



55 East 52nd Street
New York, NY 10055

BY ELECTRONIC TRANSMISSION

Submission No. 13-89
September 30, 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 Appendix VI of Chapter 8 – Permitted Bagging of Bulk Coffee
Submission Pursuant to Section 5c(c)(1) of the Act and Regulation 40.4(b)(5)**

Dear Ms. Jurgens:

Pursuant to Commodity Futures Trading Commission (“CFTC” or “Commission”) Regulation 40.6(a), ICE Futures U.S., Inc. (“Exchange”) self certifies new Appendix IV of Chapter 8, which is set forth in attached Exhibit A. The new Appendix allows coffee that is bagged after being shipped and stored in bulk to be delivered under a Coffee “C” futures contract, provided that certain conditions are satisfied.

Under current, longstanding rule provisions only Arabica coffee that is imported from an eligible country of origin in bags that comply with Exchange requirements is eligible for delivery against the “C” contract. While actual weights can vary, on average a bag contains approximately 150 lbs. and it takes approximately 250 bags to make up one lot under the Coffee “C” contract. This reflects the original commercial practice of trading cash coffee beans in bags.

In recent years a growing volume of Arabica coffee from traditional Exchange origins has begun to be shipped from origin in bulk form, both in supersacks (which contain approximately one ton each) or in lined containers (which hold approximately 20 tons). Trade estimates vary, but it appears that approximately 10 to 15% of total Arabica exports are now shipped in bulk. Currently, this coffee may not be delivered against a Coffee “C” contract.

In light of this commercial market development, the Exchange’s Coffee Committee (“Coffee Committee”) asked the Exchange to work with a working group composed of members from the Warehouse and Licensing Committee and the Board of Coffee Graders (“Working Group”) to determine whether or not appropriate standards could be set to permit the bagging of Arabica coffee imported in bulk and then to permit such coffee to be sampled, graded and (if found to meet Exchange delivery standards) delivered against the “C” contract, without fundamentally altering the bag nature of the contract and without in any way weakening the integrity of the delivery process.

With ongoing input from the Coffee Committee, the Exchange and the Working Group developed new Appendix VI. The new process includes several features that are intended to safeguard the integrity of the process as it relates to the relevant commercial information (such as the origin, shipper, vessel, marks etc., all of which are part of the current flow of commercial information on any Exchange certified coffee). As a threshold matter, the coffee must be stored at all times in such a manner that the integrity of the coffee as to country of origin, marks and container number are kept intact. In addition, the coffee must meet the conditions listed below to be eligible for delivery under Appendix VI.

1. The coffee must have been exported from origin in a supersack or a lined container and arrive in an Exchange-licensed warehouse in the original supersack or lined container. In addition, there must be an EWR record containing the Bill of Lading number, country of origin, marks and container number for such coffee that was created at the time the coffee arrives at the licensed warehouse. (Note: prior to the bagging; such coffee may be stored in supersacks or in silos between arrival at the Exchange-licensed warehouse and bagging).
2. The bags used for the Coffee must be new food grade bags that are properly marked and otherwise conform to the bag requirements of Rule 8.14 as to material and weight. In addition, the bags must be stenciled with the marks from the supersack.
3. Bagging of the Coffee must be done in and by an Exchange-licensed warehouse.
4. Bagging of the coffee must take place prior to Exchange sampling and the coffee will be subject to existing sampling, grading and weighing procedures.

The Working Group determined that with the foregoing safeguards new Appendix VI would create appropriate standards for bagging and subsequent sampling, grading and delivery of coffee that is shipped from origin in bulk, but otherwise meets Exchange standards for delivery. The Coffee Committee voted unanimously to recommend the adoption of the new Appendix. In making the recommendation, the Coffee Committee also determined by a unanimous vote, that the new process would have no material effect on the value of the futures contract. Nonetheless, the Exchange has decided not to implement Appendix VI immediately, and to defer implementation to the December 2015 contract month. Specifically, Section 17.1 of the Exchange's By-Laws permits amendments that materially effect the price of Coffee "C" futures and options contracts to be implemented for any delivery or expiration month with respect to which the first (1st) day delivery notices may be issued is more than twenty-four (24) months away, whether or not such delivery or expiration month has any open interest. Accordingly, Appendix VI will become effective on October 15, 2013 for the December 2015 delivery month. The Exchange's Board of Directors approved new Appendix VI by unanimous vote, on September 25, 2013.

The Exchange certifies that the new Appendix 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 Appendix VI to Chapter 8 complies with Core Principle 3 (contracts not readily subject to Manipulation). The new Appendix does not revise the range of deliverable qualities or diminish the integrity of the inspection and certification process for the Coffee "C" futures contract. It simply provides an alternate method for shipment and bagging that tracks growing commercial practice. The Exchange and the Coffee Committee believe that permitting the bagging and subsequent sampling, grading and delivery of coffee imported and stored in bulk may expand the supply of deliverable coffee, particularly in instances in which supplies of deliverable coffee shipped in bags are tight, and that in such instances the new provisions would provide for a more orderly liquidation.

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, sweeping initial "J".

cc: Division of Market Oversight
New York Regional Office

Jason V. Fusco
Assistant General Counsel
Market Regulation

EXHIBIT A

COFFEE Appendix VI – Permitted Bagging of Bulk Coffee

Notwithstanding anything to the contrary in Chapter 8 which prohibits such bagging or is contrary to this process, coffee that has been bagged by a licensed warehouse operator at a licensed warehouse may be submitted for grading and be eligible for delivery pursuant to the provisions and procedures in this Resolution.

(a) ELIGIBILITY:

- (1) In order to be eligible for submission for Exchange grading and delivery following bagging, the coffee must meet each of the following criteria:
 - i. The coffee must have been shipped from origin in a supersack or lined container and must arrive at the licensed warehouse in that original supersack or lined container;
 - ii. An EWR containing the Bill of Lading number, country of origin, marks, and container number of such coffee must have been created at the time the coffee arrives at the licensed warehouse and prior to the bagging of such coffee;
 - iii. The bagging must be performed at the licensed warehouse by the respective licensed warehouse operator; and
 - iv. The bags used must be new, food grade bags that are properly marked and otherwise conform to the bag requirements of Rule 8.14 as to material and weight, and must be stenciled with the marks from the supersack (if any).
- (2) Prior to bagging pursuant to this Appendix, the coffee may be stored in the Exchange licensed warehouse in the original supersack or in a silo, however the coffee must be stored at all times in such a manner that the integrity of the coffee as to country of origin, marks and container number as stated above is kept intact.

(b) SAMPLING, GRADING, WEIGHING AND STORAGE:

- (1) Sampling of a lot that includes any coffee that has been bagged pursuant to the provisions of this Appendix may only occur after completion of the bagging process, and sampling of the lot shall be done pursuant to the provisions of Appendix I.
- (2) Any lot that includes any coffee that has been bagged pursuant to the provisions of this Appendix shall be subject to the grading and weighing provisions of Appendices II and III, and to the Warehouse Procedures and Recordkeeping Requirements for the Storage of Exchange Coffee of Coffee Resolution No. 1.

(c) DIFFERENTIALS AND PRICE ADJUSTMENTS:

(3) Coffee that has been bagged pursuant to the provisions of this Appendix and that has been sampled, graded, weighed and certified in accordance with the provisions of the Rules shall be subject to the same price differentials and price adjustments as provided in Appendices IV and V.