RULE 6 – ELEVATORS, WARRANTS, HANDLING AGREEMENTS AND AUDITS OF ELEVATORS & STOCKS

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RULE 6 – ELEVATORS

Part 6A
Elevators

6A.01 Elevators to be Registered

Only elevators registered as “regular for delivery” are eligible for the purposes of making delivery, including issuing warrants, and/or shipping against any futures contract.

6A.02 Eligibility for Registration as Elevator

In order to apply to register an elevator as "regular"**:**

a. the elevator owner, operator or lessee (hereinafter called the operator) shall:

(1) be a Merchant Participant registered with the Exchange in the appropriate category for the commodity or be a Deliverable Location Participant registered with the Exchange; and

(2) in the case of a lessee of an elevator, have provided a properly executed statutory declaration in such form as may be determined from time to time by the Exchange; and

b. to be registered as "regular", an elevator must be located in one of the designated delivery regions, and:

(1) if at a port,

(i) be connected by railroad tracks with one or more railway lines appropriate to its location and purpose;
(ii) be equipped with direct facilities for shipment by vessel;
(iii) be furnished with suitable improvements and appliances for convenient and expeditious receiving, handling and shipping of commodities in bulk; and
(iv) be licensed as a terminal, transfer or process elevator by the Canadian Grain Commission.

(2) if inland,

(i) be connected by railroad tracks with one or more railway lines, rated to carry not less than 263,000 lbs. (car and contents), appropriate to its location and purpose;
(ii) be equipped with facilities for receiving commodities by truck and for shipping commodities by truck and by rail;
(iii) shall have the capability for spotting a minimum of ten (10) hopper cars (full car spot) if registering elevators against the canola futures contract;
(iv) be furnished with suitable improvements and appliances for convenient and expeditious receiving, handling and shipping of commodities in bulk; **and**
(v) be licensed by the Canadian Grain Commission, as a terminal, transfer, primary or process elevator.

(3) be registered as a Food Facility with the United States Food and Drug Administration

Amended by the Board October 25, 2017; effective Trade Date October 26, 2017 [6A.02 b. (2) (iii) - removal of car spots for registered elevators for milling wheat, durum wheat and barley].
Amended by the Board June 5, 2018; effective Trade Date June 15, 2018 [6A.02 a. (2), b. and deleted c. - removal of reference to non-regular elevators.

6A.03 Requirements for Elevator Registration

a. In order to register elevators and maintain such registrations, the Merchant Participant and/or Deliverable Location Participant must, in accordance with the respective Rules of the futures contract at issue;

(1) complete, the form of Elevator Application set out in the Annexes and have same accepted by the Exchange;

(2) provide, by statutory declaration, such information as the Exchange may require concerning the state of the facility, its operation, management of the business or any other information requested;

(3) provide and maintain indemnification to the Exchange in such form and amount as may be required from time to time;

(4) where applicable, provide and have on file with the Exchange, Registered Handling Agreements;

(5) provide to the Exchange, a report at such times and in such form as may be required by the Exchange on:

(i) all outstanding elevator receipts and commodity receipts provided under the Canada Grain Act, by deliverable commodity and grade and location;
(ii) all shipments provided under the Canada Grain Act by deliverable commodity and grade and location;
(iii) all stocks in store by deliverable commodity and grade and location;
(iv) shipments made pursuant to Exchange contracts;
(v) cash bid and offer information; and
(vi) any operational information requested by the Exchange.

(6) make the elevators available immediately upon request by the Exchange, or an agent of the Exchange for an inspection or review, which may include an audit of the elevators;

(7) keep all required insurance in good standing; and

(8) provide any other information to the Exchange which it may request from time to time.

Failure to comply with the requirements of this Rule and the provisions set out in the elevator application may result in deregistration.

b. The effective date for registration of any elevator shall be;

(1) the Business Day following the date of approval of the Elevator Application(s), by the Exchange, provided that neither date of approval or the following Business Day are within a delivery month for that commodity; or

(2) the first Business Day of the month following the approval.

Such registration shall also be applicable for delivery against futures contracts with open interest.

c. Participants with registered elevators shall report to the Exchange**:**

(1) stock information, as required, as filed with, and on the date submitted to the Canadian Grain Commission;

(2) daily cash bids, as requested by the Exchange, by noon the following day;

(3) interim stock information if requested by the Exchange.

d. All reports must be complete and accurate.

e. Extracts or consolidations from information required pursuant to this Rule may be published by the Exchange.

f. Merchant Participants eligible to issue Warrants shall provide the Exchange with a properly executed Corporate Authorizing Resolution (in the form attached in the Annexures) listing all persons authorized to sign Warrants.

Amended by the Board November 22, 2016; effective Trade Date December 16, 2016 [6A.03 b. (1) and (2)].
Amended by the Board June 5, 2018; effective Trade Date June 15, 2018 [6A.03 b. and b. (1)].

6A.04 Continuity of Operations

All Participants with registered elevators must provide the Exchange with written notice no less than sixty (60) days prior to cessation of registration of a “regular” elevator and/or change in ownership of a “regular” elevator. In the event that the Participant wishes to cease elevator registration(s) sooner than sixty (60) days, a written application shall be submitted to the Exchange who shall, in its absolute discretion, determine when elevator operations may cease.

Amended by the Board June 5, 2018; effective Trade Date June 15, 2018 [6A.04].

6A.05 Reserved

Amended by the Board November 22, 2016; effective Trade Date December 16, 2016 [6A.05 deleted].

6A.06 Acceptance of Elevators for Registration

a. No elevator shall be eligible to be registered as "regular" or as "non-regular" if its location, accessibility, tariffs or other qualifications depart from the uniformity to the extent that its documents tendered in satisfaction of futures contracts:

(1) will unduly affect the value of futures contracts; or

(2) impair futures trading on the Exchange.

b. The Exchange shall, in its sole discretion, determine acceptance of an application for registration of an elevator. The fact that a company is registered as a Merchant Participant, or as a Deliverable Location Participant does not result in automatic registration of any or all of its elevators.

6A.07 Change in Elevator Information

Any change to the information required in the registration information provided to the Exchange shall be reported forthwith by the Merchant Participant or Deliverable Location Participant to the Exchange. This includes, but is not limited to, the following information; the station number, the lease expiry date (if applicable), the category of elevator (primary, process, terminal), rail line information, track capacity (weight), storage capacity, car spots (full car, day car).

Amended by the Board November 22, 2016; effective Trade Date December 16, 2016 [6A.07].
Amended by the Board June 5, 2018; effective Trade Date June 15, 2018 [6A.08 deleted].

Part 6B
Handling Agreements

6B.01 Registered Handling Agreements

Merchant Participants in the category of Multi-Commodity may enter into Handling Agreements with other Merchant Participants and/or Deliverable Locations Participants which have elevators registered as regular for delivery. The Handling Agreement may not contravene any provision of the Exchange Rules or By-laws. Both parties to such a Handling Agreement shall jointly file a “Request to Register Handling Agreement” in the form set out in the Annexures. Warrants cannot be issued until such time as the Exchange has provided notice in writing to both parties that the Handling Agreement has been registered.

6B.02 Ancillary Agreements

Parties to Handling Agreements may enter into any ancillary agreements they deem necessary to give effect to their requirements provided that such ancillary agreements may not contradict or deviate in any way whatsoever from the provisions of the Rules.

6B.03 Termination of Handling Agreements

A Handling Agreement may be terminated upon both parties providing ninety (90) days written notice to the Exchange, unless the proposed termination date falls on a date between the First Notice Day through the end of a delivery month, in which case the date of termination of the Handling Agreement will be the first business day after the said delivery month.

Part 6C
Warrants

6C.01 Entities Eligible to Issue Warrants

Warrants may be issued for all futures contracts by

a. Merchant Participants in the category of Multi-Commodity who have elevators registered under the provisions of these Rules; and

b. Merchant Participants in the category of Multi-Commodity who have Registered Handling Agreements on file at the Exchange.

all in accordance with the respective contract Rules.

6C.02 Limitation on Warrants Issued/Handling Agreements Registered

a. No Merchant Participant in the category of Multi-Commodity shall issue Warrants in amounts that, in aggregate with all Warrants it has issued, exceeds:

(1) ten (10) times the Load Out Capacity for each of its elevators registered as “regular” for delivery; plus
(2) ten (10) times the Load Out Capacity for that portion of the elevator or elevators that it has Registered Handling Agreements in respect of.

b. No Deliverable Location Participant shall enter into Handling Agreements which, in total, exceed ten (10) times its Load Out Capacity for all of its elevators registered as “regular” for delivery.

6C.03 Misrepresentations on Warrants – Penalties Attached

A misrepresentation on a Warrant affects the integrity of the delivery processes of the Exchange. Any misrepresentation is subject to a penalty to be imposed by the Special Regulatory Committee of up to ten percent (10%) of the value of such Warrants issued, based on current market value of the underlying commodity, with the minimum penalty being $100,000.

6C.04 Warrant Obligations Remain the Responsibility of the Issuer of the Warrant

Notwithstanding anything else in these Rules, all responsibilities and obligations relating to a Warrant are and remains that of the Warrant Issuer. For greater clarity, the fact that a Merchant Participant has a Registered Handling Agreement with another Participant on file at the Exchange, has stored product with another Participant, has nominated shipping points out of the elevators of another Participant, and/or has commenced shipping out of the elevators of another Participant, does not in any way affect that the ultimate responsibility for fulfilment of all Warrant obligations is and remains that of the Merchant Participant that issued the Warrant(s).

6C.05 Warrant Indemnification

Indemnification shall be placed and maintained for Warrants outstanding pursuant to the requirements of each contract rule. At the sole discretion of the Exchange, Letters of Credit and/or cash, shall be called in and utilized for the purposes set out in the Rules.

Part 6D
Audits of Elevators and Stocks

6D.01 Audit of Registered Elevators and Stocks

a. Merchant Participants with elevators registered as "regular" for delivery must cooperate fully and permit all their registered facilities to be audited by the Exchange or its agent.

b. Failure to comply with an audit in accordance with these Rules endangers the integrity of the delivery process. Such failure is a violation which is subject to a hearing before the Special Regulatory Committee.

Amended by the Board June 5, 2018; effective Trade Date June 15, 2018 [6D.01 a.].

6D.02 Audit Initiated by Staff of the Regulatory Division

Audits will be initiated by staff of the Regulatory Division. The request ("Audit Notice") must be in writing and may be sent by mail, courier, fax, e-mail or hand delivered. The Audit Notice shall be sent to at least one of: the Authorized Representative; the Marketing Director/Manager; and/or the Manager of Country Operations of the Participant.

6D.03 Requirement to Provide Particulars

All Merchant Participants are required to provide staff of the Regulatory Division with details in writing on two or three employees to be contacted in the event that an audit is required. The details must include the full legal name of the person, their address at work and home, their phone numbers at work and home and cell, e-mail addresses and a fax number. If the employee has a second residence, those details must also be provided. It is the responsibility of the Participant company to ensure that the details are updated as and when necessary.

6D.04 Hearing Before Special Regulatory Committee

In the event that an audit would cause the Merchant Participant extreme and/or undue hardship, the Merchant Participant receiving the Audit Notice may request a hearing before the Special Regulatory Committee. In order to request a hearing, the Participant must file written notice with the Exchange, Attn: Regulatory Division, within eight (8) business hours of being served with the audit notice. The written notice must provide detailed particulars of why the audit would cause the company extreme and/or undue hardship.

Both the Merchant Participant and the staff of the Regulatory Division may attend at the Special Regulatory Committee hearing to present their positions. The hearing will be scheduled and held as soon as possible. The determination of the Special Regulatory Committee will be final.

6D.05 Cooperation with Audit

A representative from the Participant may be present during the audit. The Participant and all employees will cooperate fully with the Exchange and/or its agent in the conduct of the audit.

6D.06 Dispute on Grade

If there is any dispute on grade and the Merchant Participant is not satisfied with the grade determinations of the audit, the Merchant Participant can, at its cost, have the Canadian Grain Commission conduct a grade inspection. The inspection done by the Canadian Grain Commission shall be in writing and shall be determinative.

6D.07 Results of Audit Admissible at Hearing

The results of an audit are admissible at a disciplinary hearing without having to call the auditors.

6D.08 Costs of Audit

At the conclusion of a hearing into the findings of an audit, the panel of the Discipline Committee hearing the matter may address the issue of the auditor's costs and may require that the Participant to pay part or all of the costs of the audit.