

February 15, 2013

VIA E-MAIL

Ms. Melissa Jurgens
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, DC 20581

**RE: Regulation 40.2(a) and 40.6(a) Certification. Notification
Regarding the Listing of Ethanol Forward Month Futures
Contract and the Delisting of Ethanol Forward Month Swaps
CBOT Submission 13-046**

Dear Ms. Jurgens:

The Board of Trade of the City of Chicago, Inc. ("CBOT" or the "Exchange") is notifying the Commodity Futures Trading Commission ("CFTC" or "Commission") that it is self-certifying the listing of a new Denatured Fuel Ethanol Forward Month Futures contract ("Ethanol Forward Futures") for trading on Globex beginning at 5 p.m. Central Time on Sunday, February 24, 2013, for trading date February 25, 2013.

CBOT is also notifying the Commission that it is self-certifying the delisting of the Denatured Fuel Ethanol Forward Month Swaps (Clearing Only) contract ("Ethanol Forward Swaps") pursuant to CFTC Regulation 40.6, *provided, however*, that the delisting become effective contemporaneous with the listing of the Ethanol Forward Futures contract beginning at 5 p.m. CT on Sunday, February 24, 2013, for trade date February 25, 2013. As discussed below, the delisting of the Ethanol Forward Swaps will not have an impact on current open interest in the Ethanol Forward Swaps.

CONTRACT SPECIFICATIONS

- **Contract Title:** Denatured Fuel Ethanol Forward Month Futures
- **Commodity Code:** 71
- **Contract Size:** 14,500 Gallons
- **Prices and Fluctuations:** Minimum price tick = \$0.0001 per gallon; Value per tick = \$1.45 per gallon
- **Termination of Trading:** The last business day of the contract month.
- **Listing Schedule:** For each CBOT Denatured Fuel Ethanol futures contract that is listed, a CBOT Denatured Fuel Ethanol Forward Month futures contract is listed that has an expiration date one month prior to the corresponding futures contract.
- **First Listed Month:** February 2013

- **Rule Chapter:** 16E
- **Exchange Hours:**

CME Globex: Sunday – Friday 6:00 p.m. – 3:00 p.m. (5:00 p.m. – 2:00 p.m. Chicago Time/CT).

CME ClearPort: Sunday – Friday 6:00 p.m. – 5:15 p.m. (5:00 p.m. – 4:15 p.m. Chicago Time/CT) with a 45-minute break each day beginning at 5:15 p.m. (4:15 p.m. CT)

FEE SCHEDULE

Level	Account Owner	Execution Type	Platform	Exchange Fee
Individual Member				
1	Individual Members	Member Trading Own Account	Open Auction	N/A
			Electronic	0.14
	Individual Delegates	Delegate Trading Own Account	Open Auction	N/A
			Electronic	0.29
Equity Members (Individual Equity members, Clearing Firms and Equity Firms)				
2	Equity Members ¹	Member or Delegate	Open Auction	N/A
			Electronic	0.14
	Equity Members ¹	Non Member	Open Auction	N/A
			Electronic	0.45
	(Exception) Rule 106.S. Family of Funds Equity Member Firms	Member, Delegate or Non Member	Open Auction	N/A
			Electronic	0.45
Level	Account Owner		Platform	Exchange Fee
Trading Members (Individual Non-Equity Members and Non-Equity Member Firms)				
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		Open Auction	N/A
			Electronic	0.75
			Open Auction	N/A
			Electronic	0.90
	Rule 106.S. Family of Funds Equity Member Firms		Open Auction	N/A
			Electronic	0.75
Electronic Corporate Member Firms				
4	Electronic Corporate Members		Electronic	0.90
Non Members				
	International Incentive Program		Electronic	0.75
5	Int'l; Asian; Latin American Bank & Latin American Fund Manager Incentive Programs		Electronic	1.29
			Open Auction	N/A
	Non Members		Electronic	1.75

Other Processing Fees	Rate
Ex-Pit Surcharge (EFP)	\$0.75
Ex-Pit Surcharges (EFR)	\$1.25
Ex-Pit Surcharges (Block)	\$1.25
Fungibility & Directed Fungibility Surcharge (currently applies to Dow and Ag)	N/A
Clearing Fees ¹	\$0.06
Position Adjustments /Position Transfers	\$0.10

CBOT Rule Chapter 16E (Denatured Fuel Ethanol Forward Month Futures) is attached as Appendix A.

A. Non-Reviewable Ranges

The Exchange also notifying the CFTC that it is self-certifying the insertion of the non-reviewable ranges (“NRR”) for the Ethanol Forward Futures into Rule 588.H. Because Ethanol Forward Futures will be listed on CME Globex, the Exchange has set a non-reviewable trading range of four cents (\$0.04) per gallon (see Appendix B).

B. Speculative Position Limits

In addition, the Exchange is notifying the CFTC that it is self-certifying the insertion of the terms and conditions for the Ethanol Forward Futures into the Position Limit, Position Accountability and Reportable Level Table and Header Notes located in the Interpretations and Special Notices Section of Chapter 5 of the CBOT Rulebook in relation to the listing of the new contract. The terms and conditions establish the all month/any one month accountability levels, expiration month position limits, reportable levels and aggregation allocation for the new contract. Pursuant to listing the Ethanol Forward Futures on Globex, the Exchange will impose position limits consistent with the requirements of Commission Regulation 150.5, and further aggregate positions in the Ethanol Forward Futures, its referencing contract and options on the referencing contract—Denatured Fuel Ethanol Futures (“Ethanol Futures”) and Standard Options on Denatured Ethanol Futures (“Ethanol Futures Options”), respectively—for single- and all-month position limits. Because Ethanol Futures contain spot-month position limits on the final two days that the Ethanol Forward Futures will trade, the Exchange plans to implement aggregate spot-month limits for Ethanol Forward Futures, consistent with Ethanol Futures spot-month limits, on the contract’s final two trading days. Additionally, because of the averaging nature of Ethanol Forward Futures, Diminishing Balances shall apply to these contracts.¹

¹ Consistent with many NYMEX energy-based calendar swaps, the concept of Diminishing Balances will be adopted for Ethanol Forward Futures. Diminishing Balance contracts are those whose front-month open positions, as counted for position limit purposes, diminish as the contract month progresses toward expiration. An Asian-style contract’s final settlement is the monthly average of its referencing futures contract’s daily settlement prices. Thus, for each additional day in the final month of trade, that day’s portion of the contract’s final settlement is determined and one fewer futures settlement remains undetermined. Diminishing Balances takes into consideration that as the final trading month progresses, the contract’s final settlement becomes more certain, and only the proportion of positions held in the contract that remain uncertain should be counted for position limit purposes. For example, someone

For aggregated single- and all-month speculative position limits, average month-end open interest was calculated for Ethanol Futures and Ethanol Forward Swaps (in Ethanol Futures contract equivalents). The average month-end open interest in 2012 calculated in this manner was 28,355 contracts. Using the formula at Commission Regulation 150.5 (c) that takes ten percent (10%) of the first 25,000 of average month-end open interest and adding two and one-half percent (2.5%) of the remaining open interest results in a maximum possible single- and all-month speculative position limit of 2,584 contracts in Ethanol Futures and Ethanol Forward Futures. The Exchange is implementing aggregated single- and all-months combined position limits of 2,500 contracts. For purposes of calculating a holder's net position in either Ethanol Futures or Ethanol Forward Futures, all positions held in Ethanol Futures, Ethanol Forward Futures, and futures-equivalents on either contract will be aggregated. Proposed modifications to the CBOT Rulebook Chapter 5 Position Limit, Position Accountability, and Reportable Level Table are listed at Appendix C.²

C. Open Interest and Margin

As noted above, the delisting of the Ethanol Forward Swaps will have no impact on the open interest in that product. Upon the listing the Ethanol Forward Futures, all open interest in the Ethanol Forward Swaps will be automatically be held in the Ethanol Forward Futures account at the Exchange clearing house. As the new Ethanol Forward Futures will have the same commodity code as that of the delisted Ethanol Forward Swaps, any open interest held in the Ethanol Forward Swaps will automatically be held in the new Ethanol Forward Futures contract. Additionally, there will be no impact to the value of open interest as the financial terms and conditions of the Ethanol Forward Swaps and the Ethanol Forward Futures contracts are identical. Although the Ethanol Forward Swap is cleared as a swap product, the clearing house received a Commission order pursuant to Section 4d of the Commodity Exchange Act ("CEA"),³ permitting customer margin funds from Ethanol Forward Swaps to be commingled with customer funds from futures trades. Since the Ethanol Forward Swap funds are currently held in Section 4d accounts, the margins in the accounts are currently being treated as futures margins; therefore, the margining will remain unchanged.

D. Core Principle Analysis

CBOT business staff and the CBOT legal department collectively reviewed the designated contract market core principles ("Core Principles") as set forth in the CEA. During the review, CBOT staff identified that the proposed conversion may impact the following Core Principles:

holding 100 short Ethanol Forward Futures contracts in a final trading month with 20 business days would see their open position for position limit purposes diminish by 1/20 or 5 contracts per day.

² Also included in Appendix C is the elimination of Footnote #15 in the Position Limit, Position Accountability, and Reportable Level Table. CBOT Ethanol futures used to have two underlying option products; standard Options of Ethanol futures and Cash-Settled Options on Ethanol futures. The standard options have position limits while the cash-settled options have position accountability. Footnote #15 differentiated how both of these options' position limits and position accountability were counted. Cash-Settled Options on Ethanol Futures have been delisted, however, and this footnote is no longer needed.

³ 7 U.S.C. § 6d.

- Prevention of Market Disruption: Trading in Ethanol Forward Futures will be subject to CBOT Rule Chapters 4 and 7, which include prohibitions on manipulation, price distortion and disruptions of the delivery or cash-settlement process. As with all products listed for trading on one of CME Group's designated contract markets, activity will be subject to monitoring and surveillance by CME Group's Market Regulation Department.
- Contracts not Readily Subject to Manipulation: Ethanol Forward Futures will not be readily subject to manipulation due to the liquidity and robustness in the underlying cash market, which provides diverse participation and sufficient spot transactions to support the underlying market. An overview of the cash market and analysis of deliverable supply for ethanol is attached as Appendix D.
- Execution of Transactions: The Ethanol Forward Futures will be listed for trading on CME Globex. The CME Globex platform provides a transparent, open, and efficient mechanism to electronically execute trades on screen. Establishing a non-reviewable trading range for Globex trades in the product facilitates price discovery in the product by encouraging narrow bid/ask spreads.
- Position Limitations or Accountability: The aggregated spot month and all months combined speculative position limits for the Ethanol Forward Futures and referencing contracts are below the threshold established by Commission Regulation 150.5(c). Additionally, subjecting the Ethanol Forward Futures to end-of-the-month spot limits consistent with those of the referencing contract reduces the threat of manipulation and congestion as the delivery month approaches. Options on the Ethanol Forward Futures have a Position Accountability limit with reportable levels at twenty-five (25) contracts. This level is consistent with previous levels for cleared-only options on ethanol futures contracts.
- Compliance with Rules: Trading in Ethanol Forward Futures will be subject to the full range of trade practice rules in the CBOT Rule Chapters, including all monitoring, surveillance, and enforcement provisions.
- Availability of General Information: The Exchange will publish information on the Ethanol Forward Future's terms and conditions, trading rules, and specifications on its website.
- Daily Publication of Trading Information: Trading volume, open interest and price information for the Ethanol Forward Futures will be published daily on the Exchange's website.
- Financial Integrity of Transactions: All transactions in these products will be cleared by CME Clearing, a derivatives clearing organization ("DCO") registered with the Commission. Transactions submitted to CME Clearing are subject to the financial integrity requirements applicable to DCOs and are guaranteed by the clearing house and its clearing members.
- Protection of Market Participants: CBOT Rule Chapters 4 and 5 contain multiple prohibitions precluding intermediaries from disadvantaging their customers. These rules apply to trading on all of the Exchange's competitive trading venues and will be applicable to transactions in these products.
- Disciplinary Procedures: Rule Chapter 4 empowers the Exchange to discipline, suspend or expel members or market participants that violate the rules. Trading in these 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 this product are identified.
- Dispute Resolution: Disputes with respect to trading this contract will be subject to the arbitration provisions set forth in CBOT Rule Chapter 6. The rules in Chapter 6 allow all non-members to submit to arbitration a claim for financial losses resulting from transactions

on the Exchange. A member named as a respondent in a claim submitted by a nonmember is required to participate in the arbitration pursuant to the rules in 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 CEA and CFTC Regulations 40.2 and 40.6, the Exchange hereby certifies that the listing of the new futures and delisting of the existing swap comply with the CEA and applicable CFTC Regulations thereunder. The Exchange is not aware of any substantive opposing views to the proposed listing.

The delisting of the Ethanol Forward Swap product chapter is reflected in Appendix E.

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>.

If you require any additional information regarding this action, please contact me at (212) 299-2200 or Christopher.Bowen@cmegroup.com, and reference CBOT Submission 13-046 in any related correspondence.

Sincerely,

/s/ Christopher K. Bowen
Managing Director and Chief Regulatory Counsel

Attachments: Appendix A: CBOT Rule Chapter 16E
Appendix B: CBOT Rule 588.H - Globex Non-Reviewable Trading Ranges
Appendix C: CBOT Position Limit, Position Accountability and Reportable Level
Table
Appendix D: Cash Market Overview and Analysis of Deliverable Supply
Appendix E: Delisting CBOT Rule Chapter 16C

Appendix A

Chapter 16E Denatured Fuel Ethanol Forward Month Futures

16E00. SCOPE OF CHAPTER

This chapter is limited in application to Denatured Fuel Ethanol Forward Month Futures. The procedures for trading, clearing, and settlement not specifically covered herein or in Chapter 7 shall be governed by the general rules of the Exchange

16E01. CONTRACT SPECIFICATIONS

16E01.A. Unit of Trade

The unit of trade shall be 14,500 gallons of Denatured Fuel Ethanol.

16E01.B. Hours

The Exchange shall determine the hours during which Denatured Fuel Ethanol Forward Month Futures may trade.

Positions shall be initiated or closed out using off-exchange transactions.

16E01.C. Minimum Price Increments

Minimum price fluctuations shall be in multiples of one hundredth of one cent (\$0.0001) per gallon which shall equal \$1.45 per contract. Contracts shall not be made on any other price basis.

16E01.D. Months Cleared

Trading of Denatured Fuel Ethanol Forward Month Futures is regularly conducted in all twelve months, but shall be permitted in the current delivery month and any succeeding months. The number of months in which trade may occur shall be at the discretion of the Exchange.

16E01.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.

16E01.F. Last Trading Day

The last day of trading of Denatured Fuel Ethanol Forward Month Futures deliverable in the current delivery month shall be the final settlement day as prescribed in Rule 16E05.

16E01.G. Liquidation during the Delivery Month

After trading of Denatured Fuel Ethanol Forward Month Futures in the current delivery month has ceased, in accordance with Rule 16E01.F. of this chapter, outstanding contracts for such delivery shall be liquidated by cash settlement as prescribed in Rule 16E02.

16E02. DELIVERY

Delivery against Denatured Fuel Ethanol Forward Month Futures must be made through the Clearing House. Delivery under these rules shall be on the final settlement day (as described in Rule 16E05) and shall be accomplished by cash settlement.

Clearing members holding open positions in Denatured Fuel Ethanol Forward Month Futures at the time of termination of trading shall make payment to and receive payment through the Clearing House in accordance with normal variation settlement procedures based on a settlement price equal to the final settlement price (as described in Rule 16E03.).

16E03. FINAL SETTLEMENT PRICE AND DAILY SETTLEMENT DURING THE LAST MONTH OF TRADING⁴

The final settlement price shall be determined on the final settlement day. The final settlement price shall be the cumulative average of the settlement prices for the Denatured Fuel Ethanol futures contract following the Denatured Fuel Ethanol Forward Month Futures contract month for each trading day in the Denatured Fuel Ethanol Forward Month Futures contract month.

For example, final settlement for a May Denatured Fuel Ethanol Forward Month Futures would be the cumulative average of the daily settlement prices for the June Denatured Fuel Ethanol futures contract during the month of May.

Daily settlement during the last month of trading shall be the cumulative average of each settlement price of the corresponding CBOT Denatured Fuel Ethanol futures contract following the Denatured Fuel Ethanol Forward Month Futures contract month weighting the current day's settlement price across each remaining trading day.

For example, the calculation of the daily settlement price for a May Denatured Fuel Ethanol Forward Month Futures on the third business day in May in a May with 20 trading days and with respective settlement prices for the corresponding June Denatured Fuel Ethanol futures at \$2.00, \$2.10, and \$2.20 per gallon would weight the average of \$2.00 and \$2.10 (\$2.05) at 2/20ths and weight the current day's settlement of \$2.20 at 18/20ths. In this example, settlement on the third day of trading in the final month of trade would be \$2.185 per gallon.

16E04. DAILY SETTLEMENT PRICE

Daily settlement other than settlement on the final settlement day (as described in Rule 16E05.) or during the last month of trade shall be the settlement price for the CBOT Denatured Fuel Ethanol futures contract following the Denatured Fuel Ethanol Forward Month Futures contract month on that day.

16E05. FINAL SETTLEMENT DAY

The final settlement day shall be defined as the last business day of the contract month.

16E06. DISPUTES

All disputes between interested parties may be settled by arbitration as provided in the Rules.

⁴ Revised October 2010.

Appendix B

Globex Non-Reviewable Trading Ranges

588.H. Globex Non-Reviewable Trading Ranges

<u>Instrument</u>	<u>Non-Reviewable Range (NRR) in Globex Format</u>	<u>NRR including Unit of Measure</u>	<u>NRR Ticks</u>
<u>Ethanol Forward Futures</u>	<u>400</u>	<u>\$0.04 per gallon</u>	<u>400</u>

Appendix C

Amendment to CBOT POSITION LIMIT, POSITION ACCOUNTABILITY AND REPORTABLE LEVEL TABLE (Chapter 5):

CONTRACT NAME	Opts	SCALE-DOWN SPOT MONTH	SPOT MONTH	SINGLE MONTH	ALL MONTHS COMBINED	POSITION ACCOUNTABILITY Futures/Options	REPORTABLE FUTURES LEVEL	REPORTABLE OPTIONS LEVEL
AGRICULTURAL								
Denatured Fuel Ethanol Futures (see #14)	Y		200 (aggregate, see #6)	[1,000] 2,500 (aggregate, see #6)	[1,000] 2,500 (aggregate, see #6)	N/A [/-25 (see #15)]	25	25 (see #15)
Denatured Fuel Ethanol Forward Month [Swap] Futures (see #14)	Y	[N/A]	[N/A] 200 (aggregate, see #2, #4, #6)	[N/A] 2,500 (aggregate, see #6)	[N/A] 2,500 (aggregate, see #6)	[25/N/A / 25]	25	25

- #1 Additional futures contracts may be held outside of the spot month as part of futures/futures spreads within a crop year provided that the total of such positions, when combined with outright positions, do not exceed the all months combined limit. In addition, a person may own or control additional options in excess of the futures-equivalent limits provided that those option contracts in excess of the futures-equivalent limits are part of an eligible option/futures spread.
- #2 **[Reserved] Diminishing balances shall apply during the last trading month, with diminishing balances counted toward position limits as the trading month progresses toward contract expiration.**
- #3 The futures-equivalents for both the options (in all strike prices) and futures contracts are aggregated to determine compliance with these net position limits.
- #4 **[Reserved] Spot month limits effective at the close of trade on the business day prior to the last trading day.**
- #5 In the last five trading days of the expiring futures month, the speculative position limit for the July futures month will be 200 contracts and for the September futures month the limit will be 250 contracts.
- #6 **[Reserved] All open positions in Denatured Fuel Ethanol Futures, Denatured Fuel Ethanol Forward Month Futures, and options on Denatured Fuel Ethanol Futures (in all strike prices) are aggregated for purposes of these position limits.**
- #7 [Reserved]
- #8 In the last five trading days of the expiring futures month in May, the speculative position limit will be 600 contracts if deliverable supplies are at or above 2,400 contracts, 500 contracts if deliverable supplies are between 2,000 and 2,399 contracts, 400 contracts if deliverable supplies are between 1,600 and 1,999 contracts, 300 contracts if deliverable supplies are between 1,200 and 1,599 contracts, and 220 contracts if deliverable supplies are below 1,200 contracts. Deliverable supplies will be determined from the CBOT's Stocks of Grain report on the Friday preceding the first notice day for the May contract month. For the purposes of this Appendix, one mini-sized Wheat contract shall be deemed to be equivalent to one-fifth of a corresponding Wheat contract.
- #9 The aggregate position limit in DJIA Index (\$25 multiplier) futures, mini-sized Dow (\$5 multiplier) futures and options, and DJIA Index futures and options is 50,000 DJIA Index futures contracts, net long or net short in all contract months combined. For the purposes of this appendix:

- One DJIA Index futures contract shall be deemed to be equivalent to two mini-sized Dow (\$5 multiplier) contracts.
 - One DJIA Index (\$25 multiplier) futures contract shall be deemed to be equivalent to five mini-sized Dow (\$5 multiplier) contracts.
 - Two DJIA Index (\$25 multiplier) futures contracts shall be deemed to be equivalent to five DJIA Index futures contracts.
- #10 The net long or net short positions in Corn, Soybeans, or Wheat contracts may not exceed their respective position limits. The net long or net short positions in mini-sized Corn, mini-sized Soybeans, or mini-sized Wheat contracts may not exceed their respective position limits. The aggregate long or short positions in Corn and mini-sized Corn, Soybeans and mini-sized Soybeans, or Wheat and mini-sized Wheat contracts may not exceed their respective position limits. There shall be no netting between mini- and full-sized contracts for position limit purposes. For the purposes of this Appendix, one mini-sized Corn, one mini-sized Soybean, or one mini-sized Wheat contract shall be deemed to be equivalent to one-fifth of a corresponding Corn, Soybeans, or Wheat contract.
- #11 The reporting level for the primary contract is separate from the reporting level for the mini-sized contract. Positions in any one month at or above the contract level indicated trigger reportable status. For a person in reportable status, all positions in any month of that contract must be reported. For the purposes of this Appendix, positions are on a contract basis.
- #12 Reserved
- #13 In the last ten trading days of the expiring futures month, the following position limits in the expiring contract will apply: U.S. Treasury Bonds – 25,000 contracts; U.S. Treasury Notes (6½ - 10 Year) – 60,000 contracts; U.S. Treasury Notes (5 Year) – 45,000 contracts; U.S. Treasury Notes (2 Year) – 25,000 contracts. No hedge exemptions will be permitted with respect to these limits.
- #14 Net Futures Equivalent Position limit applies to Denatured Fuel Ethanol futures, ~~and~~ Denatured Fuel Ethanol Standard Options, and Denatured Fuel Ethanol Forward Month Futures only.
- #15 [Reserved] ~~[Position Accountability applies to Cash-Settled Ethanol Options only. Reportable Option Levels applies to both Standard Ethanol Options and Cash-Settled Ethanol Options.]~~

Appendix D

Cash Market Overview and Analysis of Deliverable Supply

Cash Market Overview:

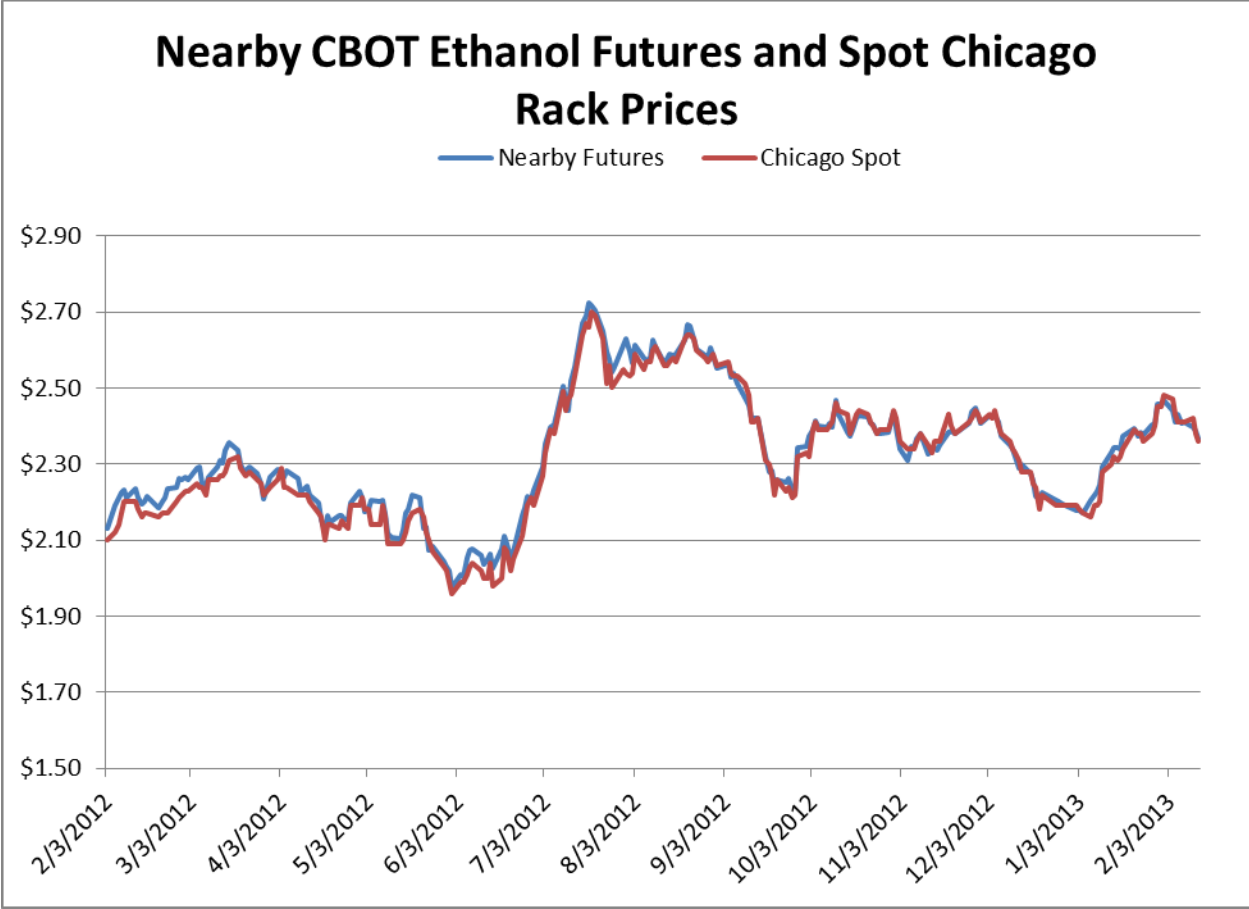
Ethanol is a renewable fuel used by the oil industry to formulate finished gasoline products and as an oxygenate to reduce tailpipe emissions. The United States produces around 14 billion gallons of ethanol annually, which makes up 10 percent of domestic fuel supplies

The CBOT Denatured Fuel Ethanol Forward Month futures contract is based on the physically delivered CBOT Denatured Fuel Ethanol futures contract. CBOT Denatured Fuel Ethanol futures have a unique delivery mechanism that allows virtually any U.S. Ethanol production facility to become a regular delivery facility although delivery is basis the buyer's Chicago region fuel terminal. Chicago is a major ethanol destination, and the Ethanol futures contract prices the Chicago ethanol market by capturing trade within the Chicago region and trade from outside the Chicago region to within the Chicago region. Market participants indicate that once ethanol arrives in the Chicago region, it is very rare for it to be shipped to other locations outside the region.

Illinois ethanol consumption is estimated at 479,472,000 gallons by the U.S. Department of Energy: <http://apps1.eere.energy.gov/states/transportation.cfm/state=IL>

Based on 2010 census data, the Chicago Metropolitan Region makes up approximately 73 percent of the population of the state of Illinois. Energy consumption including gasoline and ethanol is highly correlated with population, so ethanol consumption in the Chicago Metro Region is likely close to 73 percent of Illinois consumption or 350,014,560 gallons. On average, 958,944 gallons of ethanol are consumed daily in the Chicago region.

Since February 2008, the front-month CBOT Ethanol futures contract has traded as high as \$3.068 per gallon on 7/26/2011 and as low as \$1.398 on 12/5/2008. The average price over this time has been \$2.13 per gallon and the average annualized 20-day moving average historical volatility has been 27 percent. Below is a chart showing front-month CBOT Ethanol futures settlement prices and spot Chicago rack prices.



Deliverable Supply Analysis:

Physically-delivered CBOT Denatured Fuel Ethanol futures, which underlie the cash-settled CBOT Denatured Fuel Ethanol Forward Month Futures, have a unique delivery mechanism that allows virtually any U.S. Ethanol production facility to become a regular delivery facility even though delivery is basis a buyer’s Chicago region fuel terminal. Thus, contract terms define a delivered product but allow most ethanol production facilities eligibility to become regular delivery facilities. The contract also allows firms to register storage capacity in the Chicago region for delivery.

Regular Ethanol Delivery Facilities (Production Facilities)

Firm	Location	Maximum Certificates Deliverable
AGP Corn Processing, Inc.	Hastings, NE	67
Cargill, Inc.	Eddyville, IA	79
Cargill, Inc.	Blair, NE	180

Ethanol Products, LLC	Emmetsburg, IA	148
Ethanol Products, LLC	Hudson, SD	183
Archer Daniels Midland Co.	Marshall, MN	98
Archer Daniels Midland Co.	Peoria, IL	202
Archer Daniels Midland Co.	Columbus, NE	185
Archer Daniels Midland Co.	Clinton, IA	478
Archer Daniels Midland Co.	Walhalla, ND	36
Noble Americas Corp.	Steamboat Rock, IA	71
Badger State Ethanol, LLC	Monroe, WI	60
Aventine Renewable Energy, LLC	Pekin, IL	189
Nebraska Energy, LLC	Aurora, NE	95
Louis Dreyfus Commodities, LLC	Norfolk, NE	110
Louis Dreyfus Commodities, LLC	Grand Junction, IA	260
Big River Resources, LLC	W. Burlington, IA	165
Lincolnland Agri-Energy LLC	Palestine, IL	124
The Andersons Inc.	Albion, MI	86
The Andersons Inc.	Logansport, IN	157
The Andersons Inc.	Greenville, OH	157
Cornhusker Energy Lexington, LLC	Lexington, NE	78
Green Plains Holdings II, LLC	Lakota, IA	145
Green Plains Holdings II, LLC	Riga, MI	72
Green Plains Shenandoah, LLC	Shenandoah, IA	96
Green Plains Superior, LLC	Superior, IA	96
Green Plains Obion, LLC	Rives, TN	163
Green Plains Bluffton, LLC	Bluffton, IN	163

Green Plains Ord, LLC	Ord, NE	88
Green Plains Central City, LLC	Central City, NE	122
Green Plains Otter Tail, LLC	Fergus Falls, MN	104
TOTAL		4257

Regular Ethanol Delivery Facilities (Storage Facilities)

Firm	Location	Maximum Certificates Deliverable
Flint Hills Resources Grain	Argo, IL	245
Cargill, Inc.	Argo, IL	64
Ethanol Products, LLC	Argo, IL	117
Archer Daniels Midland Co.	Argo, IL	195
BP Corporation North America Inc.	Forest View, IL	46
Noble Americas Corp.	Argo, IL	216
Louis Dreyfus Commodities, LLC	Argo, IL	70
U.S. Venture, Inc.	Argo, IL	40
Lansing Ethanol Services, LLC	Argo, IL	103
AGP Corn Processing, Inc.	Argo, IL	41
Murex N.A. Ltd.	Argo, IL	30
Kempler & Co., Inc.	Argo, IL	66
Vitol, Inc.	Argo, IL	59
Gavilon, LLC	Argo, IL	164
Center Oil Company	Argo, IL	44
Atlas Oil Company	Argo, IL	44
TOTAL		1544

As of January 2013, the CBOT Denatured Fuel Ethanol Futures contract has a total of 5,801 contracts (168.2 million gallons) of delivery capacity with 4,257 contracts (123.4 million gallons) from production facilities and 1,544 contracts (44.8 million gallons) from storage facilities in the Chicago region.

Deliverable Supply:

Ethanol production facilities that become regular for delivery are allowed to register up to 15 times their daily loading rate. The rules dictate that a firm's daily loading rate not be less than

40 percent and not more than 100 percent of its 24-hour ethanol production capacity. Thus, the maximum amount a production facility may register for futures delivery is 15 times its 24 hour production capacity.

Most ethanol storage is conducted in private hands, and publically available data on ethanol storage is difficult to obtain. However, the Renewable Fuels Association (RFA) and the Energy Information Agency (EIA) produce monthly U.S. ethanol production estimates⁵. Additionally, the RFA also tracks U.S. ethanol production capacity. Thus, monthly U.S. ethanol production utilization rates may be estimated from publically available data:

US Monthly Ethanol
Production

		Production Capacity (1,000 barrels)	Production Utilization
2010	Jan	25366	26801 94.64%
	Feb	23328	26801 87.04%
	Mar	26270	26801 98.02%
	Apr	24962	26801 93.14%
	May	26244	26801 97.92%
	Jun	25631	26801 95.63%
	Jul	26581	26801 99.18%
	Aug	26963	26801 100.60% ⁶
	Sep	26061	26801 97.24%
	Oct	27410	26801 102.27%
	Nov	27745	26801 103.52%
	Dec	28457	26801 106.18%

		Production Capacity (1,000 barrels)	Production Utilization
2011	Jan	28524	29577 96.44%
	Feb	25400	29577 85.88%
	Mar	28194	29577 95.32%
	Apr	26591	29577 89.90%
	May	27756	29577 93.84%
	Jun	27064	29577 91.50%
	Jul	27624	29577 93.40%
	Aug	28110	29577 95.04%

⁵ See, for example <http://www.eia.gov/totalenergy/data/monthly/> and <http://www.ethanolrfa.org/pages/statistics>.

⁶ Some ethanol production plants are able to produce temporarily at levels greater than their official capacity.

Sep	26645	29577	90.09%
Oct	28092	29577	94.98%
Nov	28335	29577	95.80%
Dec	29772	29577	100.66%

		Production (1,000 barrels)	Production Capacity (1,000 barrels)	Production Utilization
2012	Jan	29063	29855	97.35%
	Feb	26653	29855	89.27%
	Mar	27706	29855	92.80%
	Apr	26368	29855	88.32%
	May	27718	29855	92.84%
	Jun	26611	29855	89.13%
	Jul	25329	29855	84.84%
	Aug	26194	29855	87.74%
	Sep	24511	29855	82.10%
	Oct	25352	29855	84.92%

Assuming the production facilities that are regular to deliver on the CBOT Denatured Fuel Ethanol Futures contract experience production utilization rates similar to the national rates, deliverable supply may be estimated by taking regular delivery capacity (in contracts) and multiplying by the national ethanol production utilization rate each month. This method does not account for any ethanol that may be part of long-term agreements, but it also does not count ethanol in storage or ethanol produced by non-regular facilities that could be secured and placed in delivery by regular delivery firms.

		Ethanol Futures Regular Delivery Capacity (Production Facilities)	Production Utilization Rate	Deliverable Supply (Contracts)
2010	Jan	4257	94.64%	4029
	Feb	4257	87.04%	3705
	Mar	4257	98.02%	4173
	Apr	4257	93.14%	3965
	May	4257	97.92%	4168
	Jun	4257	95.63%	4071
	Jul	4257	99.18%	4222
	Aug	4257	100.60%	4283
	Sep	4257	97.24%	4139
	Oct	4257	102.27%	4354
	Nov	4257	103.52%	4407

	Dec	4257	106.18%	4520
2011	Jan	4257	96.44%	4105
	Feb	4257	85.88%	3656
	Mar	4257	95.32%	4058
	Apr	4257	89.90%	3827
	May	4257	93.84%	3995
	Jun	4257	91.50%	3895
	Jul	4257	93.40%	3976
	Aug	4257	95.04%	4046
	Sep	4257	90.09%	3835
	Oct	4257	94.98%	4043
	Nov	4257	95.80%	4078
	Dec	4257	100.66%	4285
2012	Jan	4257	97.35%	4144
	Feb	4257	89.27%	3800
	Mar	4257	92.80%	3951
	Apr	4257	88.32%	3760
	May	4257	92.84%	3952
	Jun	4257	89.13%	3794
	Jul	4257	84.84%	3612
	Aug	4257	87.74%	3735
	Sep	4257	82.10%	3495
	Oct	4257	84.92%	3615
	AVERAGE			3991

As the table above shows, the average estimated deliverable supply from January 2010 through October 2012 has been 3,991 contracts per month (115.74 million gallons). The largest month saw estimated production of 4,520 contracts (131.08 million gallons) and the smallest month saw estimated production at 3,495 contracts (101.36 million gallons).

The Exchange reached out to a cross-section of Ethanol regular firms to get a sense of the amount of ethanol production and ethanol stocks that are held under long-term agreements, and as a result of these long-term agreements, would not be available for delivery on CBOT Ethanol futures. The Exchange spoke with ethanol traders representing 31 percent of CBOT Ethanol futures regular delivery capacity. All firms reported that they typically have none (zero percent) of their ethanol under any kind of agreement that would preclude it from being deliverable on futures. Thus, based on this feedback, the Exchange does not believe our estimated deliverable supply would in any way be substantially reduced due to existing long-term agreements.

Appendix E

Chapter 16C Denatured Fuel Ethanol Forward Month Swaps (Clearing Only)

~~16C00. SCOPE OF CHAPTER⁷~~

~~This chapter is limited in application to the clearing of Denatured Fuel Ethanol Forward Month Swaps, where the parties to the transaction are “eligible contract participants” as defined in Section 1a(18) of the Commodity Exchange Act. Transactions in Denatured Fuel Ethanol Forward Month Swaps shall also be subject to the general rules of the Exchange insofar as applicable. The clearing and settlement of transactions in Denatured Fuel Ethanol Forward Month Swaps shall also be subject to the provisions of Chapter 8 F of the CME Rulebook.~~

~~16C01. CONTRACT SPECIFICATIONS~~

~~16C01.A. Unit of Clearing~~

~~The unit of clearing shall be 14,500 gallons of Denatured Fuel Ethanol.~~

~~16C01.B. Hours for Clearing Entry~~

~~The Exchange shall determine the hours during which Denatured Fuel Ethanol Forward Month Swaps may be submitted to the Clearing House.~~

~~Positions shall be initiated or closed out using off-exchange transactions.~~

~~16C01.C. Minimum Price Increments~~

~~Minimum price fluctuations shall be in multiples of one hundredth of one cent (\$0.0001) per gallon which shall equal \$1.45 per contract. Contracts shall not be made on any other price basis.~~

~~16C01.D. Months Cleared~~

~~Clearing of Denatured Fuel Ethanol Forward Month Swaps is regularly conducted in all twelve months, but shall be permitted in the current delivery month and any succeeding months. The number of months in which clearing may occur shall be at the discretion of the Exchange.~~

~~16C01.E. Position Accountability⁸~~

~~Position accountability, as defined in Rule 560, will apply to trading in Denatured Fuel Ethanol Forward Month Swaps.~~

~~16C01.F. Last Day of Clearing~~

~~The last day of clearing of Denatured Fuel Ethanol Forward Month Swaps deliverable in the current delivery month shall be the final settlement day as prescribed in Rule 16C05.~~

~~16C01.G. Liquidation during the Delivery Month~~

~~After clearing of Denatured Fuel Ethanol Forward Month Swaps in the current delivery month has ceased, in accordance with Rule 16C01.F. of this chapter, outstanding contracts for such delivery shall be liquidated by cash settlement as prescribed in Rule 16C02.~~

~~16C02. DELIVERY~~

~~Delivery against Denatured Fuel Ethanol Forward Month Swaps must be made through the Clearing House. Delivery under these rules shall be on the final settlement day (as described in Rule 16C05) and shall be accomplished by cash settlement.~~

~~Clearing members holding open positions in Denatured Fuel Ethanol Forward Month Swaps at the time of termination of clearing shall make payment to and receive payment through the Clearing House in accordance with normal variation settlement procedures based on a settlement price equal to the final settlement price (as described in Rule 16C03).~~

⁷ Revised May 2008.

⁸ Revised May 2008.

~~16C03. FINAL SETTLEMENT PRICE AND DAILY SETTLEMENT DURING THE LAST MONTH OF TRADING⁹~~

~~The final settlement price shall be determined on the final settlement day. The final settlement price shall be the cumulative average of the settlement prices for the Denatured Fuel Ethanol futures contract following the Denatured Fuel Ethanol Forward Month Swap contract month for each clearing day in the Denatured Fuel Ethanol Forward Month Swap contract month.~~

~~For example, final settlement for a May Denatured Fuel Ethanol Forward Month Swap would be the cumulative average of the daily settlement prices for the June Denatured Fuel Ethanol futures contract during the month of May.~~

~~Daily settlement during the last month of clearing shall be the cumulative average of each settlement price of the corresponding CBOT Denatured Fuel Ethanol futures contract following the Denatured Fuel Ethanol Forward Month Swap contract month weighting the current day's settlement price across each remaining clearing day.~~

~~For example, the calculation of the daily settlement price for a May Denatured Fuel Ethanol Forward Month Swap on the third business day in May in a May with 20 clearing days and with respective settlement prices for the corresponding June Denatured Fuel Ethanol futures at \$2.00, \$2.10, and \$2.20 per gallon would weight the average of \$2.00 and \$2.10 (\$2.05) at 2/20ths and weight the current day's settlement of \$2.20 at 18/20ths. In this example, settlement on the third day of clearing in the final month of clearing would be \$2.185 per gallon.~~

~~16C04. DAILY SETTLEMENT PRICE~~

~~Daily settlement other than settlement on the final settlement day (as described in Rule 16C05.) or during the last month of clearing shall be the settlement price for the CBOT Denatured Fuel Ethanol futures contract following the Denatured Fuel Ethanol Forward Month Swap contract month on that day.~~

~~16C05. FINAL SETTLEMENT DAY~~

~~The final settlement day shall be defined as the last business day of the contract month.~~

~~16C06. DISPUTES~~

~~All disputes between interested parties may be settled by arbitration as provided in the Rules.~~

⁹ Revised October 2010.