

**SUBMISSION COVER SHEET**

**IMPORTANT:** Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 15-010

Organization: Commodity Exchange, Inc. ("COMEX")

Filing as a:  DCM  SEF  DCO  SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 01/05/2015 Filing Description: Revisions to Rule 814 (Settlement Variation and Option Value)

**SPECIFY FILING TYPE**

Please note only ONE choice allowed per Submission.

**Organization Rules and Rule Amendments**

- Certification § 40.6(a)
- Approval § 40.5(a)
- Notification § 40.6(d)
- Advance Notice of SIDCO Rule Change § 40.10(a)
- SIDCO Emergency Rule Change § 40.10(h)

Rule Numbers: 814

**New Product**

Please note only ONE product per Submission.

- Certification § 40.2(a)
- Certification Security Futures § 41.23(a)
- Certification Swap Class § 40.2(d)
- Approval § 40.3(a)
- Approval Security Futures § 41.23(b)
- Novel Derivative Product Notification § 40.12(a)
- Swap Submission § 39.5

**Official Product Name:**

**Product Terms and Conditions (product related Rules and Rule Amendments)**

- Certification § 40.6(a)
- Certification Made Available to Trade Determination § 40.6(a)
- Certification Security Futures § 41.24(a)
- Delisting (No Open Interest) § 40.6(a)
- Approval § 40.5(a)
- Approval Made Available to Trade Determination § 40.5(a)
- Approval Security Futures § 41.24(c)
- Approval Amendments to enumerated agricultural products § 40.4(a), § 40.5(a)
- "Non-Material Agricultural Rule Change" § 40.4(b)(5)
- Notification § 40.6(d)

**Official Name(s) of Product(s) Affected:**

**Rule Numbers:**



Sean Downey  
Senior Director and Associate General Counsel  
Legal Department

January 5, 2015

**VIA ELECTRONIC PORTAL**

Christopher J. Kirkpatrick  
Office of the Secretariat  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21st Street, N.W.  
Washington, DC 20581

**RE: CFTC Regulation 40.6(a) Certification. Revisions to Rule 814 (Settlement Variation and Option Value)  
COMEX Submission No. 15-010**

Dear Mr. Kirkpatrick:

Pursuant to Commodity Futures Trading Commission ("CFTC" or "Commission") Regulation 40.6(a), Commodity Exchange, Inc. ("COMEX" or the "Exchange") hereby self-certifies revisions to Rule 814 in the NYMEX rulebook, as revised per pending CME/CBOT/NYMEX Submission No. 14-585. These rule revisions do not change CME Clearing operations but merely clarify operational details of the clearing cycle currently in place. The revisions will be effective January 20, 2015.

Per CME/CBOT/NYMEX Submission No. 14-585, the NYMEX rulebook is being revised to reflect changes to clearing rules contained therein. COMEX was not included in the original submission as it does not have a standalone rulebook that requires revision; however, this COMEX Submission No. 15-010 is being submitted to ensure the clarifying rule amendments set forth in CME/CBOT/NYMEX Submission No. 14-585 will also apply to the clearing of COMEX contracts. As noted above, the proposed revisions do not impact CME Clearing operations.

The first proposed change is to add further detail regarding the settlement cycle for commodity contracts that are options. The current version of Rule 814 is silent on the settlement cycle for commodity contracts that are options, and so additional language is proposed to ensure that the market is aware that settlement of option value operates differently than settlement for non-option commodity contracts. The proposed rule changes are consistent with the current settlement process so no operational changes are needed to implement the proposed rules. The second proposed change is to amend Rule 814 so that it explicitly reflects the fact that the current CME Clearing settlement process results in outstanding exposures being settled to zero fair value during each settlement cycle. The third proposed change is to add further clarity regarding settlement finality at the clearing house. Lastly, certain terms in the rule text are being modified in order to provide additional clarity to the marketplace and regulators.

The Exchange reviewed the derivatives clearing organization core principles ("DCO Core Principles") and the designated contract market core principles ("DCM Core Principles") as set forth in the Commodity Exchange Act ("CEA" or the "Act"). During the review, staff identified that the revisions may have some bearing on DCO Core Principle L – Public information and DCM Core Principle 7 – Availability of General Information. The revised rules will continue to be posted publicly on the CME Group website in satisfaction of these core principles.

The Exchange certifies that the proposed revisions comply with the Act and regulations thereunder. There were no opposing views to this proposal. The revisions to COMEX Rule 814 appear in Exhibit A, attached.

The Exchange certifies that this submission has been concurrently posted on the CME Group website at <http://www.cmegroup.com/market-regulation/rule-filings.html>.

Should you have any questions regarding this submission, please contact me at (312) 930-8167 or via e-mail at [Sean.Downey@cmegroup.com](mailto:Sean.Downey@cmegroup.com). Alternatively, you may contact John McKinlay at (312) 930-3028 or via e-mail at [John.McKinlay@cmegroup.com](mailto:John.McKinlay@cmegroup.com).

Sincerely,

/s/ Sean Downey  
Senior Director & Associate General Counsel

Attachment: Exhibit A – Revisions to Rule 814

## Exhibit A

### Revisions to COMEX Rule 814 (additions underlined; deletions ~~overstruck~~)

#### 814.- SETTLEMENT VARIATION AND OPTION VALUE

~~When a clearing member or its customer is long or short any amount of any futures contract at the end of the trading day~~ Commodity for a settlement cycle, as indicated by ~~its clearing memoranda~~ Clearing House records, settlement for any outstanding exposure shall be made with the Clearing House based on the settlement price for that ~~day, and such settlement cycle.~~

Each clearing member and its customers shall ~~be liable to~~ pay to, or ~~entitled to~~ collect from, the Clearing House any loss or profit for non-option Commodities, as the case may be, represented by the difference between (x) the settlement price at which of the commodity was bought or sold Commodity for such settlement cycle and (y) the settlement price of the commodity at Commodity for the prior settlement cycle (or, for the first settlement cycle after the purchase/sale of such Commodity, the price at which the Commodity was purchased or sold).

~~Except as otherwise specifically provided for in the contract chapters, for Commodities that are options, the end of Clearing House will determine option value for each option and the trading day. After making net option value of each portfolio. For a settlement cycle, (i) if the net option value of the portfolio is positive, such settlement with the Clearing House amount may be used to satisfy performance bond requirements for the portfolio, (ii) if the net option value of a portfolio is negative, such member amount will increase the performance bond requirements for the portfolio.~~

Once all settlements for a settlement cycle are final, the outstanding exposures for all Commodities subject to that settlement cycle shall be deemed long or short (or long and short) such commodity, as the case may be, at the settlement price of the trading day, settled with the fair value of each Commodity reset to zero.

Notwithstanding the foregoing, the Clearing House shall not be required to pay any profit to a Participating Clearing Member in the event that such member or its Cross-Margining Affiliate fails to make any required settlement for that ~~trading day~~ settlement cycle with a Cross-Margining Clearing Organization.

If the market conditions or price fluctuations are such that the Clearing House deems it necessary, it may call upon the clearing members, which in its opinion are affected, to deposit funds with the Clearing House by such time and in such amount as specified by the Clearing House ~~the amount of funds that it estimates will be needed~~ to meet such settlements as the Clearing House estimates may be necessary. The Clearing House may pay out funds to those clearing members that, in the opinion of the Clearing House, will have credit balances as a result of those same market conditions or price fluctuations, except that in no instance may the Clearing House pay out funds to a clearing member, other than at the regular settlement, in excess of the total original performance bond deposits it holds for such clearing member. All deposits and payments made under this Rule shall be subject to the procedures prescribed by the Clearing House and set forth in the Manual.

Settlement variation, as figured to the market at such times as the Clearing House shall determine, must be paid in cash or any other form of collateral approved by the Clearing House Risk Committee.

~~Settlement variation is deemed final~~ Each payment of variation margin for Commodities shall be a settlement (within the meaning of CFTC Rule 39.14) and shall be final on the earlier to occur of (1) the time when an irrevocable commitment to pay has been provided to the Clearing House by a settlement bank in a form or manner as approved by the Clearing House- and (2) the time when the Clearing House's accounts are debited or credited with the settlement variation payment.