

Document title

**EURONEXT INSTRUCTION**

**EFFECTIVE DATE: APPLICABLE UPON MAY 2018 DELIVERY**

**SPECIAL RULES AND REGULATIONS GOVERNING THE NO. 2 MILLING WHEAT  
FUTURES CONTRACT**

Number of pages

14

*Statement in relation to the MATIF Delivery Process : Potential users of the Milling Wheat Futures Contract should familiarise themselves with the contract terms, including the clearing house rules and procedures. Potential users should notably be aware that, according to the MATIF delivery instructions of the contract, the transfer will relate to goods already in-store, via the silo transfer mechanism detailed in Article 21 of the special Rules and Regulations of the contract, and they should accordingly familiarise themselves with the terms and conditions, additional to the basis or minimum characteristics as defined in article 3, applied by the relevant silos and subject to modifications as per their terms and conditions. Market participants with short positions will be asked by the clearing house to provide evidence via warehouse receipts that they already hold the goods in-store in such period prior to the MATIF delivery date as deemed appropriate by the clearing house.*

## ARTICLE 1: PRELIMINARIES AND DEFINITIONS

This document sets forth the specific Rules and Regulations governing the transactions carried out on the No. 2 Milling Wheat Futures Contract, quoted in EUROS.

It is supplemented by instructions from the clearing house relative to the delivery of the No. 2 Milling Wheat Futures Contract.

“MATIF delivery”: The MATIF delivery in this document refers to the entire process, beginning with the issuing of the warehouse certificates up to the final transfer of ownership of the goods from the seller to the buyer, based on the conditions of the Incograin n°23 of the Syndicat du Commerce et des Industries de Grains, Produits du sol et dérivés, whether this transfer takes place under the guarantee of the clearing house (MATIF guarantee) or if this takes place without guarantee under the “alternative” procedure. The MATIF delivery does not cover the preceding period of reception of the goods of the seller by the approved silos, whose obligation under the MATIF delivery is only to issue the warehouse certificates and eventual transfer of property, from seller’s to buyer’s account, and the exit of the goods from these same silos by the buyer.

“Silo”: refers to any of the silo installations authorised to store goods.

## ARTICLE 2: PRINCIPLE

The trading of this contract is governed by MATIF rules and regulations. The clearing of this contract is governed by LCH.Clearnet SA rules and regulations.

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## CHAPTER I - THE CONTRACT

### ARTICLE 3 : UNDERLYING SECURITY ASSET

The No. 2 Milling Wheat Futures Contract's underlying security asset is wheat of "European Union" origin. The goods must be delivered dry, without abnormal odour or smell, free from living parasites on the goods and must meet all current trading standards and the legislation in force with the following specifications:

For contracts with maturities up to May 2017 included, the following basis specifications:

Specific weight:	76 kg/hl
Moisture content:	15%
Broken grains:	4%
Sprouted grains:	2%
Impurities:	2%

For contracts with maturities starting from September 2017 onwards,

(i) the following minimum specifications:

Hagberg falling number:	220 seconds
Protein content:	11% dry matter
Specific weight:	76 kg/hl

and

(ii) the following basis specifications:

Moisture content:	15%
Broken grains:	4%
Impurities:	2%

The goods must also answer to the current commercial norms and the legal and regulatory conditions in place, including any EU regulation directly enforceable. In particular, mycotoxins are not to exceed, at the time of delivery, the maximum levels specified under EU legislation in force with respect to unprocessed cereals intended for use in food products.

The basis or minimum specifications of the goods are open to modification by Euronext Paris SA for any delivery month holding zero open interest.

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These basis or minimum specifications apply to wheat entering into MATIF delivery. The approved silos can apply additional and more restrictive specifications at the entrance of the silo and in the warehouse (in particular other restrictions included in the technical addendum n°II of the Syndicat du Commerce et des Industries des Grains, Produits du sol et dérivés). Euronext Paris SA will communicate to market members any such material changes as soon as they are communicated by the approved silos.

#### **ARTICLE 4 : TRADING UNIT**

The No. 2 Milling Wheat Futures Contract is for 50 metric ton lots of goods of homogeneous quality, exempt from all duties and taxes, made available in bulk.

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## CHAPTER II - TRADING DAY

### ARTICLE 5 : TRADING SYSTEM AND TRADING HOURS

The No. 2 Milling Wheat Futures Contract is traded on the UTP electronic system or its successor during the following hours (Paris time):

Pre-opening: 07:04 a.m. to 10:45 a.m.

Trading session: 10:45 a.m. to 6:30 p.m.

### ARTICLE 6 : CONTRACT MONTHS

Operations are transacted on twelve consecutive contract months.

Contract months are November, January, March and May until May 2015 then September, December, March and May from September 2015 onwards.

### ARTICLE 7 : EXPIRY DATE OF A CONTRACT MONTH

Contracts expire on the date specified by the Exchange, in principle on the 10th of the contract month, in accordance with the schedule established by the business market. If the market is closed on that day, contracts will expire on the following trading day.

The opening of a new contract will occur on the date set by the Exchange, in principle, on the first trading day following the expiration of a contract, in accordance with the schedule established by the Exchange.

Any change in schedule will apply only to contract months for which there are no open positions.

### ARTICLE 8 : QUOTATION

The contract unit is 50 metric tons (minimum/maximum).

Quotations are made in EUROS (EUR) per metric ton and expressed exclusive of tax. The minimum increment quoted is 0.25 EUR per metric ton.

### ARTICLE 9 : DAILY SETTLEMENT PRICE (DSP)

The Settlement System in Market Services will be used to calculate the Daily Settlement Price by taking a feed of reported prices for a period of no less than two minutes before the time specified for the settlement of a contract, as notified by Euronext Paris S.A. This period is known as the

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“Settlement Range”. However, Euronext Paris S.A will also monitor market activity throughout the Trading Day to ensure that settlement prices are a fair reflection of the market.

The Settlement Range will be used to monitor spread levels. Thereafter, the following criteria will be taken into account, as applicable:

- (a) the traded price during the last minute of the Settlement Range; or, if there is more than one traded price during this time:
- (b) the trade weighted average of the prices traded during the last minute of the Settlement Range, rounded to the nearest tick; or, if there are no traded prices during this time:
- (c) the price midway between the active bids and offers at the time the settlement price is calculated, rounded to the nearest tick.

Where a trade weighted average or a midway price between active bids and offers results in a price which is not a whole tick, the rounding convention that will apply in respect of (b) and (c) above will be in accordance with that set out in the relevant contract specifications. In addition, the following criteria are monitored in Market Services and may be taken into account, as applicable:

- (d) price levels as indicated by spread quotations;
- (e) spread relationships with other contract months of the same contract; and
- (f) price levels and/or spread relationships in a related market.

#### **ARTICLE 10 : EXCHANGE DELIVERY SETTLEMENT PRICE (EDSP)**

The EDSP for a particular delivery month shall be calculated by Exchange officials on the Last Trading Day, as follows:

The prices, offers or bids used for the calculation of the EDSP shall be those during the two minute period immediately preceding cessation of trading. Where there are no prices, bids or offers in the previous two minutes, then the 30 minute period immediately preceding cessation of trading shall be used, and failing that the last trades, offers or bids prior to the 30 minute period.

- (a) if (as far as reasonably ascertainable) one or more Contracts for that delivery month have been made in the pit on the Last Trading Day:
  - (i) if only one Contract has been made, the EDSP shall be the price (as far as reasonably ascertainable) at which that Contract was made; or
  - (ii) if more than one Contract has been made, the EDSP shall be the average rounded down to the nearest 0.25 Euro of the prices (as far as reasonably ascertainable) at which such Contracts were made, weighted by reference to the number of lots (as far as reasonably ascertainable) comprised in each such Contract;

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- (b) if (as far as reasonably ascertainable) on the Last Trading Day, no Contract for that delivery month has been made in the pit but both an offer (or offers) and a bid (or bids) have been made in the pit in respect of a Contract (or Contracts) for that delivery month, then the EDSP shall be the average of the lowest price (as far as reasonably ascertainable) at which such an offer was made and the highest price at which such a bid was made and such average shall be rounded to the nearest 0.25 euro ;
- (c) if (as far as reasonably ascertainable) on the Last Trading Day, no Contract for that delivery month has been made in the pit and either no offer or no bid has been made in the pit in respect of a Contract (or Contracts) for that delivery month, then exchange officials shall determine the EDSP by reference inter alia to the price at which any bid or offer, as the case may be, in respect of a Contract for that delivery month was made in the pit during such period on such day
- (d) if (as far as reasonably ascertainable) on the Last Trading Day, no Contract for that delivery month has been made in the pit and neither an offer nor a bid have been made in the pit in respect of a Contract (or Contracts) for that delivery month, then exchange officials may in their absolute discretion fix the EDSP at a price determined by them as being consistent with the prices at which any Contracts or any offers or bids in respect of a Contract were made in the pit on the Last Trading Day for the delivery month and period referred to in paragraphs e(i) and (ii) below and, if necessary, rounded to the nearest 0.25 euro.
- (e) If in the opinion of exchange officials, the EDSP which would result from a calculation made in accordance with paragraphs (a), (b) or (c) would not be consistent with the prices at which any Contracts or any offers or bids in respect of a Contract were made in the pit on the Last Trading Day for:
  - (a) the relevant delivery month prior to the applicable period referred to in paragraphs (a), (b) or (c), as the case may be; or
  - (b) any other delivery month during the applicable period referred to in paragraphs (a), (b) or (c), as the case may be,then exchange officials may in their absolute discretion fix the EDSP at a price determined by them as being consistent with the prices, offers or bids for the delivery month and period referred to, and, if necessary, rounded to the nearest 0.25 euro.
- (f) The EDSP shall be final and binding for all purposes.

## **ARTICLE 11 : SPECIFIC TRANSACTIONS**

The specific transactions and strategies that are authorised on the No. 2 Milling Wheat Futures Contract are those agreed in the Trading Procedures.

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## CHAPTER III - DELIVERY

### ARTICLE 12 : PRELIMINARIES

At maturity, any outstanding contract will result in MATIF delivery by the principal holding a short position and in the accepting of delivery by the principal holding a long position of a lot of goods in accordance with the provisions of these Rules and Regulations.

The Notice of Intent to Deliver submitted to the clearing house by the clearing member holding a short position must be for a minimum quantity of 500 metric tons net per principal. Non-compliance with the minimum MATIF delivery quantity will constitute default by the clearing member holding a short position and will result in the application of article 26 of these Rules and Regulations.

## SECTION 1 – MATIF DELIVERY NOTICE

### ARTICLE 13 : MATIF DELIVERY SCHEDULE

Trading day in this context refers to an open day of trading for the MATIF, as published by Euronext in the annual trading day calendar.

Ownership of a lot of goods takes place in the timeframe and calendar as defined by the Incograin n°23 of the Syndicat de Paris du commerce et des Industries de Grains, produits du sol et dérivés.

Beginning with the fifth trading day preceding an upcoming expiration, the clearing house will require from principals, in accordance with the terms specified by clearing house instructions, one or more Warehouse Receipts issued by an approved silo in the Euronext system (“Euronext Inventory Management”) for a quantity at least equal to their respective short positions with respect to this contract.

Warehouse Receipts must be submitted to the clearing house in accordance with the terms specified by clearing house instructions and must reach the clearing house at the contract’s date of expiration at the latest. When a principal holding a short position has not fulfilled his obligations concerning the submission of Warehouse Receipts, the clearing house will automatically liquidate the contracts involved.

On the first trading day following the close of a contract, the clearing member holding a short position submits a Notice of Intent to Deliver to the clearing house in which it advises the clearing house of its intent to deliver following MATIF delivery, the silo where the MATIF delivery will be taken, the number of contracts involved and the corresponding number of Warehouse Receipts.

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On the second trading day following the contract closing, the clearing house assigns the Notices of Intent to Deliver to clearing members holding long positions and proceeds to the matching of clearing members holding long positions with those holding short positions, in accordance with the terms specified in clearing house instructions.

On the third trading day following the contract closing, the clearing member holding a short position transmits a MATIF Delivery Notice to the clearing member holding a long position who submits the notice, completed and signed by the counterparts, to the clearing house.

#### **ARTICLE 14 : DELIVERY NOTICE**

The issuance of a Delivery Notice and its acceptance concretises a commitment to deliver the commodity through MATIF delivery and accept delivery of the specified number of contracts at the specified approved silo.

#### **ARTICLE 15 : ACCEPTANCE AND EXCHANGE OF DELIVERY NOTICES**

Under penalty of default, after the close of a contract, expiration, all clearing members holding open buy positions on this contract, either for their own account or for the account of their principals, are obligated to accept the corresponding MATIF Delivery Notice.

The technical conditions in which the submission of Notice of Intent to Deliver takes place, their acceptance, the exchange of Delivery Notices and the reporting of the final list of assignments are specified by clearing house instructions.

#### **ARTICLE 16 : ALTERNATIVE DELIVERY PROCEDURE**

After Notices of Intent to Deliver have been assigned, principals may, through an intermediary of their clearing member, agree to fulfil their obligations under conditions that differ from those specified in these Rules and Regulations; in this event, the parties may only invoke provisions concerning delivery.

The clearing members acting on behalf of the parties involved will transmit a Notice of Performance to the clearing house in the forms specified by clearing house instructions.

Upon receipt of the Notice of Performance, the delivery margins cited in articles 17 and 18 hereinafter may be refunded.

Until the date of transfer of the goods, the warehouse certificate is required by the approved silo and the warehousing fees are paid by the selling counterparty, including in the case of an alternative delivery.

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## SECTION 2 – INITIAL MARGIN

### ARTICLE 17 : DELIVERY MARGIN

Any clearing member holding an open contract after the contract's expiration, either for his own account or for the account of his principal, guarantees the performance of his obligations or those of his principals. To this end and under penalty of default, on the third day following the contract closing, the clearing member deposits a delivery margin with the clearing house in accordance with the amount and with the instruments accepted by the clearing house.

Upon receipt by the clearing house of a delivery margin, the nearby delivery month initial margin may be refunded.

### ARTICLE 18 : ADDITIONAL DELIVERY MARGIN

Until Notice of Performance of the contract is received, the clearing house may request an additional delivery margin, to be rendered immediately, if justified by a change in price of the underlying security asset.

The calculation and the terms of payment of this additional cover are specified by clearing house instructions.

Additional delivery margins will be refunded upon receipt by the clearing house of the Notice of Performance specified in article 25 of these Rules and Regulations.

### ARTICLE 19 : FAILURE TO PUT UP MARGINS

Any clearing member holding an open contract after the contract's expiration, either for his own account or for the account of his principal, who fails to put up the margins cited in articles 17 and 18 of these Rules and Regulations will be considered to be in default and his counterpart will benefit from the conditions specified in article 26 of these Rules and Regulations.

Each time that the margins cited in articles 17 and 18 of these Rules and Regulations are not advanced, the clearing house will immediately so advise the concerned clearing member and counterpart.

### ARTICLE 20 : REFUND OF MARGINS

The clearing house will refund the various above-cited margins upon receipt of the Notice of Performance of the contract cited in article 25 of these Rules and Regulations, signed by the clearing member holding the long position and the clearing member holding the short position.

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In the event of non-performance of the contract, the clearing house will only return the two counterparts' various margins upon production of:

- documentation of the resolution, in the event of non-performance due to force majeure specified in article 28 of these Rules and Regulations;
- or of documentation of payment of a default indemnity by the defaulting party;
- or of documentation of a court decision, and from the convicted party, proof of payment of fines;
- or of documentation releasing the party accused of having defaulted from all blame.

When the party benefiting from a court conviction of the other party advises the clearing house of such decision, the clearing house will invite the convicted party, by telex or telegram return receipt requested, to provide documentation, no later than ten calendar days from the receipt of this notice, of full compliance with ruling.

In the absence of such documentation following the lapsing of the specified time period, during the subsequent eight calendar days the clearing house will utilise the above-mentioned margins to pay the other party the amount specified by the court.

Upon production of the court's final decision, the clearing house will refund to the party not subject to any conviction, the various margins due to it.

## **SECTION 3 – TRANSFER OF OWNERSHIP (OUTSIDE ALTERNATIVE DELIVERY PROCEDURE)**

### **ARTICLE 21 : TRANSFER OF THE COMMODITY**

The transfer of property between principals occurs by means of transfer at the silo. The transfer takes place on the seventh trading day following the contract's close. On this date, the principal making the sale gives the order to the silo, in the forms specified by instruction from the clearing house, to transfer the commodity to the purchasing principal.

Upon the order of the principal making the sale, the silo will transfer the goods to the principal making the purchase on the proper date and will draw up a transfer certificate, in the forms specified by clearing house instructions.

The transfer concerns only goods already warehoused in the specified silo, in accordance with the Incograins n°23 of the Syndicat de Paris du Commerce et des Industries de Grains, Produits du sol et dérivés.

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## ARTICLE 22: MATIF DELIVERY POINTS

The transfer of the commodity will take place in the approved silo that delivered the warehouse certificate, accordance with the instructions and notices of the clearing house.

The list of approved silos, their terms of authorisation and the terms of performance of their services are established from time to time by a Notice from the clearing house, which shall apply to such MATIF delivery months as specified in the Notice as Euronext Paris may determine.

Any change in the list of approved silos applies only to contract months for which there are no open positions. As an exception, for Contract months that are more than two crop years ahead, Euronext Paris SA and the Clearing House may from time to time, in accordance with the contractual arrangements with the concerned silos, list or de-list an approved silo, which shall have such effect with regard to existing or new Contracts or both as Euronext Paris may determine in collaboration with the Clearing House. Any such determination will be subject to prior consent from the Clearing House and will be notified to Members by means of a Notice or otherwise as Euronext Paris and the Clearing House may direct.

## ARTICLE 23: RULES AND REGULATIONS GOVERNING THE TRANSFER OF THE COMMODITY

As described in article 1, the texts of the present article 23 apply to the transfer of goods already in warehouse and do not concern any additional criteria at the entrance or exit of the silos.

Subject to these Rules and Regulations and the texts describing their application, the transfer of the commodity will be governed by:

- the “Syndicat de Paris du Commerce et des Industries de Grains, Produits du sol et dérivés”, Incograin formula no. 23;
- or the “Syndicat de Paris du Commerce et des Industries de Grains, Produits du sol et dérivés”, Technical Addendum no. 2, to the exclusion of Technical Addendum no. 1;
- or any other regulatory condition substituted for them.

If any difficulty of interpretation or conflict arises between these Rules and Regulations and, in addition, texts describing their application, and the contractual methods in force at the delivery location, these Rules and Regulations and, in addition, the texts detailing their application will prevail. The hierarchy in these texts does not hinder the approved silos' capacity to determine their conditions of entry and warehousing as detailed in Article 3.

## ARTICLE 24 : DELIVERABLE GRADE

The basis or minimum quality of the goods is defined in Article 3.

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The amount owed by the principal making the purchase, against MATIF delivery of the commodity, to the principal making the sale will be calculated on the basis of the settlement price adjusted, if necessary, by allowances as defined in Technical Addendum no. II for the Sale of Soft Milling Wheat, “Syndicat de Paris du Commerce et des Industries de Grains, Produits du sol et dérivés”.

#### **ARTICLE 25 : MATIF DELIVERY DOCUMENTATION**

The Warehouse Receipt allows the principal making the sale to attest that he has stored a certain quantity of goods in an approved silo. This document is issued by an approved silo in the Euronext system “Euronext Inventory Management”, and transmitted to the clearing house in the forms specified by clearing house instruction.

Non provision of this warehouse receipt constitutes an event of default for the short clearing member.

The Notice of Intent to Deliver allows the clearing member with a short position to advise the clearing house of his intent to go to MATIF delivery and of the MATIF delivery location as well as the number of contracts involved.

The MATIF Delivery Notice concretises the commitment of the clearing member with the short position to deliver the number of specified contracts and the obligation of the member holding the long position to accept MATIF delivery of these contracts at the specified location.

Once the transfer of the commodity has taken place and payment has been made, the clearing member holding a short position transmits a Notice of Performance to the long clearing member who files it with the clearing house, each of the parties acknowledging the proper performance of their mutual obligations.

The Notice of Intent to Deliver, the MATIF Delivery Notice and the Notice of Performance are drawn up and signed by the clearing members in the name of and upon instructions from their principals. To be valid, these documents must conform to the models drawn up by the clearing house.

#### **ARTICLE 26 : DEFAULT**

In addition to the cases specified in articles 19 and 25 of these Rules and Regulations, a party who prevents the performance of the contract under the terms specified in these Rules and Regulations, will be considered to be in default of the MATIF delivery.

The default will be subject to an adjustment procedure under the terms specified by clearing house instruction.

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#### **ARTICLE 27 : COMPENSATION FOR DAMAGES**

The application of the provisions ensuing from article 26 of these Rules and Regulations will not constitute an obstacle to proceedings that the injured party may pursue in relation to the defaulting party if the injured party establishes that the failure to MATIF delivery, accept MATIF delivery, or to make payment resulted from gross or intentional negligence.

#### **ARTICLE 28 : FORCE MAJEURE**

Any event, independent of the will of the invoking party, of a compelling nature and generally not foreseeable, that prevents even temporarily the performance of the contract will be considered as force majeure.

A declaration of force majeure will not release a clearing member holding a long position or a clearing member holding a short position from fulfilling the financial obligations specified in articles 17 and 18 of these Rules and Regulations.

The clearing house specifies by instruction the terms permitting one of the parties to invoke such a cause of non-performance and the principles governing its resolution.

#### **ARTICLE 29 : ARBITRATION**

Arbitration necessary in the event of a dispute will be under the jurisdiction of the local courts of arbitration designated by instruction from the clearing house.

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