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„CME Group's plan for an
EU wheat futures contract“

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THE CONFIDENCE
TO LEAD



Chicago Mercantile Exchange (CME)	Chicago Board of Trade (CBOT)	New York Mercantile Exchange (NYMEX)	Commodity Exchange (COMEX)
	CME Clearing Europe (CMECE)	CME Europe (CMEE)	

CME Group Agricultural products highlights

6

Global benchmark grain
and oilseed contracts

2

Major wheat contracts –
SRW and HRW

All grain futures
physically
delivered in store

Industry-Leading
Market Liquidity

1,000,000+
lots of
Agricultural
derivatives daily

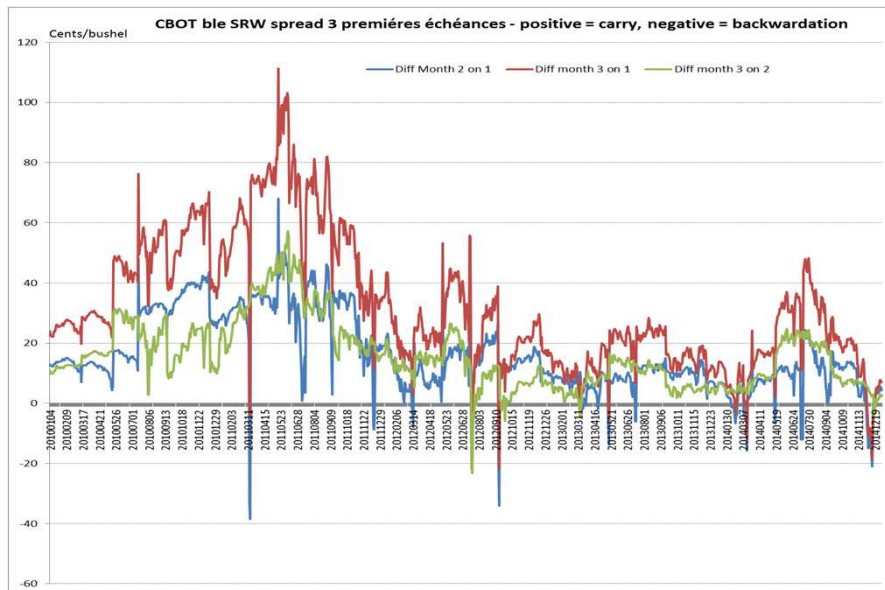
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Years of Industry
Expertise

Why a new EU wheat contract...

- CME were approached by industry clients in Europe, to look at improving the hedging tools they already had
- Key focus areas:
 - Clear, unambiguous rules, procedures & criteria
 - Enhanced delivery basis & capacity
 - Enable greater deliveries participation
 - Encourage a carry structure via storage of wheat
- Looking to combine SRW & HRW wheat delivery mechanisms with EU wheat market practices

SRW Chicago spread structure



CME proposed EU wheat contract – main features

- Basis Rouen, delivered in store, with loading out onto buyer's transport (barge, lorry, train) paid for
- Delivery regions are Nord Pas de Calais, Picardie, Ile de France, Normandy, Champagne Ardennes, Centre, Pays de Loire, Bourgogne
- Each store will have a fixed location differential for each crop year, based on cost of transport from the store to Rouen
- Delivery points are CME approved and registered stores
- Wheat does not have to be segregated; inspections and stock movement monitoring to ensure wheat of required quality and quantity is in store
- Buyer's wheat paid for and insured by the storekeeper
- Quality criteria: protein min 10.5%; Hagberg min 170; specific weight min 74, 15/4/2/2

CME proposed EU wheat contract – main features

- Minimum loading out rates set for lorry, barge and train
- Wheat delivered via a certificate, issued, managed and transferred through an electronic system
- Certificate (wheat) can be held in store from one crop year to another
- Holder of wheat takes delivery
- Storekeepers charge rent rates for wheat held in store
- Delivery months Sep, Dec, March, May
- Multiple certificate delivery/re-tender days, from 1th day of delivery month to 14th of delivery month.
- Contract to be listed in Chicago, on Globex, options to be made available alongside the futures
- Margins are in Euros

Futures summary specifications

Pricing basis	<p>Basis delivered Rouen</p> <p>Euro and Euro cents per metric tonne delivered in bulk free onto buyer's transport (lorry, barge) from an Exchange nominated warehouse in Basse Normandy, Haute Normandy, Ile de France, Picardie, Nord Pas de Calais, Centre, Bourgogne, Pays de Loire and Champagne Ardenne.</p> <p>Fixed location differentials set per warehouse per crop year based on the cost of transport by lorry/barge/train depending on the warehouse's main delivery basis from the nominated warehouse to port of Rouen.</p>
Deliverable Quality	Sound, fair and merchantable milling wheat of the following standard at time of delivery onto buyer's transport – 15%, 4%, 2%, 2%, protein min 10.5%, Hagberg min 170, specific weight min 74.
Delivery months	September, December, March, May
Loading out	Minimum loading out rate to be set for loading onto lorry or barge subject to holder of receipt providing sufficient vehicles to load in accordance with Incograin 15, 18 and 19 at the minimum rate
Rent and storage	Maximum rent rates to be set per crop year (€2 per tonne per month). A higher rent rate will be chargeable during the harvest period (mid June to mid Sep) of €4 per tonne per month. Wheat delivered against the Contract will not have to be segregated in the warehouse nor will it have to precise the year
Sampling	Sampling to be done by in accordance with Incograin 15, 18 and 19
Duration of the warehouse certificate	<p>It is the Buyer's option as to when he wishes to take delivery of the wheat (this can stay in kept in the warehouse up to such time that he wishes to withdraw the wheat), or re-tender the wheat either during a delivery month tendering period or the following delivery month.</p> <p>The warehouse certificate lifespan s to from time of issuance until such time that delivery takes place (ie, the certificate can be carried over crop years)</p>
Notice to be provided by the buyer	Seller to have the wheat available for collection from the warehouse at Buyer's call, provided the Buyer gives the seller 8, 10 or 12 business days notice depending on whether the loading from that warehouse is basis lorry, barge or train. Loading out will take place on a first to call first out basis
Warehousekeeper nomination	<p>These will be approved by, and be independent of, the Exchange. Criteria to include storage capacity, loading out rate that can be achieved. Warehouses to be CSA-GTP/GTP-Coceral approved.</p> <p>Applications to become a warehouse, should be for a period of a minimum 2 crop years, and can happen at any time. Request to stop being a warehouse should take place 3 months prior 1st June. Number of certificates per warehouse to be limited to a combination of warehouse capacity and loading out rates</p>
First and Last Notice day	The 1 st calendar day of the Contract month. The 15 th calendar day of the Contract Month

CME proposed EU wheat contract – key offering

- Clearly defined rules and procedures. Quality criteria are fixed and known. All stores will operate under identical clear rules and procedures
- A wider market delivery basis. Large number of stores are spread across a wide area, with location differentials versus an export basis point
- Flexibility for the buyer. Firm receiving wheat can:
 - re-sell the wheat (certificate) on the futures market (same or following delivery months),
 - Sell the certificate on the physical market (including back to warehouse)
 - Give immediate notification to take delivery of wheat
 - Hold onto the certificate and pay for wheat storage for future delivery
 - Mutual agree to an off-market alternative delivery
- Futures market pricing supported by carry structure. Combination of wide range of delivery points, flexibility for the long receiving wheat, and payment of storage rates encourages a carry structure

CME proposed EU wheat contract – key offering

- Financing and collateral opportunities. As a CME certificate is valid until the wheat is taken up for delivery, they can be used for example by the long holding to certificate, to raise finance from banks, or as a collateral for initial margining
- Cross contract margin offsets. The futures contract will be listed in Chicago, alongside the CBOT grain contracts. This should allow us to provide spread margin offsets versus the SRW and HRW Wheat contracts, and potentially corn
- Competitive fees. The maximum fee (non-member) for trading and clearing the contract will be US\$1.03, and programmes such as fee waivers will be made available at launch
- Wide range of data reporting. This would include COT reports once volume reaches certain level, daily fully netted open interest, certificates issued and being held, wheat tonnage in storage per store, loading out taking place, capacity remaining per store

Becoming a Regular for Delivery Facility

- Must complete an application provided by the Exchange
- Must be inspected by the Exchange
- Declare which clearing firm will be used for delivery
- Provide written confirmation from the facility's insurance company that the facility and grain is insured
- Must complete an information questionnaire outlining the organizational structure of the company and the primary share holders
- Provide a current financial statement and a certified year end statement (Minimum \$5 MM in net worth and \$2 MM in working capital)
- Two bank references

Building liquidity in the planned contract

- Available on the same trading and clearing platform alongside corn, SRW wheat, HRW wheat, via wide range of FCMs
- Fee waivers on futures and options on launch:
 - Minimum 6 months
 - Available also on EFP (AAs), EFS and EOO trades
- Market maker programmes:
 - Minimum 1 year
 - On futures and options
- Marketing, presentations, workshops across the EU and the US
- Is there room for more than one Wheat futures contract in the EU???
 - Three wheat contracts in the US
 - US contracts combined liquidity of ~150k ADV
 - US wheat output ~60 million tonnes, EU wheat output ~ 140 million tonnes

Current Status Summary Overview

- Two contracts to be launched:
 - Deliverable futures
 - Options on deliverable futures
- Both contracts will be CBOT listed and US cleared under CFTC oversight
- Both contracts margined in Euros, fees in \$
- Market maker programmes for futures and options determined
- Fees and fee waivers established
- Sign-up of warehouses and storage capacity remains to be completed
- Announcement of contract once sufficient number of warehouses and capacity signed-up
- December 2015 would be first delivery month

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