

## **Chapter 17**

### **Rough Rice Futures**

#### **17100. SCOPE OF CHAPTER**

This chapter is limited in application to futures trading of Rough Rice futures. The procedures for trading, clearing, inspection, delivery and settlement, and any other matters not specifically covered herein or in Chapter 7 shall be governed by the general rules of the Exchange.

#### **17101. CONTRACT SPECIFICATIONS**

All futures contracts shall be for U.S. No. 2 or better long grain Rough Rice as the same is established by standards promulgated by the United States Department of Agriculture (U.S.D.A.) at the time of the first day of trading in a particular contract. No heat-damaged kernels as defined by USDA FGIS Interpretive Line Slide 2.0 are permitted in a 500-gram sample. No stained kernels as defined by USDA FGIS Interpretive Line Slide 2.1 are permitted in a 500-gram sample. A maximum of 75 lightly discolored kernels as defined by USDA FGIS Interpretive Line Slide 2.2 are permitted in a 500-gram sample. No other grade is deliverable.

To be deliverable, Rough Rice shall have a milling yield of not less than 65%, including not less than 48% head rice. Each percent of head rice over or below 55% shall receive a premium or discount, respectively, from the settlement price for long grain Rough Rice and each percent of broken rice over or below 15% shall receive a premium or discount, respectively. Head rice and broken rice premiums and discounts shall be determined from USDA-CCC loan rates for rice stored in commercial warehouses. Each spring, following the announcement of new loan rates by the USDA-CCC, a trimmed mean from the last five years of loan rates will be calculated by discarding the lowest and highest values and taking the mean of the three remaining values. The Exchange shall announce and publish the calculated new premium and discount schedules for head and broken rice and they shall be applicable to all Rough Rice futures contracts delivered during the next crop year beginning September 1. All Rough Rice shall be of a Southern origin or such other origin as the Exchange may approve.

#### **17102. TRADING SPECIFICATIONS**

Trading in rough rice futures is regularly conducted in six months – September, November, January, March, May and July. The number of months open for trading at a given time shall be determined by the Exchange.

##### **17102.A. Trading Schedule**

The hours for trading of rough rice 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.

##### **17102.B. Trading Unit**

Par delivery is 2,000 hundredweight (200,000 pounds) of U.S. No. 2 or better long-grain rough rice. A weight variation of 1% shall be permitted, such variation to be priced at the previous day's settlement price if the expiring future is still trading and at the expiration price of the nearest previous future if no expiring future is trading.

##### **17102.C. Price Increments**

The minimum fluctuation for rough rice futures shall be ½ cent (\$.005) per hundredweight (\$10.00 per contract), including spreads.

##### **17102.D. Daily Price Limits**

Daily price limits for Rough Rice futures are reset every six months. The first reset date would be the first trading day in May based on the following: Daily settlement prices are collected for the nearest July contract over 45 consecutive trading days before and on the business day prior to April 16th. The average price is calculated based on the collected settlement prices and then multiplied by seven percent. The resulting number, rounded to the nearest 5 cents per hundredweight, or 50 cents per hundredweight, whichever is higher, will be the new initial price limits for Rough Rice futures and will become effective on the first trading day in May and will remain in effect through the last trading day in October.

The second reset date would be the first trading day in November based on the following: Daily settlement prices are collected for the nearest November contract over 45 consecutive trading days before and on the business day prior to October 16th. The average price is calculated based on the collected settlement prices and then multiplied by seven percent. The resulting number, rounded to the nearest 5 cents per hundredweight, or 50 cents per hundredweight, whichever is higher, will be the new initial price limits for Rough Rice futures and will become effective on the first trading day in November and will remain in effect through the last trading day in next April.

There shall be no trading in Rough Rice futures at a price more than the initial price limit above or below the previous day's settlement price. Should two or more Rough Rice futures contract months within the first six listed non-spot contracts (or the remaining contract month in a crop year, which is the July contract) settle at limit, the daily price limits for all contract months shall increase by 50 percent the next business day, rounded up to the nearest 5 cents per hundredweight. If no Rough Rice futures contract month settles at the expanded limit the next business day, daily price limits for all contract months shall revert back to the initial price limit the following business day. There shall be no price limits on the current month contract on or after the second business day preceding the first day of the delivery month.

**17102.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.

**17102.F. Limit on Holdings of Registered and Outstanding Warehouse Receipts**

No person, at any time, shall own or control more than 600 registered and outstanding Rough Rice Warehouse Receipts issued by facilities designated by the Exchange as regular to issue receipts for Rice.

If a person stops Rough Rice receipts for delivery in a quantity that would cause such person to exceed the 600 receipt limit, the person must cancel, retender or sell the quantity of receipts in excess of 600 not later than the following business day.

A person seeking an exemption from this limit 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 aggregation of accounts and allowable exemptions from position limits. The same standards that apply to allowable exemptions and aggregation of positions for position limit purposes shall also apply to limit on holdings of registered and outstanding shipping certificates.

**17102.G. Termination of Trading**

No trades in rough rice futures deliverable in the current month shall be made after the business day preceding the 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 seventh business day following the last trading day.
- (b) Liquidated by means of a bona fide Exchange of Futures for Related Position no later than the sixth business day following the last trading day.

**17103. CONTRACT MODIFICATIONS**

Contract specifications shall be fixed as of the first day of trading of the contract and must conform to government grading standards in force at that time. If any federal governmental agency issues an order, ruling, directive or law that conflicts with requirements of these Rules, such order, ruling, directive or law shall be construed to become part of these Rules, and all new contracts shall be subject to such governmental orders.

**17104. DELIVERY BY WAREHOUSE RECEIPTS**

Deliveries of rough rice shall be made only by delivery of rough rice warehouse receipts issued by

warehouses located in the Arkansas counties of Craighead, Jackson, Poinsett, Woodruff, Cross, St. Francis, Lonoke, Prairie, Monroe, Jefferson, Arkansas and DeSha and designated by the Exchange as regular. Rough rice warehouse receipts issued by otherwise regular warehouses licensed under the U.S. Warehouse Act shall be eligible for delivery in satisfaction of Exchange contracts regardless of whether such warehouses are or are not also licensed by any state. In order to effect a valid delivery, the clearing member making delivery must use the electronic fields which the Exchange requires to be completed. Each electronic receipt shall (a) be endorsed by the clearing member making delivery, and transfer as specified herein constitutes endorsement; (b) be marked "INSURED"; (c) indicate payment for storage charges up to and including the 18th day of the preceding month; (d) be negotiable; (e) be registered with the registrar of the Exchange; (f) specify the warehouse; and (g) specify the grade, milling yield and quantity of the rough rice stored; and (h) specify that the rough rice meets the CBOT standards for heat-damaged, stained and lightly stained kernels. Endorsement by the clearing member shall constitute a warranty of the genuineness of the warehouse receipt and of good title thereto, but shall not constitute a guarantee of performance by the issuer.

**17105. WEIGHING**

Weighing shall be done in accordance with the current custom of the trade. The official shipped weight so obtained shall be final provided, however, that railroad weights shall be acceptable and shall be final if the warehouse receipt holder and the seller so agree in writing.

**17106. PAR DELIVERY POINT**

The par delivery points for rough rice shall be warehouses within the boundaries of the Arkansas counties of Craighead, Jackson, Poinsett, Woodruff, Cross, St. Francis, Lonoke, Prairie, Monroe, Jefferson, Arkansas and DeSha. Rough rice may be delivered in satisfaction of rough rice futures contracts at warehouses regular for delivery at the contract price. No warehouse regular for delivery of rough rice shall be located outside the twelve Arkansas counties listed above.

**17107. REGISTRATION AND DELIVERY OF ROUGH RICE WAREHOUSE RECEIPTS AND DELIVERY PAYMENT<sup>1</sup>**

**17107.A. Registration and Delivery of Rough Rice Warehouse Receipts**

(Refer to Rule 712., Delivery and Registration, and Rule 713., Delivery Procedures.)

**17107.B. Delivery Payment**

Delivery Payment is to be made in same day funds 1) by a check drawn on and certified by a Chicago bank or 2) by a Cashier's check issued by a Chicago bank. The long clearing member may effect Delivery Payment by wire transfer only if this method of Delivery Payment is acceptable to the short clearing member. Buyers obligated to accept delivery must take delivery and make Delivery Payment and sellers obligated to make delivery must make delivery before 1:00 p.m. of the day of delivery, or by such other time designated by the Clearing House, except on banking holidays when delivery must be taken or made and Delivery Payment made before 9:30 a.m. the next banking business day, or by such other time designated by the Clearing House. 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.

**17108. STORAGE CHARGES**

Storage charges on rough rice shall not exceed such charges as have been filed with the Exchange in accordance with Rule 17109.A. (which shall be designed to cover costs of storage, insurance and taxes).

No rough rice warehouse receipts shall be valid for delivery on futures contracts unless the storage charges shall have been paid up to and including the 18<sup>th</sup> day of the preceding month and such payment endorsed on the rough rice warehouse receipt. Unpaid accumulated storage charges at the posted tariff applicable to the warehouse where the rough rice is stored shall be allowed and credited to the buyer by the seller to and including the date of delivery.

If storage charges up to and including the 18<sup>th</sup> calendar day preceding the delivery months of March, July and September and are not paid by the first calendar day of any such delivery month, a late charge will apply. The late charge will be an amount equal to the total unpaid accumulated storage charges multiplied by the "prime interest rate" in effect on the day that the accrued storage

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<sup>1</sup> Revised June 2008.

charges are paid, all multiplied by the number of calendar days that storage is overdue divided by 360 days. The term "prime interest rate" shall mean the lowest of the rates announced by each of the following four banks at Chicago, Illinois, as its "prime rate": Bank of America-Illinois, JP Morgan Chase & Co., Harris Trust & Savings Bank and the Northern Trust Company.

Storage on rough rice shall not exceed 42/100 of a cent per hundredweight per day. Regular Rough Rice warehousemen shall maintain in the immediate vicinity of the Exchange either an office, or a duly authorized representative or agent which is a registered clearing member of the Exchange, to whom Rough Rice storage charges must be paid.

## **17109. REGULARITY OF WAREHOUSES AND ISSUERS OF SHIPPING CERTIFICATES**

### **17109.A. Regularity Requirements**

In addition to the conditions set forth in Rule 703. A., Conditions for Approval, the following shall constitute requirements and conditions for regularity:

- (A) The warehouse shall at all times meet standards of construction, sanitation and dust control, insurability and physical maintenance applicable generally to commercial warehouses.
- (B) It shall be situated with respect to transportation facilities deemed adequate by the Exchange.
- (C) It shall be located in such states and counties as the Exchange may designate from time to time as delivery locations for Rough Rice.
- (D) It shall maintain all licenses required by state or federal law.
- (E) It shall have standard equipment and appliances for the convenient and expeditious receiving, handling and shipping of Rough Rice in bulk, in railroad cars, and in trucks, and shall be properly safeguarded and patrolled.
- (F) It shall file its tariffs listing in detail the maximum charges for the handling and storage of Rough Rice and thereafter it shall file with the Exchange any proposed changes in such tariffs. The effective date of the change will be on the first day of the month that follows a two-month time period after the day a written notice of the change is received by the Exchange.
- (G) It shall not fail to be operated in accordance with accepted commercial practices or fail to comply with governmental statutes, rules governing warehouses and the commodities stored therein.
- (H) Rough rice shall be stored in a bin or bins in a warehouse declared regular by the Exchange, and may contain rough rice from one or more different lots of the same quality and milling yield. Rough rice may be added to or withdrawn from such lots, provided any rice added shall be of the same quality and milling yield and shall conform to the specifications of this chapter and any withdrawal shall not reduce the amount of rice stored in such lots to an amount less than the total amount required to satisfy all outstanding warehouse receipts issued against such rough rice.

## **17110. DELIVERY AND LOADING OUT**

Delivery shall be made on the basis of the actual weight of rough rice loaded into rail cars or trucks. A load-out charge not to exceed the tariff as filed with the Exchange in accordance with Rule 17109.A. shall be paid by the buyer to cover loading and weighing. The maximum load-out charge for the loading-out of rough rice against a rough rice registered warehouse receipt is 22.222 cents per cwt. which will be subject to an evaluation by the Exchange at the time of renewal of regularity of rice warehouses. An increase or decrease in the maximum load-out charge for rough rice may become effective 30 days after a notice has been posted on the Exchange website. The notice will state the amount of the maximum load-out charge, the applicable warehouse receipts and the date that the charge will become effective.

Load-outs shall begin not later than the third business day following the day on which loading instructions are given to the warehouseman; provided, however, that the withdrawing party has within that period furnished rail cars or trucks to receive the rice. The warehouseman shall be required to load-out rice at the normal rate of load-out for the facility, but not less than 20 trucks or its equivalent weight loaded-out in rail cars per business day, and shall be able to load out the warehouse's entire regular capacity in 45 calendar days or less. A party taking delivery shall receive the quantity ordered loaded out as soon as reasonably possible but no more than 45 calendar days after load-out begins. Rough rice regular warehouses shall not be required to meet these minimum load-out rates when transportation equipment is not clean and load ready, inspection services are not available, a condition of Force Majeure exists, or inclement weather prevents loading.

In addition, rough rice regular warehouses shall not be required to meet the minimum load-out rate for rail cars when rail cars have been constructively placed for load-in prior to constructive placement of rail cars for load-out. However, when rail cars for load-out are constructively placed after rail cars for load in, the warehouse will load-in rough rice from the rail cars at the normal rate of load-in for the facility. This rate shall not be less than the equivalent weight of 20 trucks loaded-in from rail cars. Rough rice regular warehouses shall not be required to meet these minimum load-in rates when a condition of Force Majeure exists, inspection services are not available or inclement weather prevents unloading.

The warehouse operator is not obligated to commence load-out of rough rice to a given party sooner than three business days after he receives canceled warehouse receipts and written loading instructions from such party, even if such party may have a conveyance positioned to accept load-out of rough rice before that time. If the party taking delivery presents transportation equipment of a different type (rail or truck) than that specified in the loading instructions, he is required to provide the warehouse operator with new loading orders, and the warehouse operator shall not be obligated to begin load-out of rough rice to such party sooner than three business days after he receives the new loading orders. Written loading orders received after 2:00 p.m. (Chicago time) on a given business day shall be deemed to be received on the following business day.

The warehouseman, upon receipt of the canceled receipts by his agent and loading instructions from the owner by 2:00 p.m. on a given day, shall notify the owner by telex, telefax or email by 4:00 p.m. on that given day, of the scheduled day for load-out. The daily tariff, load-out rate and the amount of tonnage which is scheduled for load-out before owner's load-out shall also be provided in the notification.

The owner upon acceptance of the scheduled load-out date, and if he so requests on a given day prior to load-out, shall receive a telex, telefax or email from the warehouseman specifying the amount of tonnage remaining before owner's equipment is loaded.

The warehouseman, upon cancellation of loading instructions on any business day prior to the day of actual loading of rice, and if requested by the owner, shall reissue and register warehouse receipts for the amount of rough rice which remains unloaded. Storage fees shall begin on the date of re-issuance of the new warehouse receipts.

Storage charges on rough rice to be shipped pursuant to loading instructions shall cease no later than three calendar days following the day on which canceled warehouse receipts are surrendered or loading instructions are given, whichever occurs later; provided, however, that the owner makes transportation available for loading on the scheduled load-out date or has not canceled loading instructions.

The warehouse operator shall be permitted a two percent deviation above or below the yield of head rice shown on the warehouse receipt issued for delivery on the contract. The warehouse operator shall also be permitted a two percent deviation above or below the total milling yield shown on the warehouse receipt issued for delivery on the contract.

The warehouse operator is responsible for maintaining the milling yield of rice specified on the warehouse receipt, within the stated allowable deviations, for the total quantity of rice represented by the warehouse receipt and not for sub-lots (i.e. truckloads) of the warehouse receipt. The warehouse operator is also responsible for maintaining the numerical grade of rice specified on the warehouse receipt, however, the numerical grade for sub-lots (i.e., truckloads) shall be no more than one numerical grade below the deliverable grade specified in Rule 17101. Averaging the grade or milling yield of multiple receipts is not permissible.

When the rough rice is ordered out-of-store, the warehouse operator will be reimbursed by the buyer in cash if the total milling yield or the yield of head rice of the rice loaded out is over the total milling yield or the yield of head rice listed on the warehouse receipt (up to two percent).

Conversely, the warehouse operator will reimburse the buyer in cash if the total milling yield or the yield of head rice of the rice loaded out is under the total milling yield or the yield of head rice listed on the warehouse receipt (up to two percent). Calculations shall be made daily for each receipt loaded out that day and shall be based on the nearby month rough rice future's settlement price on the day of load out. Such payments to or from the warehouse operator for excess or deficit head and broken rice shall be at the premium and discount schedule specified in Rule 17101, Contract Specifications. Adjustments on the milling yield of head rice shall be based on an official test.

Both the buyer and the warehouseman will provide for an analysis of the rough rice for grade and milling yield. If there is a disagreement, then a duplicate sample taken at origin shall be analyzed by the Federal Grain Inspection Service (FGIS), or a mutually agreed-upon third party to resolve the disagreement.

Notwithstanding the above, the buyer retains the right, at his expense, to an official sampling and analysis by FGIS, or a mutually agreed-upon third party, at origin, of rough rice loaded-out at any time.

**17111. DUTIES OF WAREHOUSEMAN**

It shall be the duty of operators of all regular warehouses:

- A. RESERVED
- B. To notify the Exchange of any change in the condition of their warehouses which might materially affect their physical or financial ability to continue to meet the requirements for regularity under these rules. Any warehouse must immediately notify the Exchange of any material reduction of its capital, including the incurring of a contingent liability which would materially affect capital should such liability become fixed. Such notice must be in writing and signed by an officer of the warehouse.
- C. For purposes of this requirement, a reduction amounting to twenty percent (20%) or more from the total capital reported as of the last date for which a financial statement was filed under this requirement shall be deemed material. In determining total capital, there shall be taken into consideration equities and deficits in all proprietary accounts properly included in the determination of net worth.
- D. To insure adequately and fully rough rice covered by warehouse receipts tendered for delivery against loss by fire, tornado and the contingencies provided for in the standard form of "extended coverage" endorsements or policies. Rough rice shall be deemed so insured when the warehouse shall maintain such insurance for the benefit of all depositories of rough rice under tariffs, rules or Rules authorized and promulgated under the authority of the United States Warehouse Act. In any warehouse declared regular by the Exchange, the charge for insurance on rough rice delivered on futures contracts shall be limited to a maximum of \$1.00 per \$100.00 evaluation annually. Any charges for insurance in excess of this amount shall be paid by the warehouseman.
- E. To remove no rough rice covered by negotiable warehouse receipts registered with the Exchange from the designated warehouse or, if appropriate, from the designated bond except at the request of the negotiable warehouse receipt holder upon surrender of the receipt.
- F. To register with the Exchange all negotiable warehouse receipts relating to rough rice for which the warehouse is declared regular and to cancel such registrations before releasing such rough rice.
- G. To have a representative in Chicago, Illinois authorized and known to the Exchange to act in matters pertaining to negotiable warehouse receipts including shipping instructions.
- H. To load vehicles furnished by holders of negotiable warehouse receipts of the Exchange within the time specified by these rules.
- I. To deliver rough rice ordered out of the warehouse in buyer's vehicles within such times as specified by these rules showing no preference in out-loading, unless a condition of Force Majeure interferes therewith; provided, the warehouse shall make no charge for storage after three days following receipt of the load-out order notwithstanding whether delivery is prevented because of such condition of Force Majeure. If no time period for out-loading is set forth in the rules, load-out shall occur not later than three Business Days after vehicles are ready for loading, except as provided herein.
- J. To inspect the transportation facilities furnished by the negotiable warehouse receipt holder. If, in the warehouseman's judgment, cleaning is necessary, he shall immediately notify the receipt holder and thereafter abide by the holder's instructions.
- K. To load each vehicle to its capacity provided sufficient negotiable warehouse receipts are tendered.

**17112. DAMAGE TO ROUGH RICE IN STORE**

The operator of a warehouse shall promptly advise the Exchange of any damage to rough rice held in store by it whenever such damage shall occur to an extent that will render it unwilling to purchase and withdraw from store, at its cost, all such damaged rough rice.

**17113. FINALITY OF USDA OR OTHER REQUIRED INSPECTION CERTIFICATE**

The Exchange assumes no responsibility and disclaims all liability on account of the grade, quantity or specifications of any commodity delivered on the basis of a USDA or other required inspection

certificate. Such certificate shall constitute conclusive evidence of the grade, quantity or other specifications of the commodity described therein.

**17114. RISK OF LOSS AND CHARGES**

- A. Title and the risk of loss or damage pass to the buyer at the time of delivery of the warehouse receipts.
- B. The deliverer shall be responsible for all warehouse charges until the time when title passes and thereafter the receiver shall be responsible.
- C. The receiver shall be responsible for all inspection and weighing charges at load-out.