



Christopher Bowen  
Managing Director and Chief Regulatory Counsel  
Legal Department

June 19, 2014

**VIA E-MAIL**

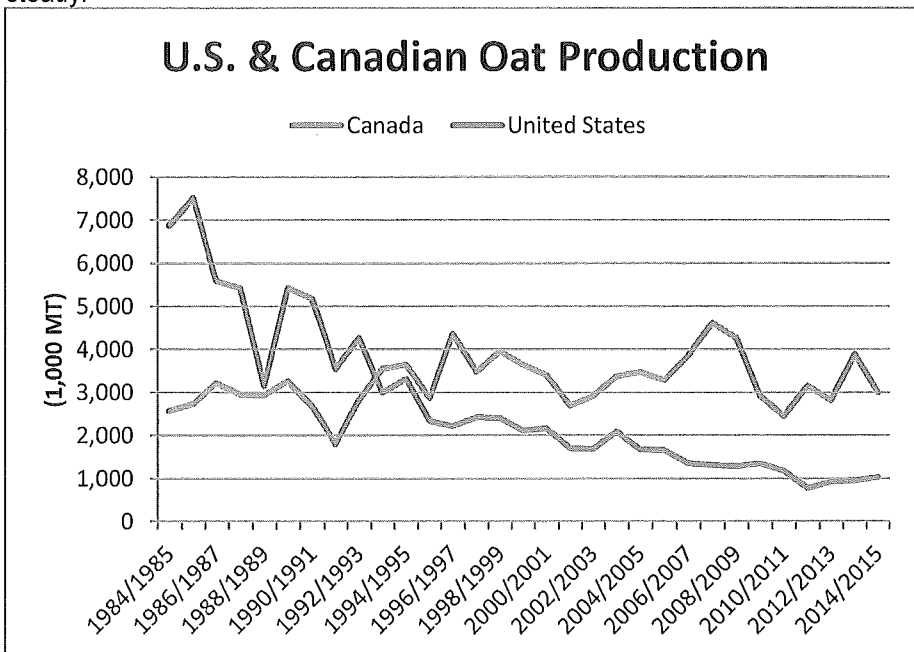
Ms. Melissa Jurgens  
Office of the Secretariat  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21st Street, N.W.  
Washington, DC 20581

**Re: CFTC Regulation 40.6(a) Certification. Notification of Amendments to Oat Futures Contract.  
CBOT Submission No. 14-248**

Dear Ms. Jurgens:

The Board of Trade of the City of Chicago, Inc. ("CBOT" or "Exchange") is notifying the Commodity Futures Trading Commission ("CFTC" or "Commission") that it is self-certifying rule amendments to the Oats Futures contract (Rulebook Chapter: 15; Clearing, CME ClearPort, and CBOT trading floor Code: O; CME Globex Code: ZO). The amendments will increase the maximum premium charge regular facilities can charge holders of its outstanding shipping certificates from 16.5/100's of one cent per bushel per day to 20.5/100's of one cent per bushel per day. These amendments will be implemented on Monday, July 7, 2014 for trade date Tuesday, July 8, 2014 beginning with the September 2015 contract and beyond. As of the date of this filing, there is no open interest in the September 2015 contract month and beyond.

U.S. oat production has been declining since the mid-1980s while Canadian production has remained steady.



Because of these changes underlying North American oat production, the U.S. has become a major importer of Canadian oats and Canadian oats make up a large proportion of the oats delivered on CBOT Oat futures. The CBOT added Duluth/Superior, a major point of import for Canadian oats, with the September 2008 contract (see CBOT Reference File #2834.01 dated October 2, 2007).

Exported Canadian oats are often bigger and heavier than U.S. origin oats. Since Canadian oats now make up a larger proportion of U.S. oat consumption, the cash market trade in oats continues to evolve into a larger and heavier underlying oat. Many oat buyers reject oats that test below 36 pounds per bushel. Also, the oat cash market has, with no known exceptions by the Exchange, converted to a larger sieve for determining thin oats compared to the sieve identified in official U.S. Oat Standards. Due to these fundamental changes in the underlying oat cash market, the Exchange intends to:

1. Eliminate No. 2 Oats with 34 lb. minimum test weight from deliverable supplies<sup>1</sup>.
2. Specify a 5/64 x 3/4 inch slotted-hole sieve ("barley sieve") for determining small or thin oats rather than the USDA Grading Standards (GIPSA), which define the process for determining thin oats as oats that pass through a 0.064 x 3/8 oblong-hole sieve but remain on top of a 5/64 triangular-hole sieve.

Because oats are not grown in as widespread of an area as in the past, the majority of the oat crop can be subject to a weather phenomenon known as weathering. Industry contacts at several major firms indicate that weathering problems are rare, but when they occur, they often affect a significant proportion of that year's oat crop. Current CBOT Oat futures do not allow weathered oats to be delivered. Confidential purchasing specifications supplied by the industry suggest that slightly weathered oats are typically accepted at a 10 to 20 cent discount. In order to assure deliverable supply during adverse weather crops, the Exchange intends to:

3. Allow slightly weathered oats to be delivered at a 20 cent per bushel discount.

Oats compete with spring wheat for storage in the upper Midwest. MGEX Wheat futures currently specify a maximum storage charge of 23.33/100's of one cent per bushel per day for spring wheat while Oat futures maximum premium charge is 16.5/100's of one cent per bushel per day. In order for oat deliveries to remain competitive with spring wheat, many market participants have argued for the CBOT to increase oat premium charges. Oats are lighter than wheat and often have a slightly lower storage rate than wheat. Thus, the Exchange intends to:

4. Increase the maximum premium charge regular facilities can charge holders of their outstanding oat shipping certificates from 16.5/100's to 20.5/100's of one cent per bushel per day.

CBOT business staff and the Exchange Legal Department collectively reviewed the designated contract market core principles ("Core Principles") as set forth in the Commodity Exchange Act ("CEA" or "Act"). During the review, Exchange staff identified that the proposed changes may have some bearing on the following Core Principles:

- Compliance with Rules – The aforementioned rule amendments will not affect the Exchange's ability to assure compliance with rules and conduct market surveillance obligation under the Act. The Exchange has appropriate systems, policies and procedures in place to address the new price limits mechanism.
- Prevention of Market Disruption – Appropriate and merchandisable underlying deliverable stocks allow the market to reflect and adjust to shocks and major price moves without becoming intrusive and disrupting trade.

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<sup>1</sup> There are currently no shipping certificates outstanding specifying No. 2 Oats with 34 lb. minimum test weight and there haven't been any issued for over three years.

- Contracts not Readily Susceptible to Manipulation – Eliminating 34 lb. test weight oats does not materially affect deliverable supply but allowing slightly weathered oats does protect deliverable supply during years with adverse weather.
- Protection of Market Participants – The Exchange will continue to monitor all market participants to prevent any abusive practices and to assure equitable trading for all users.
- Availability of General Information – The Exchange will publish on its website information regarding the contracts specifications, terms and conditions, and any changes to the rules. In addition, the Exchange will notify the marketplace via the issuance of a Special Executive Report (“SER”) which will also be posted on the CME Group website. The SER will also serve to notify the marketplace of pending amendments to the listed contract months.

The Exchange certifies that these amendments comply with the Act, including regulations under the Act. 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>. The Exchange is not aware of any substantive opposing views to this proposal.

If you require any additional information regarding this action, please contact me at 212-299-2200, or via e-mail at [Christoper.Bowen@cmegroup.com](mailto:Christoper.Bowen@cmegroup.com).

Sincerely,

/s/ Christopher Bowen  
Managing Director and Chief Regulatory Counsel

Attachments: Appendix A: Amendments to CBOT Rulebook

## Appendix A

### CBOT Rulebook Amendments

(The proposed rule changes are attached with additions underlined and deletions ~~overstruck~~)

The Exchange has Oat futures contracts listed out to September 2016. However, open interest only extends to the July 2015 contract. The Exchange intends to implement these changes beyond open interest with the September 2015 contract. Upon filing of this submission, the CBOT Rulebook will be updated as follows:

#### Chapter 15 Oat Futures

##### 15101. COMMODITY SPECIFICATIONS

###### FOR ALL CONTRACT MONTHS PRIOR TO SEPTEMBER 2015 (Pending CFTC Review)

Each futures contract shall be for 5,000 bushels of No. 2 Heavy Oats or No. 1 Oats at par, No. 1 Extra Heavy Oats at 7 cents per bushel over contract price, No. 2 Extra Heavy Oats at 4 cents per bushel over contract price, No. 1 Heavy Oats at 3 cents per bushel over contract price, No. 2(36 pound total minimum test weight) at 3 cents per bushel under contract price, or No. 2 (34 pound total minimum test weight) at 6 cents per bushel under contract price.

###### FOR ALL CONTRACT MONTHS BEGINNING WITH SEPTEMBER 2015 (Pending CFTC Review)

Each futures contract shall be for 5,000 bushels of No. 2 Heavy Oats or No. 1 Oats at par, No. 1 Extra Heavy Oats at 7 cents per bushel over contract price, No. 2 Extra Heavy Oats at 4 cents per bushel over contract price, No. 1 Heavy Oats at 3 cents per bushel over contract price, or No. 2(36 pound total minimum test weight) at 3 cents per bushel under contract price.

Every delivery of oats may be made up of the authorized grades for shipment from eligible regular facilities provided that no lot delivered shall contain less than 5,000 bushels of any one grade from any one facility.

##### 15104. GRADES / GRADE DIFFERENTIALS

###### FOR ALL CONTRACT MONTHS PRIOR TO SEPTEMBER 2015 (Pending CFTC Review)

<b>OATS GRADE DIFFERENTIALS</b>	
No. 1 Extra Heavy Oats	At 7 cents per bushel over contract price
No. 2 Extra Heavy Oats	At 4 cents per bushel over contract price
No. 1 Heavy Oats	At 3 cents per bushel over contract price
No. 2 Heavy Oats	At contract price
No. 1 Oats	At contract price
No. 2 Oats (36 lb. minimum test weight)	At 3 cents per bushel under contract price
No. 2 Oats (34 lb. minimum test weight)	At 6 cents per bushel under contract price

Bright Oats shall carry no additional premium or discount. Oats with more than 14% moisture are not deliverable.

A contract for the sale of oats for future delivery shall be performed on the basis of the grades officially promulgated by the Secretary of Agriculture as conforming to United States Standards at the time of making the contract. If no such United States grades shall have been officially promulgated, then such contract shall be performed on the basis of the grades established by the Department of Agriculture of the State of Illinois, or the standards established by the Rules of the Exchange in force at the time of making the contract.

**FOR ALL CONTRACT MONTHS BEGINNING WITH SEPTEMBER 2015 (Pending CFTC Review)**

<b>OATS GRADE DIFFERENTIALS</b>	
<b><u>No. 1 Extra Heavy Oats</u></b>	<b><u>At 7 cents per bushel over contract price</u></b>
<b><u>No. 2 Extra Heavy Oats</u></b>	<b><u>At 4 cents per bushel over contract price</u></b>
<b><u>No. 1 Heavy Oats</u></b>	<b><u>At 3 cents per bushel over contract price</u></b>
<b><u>No. 2 Heavy Oats</u></b>	<b><u>At contract price</u></b>
<b><u>No. 1 Oats</u></b>	<b><u>At contract price</u></b>
<b><u>No. 2 Oats (36 lb. minimum test weight)</u></b>	<b><u>At 3 cents per bushel under contract price</u></b>

**Oats with more than 20% thin oats that pass through a 5/64 x 3/4 inch slotted-hole sieve are not deliverable.**

**Slightly weathered oats may be delivered at a 20 cent per bushel discount.**

**Bright Oats shall carry no additional premium or discount. Oats with more than 14% moisture are not deliverable.**

**A contract for the sale of oats for future delivery shall be performed on the basis of the grades officially promulgated by the Secretary of Agriculture as conforming to United States Standards at the time of making the contract. If no such United States grades shall have been officially promulgated, then such contract shall be performed on the basis of the grades established by the Department of Agriculture of the State of Illinois, or the standards established by the Rules of the Exchange in force at the time of making the contract.**

15108. PREMIUM CHARGES

To be valid for delivery on futures contracts, all shipping certificates covering oats under obligation for shipment must indicate the applicable premium charge. No shipping certificate shall be valid for delivery on futures contracts unless the premium charges on such oats shall have been paid up to and including the 18th calendar day of the preceding month, and such

payment is endorsed on the shipping certificate. Unpaid accumulated premium charges at the posted rate applicable to the facility shall be allowed and credited to the buyer by the seller up to and including the date of delivery.

The premium charges on Oats shall not exceed 16.5/100 of one cent per bushel per day.

**FOR ALL CONTRACT MONTHS BEGINNING WITH SEPTEMBER 2015 (Pending CFTC Review)**

**The premium charges on Oats shall not exceed 20.5/100 of one cent per bushel per day.**

Following the CFTC review period, the CBOT Rulebook will be updated as follows:

**Chapter 15  
Oat Futures**

15101. COMMODITY SPECIFICATIONS

**FOR ALL CONTRACT MONTHS PRIOR TO SEPTEMBER 2015 (Pending CFTC Review)**

Each futures contract shall be for 5,000 bushels of No. 2 Heavy Oats or No. 1 Oats at par, No. 1 Extra Heavy Oats at 7 cents per bushel over contract price, No. 2 Extra Heavy Oats at 4 cents per bushel over contract price, No. 1 Heavy Oats at 3 cents per bushel over contract price, No. 2(36 pound total minimum test weight) at 3 cents per bushel under contract price, or No. 2 (34 pound total minimum test weight) at 6 cents per bushel under contract price.

**FOR ALL CONTRACT MONTHS BEGINNING WITH SEPTEMBER 2015 (Pending CFTC Review)**

Each futures contract shall be for 5,000 bushels of No. 2 Heavy Oats or No. 1 Oats at par, No. 1 Extra Heavy Oats at 7 cents per bushel over contract price, No. 2 Extra Heavy Oats at 4 cents per bushel over contract price, No. 1 Heavy Oats at 3 cents per bushel over contract price, or No. 2(36 pound total minimum test weight) at 3 cents per bushel under contract price.

Every delivery of oats may be made up of the authorized grades for shipment from eligible regular facilities provided that no lot delivered shall contain less than 5,000 bushels of any one grade from any one facility.

15104. GRADES / GRADE DIFFERENTIALS

**FOR ALL CONTRACT MONTHS PRIOR TO SEPTEMBER 2015 (Pending CFTC Review)**

<b><u>OATS GRADE DIFFERENTIALS</u></b>	
No. 1 Extra Heavy Oats	At 7 cents per bushel over contract price
No. 2 Extra Heavy Oats	At 4 cents per bushel over contract price
No. 1 Heavy Oats	At 3 cents per bushel over contract price
No. 2 Heavy Oats	At contract price
No. 1 Oats	At contract price
No. 2 Oats (36 lb. minimum test weight)	At 3 cents per bushel under contract price
No. 2 Oats (34 lb. minimum test weight)	At 6 cents per bushel under contract price

Bright Oats shall carry no additional premium or discount. Oats with more than 14% moisture are not deliverable.

A contract for the sale of oats for future delivery shall be performed on the basis of the grades officially promulgated by the Secretary of Agriculture as conforming to United States Standards at the time of making the contract. If no such United States grades shall have been officially promulgated, then such contract shall be performed on the basis of the grades established by the Department of Agriculture of the State of Illinois, or the standards established by the Rules of the Exchange in force at the time of making the contract.

**FOR ALL CONTRACT MONTHS BEGINNING WITH SEPTEMBER 2015 (Pending CFTC**

**Review)**

<b><u>OATS GRADE DIFFERENTIALS</u></b>	
No. 1 Extra Heavy Oats	At 7 cents per bushel over contract price
No. 2 Extra Heavy Oats	At 4 cents per bushel over contract price
No. 1 Heavy Oats	At 3 cents per bushel over contract price
No. 2 Heavy Oats	At contract price
No. 1 Oats	At contract price
No. 2 Oats (36 lb. minimum test weight)	At 3 cents per bushel under contract price

Oats with more than 20% thin oats that pass through a 5/64 x 3/4 inch slotted-hole sieve are not deliverable.

Slightly weathered oats may be delivered at a 20 cent per bushel discount.

Bright Oats shall carry no additional premium or discount. Oats with more than 14% moisture are not deliverable.

A contract for the sale of oats for future delivery shall be performed on the basis of the grades officially promulgated by the Secretary of Agriculture as conforming to United States Standards at the time of making the contract. If no such United States grades shall have been officially promulgated, then such contract shall be performed on the basis of the grades established by the Department of Agriculture of the State of Illinois, or the standards established by the Rules of the Exchange in force at the time of making the contract.

**15108. PREMIUM CHARGES**

To be valid for delivery on futures contracts, all shipping certificates covering oats under obligation for shipment must indicate the applicable premium charge. No shipping certificate shall be valid for delivery on futures contracts unless the premium charges on such oats shall have been paid up to and including the 18th calendar day of the preceding month, and such payment is endorsed on the shipping certificate. Unpaid accumulated premium charges at the posted rate applicable to the facility shall be allowed and credited to the buyer by the seller up to and including the date of delivery.

The premium charges on Oats shall not exceed 16.5/100 of one cent per bushel per day.

**FOR ALL CONTRACT MONTHS BEGINNING WITH SEPTEMBER 2015 (Pending CFTC**

**Review)**

The premium charges on Oats shall not exceed 20.5/100 of one cent per bushel per day.



Finally, following the expiration of the July 2015 contract, the CBOT Rulebook will be updated as follows:

**Chapter 15  
Oat Futures**

15101. COMMODITY SPECIFICATIONS

**FOR ALL CONTRACT MONTHS PRIOR TO SEPTEMBER 2015**

~~[Each futures contract shall be for 5,000 bushels of No. 2 Heavy Oats or No. 1 Oats at par, No. 1 Extra Heavy Oats at 7 cents per bushel over contract price, No. 2 Extra Heavy Oats at 4 cents per bushel over contract price, No. 1 Heavy Oats at 3 cents per bushel over contract price, No. 2(36 pound total minimum test weight) at 3 cents per bushel under contract price, or No. 2 (34 pound total minimum test weight) at 6 cents per bushel under contract price.]~~

**FOR ALL CONTRACT MONTHS BEGINNING WITH SEPTEMBER 2015**

Each futures contract shall be for 5,000 bushels of No. 2 Heavy Oats or No. 1 Oats at par, No. 1 Extra Heavy Oats at 7 cents per bushel over contract price, No. 2 Extra Heavy Oats at 4 cents per bushel over contract price, No. 1 Heavy Oats at 3 cents per bushel over contract price, or No. 2(36 pound total minimum test weight) at 3 cents per bushel under contract price.

Every delivery of oats may be made up of the authorized grades for shipment from eligible regular facilities provided that no lot delivered shall contain less than 5,000 bushels of any one grade from any one facility.

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**FOR ALL CONTRACT MONTHS PRIOR TO SEPTEMBER 2015**

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No. 1 Extra Heavy Oats	At 7 cents per bushel over contract price
No. 2 Extra Heavy Oats	At 4 cents per bushel over contract price
No. 1 Heavy Oats	At 3 cents per bushel over contract price
No. 2 Heavy Oats	At contract price
No. 1 Oats	At contract price
No. 2 Oats (36 lb. minimum test weight)	At 3 cents per bushel under contract price
No. 2 Oats (34 lb. minimum test weight)	At 6 cents per bushel under contract price

~~[Bright Oats shall carry no additional premium or discount. Oats with more than 14% moisture are not deliverable.]~~

~~A contract for the sale of oats for future delivery shall be performed on the basis of the grades officially promulgated by the Secretary of Agriculture as conforming to United States Standards at the time of making the contract. If no such United States grades shall have been officially promulgated, then such contract shall be performed on the basis of the grades established by the Department of Agriculture of the State of Illinois, or the standards established by the Rules of the Exchange in force at the time of making the contract.]~~

**FOR ALL CONTRACT MONTHS BEGINNING WITH SEPTEMBER 2015**

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No. 1 Extra Heavy Oats	At 7 cents per bushel over contract price
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15108. PREMIUM CHARGES

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~~[The premium charges on Oats shall not exceed 16.5/100 of one cent per bushel per day.]~~

**FOR ALL CONTRACT MONTHS BEGINNING WITH SEPTEMBER 2015**

The premium charges on Oats shall not exceed 20.5/100 of one cent per bushel per day.