



SMITH DOXEY REGISTRATION PROCESS

9/13/13

Effective with the March 2014 delivery month, the Exchange will implement the provisions of new Cotton Resolution No. 2 allowing for the registration of cotton as tenderable against the Cotton No. 2 futures contract based upon the original Smith-Doxey classing results. A copy of the Resolution follows as Attachment A. The purpose of this document is to provide information on how the process for registration as deliverable based on Smith Doxey classing results will work, and how these bales will be handled in the delivery process.

Please note that the information in this document on USDA handling of requests for registration is based upon discussions to date with USDA staff on their plans to accomplish support for Smith Doxey registration. USDA is still finalizing their plans so this information is not final at this point; final plans and implementation are dependent on final approval of regulatory amendments.

ELIGIBILITY REQUIREMENTS FOR REGISTRATION AS DELIVERABLE BASED ON SMITH DOXEY CLASSING:

Pursuant to Resolution No. 2, bales stored in an Exchange licensed warehouse may be submitted to the USDA for registration as deliverable up to 180 calendar days after the date of Original Smith Doxey classing by the USDA. Such bales must meet the quality and weight requirements of Rule 10.03, the packaging bands and bagging requirements of Rule 10.19 and the compression requirements of Rule 10.20, and a bale may only be submitted for registration once. To be clear, this means that bales that have already been registered as deliverable based on Smith Doxey or submitted for Certified Classing are no longer eligible to be submitted for registration based on Smith Doxey classing, even if the bale is still within the 180 day window above. In addition, bales that have been review classed by USDA following Original Smith Doxey classification are also not eligible to be submitted for registration based on the Smith Doxey classing.

In addition to the age, storage, weight and bagging requirements above, only bales that meet each of the following quality parameters based upon the Original Smith Doxey class can be registered as tenderable under this process:

- Color – White Grades, USDA codes 11, 21, 31, 41 and 51
- Leaf – USDA codes 4, 3, 2 and 1
- Micronaire – 3.7 to 4.7, inclusive
- Strength – 27 grams per tex and higher
- Fiber Length – 1.03 dig and longer

PROCESS FOR REGISTRATION:

Before submitting a request for registration of a bale as deliverable based on Smith Doxey classing, a lot number must be requested from the Exchange using the Request for Inspection and Certification Form that is already in use for certification classing. (The Exchange fee remains at \$2.00 per bale, regardless of whether the lot number will be used for Smith Doxey registration or certified classing. The established user fee for futures registration services performed by USDA is \$3.50 per bale.)

Once a lot number is received, requests for registration as deliverable based upon Original Smith Doxey classing results are made by submitting an electronic request for registration to the USDA. The request must include the Exchange lot number information currently submitted to USDA for certification (e.g. Lot Number, Warehouse Number and Bale Number, Growth and Certificator Number) and the gin code/gin tag number (PBI – Permanent Bale Identification) for each bale for which registration is requested.

After receipt of a request, the USDA will review their National Database of Smith Doxey classing results to determine whether each bale meets the age and quality parameters for registration. For each bale that meets all of the parameters, the USDA bale record will be marked as deliverable based upon Smith Doxey classing; this will be accomplished by a new code (“SD”) in the existing tenderable/non-tenderable field in the bale record, and the bale record will be transferred to the USDA Futures Database.

Any bale submitted for registration that did not meet each of the parameters will generate a message from the USDA back to the submitter identifying the bale and stating that it did not meet the Smith Doxey registration parameters, and such bales will not be transferred to the USDA Futures Database. Bales submitted for registration that do not meet each of the parameters remain eligible to be submitted for certified classing. The requester of the certified classification service will be billed the USDA established fee for futures classification of \$3.50 per bale and the Exchange lot number fee of \$2.00 per bale.

Once a successfully registered bale has been transferred to the USDA Futures Database, the EWR record for the bale will be updated to reflect the deliverable status of the bale, and the bale will be included in the Exchange’s Certificated Stocks Report until such time as the bale is decertified. The Certificated Stocks Report will not distinguish between bales deliverable as a result of Smith Doxey Registration vs. Certified Classing.

PROCESS FOR DETAILING A NOTICE IN AN EXCHANGE DELIVERY:

In the course of an Exchange Delivery, the deliverer must issue a delivery notice and must detail the bale groups, leaf code and staple that will be used to make the delivery.

Starting with the March 2014 delivery period, a delivery notice can include bales made deliverable by Certified Classing and Smith Doxey registration. Since Smith Doxey registered bales are not subject to the duplicate sample requirements in place for Certified Classing bales and since Smith Doxey registered bales are subject to different invoicing treatment (see below),

commencing with the March 2014 delivery period the process for detailing the bales attached to a delivery notice will change: in detailing the lot the deliverer will identify each Smith Doxey registered bale and also identify the fiber length (in dig terms) for each such bale. Fiber length (in dig terms) will not be detailed for certified classing bales.

In addition to identifying each Smith Doxey registered bale and the fiber length (in dig terms) for each such bale in the detailing process, the tag list that the deliverer provides to the receiver for invoicing will also be required to include this information for such bales.

Also, since bales verified as deliverable via Smith Doxey registration are not subject to the duplicate sample requirements, the packing list that must accompany samples when they are sent to a receiver must include the number of Smith Doxey bales that are part of the delivery lot; this information will assist both the deliverer and receiver ensure that the correct number of samples are included.

INVOICING:

New Cotton Resolution No. 2 provides that for purposes of calculating invoices under Rule 10.22 for bales entered into certificated stocks based upon Original Smith Doxey classing data only, the staple length of the bale shall be determined based upon the USDA calculation of the length of the fiber expressed in dig terms, as shown below:

Dig Measurement From:	Invoiced as Staple:
1.03 to 1.05	33 (1 and 1/32nd of an inch)
1.06 to 1.08	34 (1 and 2/32nds of an inch)
1.09 to 1.11	35 (1 and 3/32nds of an inch)
1.12 to 1.14	36 (1 and 4/32nds of an inch)
1.15 and higher	36 (1 and 4/32nds of an inch)

Since the notice detail and the tag list provided by the deliverer to the receiver denote which (if any) bales in a delivery are Smith Doxey registered bales and the Fiber Length (expressed in dig terms) of each such bale, this information will be used by the parties to the delivery to determine any required adjustments to the invoicing staple length.

ATTACHMENT A

Cotton Resolution No. 2 - Use of Original Smith Doxey Classing Data to Register Bales As Tenderable

In addition to the inspection and sampling procedures as provided in Exchange Rules 10.27A and 10.27B, cotton stored in an Exchange Licensed Store may be submitted to USDA for registration as tenderable against the Cotton No. 2[®] Futures Contract at any time between the Original Smith Doxey classing date of the bale and the close of business on the one hundred and eightieth (180th) calendar day after the classing date of the bale, subject to the quality limitations and administrative procedures below. In the event of any inconsistency between this Resolution and any other provision of the Rules, this Resolution shall prevail.

Once a bale has been registered as tenderable based upon its Original Smith Doxey classing data pursuant to this Resolution, it shall be considered to be certified cotton for purposes of deliveries under the Rules.

Limitations:

In order to be eligible for registration as tenderable based upon Original Smith Doxey classing data, a bale must be stored in an Exchange licensed warehouse, and must meet the quality and weight requirements of Rule 10.03, the packaging bands and bagging requirements of Rule 10.19 and the compression requirements of Rule 10.20.

In addition, the USDA Original Smith Doxey classing data for the bale must meet the following standards for each of the respective qualities below:

Color – White Grades, USDA codes 11, 21, 31, 41 and 51

Leaf – USDA codes 4, 3, 2 and 1

Micronaire – 3.7 to 4.7, inclusive

Strength – 27 grams per tex and higher

Fiber Length – 1.03 dig and longer

No bale may be submitted for registration as tenderable based upon Original Smith Doxey classing data on and after the 181st calendar day after the date of Original Smith Doxey classing by the USDA, and a bale may only be submitted for such registration once.

Procedures:

In order to seek registration of a bale as tenderable based upon Original Smith Doxey classing, the warehouse operator must first submit to the Exchange a request for a lot number, and subsequently submit to the USDA a request for registration of the bale, in a form prescribed by the Exchange and the USDA, stating the number of bales included in the request for registration, the Exchange lot number and the gin code/gin tag number of each such bale and such other information as may be required by the Exchange and/or the USDA.

Upon confirmation by the USDA that a bale for which registration as tenderable based upon Original Smith Doxey classing has been made meets the quality standards above for such registration, the EWR record for the bale shall be marked as tenderable as of the date of such registration, and the bale shall be included in certificated stock.

Weighing:

The official delivery weight for bales that qualify for certificated classification based upon Original Smith Doxey classing data shall be the most recent weight determined by the licensed warehouse operator as input into the EWR record. Such bales shall be subject to weight allowances provided for in Rule 10.18(b) and the weight penalties provided for in Rule 10.33. Weight allowances and Penalties will accrue using the certification registration date (inclusive).

Duplicate Samples:

The duplicate sample provisions of Rules 10.28 and 10.29 shall not apply to cotton entered into certificated stocks based upon Original Smith Doxey classing data, and duplicate samples shall not be required for such bales.

Delayed Certification:

Bales entered into certificated stocks based upon Original Smith Doxey classing data may not be used to issue Delivery Notices under the delayed certification provisions of Rules 10.14 and 10.26.

Invoicing:

For purposes of calculating invoices under Rule 10.22 for bales entered into certificated stocks based upon Original Smith Doxey classing data only, the staple length of the bale shall be determined based upon the USDA calculation of the length of the fiber expressed in dig terms, as shown below:

Dig Measurement From:	Invoiced as Staple:
1.03 to 1.05	33 (1 and 1/32nd of an inch)
1.06 to 1.08	34 (1 and 2/32nds of an inch)
1.09 to 1.11	35 (1 and 3/32nds of an inch)
1.12 to 1.14	36 (1 and 4/32nds of an inch)
1.15 and higher	36 (1 and 4/32nds of an inch)

In the interest of clarity, for all other certified cotton the Staple used for invoicing shall be the staple as shown in the EWR record for the bale based upon USDA certified classing of the bale.