Real-denominated Corn Futures Contract Specifications

1. **Underlying commodity**
Brazilian yellow corn in bulk, with regular odor and appearance, kept in good storage conditions, free from castor-oil seed, other bad seeds, and live bugs; hard or semihard from the latest crop, in adequate marketing condition and suitable for animal feed; with (a) maximum 14% moisture; (b) foreign matter basis 2% in the 5mm sieve; (c) maximum 6% heat-damaged, mould1y, or sprout kernels; (d) maximum 12% broken or rotten kernels.
For the purpose of definition of grading terms, the grading concepts defined in the "general provisions" of the Administrative Rule No. 845, of November 8, 1976, of the Ministry of Agriculture, and in the Complementary Administrative Rule No. 11, of April 12, 1996, shall apply.
In case the marketing of corn is subjected to restrictions regarding sanitation or phytogenetics, due to an official decision made by a competent authority, such restrictions shall be applicable to the specifications herein described.
2. **Price quotation**
Brazilian Reals per 60-net kilograms to two decimal places.
3. **Minimum daily price fluctuation**
R$0.01 (one cent of a Real) per 60-net kilograms.
4. **Maximum daily price fluctuation**
As established by BM&F in Circular Letters.
At any time, the Exchange may alter the price fluctuation limits, as well as their applicability to any delivery month.
5. **Contract size**
27 metric tons, corresponding to 450 units, each one weighing 60 net kilograms, of corn in bulk.
6. **Delivery months**
January, March, May, July, September, and November.
7. **Number of authorized delivery months**
Minimum of seven, as authorized by BM&F.
8. **Last trading day**
The seventh business day preceding the last business day of the delivery month. On that day, neither opening of new short positions nor day trading shall be allowed.
9. **Business day**
For the purposes of this contract, a trading day at BM&F shall be considered a business day. However, for the purposes of the payment and receipt of amounts, as referred to in items 10, 11, 13.3, and 18.1, a day that is not a banking holiday in New York, USA, and is a trading day at BM&F shall be considered a business day.
10. **Day trading**
Buying and selling on the same day the same number of contracts for the same contract month shall be offset provided the transactions are executed on behalf of the same customer through the same Commodities Brokerage House and registered by the same Clearing member, or performed by the same Local and registered by the same Clearing Member. These transactions shall be cash settled on the following business day, and their amounts shall be calculated in accordance with item 11(a), in observance to the provisions of item 19, where applicable.
11. **Daily settlement of accounts (variation margin)**
The positions outstanding at the end of each session shall be settled according to that day's settlement price established on the closing call, as determined by BM&F rules and regulations, and cash settled on the following business day, in observance to the provisions of item 19, where applicable.
The daily settlement of accounts shall be calculated by the following formulas:
(a) For the positions initiated on a certain trading day

$$AD = \left(PA^{t} - PO\right) \times 450 \times n \tag{1}$$

(b) For the positions initiated on a former trading day

$$AD = \left(PA^{t} - PA^{t-1}\right) \times 450 \times n \tag{2}$$

where:
AD = the daily settlement value;
PA^{t} = the day's settlement price;

PO = the trading price;
n = the number of contracts;
PA^{t-1} = the previous day's settlement price.

The variation margin value, if positive, shall be credited to the buyer and debited to the seller; if negative, it shall be debited to the buyer and credited to the seller.
The variation margin for open positions shall be made up to the day preceding the day a Delivery Notice has been designated to the buyer, as described in item 13.1.

12. Delivery point and price basis

The price quotation of this contract is based on the reference price of the city of Campinas, State of São Paulo, Brazil. Corn may be delivered at warehouses/silos licensed by BM&F in the city of Campinas, as well as in other cities/states. In this case, the commodity shall be subject to a discount for freight costs between the city of Campinas and the actual delivery location. Freight cost discounts shall be periodically published by BM&F.

13. Settlement conditions on expiration

Settlement shall be made by physical delivery. The settlement process begins when the customer holding short positions or an assigned customer tenders a Delivery Notice to BM&F and ends on the day the "Certificate of Property Transfer" is signed by both buyer and seller.

13.1 Period for tendering Delivery Notices

The sellers who decide not to offset their positions up to the last trading day shall send a Delivery Notice to BM&F, through their Commodities Brokerage House, during the period that initiates on the last business day preceding the delivery month and terminates on the day preceding the last trading day.
The Delivery Notice must be accompanied by the following documents:

– A commodity ownership declaration, issued by the licensed warehouse/silo, stating that the commodity is free of any and all debts and charges, including fiscal debts related to the stored goods, and showing that storage and insurance expenses, as required by the Exchange, have been paid covering a 15-day period, counted as from the Delivery Notice issuance date;
– A commodity storage receipt or a storage-related security, issued by the licensed warehouse/silo, pursuant to applicable legislation;
– A provisional delivery order of the goods to BM&F, issued by the seller;
– A Quality and Weight Certificate, issued by a Quality Supervisor chosen by the seller from among the Quality Supervisors accredited by BM&F. Said certificate, which shall be based on a sample withdrawn from the corn just delivered at the warehouse/silo, must state that the commodity meets the quality standards herein defined.

13.2 Delivery procedures

(a) The Delivery Notices shall be allocated on the business day subsequent to their receipt by BM&F.
(b) The Delivery Notices shall be disclosed on the floor to be chosen by the customers holding long positions. BM&F shall offer the Delivery Notices to the buyers on a first in, first out basis—that is, the customers who have held long positions for the greatest amount of time shall have priority. Should there be no parties interested in receiving all or part of the commodity in the Delivery Notices, BM&F shall determine that the customer(s) who has(ve) held long position(s) for the greatest amount of time shall take delivery of the corn.
(c) The buyers who shall take delivery of corn must send to the Exchange through their Commodities Brokerage House, by no later than 10:00 a.m. (local time) of the second business day subsequent to the day they have been designated a Delivery Notice, the information required for invoice purposes. In addition, the seller, after receiving the personal data of the buyer defined by BM&F, must issue the bill of sale for delivery purposes.
(d) Both resident and nonresident buyers, as well as the sellers residing in Brazil, shall be allowed to assign third parties to make or take delivery of the corn. The assigned customers, who must also send their personal data for invoice purposes, among other obligations arising out of or relating to the contract, shall be financially, commercially, and fiscally bound thereto, up to the delivery's final settlement. In addition, the original buyer and seller shall be liable for the obligations of the third parties they have assigned, up to the delivery's final settlement. It shall be mandatory for a nonresident seller to assign a resident in Brazil to whom delivery rights and obligations must be transferred. The nonresident buyer may appoint a legal representative to provide transportation and shipment, as well as to meet any further requirements defined by competent public agencies.
(e) Corn eligible for delivery must be stored in Exchange-licensed warehouses/silos, which shall also be obliged to contract all risk coverage normally required by BM&F, in addition to quality insurance.

13.3 Delivery cash settlement

The cash settlement value of a physical delivery shall be paid by the buyer on the third business day subsequent to the day he/she has been designated a Delivery Notice, in observance to the provisions of item 19, where applicable.

The cash settlement value per contract shall be calculated by the following formula:

$$VL = \left\{ \frac{(C - F) \times P}{60} \right\} \tag{3}$$

where:
VL = the cash settlement value per contract;
C = the settlement price of the business day preceding the day a Delivery Notice has been designated to the buyer;
F = the discount for freight costs, as published by BM&F, in case the commodity is not delivered in the city of Campinas;
P = the gross weight of corn delivered per contract, expressed in kilograms.

A plus or minus 2% tolerance shall be allowed in the contract size (540kg), and the corresponding amount shall be added to or deducted from the cash settlement value.
Each contract shall be formed in only one licensed warehouse/silo where the commodity has been stored.

13.4 Commodity transfer procedures

The settlement by physical delivery shall be met through the transfer from seller to buyer of the following:
(a) the commodity underlying this contract;
(b) the corresponding Rural Product Notes (CPRs), at BM&F's own discretion and terms;
(c) the commodity storage-related securities, at BM&F's own discretion and terms.

On the second business day subsequent to the day a Delivery Notice has been designated to the buyer, BM&F shall furnish the licensed warehouse/silo with the buyer's personal data, for the purposes of the bill of sale issuance.

The buyer can inspect the quality of the commodity up to 12:00 noon (local time) of the fourth business day subsequent to the day he/she has been designated a Delivery Notice. Whenever the buyer finds a discrepancy, BM&F must be notified forthwith. Should the buyer (i) not make any notification to BM&F regarding the commodity quality or (ii) verifie that the commodity meets the quality standards herein defined, the corn shall be transferred to him/her on the same date, by means of the execution of the corresponding Certificate of Property Transfer, issued by BM&F and based on the documents attached to the Delivery Notice, by the Commodities Brokerage Houses of both buyer and seller.

13.5 Arbitration

Should the buyer disagree with commodity quality, he/she can, at his/her own expense, request that the commodity be analyzed by a BM&F accredited Quality Supervisor. The new report shall be delivered by the Quality Supervisor up to the seventh business day subsequent to the day the buyer has been designated a Delivery Notice. Should the two reports diverge, BM&F shall order a third report, which shall bind the parties.

Should any further divergency be found, the settlement of the physical delivery shall take place on the date a final report is issued. Based on said report, BM&F may still impose penalties upon the seller, without prejudice to the seller's liability for any resulting damages or expenses.

13.6 Receipt of the commodity payment by the seller

After receiving the Certificate of Property Transfer signed by the parties, BM&F shall credit the cash settlement value to the seller on the same day, and thus consider the contract settled.

13.7 Further conditions

Should current legislation establish the incidence of the Tax on the Circulation of Merchandises and Services (ICMS), the corresponding amount shall be added to the cash settlement value, for the purposes of invoicing. Credits from this tax shall not be transferred should both the buyer and the seller be located in the same Federal State, unless the corresponding legislation thus requires.

BM&F shall issue a certificate containing type, quantity, and cash settlement value of the commodity delivered (attached to a copy of the Quality and Weight Certificate) which shall be used, when applicable, by the legal representative of the nonresident buyer to obtain sale and export registrations, as required by SECEX.

14. Ex-pit transactions

Ex-pit transactions shall be allowed, up to the business day immediately preceding the first day of the period for tendering Delivery Notices, provided the conditions established by BM&F are met. These transactions shall be disclosed by BM&F, but shall not be subject to market interference.

15. Hedgers

Corn growers, cooperatives, cereal dealers, corn processing industries, hog farmers, poultry farmers, feedlot operators, corn importers and exporters, as well as suppliers of agricultural equipment and inputs linked to the corn market.

16. Margin requirements

A value per contract, published by BM&F in its *Daily Bulletin*, which shall be altered at any time, at the Exchange's discretion. Hedgers shall be granted a 20% discount on the initial margin.

Margins shall be due on the first business day following the trading day. For nonresidents, should the first business day following the trading day be a banking holiday in New York, the margin shall be due on the first day following the trading day when there is no banking holiday in that city.

Whenever margin requirements are met with cash, the provisions of item 19 shall be observed, where applicable.

17. Assets eligible to meet margin requirements

For residents, cash, gold, shares of the Fund for Broker Financing (FIF), and upon prior approval by the Exchange, federal bonds, private securities, letters of credit, shares of stocks, and equity fund units. For nonresidents, United States Dollars and upon prior approval by the Exchange, U.S. T-Bonds, T-Notes, and T-Bills.

18. Trading costs

- **Basic Commission Rate**
  Regular trading: 0.30%; day trading: 0.07%.
  The Basic Commission Rate shall be applied to the previous day's settlement price of the second delivery month and shall be subject to a minimum value established by the Exchange and published in its *Daily Bulletin*.
- **Physical Delivery Fee**
  0.45% of the delivery cash settlement value.
- **Exchange Fee**
  6.32% of the Basic Commission Rate and of the Physical Delivery Fee, if any.
- **Registration Fee**
  A fixed value established by BM&F.

Common Members shall pay no more than 75% of the Basic Commission Rate and of the Physical Delivery Fee, and 75% of the Registration and Exchange fees.

18.1 Due dates

(a) The Basic Commission Rate, the Exchange, and Registration Fees shall be due on the first business day following the trading day, in observance to the provisions of item 19, where applicable.

(b) The Physical Delivery Fee shall be due on the physical delivery cash settlement date, in observance to the provisions of item 19, where applicable.

19. Additional provisions for cash settlement

The following shall apply to the payment and receipt of amounts resulting from day trades, daily settlements (variation margin), physical delivery, margin deposits in cash, and trading costs:

(i) For nonresidents: the amounts shall be payable and receivable in United States Dollars in New York, USA, through the Settlement Bank appointed by BM&F. When the conversion of the respective amounts is necessary, the BM&F Exchange Rate Benchmark, as described in Annex I and verified on a specific date, according to the nature of each payment, shall be used as follows:
  (a) Amounts resulting from day trades: the BM&F Exchange Rate Benchmark verified on the trading day;
  (b) Amounts resulting from variation margin: the BM&F Exchange Rate Benchmark verified on the day the daily settlement refers to;
  (c) Amounts resulting from physical delivery: the BM&F Exchange Rate Benchmark verified on the business day preceding the cash settlement date;
  (d) Amounts resulting from trading costs: the BM&F Exchange Rate Benchmark verified on the trading day;

(ii) For residents: the amounts shall be in Reals, in accordance with the regular procedures of the other BM&F contracts not authorized for trading by foreign investors, in observance to the provisions of item 9.

20. Further provisions

This contract shall be subject to Annex I and, where applicable, to the legislation in force and to BM&F rules, regulations, and procedures, as defined in its Bylaws, Operating Rules, and Circular Letters, as well as to specific rules and regulations set forth by the Brazilian governmental authorities that may affect the terms herein stated.

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Annex I

Methodology for the Calculation of the BM&F Exchange Rate Benchmark: Reals per Dollar of the United States of America

The calculation of the BM&F Exchange Rate Benchmark of Brazilian Reals per United States Dollar, to be used in the cash settlement of nonresidents' transactions in the corn futures market, shall be made in accordance with the following criteria:

1. BM&F, together with the Settlement Bank of its operations abroad, shall list the 14 institutions, among the best positioned in the interbank foreign exchange market—which for this purpose shall be called informing banks,—from which it shall collect daily bid and asked quotations for the U.S. Dollar for cash delivery on T+2, that is, on the second business day both in New York and in Brazil;
2. The daily survey shall be made with at least 10 institutions from among the 14 previously selected. This survey shall be conducted during the period that coincides with the last 30 minutes of the open outcry session of the U.S. Dollar Futures Contract;
3. The prices shall be firm since BM&F may close the necessary foreign exchange operation for the cash settlement of nonresidents' transactions with any of the informing banks;
4. BM&F shall calculate the average bid–asked price of each informing bank;
5. After excluding the two highest and the two lowest average individual prices, a simple arithmetic mean of the remaining average individual prices shall be calculated;
6. The BM&F Exchange Rate Benchmark shall be the average calculated in accordance with item 5 above adjusted to T+1, that is, to the first day when there is not a banking holiday in New York and when there is a trading day at BM&F. This adjustment shall be made by adding or deducting the cost of remuneration in U.S. Dollars, based on the LIBOR, and the cost of the banking reserve in Reals at the one-day Interbank Deposit (ID) rate, whenever applicable;
7. The Exchange shall also disclose a one-day Interbank Deposit (ID) reference rate for the adjustment referred to in item 6. The procedures for the calculation of the ID reference rate shall be similar to those used in the calculation of the BM&F Exchange Rate Benchmark, as defined in items 1 to 5, by using the same list of informing banks;
8. Upon mutual agreement with the Settlement Bank located abroad, BM&F may increase or reduce the number of informing banks in the sample, as well as the number of prices to be excluded from the daily sample;
9. The list of informing banks shall be published by BM&F in its *Daily Bulletin*. Any change in that list shall be announced;
10. At its own discretion, the Exchange may arbitrate a price for the BM&F Exchange Rate Benchmark should it not consider the quotations collected from the informing banks to be representative;
11. This annex is an integral part of the Corn Futures Contract Specifications.

LAST UPDATE: CIRCULAR LETTER 123/2001-DG, OF 10/18/2001