

**SUBMISSION COVER SHEET**

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

Registered Entity Identifier Code (optional): 15-025 (3 of 4)

Organization: New York Mercantile Exchange, Inc. ("NYMEX")

Filing as a:  DCM  SEF  DCO  SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 01/22/15 Filing Description: Revisions to Rule 562  
("Position Limit Violations")

Please note only ONE choice allowed per Submission.

**Organization Rules and Rule Amendments**

- |                                     |                                     |            |
|-------------------------------------|-------------------------------------|------------|
| <input checked="" type="checkbox"/> | Certification                       | § 40.6(a)  |
| <input type="checkbox"/>            | Approval                            | § 40.5(a)  |
| <input type="checkbox"/>            | Notification                        | § 40.6(d)  |
| <input type="checkbox"/>            | Advance Notice of SIDCO Rule Change | § 40.10(a) |
| <input type="checkbox"/>            | SIDCO Emergency Rule Change         | § 40.10(h) |

**Rule Numbers:** 562

**New Product**

Please note only ONE product per Submission.

- |                          |                                       |            |
|--------------------------|---------------------------------------|------------|
| <input type="checkbox"/> | Certification                         | § 40.2(a)  |
| <input type="checkbox"/> | Certification Security Futures        | § 41.23(a) |
| <input type="checkbox"/> | Certification Swap Class              | § 40.2(d)  |
| <input type="checkbox"/> | Approval                              | § 40.3(a)  |
| <input type="checkbox"/> | Approval Security Futures             | § 41.23(b) |
| <input type="checkbox"/> | Novel Derivative Product Notification | § 40.12(a) |
| <input type="checkbox"/> | Swap Submission                       | § 39.5     |

**Official Product Name:**

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

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

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

**Rule Numbers:**

January 22, 2015

**VIA ELECTRONIC PORTAL**

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

**RE: CFTC Regulation 40.6(a) Certification. Revision to CME/CBOT/NYMEX/COMEX  
Rule 562 (“Position Limit Violations”).  
NYMEX Submission No. 15-025 (3 of 4)**

Dear Mr. Kirkpatrick:

Chicago Mercantile Exchange Inc. (“CME”), The Board of Trade of the City of Chicago, Inc. (“CBOT”), New York Mercantile Exchange, Inc. (“NYMEX”) and Commodity Exchange, Inc. (“COMEX”) (collectively, the “Exchanges”) hereby notify the Commodity Futures Trading Commission (“CFTC” or “Commission”) that they are self-certifying revisions to Rule 562 (“Position Limit Violations”).

In 2004, CME revised former Rule 443 (“Speculative and Hedge Position Limit Violations”) to add in a provision that making a bid or an offer, which, if accepted, would cause a person to exceed a position limit, constituted a violation, regardless of whether the bid or offer was accepted. CBOT adopted the CME provision at the time of the CME-CBOT merger in 2007, and, in 2008, NYMEX and COMEX also adopted the same provision.

While attributing bids and offers to a particular individual or entity is possible on CME Globex, that is not the case with bids and offers made via open outcry. Accordingly, instituting an automated surveillance program to identify potential violations of the current prohibition has not been possible and we have relied instead on identifying such activity in connection with conducting more focused inquiries into a participant’s activity. Additionally, the Exchanges believe that the provision has yielded little regulatory benefit. There is no such restriction in either the Commission’s existing federal position limit rules pursuant to the regulations in Part 150 or in the two most recent federal position limit rule proposals from the CFTC. Additionally, the Exchanges maintain authority to identify bidding or offering activity deemed to be disruptive and to take action against such activity via Rule 575 (“Disruptive Practices Prohibited”) or the more general provisions set forth in Rule 432 (“General Offenses”).

Given the absence of regulatory benefit, pending regulatory review periods, the prohibition be will eliminated. Also, a clarification will be added to codify that being over the limit on an intraday basis constitutes a violation of Rule 562. This addition codifies the longstanding manner in which the rule has been applied.

The revision to Rule 562 appears in Exhibit A, and will become effective on Friday, February 6, 2015.

In connection with the revision, the Exchanges will issue a Special Executive Report advising the marketplace of the change.

The Exchanges collectively reviewed the designated contract market core principles (“Core Principles”) as set forth in the Commodity Exchange Act (“CEA” or “Act”). During the review, we have identified that the revisions to Rule 562 may have some bearing on the following Core Principles:

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Compliance with Rules: The revisions will in no way interfere with the Exchanges' ability to monitor and enforce compliance with Rule 562. The elimination of the provision that making a bid or an offer, which, if accepted, would cause a person to exceed a position limit, constituted a violation of the Rule is being eliminated as it has yielded no regulatory benefit and the Exchanges maintain the ability to appropriately prohibit and sanction bidding or offering activity determined to be disruptive via other rules.

Position Limitations or Accountability: This Core Principle requires the Designated Contract Market to adopt for each contract, as necessary and appropriate, position limitations or position accountability for speculators. The elimination of the aforementioned language and the addition of language clarifying that intraday position limit overages constitute a violation of Rule 562 are in compliance with this Core Principle.

Availability of General Information: As required by this Core Principle, the marketplace will be informed of the revisions to Rule 562 via the issuance of a Special Executive Report prior to the revisions becoming effective.

The Exchanges certify that the revisions to Rule 562 comply with the Act and regulations thereunder. There were no substantive opposing views to this proposal.

The Exchanges certify that this submission has been concurrently posted on the Exchanges' website at <http://www.cmegroup.com/market-regulation/rule-filings.html>.

If you require any additional information, please e-mail [CMEGSubmissionInquiry@cmegroup.com](mailto:CMEGSubmissionInquiry@cmegroup.com) or contact the undersigned at 212-299-2200.

Sincerely,

/s/Christopher Bowen  
Managing Director and Chief Regulatory Counsel

Attachment: Exhibit A – Revisions to CME/CBOT/NYMEX/COMEX Rule 562

# **Exhibit A**

## **CME/CBOT/NYMEX/COMEX**

### **Chapter 5**

#### **Trading Qualifications and Practices**

(additions are underscored; deletions are ~~overstruck~~)

#### **562. POSITION LIMIT VIOLATIONS**

Any positions in excess of those permitted under the rules of the Exchange shall be deemed position limit violations, including positions established intraday. ~~Additionally, any person making a bid or offer that would, if accepted, cause such person to exceed the applicable position limits shall be in violation of this rule.~~

If a position exceeds position limits as a result of an option assignment, the person who owns or controls such position shall be allowed one business day to liquidate the excess position without being considered in violation of the limits. Additionally, if, at the close of trading, a position that includes options exceeds position limits when evaluated using the delta factors as of that day's close of trading, but does not exceed the limits when evaluated using the previous day's delta factors, then the position shall not constitute a position limit violation.

A clearing member shall not be in violation of this rule if it carries positions for its customers in excess of the applicable position limits for such reasonable period of time as the firm may require to discover and liquidate the excess positions. For the purposes of this rule, a reasonable period of time shall generally not exceed one business day.

A customer who exceeds the position limits as a result of maintaining positions at more than one clearing member shall be deemed to have waived confidentiality regarding his positions and the identity of the clearing members at which they are maintained. A clearing member carrying such positions shall not be in violation of this rule if, upon notification by the Market Regulation Department, it liquidates its pro-rata share of the position in excess of the limits or otherwise ensures the customer is in compliance with the limits within a reasonable period of time.