

Chapter 14N

Mini-Sized KC HRW Wheat Futures

14N00. SCOPE OF CHAPTER

This chapter is limited in application to futures trading of Mini-Sized KC HRW Wheat. The procedures for trading, clearing, inspection, delivery and settlement, and any other matters not specifically covered herein or in Chapters 7 and 14H shall be governed by the general rules of the Exchange.

14N01. CONTRACT SPECIFICATIONS

Each futures contract shall be for 1,000 bushels of:

No. 1 Hard Red Winter wheat with eleven percent (11%) protein level or higher deliverable at one and one-half cents (1.5¢) per bushel over contract price.

No. 2 Hard Red Winter wheat with eleven percent (11%) protein level or higher deliverable at contract price.

All above grades are deliverable at protein levels equal to or greater than ten and one-half percent (10.5%) but less than eleven percent (11%) at a ten cent (10¢) per bushel discount to contract price. Protein levels of less than ten and one-half percent (10.5%) are not deliverable on the contract.

Every delivery of Mini-Sized KC HRW wheat may be made up of the authorized grades for shipment from eligible regular facilities provided that no lot delivered shall contain less than 1,000 bushels of any one grade in any one facility.

14N02. TRADING SPECIFICATIONS

Trading in Mini-Sized KC HRW Wheat futures is regularly conducted in five months – July, September, December, March and May. The number of months open for trading at a given time shall be determined by the Exchange.

14N02.A. Trading Schedule

The hours for trading of Mini-Sized KC HRW Wheat futures shall be determined by the Exchange. On the last day of trading in an expiring future, the close of the expiring future shall begin at 12 o'clock noon and trading shall be permitted thereafter for a period not to exceed one minute. Quotations made during this one minute period shall constitute the close.

14N02.B. Trading Unit

The unit of trading shall be 1,000 bushels of wheat.

14N02.C. Price Increments

The minimum fluctuation for Mini-Sized KC HRW Wheat futures shall be 1/8 cent per bushel (\$1.25 per contract), including spreads.

14N02.D. Daily Price Limits

Daily price limits for Mini-Sized KC HRW Wheat futures are the same as those for standard-sized KC HRW Wheat futures on the same day.

14N02.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.

In calculating a Spot Month position in Mini-Sized KC HRW Wheat, the number of contracts against which delivery notices have been stopped (issued) during that delivery month minus the number of contracts against which delivery notices have been issued (stopped) during that delivery month shall be added to that Spot Month's long (short) futures position. As an example, if a person goes into a Spot Month with the maximum position of six hundred (600) net long equivalent full-sized contracts and takes delivery of warehouse receipts (for contract months through December 2017 contract month) / shipping certificates (beginning with contract month March 2018 and beyond) in satisfaction of five hundred (500) of such long equivalent full-sized contracts and does not establish a short position in that same Spot Month for purposes of redelivering such warehouse receipts (for contract months through December 2017 contract

month) / shipping certificates (beginning with contract month March 2018 and beyond), such person may not have a Spot Month futures position in excess of one hundred (100) net long equivalent full-sized contracts.

14N02.F. Termination of Trading

No trade in Mini-Sized KC HRW Wheat futures contracts deliverable in the current month shall be made after the business day preceding the fifteenth (15th) calendar day of that month. Any contracts remaining open after the last day of trading must be either:

- (a) Settled by delivery no later than the second business day following the last trading day (tender on business day prior to delivery).
- (b) Liquidated by means of a bona fide Exchange of Futures for Related Position, no later than the business day following the last trading day.

14N03. SETTLEMENT PRICES

Settlement prices of Mini-Sized KC HRW Wheat futures contracts shall be set equal to the settlement prices of the corresponding contracts in the primary KC HRW Wheat futures market. Where a particular contract has opened on the Exchange for which the primary market has established no settlement price, the Clearing House shall set a settlement price consistent with the spread relationships of other contracts; provided, however, that if the contract is not subject to daily price fluctuation limits then the settlement prices shall be set at the fair market value of the contract at the close of trading.

14N04. GRADES / GRADE DIFFERENTIALS

A Mini-Sized KC HRW Wheat futures contract for the sale of wheat shall be performed on the basis of United States origin only upon written request by a taker of delivery at the time load-out instructions are submitted.

No. 1 Hard Red Winter Wheat with eleven percent (11%) protein level or higher deliverable at one and one-half cents (1.5¢) per bushel over contract price.

No. 2 Hard Red Winter Wheat with eleven percent (11%) protein level or higher deliverable at contract price All above grades are deliverable at protein levels equal to or greater than ten and one-half percent (10.5%) but less than eleven percent (11%) at a ten cent (10¢) per bushel discount to contract price. Protein levels of less than ten and one-half percent (10.5%) are not deliverable on the contract.

Shipping certificates delivered in satisfaction of full-sized KC HRW Wheat futures contracts to the Clearing House and registered with the Exchange, must indicate thereon, if wheat, maximum of thirteen and one-half percent (13.5%) moisture.

Shipping certificates delivered in satisfaction of full-sized KC HRW Wheat futures contracts to the Clearing House and registered with the Exchange must indicate thereon, for wheat, a maximum of ten (10) IDK (indicating no more than 10 insect damaged kernels per 100 grams).

At load-out, the buyer may request vomitoxin testing. Wheat loaded-out may contain no more than 2.0 parts per million vomitoxin.

14N05. LOCATION DIFFERENTIALS

In accordance with the provisions of Rule 14N06., hard red winter wheat for shipment from regular facilities located in Kansas City, Missouri/Kansas may be delivered in satisfaction of mini-sized KC HRW Wheat futures contracts at contract price, subject to the differentials for grade outlined above. Hard red winter wheat for shipment from regular facilities located in Wichita, Kansas may be delivered in satisfaction of mini-sized KC HRW Wheat futures contracts at a discount of 6 cents per bushel, subject to the differentials for grade outlined above. Hard red winter wheat for shipment from regular facilities located in Hutchinson, Kansas may be delivered in satisfaction of mini-sized KC HRW Wheat futures contracts at a discount of 9 cents per bushel, subject to the differentials for grade outlined above. Hard red winter wheat for shipment from regular facilities located in Salina/Abilene, Kansas may be delivered in satisfaction of mini-sized KC HRW Wheat futures contracts at a discount of 12 cents per bushel, subject to the differentials for grade outlined above.

14N06. DELIVERY POINTS

Regular elevators or warehouses shall be located in the switching limits of:

- 1.) Kansas City, Missouri/Kansas,
- 2.) Hutchinson, Kansas,
- 3.) Salina/Abilene, Kansas, or
- 4.) Wichita, Kansas.

14N07. DELIVERIES BY MINI-SIZED KC HRW WHEAT SHIPPING AND DELIVERY PAYMENT

14N07.A. Delivery by Mini-Sized KC HRW Certificates

Deliveries of mini-sized KC HRW Wheat shall be made by delivery of mini-sized KC HRW Wheat Certificates created by the Exchange from KC HRW Wheat Shipping Certificates issued by facilities designated by the Exchange as regular to issue shipping certificates for KC HRW Wheat, utilizing the Clearing House electronic delivery system. In order to effect a valid delivery, each Certificate must be properly endorsed by the holder making the delivery, and transfer as specified above constitutes endorsement. Such endorsement shall constitute a warranty of the genuineness of the Certificate and of good title thereto, but shall not constitute a guaranty, by an endorser, of performance by the warehouseman. Such endorsement shall also constitute a representation that all premium charges have been paid on the commodity covered by the Certificate, in accordance with Rule 14N08.

14N07.B. Delivery Payment

Delivery Payment shall be made utilizing the electronic delivery system via the Clearing House's online system. Delivery Payment will be made during the 6:45 a.m. collection cycle, or such other time designated by the Clearing House. Thus, the cost of delivery will be debited or credited to a clearing firm's settlement account. Buyers obligated to accept delivery must take delivery and make Delivery Payment and sellers obligated to make delivery must make delivery during the 6:45 a.m. settlement process, or such other time designated by the Clearing House, on the day of delivery, except on banking holidays when delivery must be taken or made and Delivery Payment made during the 6:45 a.m. settlement process, or such other time designated by the Clearing House, on the next banking business day. Adjustments for differences between contract prices and delivery prices established by the Clearing House shall be made with the Clearing House in accordance with its rules, policies and procedures.

(Refer to Rule 713., Delivery Procedures.)

14N08. 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 19th 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 18th 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 18th calendar day of the nearby contract delivery month.

The Exchange may adjust how the observed nearby spread is measured relative to financial full carry should pending contract changes exist that have the potential to affect the normal nearby spread relationship. Any adjustments to how the observed spread is measured will attempt to remove the potential effects caused by the pending contract change. Any adjustments in how the nearby spread is measured will be communicated to market participants through a Special Executive Report or Exchange Advisory Notice prior to the beginning of the measurement period.

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