

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): **16-393**

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

Filing as a: **DCM** **SEF** **DCO** **SDR**

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): **10/27/16** Filing Description: **Reduction of the Block Trade Minimum Quantity Threshold Level for Four (4) COMEX Metals 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: 107, 111, 121, 186

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 Number:

October 27, 2016

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 the Reduction of the Block Trade Minimum Quantity Threshold Level for Four (4) COMEX Metals Futures Contracts.
 COMEX Submission No. 16-393**

Dear Mr. Kirkpatrick:

Commodity Exchange, Inc. (“COMEX” or “Exchange”) is notifying the Commodity Futures Trading Commission (“CFTC” or “Commission”) that it is self-certifying a reduction of the block trade minimum quantity threshold level for four (4) COMEX futures contracts as described in the table below (the “Contracts”) effective on Sunday, November 13, 2016 for trade date Monday, November 14, 2016 as noted in the table below. The Contracts are available for trading on CME Globex and for submission for clearing via CME ClearPort.

Contract Title	Commodity Code	Rulebook Chapter	Current Minimum Block Threshold Level	Minimum Block Threshold Level Effective November 14, 2016
Copper Futures	HG	111	25	20
Aluminum Futures	ALI	107	10	5
Zinc Futures	ZNC	186	10	5
1,000 oz. Silver Futures	SIL	121	125	25

Copper Futures

The 25 contract minimum threshold was originally implemented in all active months of the forward curve in the Copper Futures contract. This level was originally set to align with the Gold Futures and Silver Futures contracts. Currently, COMEX copper is tied to the global market by arbitrage business vs. the London and Shanghai exchanges. London’s contract size is approximate 2.2 the size of COMEX (25MT vs. 11.3 MT). Many arbitrage block trades are 10 contracts of London copper vs. 22 contracts of COMEX. Since the 22 contract size is below the current COMEX 25 contract minimum block threshold level, these trades are simply not being executed, resulting in a loss of liquidity to the marketplace. The London market is predominantly voice brokered and, as a result, COMEX arbitrage trades are often voice brokered on CME ClearPort. Lowering the threshold from 25 to 20 contracts would permit extra volume to

be transacted on COMEX without jeopardizing Central Limit Order Book liquidity that a 20 contract minimum block threshold level still encourages.

Aluminum Futures

With regard to the Aluminum Futures contract, average daily volume as of July 2016 is still illiquid, at approximately 27 contracts. Part of the issue is the inability of commercials to achieve settlement in increments of less than 10 contracts. The electronic market is still too illiquid to accommodate a reliable trade at settlement price that commercials need to switch their pricing mechanism to Aluminum. For a nascent contract - with little to no commercial participation - a more realistic block minimum threshold level would be 5 contracts. Other illiquid contracts are permitted to use 5 contracts as a minimum block threshold level to help build initial liquidity and the Exchange believes Aluminum falls into this category. The current 10 contract limit was based on much higher anticipated ADV levels which have not been achieved. A 5 contract minimum block threshold level is much less risky for participants to explore a new and illiquid contract. Achieving settlement in base metals is simply the way deals are priced in the cash market, much more so than in other commodities. The commercials we have spoken with have asked us to lower the minimum block threshold level from 10 contracts to 5 contracts. This will facilitate achieving the monthly average settlement price that is generally used as a reference price for commercial market participants.

Zinc Futures

Zinc Futures has an average daily volume for the first eight months of 2016 of 1 contract. The initial minimum block threshold level was based on the 10 contract precedent set for Aluminum, which, as mentioned previously, does not seem to be appropriate for a new and illiquid contract. When listing the Lead Futures contract, a 5 contract minimum block threshold level was implemented, which is more suitable to encourage commercial use of a new base metals contract. The Exchange believes that a minimum block threshold level for Zinc Futures of 5 contracts is appropriate.

1,000-oz. Silver Futures

The 1,000 oz. Silver Futures contract minimum block threshold level was originally set to 125 contracts.

This contract should more appropriately be set to the same or a lower minimum block threshold level as that of the Silver Futures contract. For other products, the minimum block threshold levels for micro or mini versions of a larger contract are set lower than that of the larger contract. For example, the Crude Oil Futures (CL) and the E-mini Crude Oil Futures contracts (QM) have minimum block threshold levels of 50 contracts and 10 contracts, respectively. Similarly, the Natural Gas Futures (NG) and the E-mini Natural Gas Futures (QG) have minimum block threshold levels of 50 contracts and 5 contracts, respectively. The Exchange recommends reducing the minimum block threshold level to 10 contracts to align the contract with other products that are smaller versions of larger sized products.

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

- Availability of General Information: COMEX will issue a Special Executive Report (“SER”) to the marketplace regarding this amendment. The SER will also be posted on the CME Group website.
- Execution of Transactions: Core Principle 9 permits a designated contract market to authorize for bona fide business purposes transactions executed away from the designated contract market’s centralized marketplace, and the Exchange has established block levels in a wide array

of futures and options products for quite some time. This modification will serve solely to align the block threshold levels of the Contract with that of CME Group's metals futures complex.

Pursuant to Section 5c(c) of the Act and CFTC Regulation 40.6(a), the Exchange hereby certifies that the amendments to the Contracts comply with the Act, including 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 CMEGSubmissionInquiry@cmegroup.com.

Sincerely,

/s/Christopher Bowen
Managing Director and Chief Regulatory Counsel