

## Special Executive Report

S-5050

November 11, 2009

### **AMENDMENTS TO PROPOSED VARIABLE STORAGE RATE CONCEPT IN WHEAT**

After working closely with customers, the Commodity Futures Trading Commission (CFTC), the CFTC Agricultural Advisory Committee and the CFTC Subcommittee on Convergence, the exchange has amended its original CFTC submission on Variable Storage Rates to include these changes:

1. Change the implementation date from the September 2010 contract to the July 2010 contract. Many market participants that support variable storage rates (VSR) desire to see the concept implemented as early as possible. July 2010 implementation is not materially different from September 2010 implementation; thus, July 2010 implementation is possible. As Wheat futures rules currently read, seasonal storage rates will increase the maximum storage charge from approximately 5 cents per bushel per month to 8 cents per bushel per month on July 18, 2010. Under this proposed amendment, if the July-September spread averages 80 percent of financial full carry between May 19, 2010, and June 25, 2010, then the maximum storage charge will increase to 8 cents per bushel per month on July 18, 2010, otherwise, the storage rate will remain at 5 cents per bushel per month.
2. Change the term that triggers an increase in storage rates from 85 percent of financial full carry to 80 percent of financial full carry.
3. Make minor changes to the proposed rule change language to clarify that exchange-specified storage rates represent the maximum a regular warehouseman may charge, not the amount a regular warehouseman must charge.

In order to give the CFTC time to consider these amendments, the exchange has also requested the review period be extended by two weeks until November 27, 2009.

The amendments, including both those reflected in the original submission and this amendment, are attached with additions **bold and underscored** and deletions [~~bracketed with strikethrough~~].

If you require any additional information, please contact Dave Lehman at 312-930-1875 or via e-mail at [David.Lehman@cmegroup.com](mailto:David.Lehman@cmegroup.com); or Fred Seamon at 312-634-1587 or via e-mail at [Fred.Seamon@cmegroup.com](mailto:Fred.Seamon@cmegroup.com).

#### **14108. PREMIUM CHARGES**

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

The maximum premium charges on Wheat shall be determined prior to the nearby contract delivery period. The Exchange shall measure the nearby spread relative to financial full carry each business day from the 19<sup>th</sup> calendar day of the delivery month of the contract that expires prior to the nearby contract until the last Friday which precedes by at least two business days the last business day of the month preceding the nearby contract delivery month. For example, for a September expiration, the Exchange would measure the September – December spread relative to financial full carry each business day from July 19 until the last Friday in August which precedes by at least two business days the last business day in August. Financial full carry will be determined by the following formula:

$$N * \left[ \left( \frac{i}{360} \right) * FP + P \right]$$

Where:

N = Number of calendar days from the first delivery day in the nearby contract to the first delivery day in the contract that follows the nearby contract

i = 3-Month LIBOR rate + 200 basis points

FP = Settlement price for the nearby futures contract

P = Current daily premium charge

The percentage of the nearby spread to financial full carry is calculated each business day during the calculation period and a running average of each of these daily values is calculated. At the end of the calculation period (the last Friday which precedes by at least two business days the last business day of the month preceding the nearby contract delivery month), should the running average carry be 80 percent of financial full carry or greater, then the maximum daily premium charge shall increase 10/100's of one cent per bushel on the 18<sup>th</sup> calendar day of the nearby contract delivery month. Should the running average carry be 50 percent of financial full carry or less, then the maximum daily premium charge shall

**decrease 10/100's of one cent per bushel on the 18<sup>th</sup> calendar day of the nearby contract delivery month.**

**Premium charges shall not be reduced below 16.5/100's of one cent per bushel per day.**

~~[The premium charges on Wheat shall not exceed 26.5/100 of one cent per bushel per day during the period from July 18 through December 17. The premium charges on Wheat shall not exceed 16.5/100 of one cent per bushel per day during the period from December 18 through July 17.]~~

#### **14B08. PREMIUM CHARGES**

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

**The maximum premium charges on mini-sized Wheat shall be determined prior to the nearby contract delivery period. The Exchange shall measure the nearby spread relative to financial full carry each business day from the 19<sup>th</sup> calendar day of the delivery month of the contract that expires prior to the nearby contract until the last Friday which precedes by at least two business days the last business day of the month preceding the nearby contract delivery month. For example, for a September expiration, the Exchange would measure the September – December spread relative to financial full carry each business day from July 19 until the last Friday in August which precedes by at least two business days the last business day in August. Financial full carry will be determined by the following formula:**

$$N * \left[ \left( \frac{i}{360} \right) * FP + P \right]$$

**Where:**

**N = Number of calendar days from the first delivery day in the nearby contract to the first delivery day in the contract that follows the nearby contract**

**i = 3-Month LIBOR rate + 200 basis points**

**FP = Settlement price for the nearby futures contract**

**P = Current daily premium charge**

The percentage of the nearby spread to financial full carry is calculated each business day during the calculation period and a running average of each of these daily values is calculated. At the end of the calculation period (the last Friday which precedes by at least two business days the last business day of the month preceding the nearby contract delivery month), should the running average carry be 80 percent of financial full carry or greater, then the maximum daily premium charge shall increase 10/100's of one cent per bushel on the 18<sup>th</sup> calendar day of the nearby contract delivery month. Should the running average carry be 50 percent of financial full carry or less, then the maximum daily premium charge shall decrease 10/100's of one cent per bushel on the 18<sup>th</sup> calendar day of the nearby contract delivery month.

Premium charges shall not be reduced below 16.5/100's of one cent per bushel per day.

~~[The premium charges on mini-sized Wheat shall not exceed 26.5/100 of one cent per bushel per day during the period from July 18 through December 17. The premium charges on mini-sized Wheat shall not exceed 16.5/100 of one cent per bushel per day during the period from December 18 through July 17.]~~