

LONDON NOTICE No. 2753

ISSUE DATE: 27 March 2006
EFFECTIVE DATE: 1 August 2006

COCOA FUTURES CONTRACT (EXCHANGE CONTRACT NO. 401)

ROBUSTA COFFEE FUTURES CONTRACT (EXCHANGE CONTRACT NO. 406)

GRADING AND WAREHOUSEKEEPING PROCEDURES IN RESPECT OF COCOA AND ROBUSTA COFFEE FUTURES CONTRACTS

INTRODUCTION OF SUPERVISED SAMPLING AND OTHER ENHANCEMENTS TO WAREHOUSEKEEPING ARRANGEMENTS

EXCHANGE GRADING FEES

Executive Summary

This Notice informs members of the implementation of enhanced Warehousekeeping arrangements, including the introduction of supervised sampling. It also contains details of changes to Exchange grading fees.

1. Background

- 1.1 Following consultation with market users, in particular through the Commodity Advisory Groups (Cocoa) and (Coffee), the Exchange has determined to enhance its Warehousekeeping arrangements in respect of Cocoa and Robusta Coffee by the introduction of supervised sampling and by improving parcel identification and storage practices.
- 1.2 Details of these enhancements, together with the appropriate revisions to the Grading and Warehousekeeping Procedures in respect of Cocoa and Robusta Coffee Futures Contracts ("the G&WPs"), will be published in due course.
- 1.3 The Exchange also intends to publish the key objectives of its Warehouse Inspection Programme on the Euronext website (www.euronext.com) at the same time as publishing the revised G&WPs.
- 1.4 The Exchange is confident that the enhancements will promote the integrity of the delivery process and bring greater transparency to the inspection programme.

Web site: www.euronext.com/derivatives

The **Euronext Derivatives Markets ("Euronext.liffe")** include the markets for derivatives operated by Euronext Amsterdam, Euronext Brussels, Euronext Lisbon, Euronext Paris and LIFFE Administration and Management, referred to respectively as the Amsterdam, Brussels, Lisbon, Paris and London markets.

2. Supervised Sampling

- 2.1 The G&WPs currently provide that the Exchange may, at its discretion, supervise the sampling of goods where such samples are intended to be submitted to the Exchange for grading. With effect from 1 August 2006 and through the adoption of a risk based approach, the Exchange will implement targeted supervision of sampling by using third party independent supervisors.
- 2.2 The Exchange has identified a number of supervision companies which employ individual supervisors who have experience of supervising sampling, weighing and movement of Cocoa and/or Robusta Coffee. Following interview and training, a selection of named individuals employed by these companies will form a panel of “Nominated Sampling Supervisors” who will be contracted to the Exchange through their respective companies.
- 2.3 Upon sampling notification from a Nominated Warehousekeeper the Exchange may select a supervisor to attend sampling based on a risk profile defined by senior Exchange management. Nominated Sampling Supervisors will be instructed and paid by the Exchange.

3. Improved Parcel Identification and Storage Practices

- 3.1 The clear identification of parcels within a Warehouse is essential for both sampling and delivery purposes. The proposed enhancements will assist in ensuring the most appropriate storage of goods in the first instance and uniformity of labelling and identification of specific warrant quantities of all bagged goods and/or storage pens containing Cocoa beans in bulk.
- 3.2 Up-to-date warehouse storage plans, making use of either a storage plan or a grid reference within a shed will also facilitate identification of goods.

4. Grading Fees

- 4.1 To cover the commercial costs of third party independent supervision of sampling and to enable Exchange staff to manage and administer the enhanced Warehousekeeping arrangements, grading fees will be increased as described in the Attachment to this Notice.
- 4.2 The Exchange has also determined to revise the Grading Fees for Robusta Coffee Appeals to align them more closely with those in respect of Cocoa, as shown in the Attachment to this Notice. A consequent revision to the G&WPs will be published in due course.

For further information in relation to this Notice, members should contact:

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Exchange Grading Fees

Delivery Unit	Current Grading Fees	Grading Fees from 1 August 2006
Cocoa		
Standard Delivery Unit	£48	£54
Standard Delivery Unit Appeal	£55	£61
Large Delivery Unit	£320	£380
Large Delivery Unit Appeal	£370	£430
Bulk Delivery Unit	£2,600	£3,200
Bulk Delivery Unit Appeal	£2,800	£3,400

Lot	Current Grading Fees	Grading Fees from 1 August 2006
Robusta Coffee		
Per Lot	£19	£22
Appeal per Lot	£50	£25