

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 18-393

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

Filing as a: DCM SEF DCO SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 09/25/2018 Filing Description: Amendments to the Daily Settlement Procedure Documents for the Zinc, Aluminum and Lead Futures Contracts
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: See filing.

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:

September 25, 2018

VIA ELECTRONIC PORTAL

Mr. Christopher J. 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. Notification Regarding Amendments to the Daily Settlement Procedure Documents for the Zinc, Aluminum, and Lead Futures Contracts.
COMEX Submission No. 18-393**

Dear Mr. Kirkpatrick:

Commodity Exchange, Inc. (“COMEX” or the “Exchange”) is notifying the Commodity Futures Trading Commission (“CFTC” or “Commission”) that it is self-certifying amendments to the daily settlement procedure documents for the Zinc, Aluminum and Lead Futures contracts listed in the table below (the “Contracts”) effective Sunday, October 14, 2018 for trade date Monday, October 15, 2018.

Commodity Code	Contract Title	COMEX Rulebook Chapter
ZNC	Zinc Futures	186
ALI	Aluminum Futures	107
LED	Lead Futures	187

Specifically, the Exchange is amending the referenced lead month from the second chronologically listed month to the third chronologically listed month on which settlement prices will be based on market activity on the CME Globex electronic trading platform during the lead month settlement period. The lead month settlement period is defined as between 11:30:00 a.m. and 12:00:00 p.m. Eastern Time (ET). This amendment is being made to reference the month with the most liquidity as suggested by participants in these markets in order to provide settlement prices that most accurately reflect trading activity.

While identical, currently, the daily settlement procedure documents are separated by product as provided in blackline in Exhibit A. The daily settlement procedures document, as proposed to be amended, will be consolidated into a single document as provided in Exhibit B.

The Exchange reviewed the designated contract market core principles (“Core Principles”) as set forth in the Commodity Exchange Act (“CEA”) and identified that the amendments to the Daily Settlement Procedure documents of the Contracts may have some bearing on the following Core Principles:

- **Prevention of Market Disruption:** The amendments reflect the Exchange’s efforts to more effectively protect the market from large price fluctuations of the Contracts. The Exchange believes that the amendments are consistent with this Core Principle requiring the Exchange to maintain and promote an orderly market.

- **Availability of General Information:** The Exchange will publish a Special Executive Report (“SER”) to advise the marketplace of these amendments. The SER will also be posted on the CME Group website.
- **Execution of Transactions:** The amendments will further enable the Exchange to continue its current practice of providing a competitive, open, and efficient market mechanism for executing transactions.

Pursuant to Section 5c(c) of the Act and CFTC Regulation 40.6(a), the Exchange hereby certifies that the amendments comply with the Act, including all regulations under the Act. There were no substantive opposing views to this proposal.

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

Should you have any questions concerning the above, please contact the undersigned at (212) 299-2200 or via e-mail at CMEGSubmissionInquiry@cmegroup.com.

Sincerely,

/s/ Christopher Bowen
Managing Director and Chief Regulatory Counsel

Attachments: Exhibit A: Current Daily Settlement Procedure Documents for Zinc, Aluminum and Lead (blackline format)
Exhibit B: Amended Daily Settlement Procedure Document for Zinc, Aluminum and Lead

Exhibit A

Current Daily Settlement Procedure Documents

(deletions struckthrough)

~~COMEX Zinc Futures Daily Settlement Procedure.~~

~~Normal Daily Settlement Procedure~~

~~Lead Month~~

~~The lead month is the anchor month for settlements and will always be the second chronological month. For instance, if the October ZNC contract is the spot (front chronological) month, then the November ZNC contract would be the lead month. The lead month is settled based on market activity on CME Globex between 11:30:00 and 12:00:00 Eastern Time (ET) — the lead month settlement period.~~

~~Tier 1: If a trade(s) occurs on Globex between 11:30:00 and 12:00:00 ET, the lead month settlement period, then the lead month contract settles to the volume-weighted average price (VWAP) of the trade(s) during this period, rounded to the nearest tradable tick. If the VWAP results in a value that is equidistant between two tradable ticks, a symmetric rounding convention will be followed.~~

~~Tier 2: If there is no VWAP, then the last trade price is checked against the 12:00:00 ET bid/ask.~~

~~1. If the last trade price is outside of the bid/ask spread, then the contract settles to the nearest bid or ask price.~~

~~2. If the last trade price is within the bid/ask spread or if a bid/ask is not available, then the contract settles to the last trade price.~~

~~Tier 3: If there are no trades in the contract during the settlement period and no two-sided Globex markets available, settlements will be derived using available market data including last trade or prior settlement.~~

~~All Other Months~~

~~All other months settle based on market activity on CME Globex between 11:30:00 and 12:00:00 ET.~~

~~Tier 1: All months other than the designated lead month will settle based upon the VWAP of calendar spread transactions executed on CME Globex between 11:30:00 – 12:00:00 ET.~~

~~Tier 2: In the absence of a VWAP of calendar spread transactions the net change of the previous contract month will be applied to determine the contract's settlement price. If the settlement price in a deferred month created by using the "net change" method described above violates a bid or an ask in a calendar spread or in the deferred month itself that could otherwise be honored, the settlement price for that deferred month will be adjusted to honor that bid or ask.~~

~~If you have any questions, please call the CME Global Command Center.~~

~~Note: In the event the aforementioned calculations described in this advisory cannot be made or if CME Group staff, in its sole discretion, determines that anomalous activity yields results that are not representative of the fair value of the contract, the staff may determine an alternative settlement price.~~

Aluminum

COMEX Aluminum Futures Daily Settlement Procedure

Normal Daily Settlement Procedure

Lead Month

The lead month is the anchor month for settlements and will always be the second chronological month. For instance, if the October ALI contract is the spot (front chronological) month, then the November ALI contract would be the lead month. The lead month is settled based on market activity on CME Globex between 11:30:00 and 12:00:00 Eastern Time (ET) the lead month settlement period.

Tier 1: If a trade(s) occurs on Globex between 11:30:00 and 12:00:00 ET, the lead month settlement period, then the lead month contract settles to the volume-weighted average price (VWAP) of the trade(s) during this period, rounded to the nearest tradable tick. If the VWAP results in a value that is equidistant between two tradable ticks, a symmetric rounding convention will be followed.

Tier 2: If there is no VWAP, then the last trade price is checked against the 12:00:00 ET bid/ask.

1. If the last trade price is outside of the bid/ask spread, then the contract settles to the nearest bid or ask price.

2. If the last trade price is within the bid/ask spread or if a bid/ask is not available, then the contract settles to the last trade price.

Tier 3: If there are no trades in the contract during the settlement period and no two-sided Globex markets available, settlements will be derived using available market data including last trade or prior settlement.

All Other Months

All other months settle based on market activity on CME Globex between 11:30:00 and 12:00:00 ET.

Tier 1: All months other than the designated lead month will settle based upon the VWAP of calendar spread transactions executed on CME Globex between 11:30:00 – 12:00:00 ET.

Tier 2: In the absence of a VWAP of calendar spread transactions the net change of the previous contract month will be applied to determine the contract's settlement price. If the settlement price in a deferred month created by using the "net change" method described above violates a bid or an ask in a calendar spread or in the deferred month itself that could otherwise be honored, the settlement price for that deferred month will be adjusted to honor that bid or ask.

If you have any questions, please call the CME Global Command Center.

Note: In the event the aforementioned calculations described in this advisory cannot be made or if CME Group staff, in its sole discretion, determines that anomalous activity yields results that are not representative of the fair value of the contract, the staff may determine an alternative settlement price.

~~COMEX Lead Futures Daily Settlement Procedure.~~

~~Normal Daily Settlement Procedure~~

~~Lead Month~~

~~The lead month is the anchor month for settlements and will always be the second chronological month. For instance, if the October LED contract is the spot (front chronological) month, then the November LED contract would be the lead month. The lead month is settled based on market activity on CME Globex between 11:30:00 and 12:00:00 Eastern Time (ET) — the lead month settlement period.~~

~~Tier 1: If a trade(s) occurs on Globex between 11:30:00 and 12:00:00 ET, the lead month settlement period, then the lead month contract settles to the volume-weighted average price (VWAP) of the trade(s) during this period, rounded to the nearest tradable tick. If the VWAP results in a value that is equidistant between two tradable ticks, a symmetric rounding convention will be followed.~~

~~Tier 2: If there is no VWAP, then the last trade price is checked against the 12:00:00 ET bid/ask.~~

~~1. If the last trade price is outside of the bid/ask spread, then the contract settles to the nearest bid or ask price.~~

~~2. If the last trade price is within the bid/ask spread or if a bid/ask is not available, then the contract settles to the last trade price.~~

~~Tier 3: If there are no trades in the contract during the settlement period and no two-sided Globex markets available, settlements will be derived using available market data including last trade or prior settlement.~~

~~All Other Months~~

~~All other months settle based on market activity on CME Globex between 11:30:00 and 12:00:00 ET.~~

~~Tier 1: All months other than the designated lead month will settle based upon the VWAP of calendar spread transactions executed on CME Globex between 11:30:00 – 12:00:00 ET.~~

~~Tier 2: In the absence of a VWAP of calendar spread transactions the net change of the previous contract month will be applied to determine the contract's settlement price. If the settlement price in a deferred month created by using the "net change" method described above violates a bid or an ask in a calendar spread or in the deferred month itself that could otherwise be honored, the settlement price for that deferred month will be adjusted to honor that bid or ask.~~

~~If you have any questions, please call the CME Global Command Center.~~

~~Note: In the event the aforementioned calculations described in this advisory cannot be made or if CME Group staff, in its sole discretion, determines that anomalous activity yields results that are not representative of the fair value of the contract, the staff may determine an alternative settlement price.~~

Exhibit B

Amended Daily Settlement Procedure Documents

(red indicates substantive changes)

Zinc Futures, Aluminum Futures and Lead Futures Daily Settlement Procedure

Normal Daily Settlement Procedure

COMEX Zinc (ZNC), Lead (LED) and Aluminum (ALI) futures are settled by CME Group staff based on trading activity on CME Globex during the settlement period. The settlement period is defined as: 11:30:00 to 12:00:00 Eastern Time (ET).

Lead Month

The lead month is the anchor month for settlements and will always be the **third** chronological month. For instance, if the October ZNC, ALI or LED contract is the spot (front chronological) month, then the December ZNC, ALI or LED contract would be the lead month. The lead month is settled based on market activity on CME Globex between 11:30:00 and 12:00:00 Eastern Time (ET) – the lead month settlement period.

Tier 1: The lead month settles to the volume-weighted average price (VWAP) of the outright between 11:30:00 and 12:00:00 Eastern Time (ET), the settlement period, rounded to the nearest tradable tick. If the VWAP is equidistant between two ticks, then it's rounded to the tick that is closer to the prior-day's settlement price.

Tier 2: If there is no VWAP, then the last trade price is checked against the current bid/ask.

- a. If the last trade price is outside of the bid/ask spread, then the contract settles to the nearest bid or ask price.
- b. If the last trade price is within the bid/ask spread or if a bid/ask is not available, then the contract settles to the last trade price.

Tier 3: If there is no last trade price available, then the prior settle is checked against the current bid/ask.

- a. If the prior settle is outside of the bid/ask spread, then the contract settles to the nearest bid or ask price.
- b. If the prior settle is within the bid/ask spread or if a bid/ask is not available, then the contract settles to the prior settlement price.

All Other Months

Deferred contract months consist of all non-lead months and settle according to the following procedure:

Tier 1: All months other than the designated lead month will settle based upon the VWAP of calendar spread transactions executed on Globex from 11:30:00 – 12:00:00 ET.

Tier 2: In the absence of relevant calendar spread trades, bids and offers in those calendar spreads will be used in conjunction with settlements from any months where a settlement price has been determined to form an implied market in the contract to be settled. These implied markets, along with the outright bid/ask market for the contract, will be used to derive the best possible bid and the best possible ask. Provided that implied bid/ask spread is consistent with

reasonability thresholds for the product, as determined by the Global Command Center, the contract will settle at the midpoint of the implied bid/ask spread.

Tier 3: In the absence of an implied best bid/best ask that meets reasonability thresholds, the net change of the previous contract month will be applied to determine the contract's settlement price. However, if a contract is initially settled to the net change of the previous month and there are posted markets at 12:00 ET in one or more calendar spreads with that contract as the nearby leg, then the settlement price will be adjusted on a subsequent iteration based upon the implied best bid/best ask of those calendar spreads, provided it is consistent with bid/ask reasonability thresholds.

Tier 4: If the settlement price in a deferred month created by using the "net change" method described above violates a bid or an offer in a calendar spread or in the deferred month itself that could otherwise be honored, the settlement price for that deferred month will be adjusted to honor that bid or offer. If not all spread bids or offers can be honored in this way, precedence will be given to the tightest bid/ask markets.

If you have any questions, please call the [CME Global Command Center](#).

Note: In the event the aforementioned calculations cannot be made or if CME Group staff, in its sole discretion, determines that anomalous activity produces results that are not representative of the fair value of the contract, staff may determine an alternative settlement price.