</sup> See USDA publication “Grain: World Markets and Trade” <https://apps.fas.usda.gov/psdonline/circulars/grain.pdf>. Data taken from September 2017 publication.

<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)

**Table 5: Russian Wheat Production**

Thousand Metric Tons

	2013	2014	2015	2016
Winter Wheat	35,925	41,639	41,322	51,542
Spring Wheat	16,166	17,441	19,722	20,987
Total	52,091	59,081	61,044	72,529

source: USDA<sup>8</sup>, based on data from Rosstat, the Russian Federal Statistical Service

In recent years, winter wheat has represented 70% of the total Russian crop.

The USDA also provides information on the quality distribution of Russian wheat. In both domestic production and the export market, Class 4 wheat is the main source of supply. In the 2016/17 season, the USDA states that Class 4 quality wheat contributed 50.1% of production and 82.5% of exports<sup>9</sup>. In 2016/17 Class 4 wheat had an average protein content of 12.1%, with the average protein content in Class 4 exports being 12.3%. Class 3 wheat, with higher protein content, contributed 22.7% of production and 12.6% of exports. Class 5 wheat, which has lower protein and is considered feed quality, contributed 27.2% of production and 4.9% of exports.

The proposed contracts are to be cash settled with reference to a Platts price assessment for export cargoes of wheat from the Black Sea, using the port of Novorossiysk as the pricing reference point. The Platts methodology notes that “In the absence of representative FOB Novorossiisk price information, Platts may also refer to other Black Sea ports or CFR prices in relevant destinations and will use prevailing spot freight rates and origin adjustments to normalize to FOB Novorossiisk”<sup>10</sup>.

The export market is facilitated by numerous local and international firms who procure wheat 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. Wheat 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.

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 July, with larger export volumes in the months that follow, and lower export volumes in the months leading up to July. The Port of Novorossiysk publishes monthly data in on shipment volumes, which can be used as a guide to the seasonal nature of the business, as shown in Table 6.

<sup>8</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)

<sup>9</sup> See USDA Publication “Quality of Wheat Crop in Russia in 2016”  
[https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Quality%20of%20Wheat%20Crop%20in%20Russia%20in%202016\\_Moscow\\_Russian%20Federation\\_3-2-2017.pdf](https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Quality%20of%20Wheat%20Crop%20in%20Russia%20in%202016_Moscow_Russian%20Federation_3-2-2017.pdf)

<sup>10</sup> Platts Grains Methodology at <https://www.platts.com/methodology-specifications/agriculture>  
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**Table 6: Novorossiysk Grain Cargo Shipments**  
 Thousand Metric Tons

	2014	2015	2016	2017
Jan	378	513	477	828
Feb	473	357	663	741
Mar	602	493	560	956
Apr	653	303	460	1018
May	397	454	198	594
Jun	37	421	64	259
Jul	550	568	394	765
Aug	985	856	726	1189
Sep	962	535	506	
Oct	794	769	777	
Nov	794	611	919	
Dec	810	836	944	

source: Novorossiysk Commercial Sea Port, PJSC<sup>11</sup>

This data shows that the month of June has the smallest delivery volumes, which is consistent with the crop cycle. The average volume for the month of June in the past four years is 195,000 tons, which is 32% of the average for all months for the period shown in Table 6.

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<sup>11</sup> See <http://www.nmtp.info/en/>  
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## DELIVERABLE SUPPLY ANALYSIS

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

Table 2 above provides gross data on wheat exports. For consistency purposes, this table can be augmented with the estimate for Ukrainian exports for 2016 based on USDA data. Data for Russian exports is reduced by 30% to reflect the proportion of the national crop which is winter wheat – this is the proportion which produced relatively close to the Black Sea. In addition, export data for all nations is reduced by 12.5% in order to reflect exports that are likely shipped by seaborne vessels. With these reductions, adjusted exports volumes can be assessed as follows:

**Table 7: Adjusted Black Sea Regional Wheat Exports**  
Thousand Metric Tons

	2013	2014	2015	2016
Bulgaria	3,202.8	2,484.9	2,838.0	3,862.4
Romania	4,176.6	4,344.7	3,110.9	6,119.8
Russian Federation	8,450.2	13,560.3	13,005.9	15,512.7
Ukraine	6,792.0	9,225.8	11,770.3	13,084.4
Total	22,621.6	29,615.8	30,725.1	38,579.2

data source: CME Group

The adjusted export volumes described in Table 7 represent the Exchange’s assessment of deliverable supply. The average yearly total export volume for the three years 2013-2015 is 27.65 million metric tons, and the average yearly total export volume for the three years 2014-2016 is 32.97 million metric tons. No adjustment is required to reflect long term supply arrangements in this market. No adjustment is made with respect to quality, as the Platts methodology states that “Wheat of other origin or with higher or lower protein content may be considered, but normalized back to Russian origin 12.5% protein”.

On a monthly basis, deliverable supply is assessed as 2.75 million metric tons using the 2014-2016 period. The contract size of the proposed new futures contracts is 50 metric tons. Deliverable supply is therefore equivalent to 54,955 contracts per month.

In order to account for seasonality, deliverable supply is reduced to 30% of this value, reflecting the seasonal structure shown in Table 6. Seasonal minimum deliverable supply is therefore equivalent to 16,486 contracts per month. Position limits for contracts are being set at 2,500 lots, equal to 15.2% of the seasonal minimum deliverable supply.