

**THE LONDON INTERNATIONAL FINANCIAL
FUTURES AND OPTIONS EXCHANGE**

**Grainstorekeeper Procedures in respect of the
Wheat Futures Contract
Exchange Contract No. 405**

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1. Introduction

- 1.1 LIFFE Administration and Management, which administers the futures and options market known as “The London International Financial Futures and Options Exchange”, or “LIFFE”, is a Recognised Investment Exchange under the Financial Services and Markets Act 2000. The Financial Services and Markets Act 2000 requires a Recognised Investment Exchange to ensure, inter alia, that its Rules and practices will allow for business to be conducted in an orderly manner on its market, and so as to afford proper protection to investors.
- 1.2 Pursuant to LIFFE Rule 4.14.7 (Rules, Book II), the Board may implement Procedures in relation to any aspect of the organisation of, and conduct of business on, the market which is not expressly dealt with in the Rules.
- 1.3 These Procedures prescribe in more detail the procedures which must be followed by Grainstorekeepers in respect of the Wheat Futures Contract, and have the same status with regard to enforceability as the Rules.
- 1.4 Authority to amend these Procedures has been delegated by the Board to the Membership, Rules & Trading Committee. Any such amendments will be published in a General Notice.
- 1.5 These Procedures should be read in conjunction with the Rules, and the relevant contract terms and Administrative Procedures for the Wheat Futures Contract. In the event of a conflict between a provision of these documents, the order of precedence shall be: the Rules, the relevant contract terms and Administrative Procedures and then these Procedures.

2. Interpretation

2.1 Terms defined in the LIFFE Rules (Rules, Book II) and the relevant contract terms shall have the same meaning in these Procedures, except where otherwise specified or defined in Procedure 2.2 below.

2.2 In these Procedures:

“Clean Warrant” means a Clean Wheat Warrant as defined in the relevant contract terms.

“Grain” refers to Wheat.

“Grainstorekeeper” means a grainstorekeeper which has been registered by the Exchange in its absolute discretion to store Wheat for delivery under a Contract and which appears on the list of Registered Grainstorekeepers published from time to time by General Notice.

“Normal Working Hours” means any eight working hours between the hours of 8.00 and 18.00 (London time) on any Business Day.

“Store” means any storage accommodation registered by the Exchange for the storage and delivery of Wheat.

“Warrant” means a Wheat Warrant as defined in the relevant contract terms.

3. Grainstorekeeper Procedures in respect of Wheat Futures Contracts

3.1 Registered Stores list

3.1.1 The Exchange shall maintain and publish from time to time by General Notice a list of registered Stores and the respective Grainstorekeepers and registered capacities.

3.2 Registration of Stores

3.2.1 No store and grainstorekeeper shall be registered or continue to be registered unless the grainstorekeeper thereof:

- (a) satisfies and continues to satisfy the Exchange as to:
 - (i) the suitability of the storage, Wheat handling and weighing facilities at the store;
 - (ii) the ability to segregate all Wheat underlying Warrants from Wheat not covered by a Warrant from the time when the Warrants are issued, stamped and signed by the grainstorekeeper until the underlying Wheat is delivered out against the Warrants as required by Procedure 3.6; and
 - (iii) his financial standing;
- (b) acknowledges in writing that he has notice of these Procedures and agrees to be bound by the same and any such other Procedures as may be issued by the Exchange from time to time;
- (c) acknowledges in writing that he shall be a “relevant person” under the LIFFE Rules (Rules, Book II) in respect of his obligations as Grainstorekeeper;
- (d) satisfies the Exchange that the store is within the mainland of Great Britain;
- (e) satisfies the Exchange that it is a Full Member of the Trade Assurance Scheme for Combinable Crops (“TASCC”) for Storage and that the store being proposed has been TASCC verified; and
- (f) satisfies the Exchange that it has signed up to the London Clearing House (“LCH”) Grainstorekeeper Contract.

3.2.2 Notwithstanding that a grainstorekeeper may satisfy the aforesaid stipulations, the Exchange may, having regard to the requirements and interest of the market for the time being, at its discretion decline to accept an application from a prospective Grainstorekeeper for the registration of his store.

3.3 Registration fee

3.3.1 In respect of each Store, the Grainstorekeeper shall by not later than 1 August or at such other time as may be determined by the Exchange, each year pay to the Exchange a registration fee, of an amount prescribed by the Exchange, in respect of the period from 1 September in that year to 31 August in the following year. Failure to pay such fee by the said 1 August or such other time as may be determined by the Exchange shall result in the automatic suspension of the Store from the list of registered Stores and such suspension shall continue until such date, if any, as the Exchange may in its discretion determine. A Store suspended under this Procedure shall, during such suspension, be deemed not to be a Store.

3.4 Inspection of Stores

3.4.1 Stores shall be subject to inspection without prior notice by one or more authorised representatives or designated exchange officials.

3.5 Change in Store ownership or control

3.5.1 Any change in the ownership or control of a Store shall be notified to the Exchange forthwith upon such change taking place. Where a Store is kept by a company, any transaction resulting in a change of control of the company shall be deemed a change in the control of the Store. The Exchange may at its discretion terminate the registration of a Store upon notice of any change in ownership. Any change of ownership or control of a Store shall require a new application for registration to be made.

3.6 Maintenance of Stores

3.6.1 Every Store shall be maintained in a clean and suitable condition for the storage of Wheat such that the Grainstorekeeper can comply with Procedure 3.2. All Wheat in respect of which a Warrant is issued is to be completely segregated from any Wheat not covered by a Warrant from the time when the Warrant is issued, stamped and signed by the Grainstorekeeper until Wheat is delivered out in full against the Warrant. The Wheat so segregated shall be marked with a clearly observable notice stating that:

“This Grain has been tendered against Grain Futures Contracts of LIFFE under a Warrant and is the property of the Warrant Holder. This Grain is not the property of the Grainstorekeeping company or its associates”.

- 3.6.2 Every Store shall also be maintained in accordance with the TASCC Code of Practice for the Storage of Combinable Crops and Dry Animal Feed Materials in respect of Wheat segregated under Procedure 3.6.1.
- 3.6.3 The Grainstorekeeper of every Store shall provide with each delivery out of Wheat a written declaration giving such information as may be known to the Grainstorekeeper whether post-harvest chemical treatment has been applied or has not been applied to the Wheat, or to any portion of the Wheat, and details of any product known to have been used.
- 3.7 Store capacity
- 3.7.1 A Grainstorekeeper may from time to time apply to the Exchange for an increase or a reduction in the registered capacity of his Store. Having regard to the requirements and interests of the market, the Exchange may at its discretion:
- (a) decline to accept, or defer its acceptance of an application, for an increase in the registered capacity of a Store;
 - (b) defer its acceptance of an application for a reduction in the registered capacity of a Store; or
 - (c) accept an application for an increase or a reduction in the registered capacity of a Store upon such conditions as the Exchange may think fit.
- 3.8 Insurance
- 3.8.1 The Grainstorekeeper shall have in place such insurance as shall be specified by the Exchange in its absolute discretion from time to time.
- 3.9 Force Majeure
- 3.9.1 A Grainstorekeeper shall not be liable for any delay in delivery out of a Store occasioned by any act of God, strike, lockout, riot or civil commotion, combination of workmen, breakdown of machinery, fire or any cause normally comprehended in the term "Force Majeure" provided that, if required, the Grainstorekeepers shall forthwith provide proof to the Warrant Holder to justify such delay.
- 3.10 Rent
- 3.10.1 The maximum rate of Rent per tonne shall be determined from time to time by the Exchange. Rent shall be paid regularly and promptly on receipt of an invoice by the Warrant Holder to the Grainstorekeeper.

- 3.10.2
- (a) A Grainstorekeeper shall be entitled to exercise a lien over Wheat in respect of Rent unpaid, in an amount not exceeding in value the Rent unpaid which is due and payable to him by the Warrant Holder, unless the Warrant has been endorsed in accordance with Procedure 3.11.1 or stamped by the Clearing House in accordance with Procedure 3.11.2.
 - (b) If a Warrant is endorsed pursuant to Procedure 3.11.1(a) the Grainstorekeeper shall not be entitled to exercise his lien under Procedure 3.10.2(a) (or any other right of retention) for the period stated on the endorsement.
 - (c) Without prejudice to any rights which the Grainstorekeeper may have against any person who has endorsed a Warrant without the authority of the Grainstorekeeper, if a Warrant purports to have been endorsed pursuant to Procedure 3.11.1, the Grainstorekeeper shall not be entitled to exercise his lien under Procedure 3.10.2(a) (or any other right of retention) in respect of any Rent unpaid by the Warrant Holder for the period stated on the endorsement which, in the case of a Seller under a Wheat Futures Contract, shall include the period up to and including the fourteenth calendar day after the Tender Day. If the Warrant Holder (“the transferring Warrant Holder”) transfers the Warrant to another Warrant Holder, the Grainstorekeeper shall have no right to seek payment from a subsequent Warrant Holder of the amount of Rent unpaid by the transferring Warrant Holder and shall have no right to exercise any lien under this Procedure 3.10.2 as against another Warrant Holder in respect of such unpaid Rent.
 - (d) Without prejudice to Procedure 3.10.2(b) and 3.10.2(c), if a Warrant is stamped by the Clearing House pursuant to Procedure 3.11.2, the Grainstorekeeper shall not be entitled to exercise his lien under Procedure 3.10.2(a) (or any other right of retention) for the period stated on the stamp.

3.11 Transfer and Endorsement of Warrants

- 3.11.1 A Warrant is endorsed, for the purposes of contract term 4.02, if it is endorsed under this Procedure 3.11.1.
- (a) On payment of Rent by a Warrant Holder to a Grainstorekeeper, the reverse of the Warrant shall be endorsed in the space provided with the Grainstorekeeper’s company stamp and the signature of a person authorised by the Grainstorekeeper to sign a Warrant on its behalf, confirming the date up to which the Rent has been paid.

- (b) A Seller under a Wheat Futures Contract who intends, or is obliged, to Tender is liable to pay Rent up to and including the fourteenth calendar day after the Tender Day. Subject to Procedure 3.11.1(c) any Warrant which is delivered by a Seller pursuant to a Tender which has not been so endorsed, confirming that Rent has been paid up to and including the date falling fourteen calendar days after the Tender Day, will not be a “Clean Wheat Warrant” as defined in the relevant contract terms and will not be accepted by the Clearing House.
- (c) Where so agreed between a Warrant Holder and a Grainstorekeeper, a Warrant may, in the space provided on the reverse of the Warrant for a period agreed with the Warrant Holder and specified in the endorsement, be endorsed in accordance with Procedure 3.11.1(a) even though Rent may not have been paid, or paid in full, by the Warrant Holder.
- (d) Pursuant to a request from a Warrant Holder, a Grainstorekeeper shall prepare and dispatch an invoice in respect of Rent payable to him by such Warrant Holder within seven calendar days of the date of receipt of such request. On receipt of payment of Rent, the Grainstorekeeper, in accordance with Procedure 3.11.1(a), shall endorse the relevant Warrant and dispatch it to the Warrant Holder within two Business Days of receipt of such payment.
- (e) A Warrant which appears to have been endorsed under this Procedure 3.11.1 shall be a “Clean Warrant” in respect of a Tender under a Wheat Futures Contract if the endorsement covers a period up to and including the date falling fourteen calendar days after the Tender Day.
- (f) It is the responsibility of the Grainstorekeeper to ensure the proper endorsement of a Warrant. The Grainstorekeeper’s sole remedy for the improper or unauthorised endorsement of a Warrant shall be against the person who has endorsed the Warrant without the authority of the Grainstorekeeper. The Board, the Exchange and any committee or employee thereof shall accept no responsibility for the improper or unauthorised endorsement of a Warrant.

3.11.2 In respect of any Subsequent Tender of a Warrant by a Seller which is in the possession of the Clearing House, the Clearing House shall, in accordance with the contract terms and the Regulations, collect any Unpaid Rent on behalf of the Seller, at the maximum rate of Rent determined by the Board from time to time, by deducting the amount of such Unpaid Rent from the invoicing amount payable by the Clearing House to the Seller.

3.11.3 Where Unpaid Rent has been collected by the Clearing House under Procedure 3.11.2 the Clearing House will stamp the reverse of the Warrant confirming the

period for which Rent has been collected by the Clearing House in accordance with the Regulations and the LCH Grainstorekeeper Contract.

3.11.4 In accordance with the Regulations and the LCH Grainstorekeeper Contract the Clearing House will forward to the Grainstorekeeper the amount of Rent collected from the Seller.

3.12 Quantity tendered

3.12.1 It shall be the responsibility of the Grainstorekeeper to ensure that Warrants shall not be issued from any Store under his control, where such Warrants:

- (a) are for a quantity of Wheat which exceeds in total the quantity of Wheat for the time being held in segregation in the Store; or
- (b) exceed the registered capacity of the Store.

3.13 Standard at delivery

3.13.1 In respect of each Warrant, the Grainstorekeeper shall undertake that Wheat of the Contract standard and weight as specified in the Wheat Futures Contract, as the case may be, will be made available for weighing out from the segregated Wheat at the Store when required, subject to reasonable prior notice having been given.

3.14 Business days

3.14.1 Except for Saturdays, Sundays, bank holidays, and days declared non-business days by the Exchange, Stores shall be open daily to deliver Wheat against Warrants during Normal Working Hours.

3.15 Notification of balance

3.15.1 Grainstorekeepers shall advise and confirm to the Exchange in writing the weekly and monthly balances in respect of tendered Wheat.

3.16 Dispute

3.16.1 Any dispute arising between a Grainstorekeeper and the Warrant Holder shall be referred to arbitration in accordance with section 6 of the LIFFE Rules (Rules, Book II).

3.16A Insolvency

- 3.16A.1 The Exchange must be informed immediately, in writing, either directly by the Grainstorekeeper or via the appointed liquidator or receiver, as the case may be:
- (a) where the Grainstorekeeper is a company, if the Grainstorekeeper passes a resolution for its winding up or a court of competent jurisdiction makes an order for the Grainstorekeeper's winding up or dissolution;
 - (b) where the Grainstorekeeper is a partnership, if the Grainstorekeeper is dissolved;
 - (c) if the Grainstorekeeper fails to pay any sum due and payable or suspends any payment;
 - (d) of the making of an administration order in relation to the Grainstorekeeper or the appointment of a receiver over, or an encumbrancer taking possession of or selling, an asset of the Grainstorekeeper;
 - (e) if the Grainstorekeeper makes an arrangement or composition with its creditors generally or makes an application to a court of competent jurisdiction for protection from its creditors generally;
 - (f) of the making of a bankruptcy order against the Grainstorekeeper;
 - (g) if the Grainstorekeeper is subject to any other insolvency or bankruptcy procedure under the Insolvency Act 1986 or Insolvent Partnerships Order 1994; or
 - (h) if the Grainstorekeeper takes or suffers any similar or analogous action under any applicable law.
- 3.16A.2 Upon receiving a notification under Procedure 3.16A.1 the Exchange will immediately suspend the Grainstorekeeper and his Store(s) from the list of registered Stores and their respective Grainstorekeepers and shall publish such information by General Notice. The suspended Grainstorekeeper will continue to be bound by the Exchange's requirements and, subject to Procedure 3.16A.3, the Exchange may give directions as to the status and disposal of Warrants issued by the suspended Grainstorekeeper which relate to Wheat stored for potential delivery against Wheat Futures Contracts.
- 3.16A.3 A tender against a position held in the Wheat Futures Contract of a Warrant issued by a Grainstorekeeper which is made prior to the suspension of that Grainstorekeeper shall not be invalidated, but no further tenders of Warrants issued by the suspended Grainstorekeeper may be made after his suspension.

- 3.16A.4 Following any suspension under Procedure 3.16A.2, the registration of a Grainstorekeeper and his Store(s) may be terminated in accordance with Procedure 3.17.
- 3.17 Termination of registration
- 3.17.1 A Grainstorekeeper may by one month's notice in writing to the Exchange require his Store to be removed from the list of registered Stores provided that no Wheat covered by a Warrant is in the Store at the date of such notice.
- 3.17.2 Where Wheat covered by a Warrant is held in a registered Store, the Grainstorekeeper may, by notice in writing given to the Exchange by not later than 31 May in any year, require his registered Store to be removed from the list of Stores for the next Wheat futures season, provided that notice is at the same time given by that Grainstorekeeper to all Warrant Holders named in his books in relation to Wheat held in the Store.
- 3.17.3 The registration of a Store or a Grainstorekeeper may at any time be terminated by reasonable notice by the Exchange to the Grainstorekeeper. The Exchange may from time to time declare what is to be taken as reasonable notice for the purposes of this Procedure 3.17, and different periods may be so declared for different cases.
- 3.17.4 The Exchange may from time to time give directions as to the status and disposal of outstanding Warrants where the registration of a Store is terminated, whether pursuant to this Procedure or to Procedure 3.18.
- 3.18 Disciplinary proceedings
- 3.18.1 Any breach of these Procedures by a Grainstorekeeper, or failure on his part to observe the terms or facilitate the performance of a Wheat Futures Contract made under the Rules, may be investigated under section 5 of the LIFFE Rules (Rules, Book II), and disciplinary proceedings may be commenced against him thereunder.
- 3.19 Exclusion of liability
- 3.19.1 No claim shall lie against either the Board, the Exchange, or any committee or employee thereof (which expression shall include people employed under a contract for services or of service) in respect of the suspension or removal of a Store from the list of registered Stores or on deciding not to register a new applicant.
- 3.19.2 Neither the Board, the Exchange (nor any committee or employee thereof), nor the Clearing House (nor any employee thereof) shall have any liability whatsoever for the performance by a Grainstorekeeper of his responsibilities under the Rules or of any responsibilities he may assume towards members or

other parties pursuant to any receipt, Warrant or Contract nor for the condition of a Store or its suitability for the storage of Wheat. Parties placing Wheat into a Store or taking delivery of Wheat in or from the same shall accordingly have no claim against either the Board, the Exchange (or any committee or employee thereof), or the Clearing House (or any employee thereof), for any loss or damage thereby incurred however such loss or damage may be caused.