

## LONDON NOTICE NO. 3642

Issue Date: 25 September 2012

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### **WHEAT FUTURES CONTRACT (EXCHANGE CONTRACT NO. 405)**

### **GRAINSTOREKEEPER PROCEDURES IN RESPECT OF THE WHEAT FUTURES CONTRACT**

### **MIGRATION OF THE DELIVERY PROCESS FOR THE WHEAT FUTURES CONTRACT ON TO NYSE LIFFE GUARDIAN**

#### **Executive Summary**

This Notice informs Members of the migration of the delivery process for the Wheat Futures Contract from LCH.Clearnet Ltd on to NYSE Liffe Guardian and the consequential revisions to the Wheat Futures Contract Terms and Administrative Procedures and the Grainstorekeeper Procedures in respect of the Wheat Futures Contract (the "Grainstorekeeper Procedures").

#### **1. Introduction**

- 1.1 In 2009 the Exchange introduced NYSE Liffe Guardian as the electronic administration service for the grading and tendering of Robusta Coffee and Cocoa. NYSE Liffe Guardian has now been extended to allow for the migration of the delivery process for Feed Wheat and White Sugar Futures Contracts from LCH.Clearnet Ltd ("LCH.Clearnet") to the Exchange.
- 1.2 Subject to final confirmation of the necessary regulatory approvals, the first date on which a Wheat Futures Contract may be tendered using NYSE Liffe Guardian is intended to be 25 October 2012, which is the first Notice Day of the November 2012 delivery month (the first delivery month for the Feed Wheat season).
- 1.3 The Exchange intends to migrate the delivery process for the White Sugar Futures Contract from LCH.Clearnet on to NYSE Liffe Guardian commencing with the December 2012 delivery month. Details will be published by Notice in due course.

#### **2. Revisions to the Wheat Futures Contract and the Grainstorekeeper Procedures**

- 2.1 The migration necessitates a number of revisions to the Wheat Futures Contract Terms and Administrative Procedures and the Grainstorekeeper Procedures. Those revised documents are set out in Attachments 1 and 2, respectively, to this Notice. Revisions have been made in order to:
  - (a) introduce the concept of an electronic "E Warrant" and to confirm the legal standing of an E Warrant;
  - (b) remove all references to paper warrants and all associated matters;

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- (c) allow for the use of NYSE Liffe Guardian for the recording of details of Wheat stored by a Grainstorekeeper for delivery against the Wheat Futures Contract, as well as the obligations of a Grainstorekeeper and any Nominated Member in relation to NYSE Liffe Guardian and changes in ownership of E Warrants;
  - (e) allow for the tender of Wheat Futures Contracts using NYSE Liffe Guardian and the migration of the delivery process from LCH.Clearnet to NYSE Liffe Clearing using NYSE Liffe Guardian; and
  - (f) generally tidy and update the documents, including incorporation of terminology which reflects accurately the current clearing arrangements.
- 2.2 Members will be aware that the Grainstorekeeper Procedures previously contained procedures applicable to Grainstorekeepers only. For the avoidance of doubt and as outlined above, the revised Grainstorekeeper Procedures necessarily contain certain obligations that fall on Members, as well as provisions in relation to the legal standing of E Warrants that have direct relevance to Members.
- 2.3 An updated version of the Wheat Futures Contract Terms and Administrative Procedures and the Grainstorekeeper Procedures will be made available on the NYSE Euronext website at [www.nyx.com/feedwheatfuturescontract](http://www.nyx.com/feedwheatfuturescontract) and [www.nyx.com/grainstorekeepersprocedures](http://www.nyx.com/grainstorekeepersprocedures), respectively, in due course.

### **3. E Warrants**

- 3.1 For the November 2012 delivery month onwards, a Wheat Warrant will no longer take the form of a paper warrant but will be held in dematerialised form as an E Warrant. The ownership of E Warrants will be recorded on NYSE Liffe Guardian. Section 4 of the revised Grainstorekeeper Procedures describe in detail the rights and obligations of Owners, Nominated Members and Grainstorekeepers in respect of E Warrants, including the status of those Persons recorded on NYSE Liffe Guardian as “Owners” and the legal status of E Warrants themselves.
- 3.2 A Grainstorekeeper will create a record on NYSE Liffe Guardian for each 100 tonnes of Wheat held in store for tender against the Wheat Futures Contract, in accordance with the Grainstorekeeper Procedures. This record on NYSE Liffe Guardian, which will include an E Warrant number and details of ownership, will constitute an E Warrant.
- 3.3 The ownership of an E Warrant will be transferred automatically following a tender. In the case of an off-market sale, the ownership of the E Warrant must be updated on NYSE Liffe Guardian by the Member representing the Owner or, where the Owner is not represented by a Member, by the Grainstorekeeper.
- 3.4 Only an E Warrant with rent paid up to 14 days after the Tender Day will be tenderable against the Wheat Futures Contract. Rent paid to the Grainstorekeeper in respect of the storage of the Wheat will be recorded on NYSE Liffe Guardian by the Grainstorekeeper and, in the case of a re-tender, the additional rent will be collected by the Exchange, automatically recorded on NYSE Liffe Guardian, and paid to the Grainstorekeeper by the Exchange at the end of the delivery month.

- 3.5 The introduction of E Warrants will speed up the current tender process removing the need for the paper warrants to be sent physically between Members and Grainstorekeepers for updating with rent details and submission to LCH.Clearnet. Ownership of the E Warrants will be more transparent and more easily transferable.

#### **4. NYSE Liffe Guardian**

- 4.1 The NYSE Liffe Guardian functionality for the delivery process of the Wheat Futures Contract has been based on the current and proven delivery functionality used for the Cocoa and Robusta Coffee Futures Contracts.
- 4.2 Access to NYSE Liffe Guardian is provided through a secure website accessible via the internet. All NYSE Liffe Guardian users are provided with log in credentials which govern the role that the user can perform in the system and prevent users from taking actions outside of the agreed business processes.
- 4.3 Members and Grainstorekeepers will be able to carry out all the relevant functions of the delivery process using NYSE Liffe Guardian. The tender process will be completely paperless with Seller's Delivery Notices being made to the Exchange via NYSE Liffe Guardian functionality and the issue of invoices and account sales also taking place via NYSE Liffe Guardian.
- 4.4 The reporting of stock figures and tender volumes will be carried out automatically by NYSE Liffe Guardian, thus removing an obligation on the Grainstorekeeper to create a weekly stock report.

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