

Chapter 567

Denatured Fuel Ethanol Futures

567100. SCOPE OF CHAPTER

This chapter is limited in application to Denatured Fuel Ethanol Futures. The procedures for trading, clearing, inspection, delivery, and settlement not specifically covered herein or in Chapter 7 shall be governed by the general rules of the Exchange.

The terms “seller” and “buyer” shall mean the seller of the physical product and the buyer of the physical product, respectively.

For purposes of this rule, unless otherwise specified, times referred to herein shall refer to and indicate the Central Prevailing Time (CPT).

567101. CONTRACT SPECIFICATIONS

The contract grade for delivery on futures contracts shall be Denatured Fuel Ethanol specified in the latest version of The American Society for Testing and Materials (A.S.T.M.) standard D4806 for “Denatured Fuel Ethanol for Blending with Gasolines for Use as Automotive Spark-Ignition Engine Fuel.” with the exception of Denaturant, which shall not exceed 2.49 percent, and be in conformance with all applicable Federal, State, and local laws and regulations. In addition, delivery grade ethanol shall meet the California specification for lower sulfur content and California limits on other compounds. Ethanol not meeting A.S.T.M. standard D4806 or any further amended version of such standard or California limits on Sulfur, Benzene, Olefins, and Aromatics shall not be deliverable.

567102. TRADING SPECIFICATIONS

Trading in Denatured Fuel Ethanol futures is regularly conducted in all calendar months. The number of months open for trading at a given time shall be determined by the Exchange.

567102.A. Trading Schedule

The hours for trading of Denatured Fuel Ethanol Futures shall be determined by the Exchange.

567102.B. Trading Unit

The unit of trading shall be 42,000 U.S. gallons of denatured fuel ethanol. For a delivery made by Chicago Rule 11 in accordance with Rule 567105, the quantity shall be $\frac{(x*42)}{29}$ rounded down to the nearest integer multiplied by 29,000 where x is the number of delivered contracts. A loading tolerance of two percent (2%) above or below 580 U.S. gallons this quantity is permitted. For example, a delivery of 24 contracts would be equivalent to $(\text{ROUNDDOWN}(\frac{(24*42)}{29}) * 29,000) = 34 * 29,000 = 986,000$ gallons plus or minus a two percent tolerance. The volume delivered shall be determined at 60 degrees Fahrenheit.

567102.C. Price Increments

The minimum fluctuation for Denatured Fuel Ethanol Futures shall be \$0.0025 per gallon (\$105.00 per contract), including spreads, for trades executed on CME Globex electronic trading platform and \$0.00005 per gallon (\$2.10 per contract) for transactions submitted for clearing via CME ClearPort.

567102.D. 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.

567102.E. Termination of Trading

No trades in Denatured Fuel Ethanol Futures in the expiring contract month shall be made after the last Business Day of the month preceding the delivery month for such expiring contract.

Any contracts remaining open after the last day of trading must be either:

- (a) Settled by physical delivery in accordance with Rule 567105 and shall be completed no later than the last Business Day of the delivery month; or
- (b) Liquidated by means of a bona fide Exchange for Related Position ("EFRP") pursuant to NYMEX Rule 538 no later than 2:00 p.m. CPT on the first Business Day following termination of trading in the expired futures contract. An EFRP which establishes a futures position for either the buyer or the seller in an expired futures contract shall not be permitted following the termination of trading of an expired futures contract.

567103. SAMPLING

The seller shall provide to the buyer a Certificate of Analysis based on a sample taken from the tank from which ethanol is loaded-out in fulfillment of NYMEX Denatured Fuel Ethanol delivery. The tank sample must be drawn in accordance with official methods for sampling denatured fuel ethanol.

The Certificate of Analysis shall specify:

- 1. Ethanol, volume %,
- 2. Water content, volume %,
- 3. Denaturant content, volume %,
- 4. Acidity, mass percent (mg/L),
- 5. pH,
- 6. Appearance,
- 7. Sulfate, ppm (wt./wt.)

In addition, the Certificate of Analysis shall specify testing results, completed within one month of completed load-out, for:

- 8. Methanol, volume %,
- 9. Sulfur, ppm,
- 10. Chloride, (mg/L)

And specify testing results completed within three months of completed load-out for:

- 11. Copper (mg/L),
- 12. Existent Unwashed Gum (mg/100mL)

A Certificate of Analysis is not required for in-tank transfers at Kinder Morgan Argo.

567104. VOLUME MEASUREMENTS

Volume measurements shall be made at the shipping origin at 60° F using one of the following: (a) flow meter, (b) platform scale, (c) tank scale, or (d) batch scale.

567105. DELIVERY PROCEDURES

567105.A. Responsibilities of Clearing Members Having Open Long Positions

- 1. Notice of Intention to Accept

Exchange clearing members having open long positions shall provide the Clearing House with a Notice of Intention to Accept delivery by 3:00 p.m. CPT on the first Business Day following termination of trading, which is the first Business Day of the contract month. The Notice of Intention to Accept must be in the form prescribed by the Exchange and must be properly completed and indicate the name(s) of the buyer(s), the number of contracts to be accepted, a Chicago Rule 11 or In-Tank Transfer (ITT) in Argo, IL delivery preference, and any additional information as may be required by the Exchange. For the purpose of these rules, ITT applies to the Kinder Morgan Argo terminal.

567105.B. Responsibilities of Clearing Members Having Open Short Positions

1. Notice of Intention to Deliver

Exchange clearing members having open short positions shall provide the Clearing House with a Notice of Intention to Deliver by 3:00 p.m. CPT on the first Business Day following termination of trading, which is the first Business Day of the contract month. The Notice of Intention to Deliver must be in the form prescribed by the Exchange and must be properly completed, indicate the name(s) of the seller(s), the name and location of the facility of the Seller(s) which will supply the product, the number of contracts, the method of delivery, which shall be made by either Chicago Rule 11 or ITT Argo, IL, and any additional information as may be required by the Exchange.

567105.C. Assignment Day

The Clearing House shall allocate Notices of Intention to Accept and Notices of Intention to Deliver on the first Business Day after the final day of trading, by matching positions and preferences to the extent possible.

The Clearing House shall provide Assignment Notice Reports to the respective clearing members on the first Business Day after the final day of trading (i.e., Assignment Day).

567105.D. Final Settlement Price

The final settlement price shall be the basis for delivery. Buyer shall reimburse seller for any taxes that had been or will be paid by the seller.

567105.E. Non-Transferable

The Clearing Member who receives a Notice of Intention to Deliver or a Notice of Intention to Accept from the Clearing House shall be deemed to have agreed to accept or deliver product. Notices of Intention to Deliver and Notices of Intention to Accept are not transferable.

Upon mutual consent of the buyer's clearing member and the seller's clearing member and upon written notice to the Exchange, the buyer's clearing member and the seller's clearing member may change the method of delivery named by the seller, the ITT Argo transfer date, or the Chicago Rule 11 loading date.

567105.F. Chicago Rule 11 Deliveries

1. Buyer's clearing member shall provide the seller's clearing member with a rail destination including detailed routing instructions from Chicago, IL to the destination and any additional nomination information requested by the seller's clearing member by 3:00 p.m. CPT on the Business Day following Assignment Day.
2. Seller may deliver cars from ethanol producing facilities in the states of Iowa, Illinois, Minnesota, Nebraska, or Wisconsin.
3. Seller must bill cars to the end destination through a Chicago, IL interchange point within five business days following the receiving of detailed routing instructions.
4. The seller is responsible for freight to the Chicago, IL interchange point and the buyer assumes the freight payment to the final destination.
5. Title transfer from seller to buyer occurs when the buyer's rail carrier's tracing system officially shows the railcars as "junction received." The buyer's clearing member shall inform the Clearing House.
6. Once cars are "constructively placed" at buyer's destination, the buyer has five (5) Business Days to release cars back to the seller. Demurrage shall be \$100 per railcar per day thereafter.

567105.G. In-Tank Transfer (ITT) Argo Deliveries

If the ITT option is nominated by the seller, the buyer shall select an ITT transfer date or free-on-board ("FOB") Argo pickup date that is within the next five (5) Business Days following the Assignment Day. The buyer's transfer date or FOB. Argo pick up date must be submitted by

the buyer's clearing member on behalf of the buyer by 3:00 p.m. CPT on the Business Day following the Assignment Day. If the buyer fails to select a transfer date, the seller shall transfer material on the 5th Business Day following the Assignment Day. The seller shall transfer the ITT by 5:00 p.m. CPT on the selected transfer date.

567105.H. Timing of Delivery

1. For Chicago Rule 11 delivery, title transfer from seller to buyer occurs when buyer's rail carrier's tracing system officially shows the railcars as "junction received."

For ITT Argo or FOB Argo pickup, title transfer from seller to buyer occurs when the terminal confirms transfer complete, or when product passes the buyer's tank or pipeline connection or when load-out at the Argo terminal has occurred; at such time the buyer shall bear the risk of loss.

Buyer's clearing member shall advise the Exchange upon title transfer.

567105.I. Delivery Margins and Payment

567105.I.A. Definitions

"Payment" shall include the final settlement price, in U.S. dollars and cents, times the volume delivered.

"Payment Date" shall mean the Business Day following the date of delivered product.

567105.I.B. Margin

The buyer's clearing member and seller's clearing member shall deposit with the Exchange margins in such amounts and in such form as required by the Exchange. Such margins shall be returned on the Business Day following notification to the Exchange that delivery and payment have been completed.

567105.I.C. Payment

The buyer's clearing member shall make Payment to the Seller's clearing member by federal funds money wire by 12:00 p.m. CPT on the Business Day following the date of title transfer. The amount of payment shall be based on volume delivered as determined in accordance with Rule 567102.B.

- (a) If the buyer requires multiple delivery dates, multiple payment shall be required for each portion of product delivered.
- (b) The seller's clearing member, upon receipt of payment, shall provide the buyer's clearing member with any appropriate documents necessary to transfer ownership of the product to the buyer's clearing member. In the event that the seller's clearing member receives notification that payment has not been received, the seller's clearing member shall advise the Exchange in writing by 5:00 p.m. CPT on the Business Day on which payment is due. On the following Business Day, unless the buyer or the buyer's clearing member has advised the Exchange in writing that the Seller failed to deliver, the Exchange shall liquidate the margins held and, when the liquidation is complete, shall pay the Seller's clearing member which shall pay its Seller. If the buyer or the buyer's clearing member has advised the Exchange in writing that the seller failed to deliver, the matter shall be deemed a failure to deliver pursuant to Rule 714.

567106. VALIDITY OF DOCUMENTS

The Exchange makes no representation respecting the authenticity, validity or accuracy of any Certificate of Analysis, Notice of Intention to Deliver, Notice of Intention to Accept, Bill of Lading, check or any document or instrument delivered pursuant to these rules.

567107. TRANSFER OF RENEWABLE IDENTIFICATION NUMBERS (RINs) UPON PHYSICAL DELIVERY OF ETHANOL

Upon completion of ethanol delivery in accordance with Rule 567105.H., the seller will be required to transfer Renewable Fuel (D-code 6) RINs of a total quantity that is not less than the total amount of gallons of ethanol that have been delivered (adjusted for over-and/or under-fills). The gallon-RINs are to be transferred to the buyer upon completion of ethanol delivery.

For delivery that occurs as a result of January contract month expiry, prior year or current year vintage gallon-RINs may be issued at the seller's discretion. All other expiry months deliveries must utilize current year vintage gallon-RINs.

The transfer of gallon-RINs shall take place within 48 hours after delivery has been completed. The date of delivery is based on when title transfer occurs in accordance with Rule 567105.H.

Any buyer accepting delivery of ethanol must hold a valid Environmental Protection Agency ("EPA") registration number allowing gallon-RIN's to be transferred from the seller to the buyer accepting delivery. The buyer's clearing member shall inform the seller's clearing member of all applicable EPA registration numbers prior to title transfer.

Transfer of gallon-RINs from the seller to the buyer shall be done in accordance with the guidelines of the EPA for such RIN transfer. The Exchange does not prescribe a format that the Seller needs to adhere to in regard to the transfer of gallon-RINs.