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BY ELECTRONIC TRANSMISSION

Submission No. 13-20
March 4, 2013

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

**Re: New Resolution No. 2. of Chapter 10 (Cotton No. 2 Futures)
Submission Pursuant to Section 5c(c)(1) of the Act and Regulation 40.4(b)(5)**

Dear Ms. Jurgens:

Pursuant to Section 5c(c)(1) of the Commodity Exchange Act, as amended, and Commission Regulation 40.4(b)(5), ICE Futures U.S., Inc. (“Exchange”) self certifies new Resolution No. 2 of Chapter 10, as set forth in Exhibit A. The new resolution provides an alternative to the current method under which cotton can be made tenderable against a Cotton No. 2 futures contract. Currently, cotton may only be registered as tenderable through Certified Classing. New Resolution No. 2 will allow cotton to be registered as tenderable through Certified Classing or through the Smith Doxey classing process. A diagram reflecting both the Certified Classing and Smith Doxey classing is attached as Exhibit B.

Current Cotton No. 2 Classification Procedure

Under current Exchange Rules, there is only one process by which physical cotton can gain tenderable status against the Cotton No. 2 futures contract. This process is referred to as “Certified Classing” and is performed by United States Department of Agriculture (“USDA”) staff pursuant to USDA quality and testing standards. In order to be submitted for Certified Classing, a bale must be stored in an Exchange-licensed warehouse and the owner or his agent must request Certified Classing, which triggers the following process:

1. The licensed warehouse operator cuts two new samples from the bale; one is sent to the USDA Classing Office in Memphis for grading, and the other is held at the warehouse (the “duplicate sample”).
2. USDA classers test the sample to determine the relevant quality characteristics for Color, Leaf, Micronaire, Strength and fiber length/Staple; each sample for which the Certification class results meet Exchange standards is declared to be tenderable and the EWR record for the bale is so marked, and each bale that does not meet Exchange standards is declared to be non-tenderable

and the EWR record for the bale is so marked. (When this occurs, the results of the USDA's Certified Classing of the bale effectively replace the results of the USDA's prior Smith Doxey or Green Card Classing of the bale – which is performed on every bale of cotton produced in the U.S. based upon samples drawn at the gin when the bale is created; in the current delivery process the Certified Classing Results replace the Smith Doxey results for the bale.)

3. The Exchange's daily Certified Stocks Report is updated each morning to reflect the addition of any new bales that have been classed and found to meet Exchange delivery standards by the USDA.
4. During the time between the arrival of the sample at the USDA Classing Office in Memphis and the date the Certification classing is completed, the bale is included in the Exchange's daily report of bales pending Certification; upon completion of that process for the bale it is removed from "pending Certification".

The amount of time it can take from the time the owner requests Certified Classing until the USDA classing office completes the process and provides the results to the Exchange can vary, and is subject to delays. Samples must be cut at the licensed store and then moved to the USDA classing office where they are subject to potential backlogs. In extreme cases it can take weeks to complete the process. During that time the owner does not know with certainty whether or not the bale will pass classing and become tenderable, and the market generally does not know with certainty how many of the bales identified in Exchange Reports as "pending Certification" will pass and become tenderable.

New Alternative Cotton No. 2 Classification Procedure

New Resolution No. 2 to Chapter 10 will provide an alternative method for registration of bales. An owner will have the choice to register cotton bales as tenderable under the No. 2 Contract either through existing Certified Classing or through Smith Doxey classing. It is expected that this alternate method of achieving deliverable status will permit more timely and efficient certification of bales, thereby allowing owners of deliverable quality commercial cotton to put such cotton into certified stocks more quickly than under current provisions. The Exchange believes this will ensure a more orderly liquidation in expirations with tight supplies of certified stocks.

Like Certified Classing, Smith Doxey classing is also performed by the USDA pursuant to USDA quality and testing standards. A bale may only be registered with the Exchange using the Smith Doxey classification process once. In order to be tenderable based on such classing, bales must be stored in an Exchange licensed warehouse at the time the request for registration is made. Furthermore, bales will only be eligible for registration based on Smith Doxey classing if the Smith Doxey classing results meet each of the following quality ranges, which are narrower than the range of deliverable qualities for each characteristic:

Color:	White Grades only (USDA codes 11, 21, 31, 41 and 51)
Leaf:	4 or better (USDA codes 4, 3, 2 and 1)
Micronaire:	3.7 to 4.7
Strength:	27 grams per tex and higher
Fiber Length:	1.03 dig and longer

Any bale with Smith Doxey classing results that do not meet the quality characteristics set forth above will not be eligible for Smith Doxey registration. However, Certified Classing will remain available for such bales.

In addition, the request for Exchange registration must be made within six months after the date of Smith Doxey classing. Once the owner requests registration of a Smith Doxey eligible bale the following process is triggered:

1. The licensed warehouse transmits an electronic file to USDA identifying the bale (using a USDA-generated gin code/gin tag identifier that tracks the bale throughout its life) and requesting Smith Doxey Certified Status.
2. USDA staff compare their database of Smith Doxey classing results for the bale to the Exchange-set range for each of the five quality characteristics, and also verify that the Smith Doxey classing date for the bale is not more than six months prior; a bale that meets the sweet spot and age parameters is declared to be deliverable and the EWR record for the bale is so marked. Any bale which does not meet the requirements is rejected and the EWR record for the bale is so marked.
3. The Exchange’s daily certified stock report is updated each morning to reflect the addition of any new bales that have been made tenderable using Smith Doxey classification results by the USDA.

Under the Exchange’s Smith Doxey registration procedures, weight allowances provided for under Rule 10.18(b) and weight penalties provided for under Rule 10.33 will be calculated using the date the bale is registered as tenderable¹. Exchange Staple invoicing for Smith Doxey classed cotton will be determined from the USDA dig measurement² and adjusted to discourage registration of “low dig” bales (bales that are classed at the lowest of the three dig measurements for a given Staple). The table below shows the standard USDA ranges for converting a dig measurement to Staple, alongside the adjusted invoicing ranges that would be used for Exchange invoice purpose only for bales registered as tenderable under Smith Doxey classification:

Invoicing For Certified Classed Bales			Invoicing for Smith Doxey Registered Bales	
Dig From	To	Staple	Dig From	To
1.02	1.04	33	1.03	1.05
1.05	1.07	34	1.06	1.08
1.08	1.10	35 ³	1.09	1.11
1.11	1.13	36 ³	1.12	1.14

The intent of this adjustment is to compensate for any incentive that would otherwise exist to register “low dig” bales under the new Smith Doxey process, by invoicing the bales at the lower Staple, reducing

¹ For bales made tenderable under the Certified Classing method, the relevant date is the date on which the samples used for that process are cut by the licensed warehouse operator [for the weight allowances under Rule 10.18(b)] and the calendar month in which the bale is certified (for the weight penalties under Rule 10.33).

² In determining fiber length, USDA classers measure the length in inches to three decimal places, and then round to the second decimal place; for example, a measurement of 1.115 inches would be rounded to 1.12 inches and “1.12” is referred to as the “dig” of the bale. USDA then uses this dig measurement to determine the Staple length of the bale, with each Staple corresponding to a range of 3 or 4 dig readings; for example, bales with a dig reading of 1.08 to 1.10 are considered 35 Staple, and bales with a reading of 1.11 to 1.13 are considered 36 Staple.

³ Through and including the October 2014 expiration, cotton in an Exchange delivery with a Staple length of 35 and higher receives the USDA commercial difference for cotton with a Staple length of 35. Commencing with the December 2014 delivery, cotton with a staple length of 36 and higher receives the USDA commercial difference for Cotton with a Staple length of 36.

the invoice price paid by the Receiver to the Deliverer. This adjustment would not apply to bales made tenderable via Certified Classing, and in all cases the owner of a bale retains the right to submit any bale for Certified Classing and thereby can avoid this treatment of the dig reading on a bale on a delivery invoice.

Current Exchange and USDA fees for Certification Classing of a bale are \$2.00 and \$3.50 respectively. The Exchange intends to charge the same fee for registration of a bale under the new process; we understand that the USDA also intends to charge the same fee for the new process.

New Resolution No. 2 is a Non-Material Amendment to Terms and Conditions of Cotton No. 2

The Exchange considers the implementation of Resolution No. 2 to Chapter 10 and the new Smith Doxey registration process to be a non-material change to the terms and conditions of the Cotton No. 2 Contract. As mentioned above, the new method provides a more timely and efficient certification process for bales that meet standards that are tighter than the Cotton No. 2 delivery parameters. This allows owners of deliverable quality commercial cotton to put such cotton into certified stocks more quickly than under current provisions without revising the range of deliverable qualities or diminishing the integrity of the inspection and certification process. Furthermore, based on discussions with the Exchange's Cotton Committee, which unanimously approved the new resolution, and other participants in the cotton trade, the Exchange believes that any concern that the new registration process effectively creates a new benefit because it allows a deliverer to move cotton into tenderable position more quickly is appropriately offset by the impact of the invoice adjustment for low dig bales which the Resolution provides. The invoice Staple adjustment provides a benefit to the receiver of such bales at the expense of the deliverer who has elected to use this registration process.

It is also important to reiterate that the deliverer maintains the right to use the current process and will only incur a penalty if it chooses to deliver a lower grade quality cotton that is already known to be of such lower grade based on the Smith Doxey record. Only in this instance can the receiver be viewed as obtaining a slight benefit that does not currently exist; however, it is the deliverer that elects to grant that benefit. Given that the deliverer always has the option to use the current process and all information is known to the deliverer prior to making the decision to select Smith Doxey classing, the Exchange believes that the new Resolution will not have a material effect on the contract and may be made applicable to contracts in which there is open interest.

Certifications

The Board of Directors unanimously adopted the amendments on February 28, 2013. The Exchange is not aware of any opposing views; as noted above, the Cotton Committee and at least one major trade association have embraced the Resolution. The Resolution will become effective on March 19, 2013 for the March 2014 contract month and all months thereafter.

The Exchange certifies that the new resolution complies with the requirements of the Commodity Exchange Act and the rules and regulations promulgated thereunder. The Exchange has reviewed the designated contract market core principles ("Core Principles") as set forth in the Act and has determined that new Resolution No. 2 to Chapter 10 complies with Core Principle 3 (contracts not readily subject to manipulation). The new resolution does not revise the range of deliverable qualities or diminish the integrity of the inspection and certification process for the Cotton No. 2 contract. It simply provides a more efficient method for certification which the Exchange believes will help to ensure timely certification of cotton and more orderly liquidations in expirations with tight supplies of certified stocks.

The Exchange further certifies that, concurrent with this filing, a copy of this submission was posted on the Exchange's website and may be accessed at (<https://www.theice.com/notices/RegulatoryFilings.shtml>). The Exchange is not aware of any substantive opposing views.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Jason V. Fusco". The signature is written in a cursive style with a large, looping initial "J".

cc: Division of Market Oversight
New York Regional Office

Jason V. Fusco
Assistant General Counsel
Market Regulation

EXHIBIT A

Cotton Resolution No. 2 - Use of Original Smith Doxey Classing Data to Register Bales As Tenderable

In addition to the inspection and sampling procedures as provided in Exchange Rules 10.27A and 10.27B, cotton stored in an Exchange Licensed Store may be submitted to USDA for registration as tenderable against the Cotton No. 2[®] Futures Contract at any time between the Original Smith Doxey classing date of the bale and the close of business on the one hundred and eightieth (180th) calendar day after the classing date of the bale, subject to the quality limitations and administrative procedures below. In the event of any inconsistency between this Resolution and any other provision of the Rules, this Resolution shall prevail.

Once a bale has been registered as tenderable based upon its Original Smith Doxey classing data pursuant to this Resolution, it shall be considered to be certified cotton for purposes of deliveries under the Rules.

Limitations:

In order to be eligible for registration as tenderable based upon Original Smith Doxey classing data, a bale must be stored in an Exchange licensed warehouse, and must meet the quality and weight requirements of Rule 10.03, the packaging bands and bagging requirements of Rule 10.19 and the compression requirements of Rule 10.20.

In addition, the USDA Original Smith Doxey classing data for the bale must meet the following standards for each of the respective qualities below:

- Color – White Grades, USDA codes 11, 21, 31, 41 and 51
- Leaf – USDA codes 4, 3, 2 and 1
- Micronaire – 3.7 to 4.7, inclusive
- Strength – 27 grams per tex and higher
- Fiber Length – 1.03 dig and longer

No bale may be submitted for registration as tenderable based upon Original Smith Doxey classing data on and after the 181st calendar day after the date of Original Smith Doxey classing by the USDA, and a bale may only be submitted for such registration once.

Procedures:

In order to seek registration of a bale as tenderable based upon Original Smith Doxey classing, the warehouse operator must first submit to the Exchange a request for a lot number, and subsequently submit to the USDA a request for registration of the bale, in a form prescribed by the Exchange and the USDA, stating the number of bales included in the request for registration, the Exchange lot number and the gin code/gin tag number of each such bale and such other information as may be required by the Exchange and/or the USDA.

Upon confirmation by the USDA that a bale for which registration as tenderable based upon Original Smith Doxey classing has been made meets the quality standards above for such registration, the EWR record for the bale shall be marked as tenderable as of the date of such registration, and the bale shall be included in certificated stock.

Weighing:

The official delivery weight for bales that qualify for certificated classification based upon Original Smith Doxey classing data shall be the most recent weight determined by the licensed warehouse operator as input into the EWR record. Such bales shall be subject to weight allowances provided for in Rule 10.18(b) and the weight penalties provided for in Rule 10.33. Weight allowances and Penalties will accrue using the certification registration date (inclusive).

Duplicate Samples:

The duplicate sample provisions of Rules 10.28 and 10.29 shall not apply to cotton entered into certificated stocks based upon Original Smith Doxey classing data, and duplicate samples shall not be required for such bales.

Delayed Certification:

Bales entered into certificated stocks based upon Original Smith Doxey classing data may not be used to issue Delivery Notices under the delayed certification provisions of Rules 10.14 and 10.26.

Invoicing:

For purposes of calculating invoices under Rule 10.22 for bales entered into certificated stocks based upon Original Smith Doxey classing data only, the staple length of the bale shall be determined based upon the USDA calculation of the length of the fiber expressed in dig terms, as shown below:

<u>Dig Measurement From:</u>	<u>Invoiced as Staple:</u>
<u>1.03 to 1.05</u>	<u>33 (1 and 1/32nd of an inch)</u>
<u>1.06 to 1.08</u>	<u>34 (1 and 2/32nds of an inch)</u>
<u>1.09 to 1.11</u>	<u>35 (1 and 3/32nds of an inch)</u>
<u>1.12 to 1.14</u>	<u>36 (1 and 4/32nds of an inch)</u>
<u>1.15 and higher</u>	<u>36 (1 and 4/32nds of an inch)</u>

In the interest of clarity, for all other certified cotton the Staple used for invoicing shall be the staple as shown in the EWR record for the bale based upon USDA certified classing of the bale.

EXHIBIT B

