

LONDON NOTICE No. 2642

ISSUE DATE: 4 May 2005
EFFECTIVE DATE: 5 May 2005

**COCOA FUTURES CONTRACT
(EXCHANGE CONTRACT NO. 401)**

**ROBUSTA COFFEE FUTURES CONTRACT
(EXCHANGE CONTRACT NO. 406)**

**PUBLICATION OF MAXIMUM RENT AND MOVEMENT OUT CHARGES IN RESPECT
OF GOODS STORED IN LIFFE NOMINATED WAREHOUSES**

**AMENDMENTS TO THE GRADING AND WAREHOUSEKEEPING PROCEDURES IN
RESPECT OF COCOA AND ROBUSTA COFFEE FUTURES CONTRACTS**

Executive Summary

This Notice informs members of the Exchange's intention to publish Nominated Warehousekeepers' maximum Rent and Movement Out Charges for Cocoa and Robusta Coffee.

1. Introduction

- 1.1 When taking a long position in respect of the Cocoa and Robusta Coffee Futures Contracts ("the Contracts") a market participant is not aware of the Nominated Warehouse or Port/Delivery Area in which the relevant Goods will be stored in the event of delivery. As a result, buyers are unable to determine with a high degree of certainty the maximum Rent and Movement Out Charges that they could incur if they were to take delivery. In order to increase the level of transparency over such elements of the Contracts, and specifically to enable buyers more readily to take these charges into account when opening positions, the Exchange has resolved to publish each Nominated Warehousekeeper's maximum Rent and Movement Out Charges by Port/Delivery Area.

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.

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- 1.2 The publication schedule in respect of these new arrangements is explained in section 2 below, whilst transitional arrangements are explained in section 3.
- 1.3 Attachment 1 to this Notice contains the changes to the Grading and Warehousekeeping Procedures in respect of Cocoa and Robusta Coffee Futures Contracts (“the G&WPs”) which are needed to give effect to these new arrangements. An updated version of the G&WPs will appear in the Member Handbook and on the Euronext website (www.euronext.com) in due course.

2. Publication Schedule

- 2.1 Nominated Warehousekeepers will be required to report their maximum Rent and Movement Out Charges to the Exchange on a six monthly basis (i.e. on the last business day in February in respect of charges applicable between July and December inclusive and on the last business day of August in respect of charges applicable between January and June inclusive of the following year). On the first business day of March, the Exchange will publish each Nominated Warehousekeeper’s maximum Rent and Movement Out Charges by Port/Delivery Area for the Charge Period July to December. On the first business day of September, the Exchange will publish maximum Rent and Movement Out Charges by Port/Delivery Area for the Charge Period January to June. A table showing which delivery months fall within each Charge Period forms Attachment 2 to this Notice.
- 2.2 Charges will be quoted in Euro, Pounds Sterling or U.S. Dollars (as applicable) per metric tonne (gross) per month. Charges will relate to Robusta Coffee in bags and Cocoa both in bags and bulk (where applicable) by Port/Delivery Area. Members should note that some Nominated Warehousekeepers do not have divisible Rent Charges for Goods stored in their Warehouses for part of a month.
- 2.3 Maximum Rent and Movement Out Charges will be made available at www.euronext.com/commodities/warehouses.

3. Transitional Arrangements

- 3.1 The new arrangements and revisions to the G&WPs will come into effect on and from 5 May 2005. In terms of transitional arrangements, however, Nominated Warehousekeepers will be required to provide maximum Rent and Movement Out Charges for the Charge Period July 2005 to December 2005 by Friday 13 May 2005, thereby enabling the Exchange to publish these tariffs on Monday 16 May 2005.

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Amendments to the Grading and Warehousekeeping Procedures in respect of Cocoa and Robusta Coffee Futures Contracts

(Additions are shown underlined and deletions shown ~~struck through~~)

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Section B

Interpretation

1. Terms defined in the Rules and the relevant contract terms shall have the same meaning in these Procedures, except where otherwise specified or defined in Procedure B 2.

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“Charge Period” means a period of six calendar months, commencing on the first day of the fifth calendar month following any Reporting Day, being January to June (in respect of the August Reporting Day) and July to December (in respect of the February Reporting Day).

“contract terms” means the contract terms and Administrative Procedures of the Cocoa Futures Contract or the Robusta Coffee Futures Contract, as the case may be.

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“LoU” means the Letter of Undertaking for a LIFFE Registered Cocoa or Robusta Coffee Grader, as the case may be.

“Movement Out Charge” means the fee charged by a Warehousekeeper in respect of the movement of a lot of Robusta Coffee (in bags) or a Delivery Unit of Cocoa (in bags and/or in bulk) from within a Warehouse on to a truck or lorry.

“Nominated Delivery Unit” means each Delivery Unit to be converted by or on behalf of the Seller as notified to the Clearing House under revised Cocoa Contract Term 12.04(a) or (b).

...

“previous Cocoa contract terms” mean the contract terms for the Cocoa Futures Contract applicable to a Delivery Month prior to May 2000.

“Published List of Rent and Movement Out Charges” means a list so titled and published by the Exchange from time to time on the Euronext.liffe website containing, by delivery area or port as applicable, details of the maximum Rent and Movement Out Charges per tonne levied by Warehousekeepers in respect of Robusta Coffee in bags and for Cocoa in both bags and/or in bulk.

“Related Company” means a subsidiary or parent company or any subsidiary or parent company thereof which form part of a group of companies.

“Rent” means a periodic fee (not including any other charges) which a Warehousekeeper shall be entitled to charge in respect of the storage of a lot of Robusta Coffee (in bags) or a Delivery Unit (either in bags and/or in bulk) of Cocoa in a Warehouse and which is levied pursuant to the Grading and Warehousekeeping Procedures.

“Reporting Day” means the last business day in February and August respectively, being the day by which Warehousekeepers must inform the Exchange in writing of, or any changes to, their maximum Rent and Movement Out Charges in respect of each delivery area or port as applicable for the next Charge Period following such Reporting Day.

“revised Cocoa contract terms” means the contract terms for the Cocoa Futures Contract applicable to the May 2000 or following Delivery Months.

Section D

Warehousekeeping Procedures in Respect of Warehousekeepers and Warehouses Nominated by LIFFE for the storage of Cocoa and Robusta Coffee

1. GENERAL

1.1 LIFFE Warehousekeeping Operations

1.1.1 The warehousekeeping operations necessary to support the LIFFE Cocoa Futures and Robusta Coffee Futures Contracts are supervised by the Exchange's Market Supervision Department.

1.1.2 In respect of warehousekeeping operations, the Market Supervision Department is responsible for:

- (a) listing or delisting Warehousekeepers on the Exchange's List of Nominated Warehousekeepers and Nominated Warehouses;
- (b) the approval of a Warehouse;
- (c) the publication of the List of Nominated Warehousekeepers and Nominated Warehouses and the Published List of Rent and Movement Out Charges;

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1.2 Inspection of a Warehouse and Warehousekeeper

1.2.1 This Exchange operates an inspection programme in respect of which it aims to inspect each Warehouse and Warehousekeeper on a regular basis.

1.2.2 In addition, a Warehouse or a Warehousekeeper may be inspected at any other time, at the absolute discretion of the Exchange.

1.2.3 The inspection has ~~four~~ five primary objectives:

- (a) to satisfy the Exchange that a Warehouse is in good order and to verify that any faults previously identified have been corrected;
- (b) to ensure that the storage of Goods for delivery against the Cocoa or Robusta Coffee Futures Contract comply with the relevant contract terms and these Procedures;
- (c) to satisfy the Exchange that the Warehousekeeper has adequate Procedures for the receipt, storage, sampling and delivery out of

Goods to ensure compliance with the relevant contract terms and these Procedures; ~~and~~

(d) to verify that sufficient appropriate documentary records are properly maintained by the Warehousekeeper to ensure an audit trail of the history of the Goods can be constructed; and

(e) to verify that sufficient appropriate documentary records are properly maintained by the Warehousekeeper in relation to Rent and Movement Out Charges charged by the Warehousekeeper during any Charge Period and to satisfy the Exchange that the Warehousekeeper is, or has been, complying with Procedure D.1.24 in relation to the application of those charges.

1.2.4 The inspectors shall be employees of the Exchange who it considers to be properly qualified to conduct Warehouse inspections or, such other persons appointed by the Exchange whom it considers to be properly qualified and with no material or financial interest in any Warehousekeeper, or in Goods stored by such Warehousekeeper.

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1.2.7 A Warehousekeeper shall allow representatives of the Exchange to inspect the Warehouse (or premises that were formerly nominated by the Exchange), its facilities for the receipt and delivery of any Goods and the Warehousekeeper's records relating to the Warehouse and the Goods currently or previously stored within it, and the records relating to the Rent and Movement Out Charges levied by it during normal working hours. The Exchange may, at its absolute discretion, make or request copies of any such records.

1.2.8 A Warehousekeeper shall allow the Owner to inspect the Goods referred to therein during normal working hours.

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1.5 Liability for Warehousekeeping

1.5.1 Without prejudice to any exclusion of liability provision in the Rules, neither the Exchange nor the Board shall be liable for any loss or damage whatsoever, whether for negligence, breach of contract, misrepresentation or otherwise, in respect of:

(a) the performance or non-performance of a Warehousekeeper of his supervisory duties; ~~or~~

(b) the performance or non-performance by any Warehousekeeper of his responsibilities under the Rules, the relevant contract terms or these Procedures, 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 Warehouse or its suitability for the storage of Goods; or

(c) any failure by a Warehousekeeper to comply with its obligations pursuant to Procedure D 1.24 (irrespective of whether or not the Exchange or the Board has taken any disciplinary or enforcement action against a Warehousekeeper in respect of such failure).

1.5.2 Nothing in this provision shall operate to exclude or restrict the liability of the Exchange or the Board for fraud or wilful default.

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1.6 Criteria for Approval as a Warehousekeeper

1.6.1 For a Warehousekeeper to be approved as a Warehousekeeper and in order to maintain that status, the Exchange must be satisfied that he:

- (a) carries on business in a port or Delivery Area where Warehouses are eligible for nomination under the relevant contract terms;
- (b) is of sufficient business and financial standing, meets the financial requirements prescribed by the Exchange from time to time and,

1.24 Warehouse Charges

1.24.1 A Warehousekeeper shall, for each applicable delivery area or port, notify to the Exchange, on or before each Reporting Day, the details required by Procedure D 1.24.2 of the maximum Rent and Movement Out Charges which the Warehousekeeper may charge during the next Charge Period following the Reporting Day in respect of Robusta Coffee in bags and for Cocoa in bags and/or in bulk stored in its Warehouses.

Such details shall be provided in writing in accordance with procedures to be notified by the Exchange from time to time and at the latest by 12:00 London time on the Reporting Day and shall be effective for the next Charge Period following the Reporting Day. A Warehousekeeper may, in compliance with its obligations under this Procedure, state in the notification to the Exchange that there are no changes to the Rent and Movement Out Charges published in the Exchange's current Published List of Rent and Movement Out Charges in respect of one or more of the applicable delivery areas and/or ports.

1.24.2 The details of Rent and Movement Out Charges notified to the Exchange pursuant to Procedure 1.24.1 above shall state the **maximum** amount (inclusive of any applicable taxes) which the Warehousekeeper may charge by the applicable delivery area and/or port in respect of a lot of Robusta Coffee (in bags) or a Delivery Unit of Cocoa (in bags and/or in

bulk) stored in any of the applicable delivery areas and/or ports during the next Charge Period following the Reporting Day.

- 1.24.3 A Warehousekeeper may not impose any charges in relation to the delivery of goods out of a Warehouse on to a truck or a lorry other than a Movement Out Charge. However, nothing in this Procedure D 1.24 shall prevent a Warehousekeeper from agreeing with an Owner:
- (a) to charge Rent or Movement Out Charges during a Charge Period which are lower than the maximum amount notified to the Exchange pursuant to Procedure D 1.24.1 in respect of such Charge Period;
 - (b) to charge a different amount from the Movement Out Charge for the delivery of goods from within a Warehouse on to a different means of transport; or
 - (c) for the provision of additional services, and additional charges for such services, in addition to those services covered by the Rent and Movement Out Charge,

where so requested by, or agreed with, an Owner.

- 1.24.4 The Exchange will publish, in respect of each Charge Period, details of Rent and Movement Out Charges notified to the Exchange pursuant to Procedure D 1.24.1 in the Published List of Rent and Movement Out Charges on the Euronext.liffe website.

A Warehousekeeper may not charge Rent or Movement Out Charges which exceed the maximum amount notified to and published by the Exchange in respect of a Charge Period, except pursuant to Procedure D 1.24.6

- 1.24.5 Failure of a Warehousekeeper to make any notification to the Exchange as required by Procedure D 1.24.1 shall be deemed to be a notification that the Rent and Movement Out Charges remain unchanged and the charges published in the List of Rent and Movement Out Charges for the current Charge Period shall continue to apply. If a notification made by a Warehousekeeper under Procedure D 1.24.2 covers some but not all of its Warehouses by the applicable delivery area and/or port, the Rent and Movement Out Charges for those delivery areas and/or ports not covered in the notification shall remain unchanged and the charges published in the List of Rent and Movement Out Charges for the current Charge Period shall continue to apply to those delivery areas and/or ports.

- 1.24.6 Notwithstanding Procedure 1.24.4, a Warehousekeeper may, in exceptional circumstances, upon written application to and on receiving written consent from the Exchange, seek to increase the maximum amount

of Rent and/or Movement Out Charges levied by it in respect of a Charge Period and in respect of one or more applicable delivery areas and/or ports. Any such application by a Warehousekeeper shall include the following information:

- (a) the applicable delivery area(s) and/or port(s) and the charge(s) to which the application applies;
- (b) the proposed level of increase in such charge(s); and
- (c) the reason for, and evidence in support of, the application.

1.24.7 The Exchange shall give its consent to any such application for an increase to its charges to the extent it considers, in its absolute discretion, that the Warehousekeeper has given reasonable evidence that the reasons cited in Procedure D 1.24.6 have given, or will give, rise to a significant increase in its costs in providing the services covered by the relevant charge.

Warehousekeeper Rent and Movement Out Publication Table

	Delivery Months		Publication Timing	
	Cocoa	R. Coffee	Web Publication	Charge Period
Jan				
Feb				
Mch				
Apr				
May				
Jun				
Jly				
Aug				
Sep				
Oct				
Nov				
Dec				
Jan				
Feb				
Mch				
Apr				
May				
Jun				
Jly				
Aug				
Sep				
Oct				
Nov				
Dec				

Web Publication in March Captures the Following Delivery Months			
Cocoa		Robusta Coffee	
July		July	
September		September	
December		November	
Total		Total	
3		3	

Web Publication in September Captures the Following Delivery Months			
Cocoa		Robusta Coffee	
March		January	
May		March	
		May	
Total		Total	
2		3	

Web Publication of Tarriffs in March are for the Charge Period July - December

Web Publication of Tarriffs in September are for the Charge Period January - June