

**SUBMISSION COVER SHEET**

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

Registered Entity Identifier Code (optional): 22-446

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

Filing as a:  DCM  SEF  DCO  SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 11/15/22 Filing Description: Amendments to the Daily Settlement Procedure Documents for Five (5) 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: 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

**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:

November 15, 2022

**VIA ELECTRONIC PORTAL**

Mr. 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. Amendments to the Daily Settlement Procedure Documents for Five (5) Metals Futures Contracts. COMEX Submission No. 22-446**

Dear Mr. Kirkpatrick:

Commodity Exchange, Inc. (“COMEX” or “Exchange”) is certifying to the Commodity Futures Trading Commission (“CFTC” or “Commission”) amendments to the Daily Settlement Procedure document in connection with four (4) steel futures contracts and the Daily Settlement Procedure document for the Aluminum Futures contract listed in the table below (collectively, the “Contracts”) (collectively, “Amendments to the Documents”), effective Thursday, December 1, 2022.

<b>Contract Title</b>	<b>Rulebook Chapter</b>	<b>CME ClearPort Code</b>	<b>CME Globex Code</b>
U.S. Midwest Domestic Hot-Rolled Coil Steel (CRU) Index Futures	920	HR	HRC
U.S. Midwest Busheling Ferrous Scrap (AMM) Futures	601	BUS	BUS
U.S. Midwest Domestic Steel Premium (CRU) Futures	969	HDG	HDG
North European Hot-Rolled Coil Steel (Argus) Futures	971	EHR	EHR
Aluminum Futures	107	ALI	ALI

The Exchange is amending the daily settlement procedures for the U.S. Midwest Domestic Hot-Rolled Coil Steel (CRU) Index Futures, U.S. Midwest Busheling Ferrous Scrap (AMM) Futures, U.S. Midwest Domestic Steel Premium (CRU) Futures, North European Hot-Rolled Coil Steel (Argus) Futures and Aluminum Futures, to better reflect current market activity.

As a result of enhanced trading activity, the Exchange is amending the settlement window of the steel futures contracts from between 12:30:00 and 13:00:00 Central Time (CT) to between 10:30:00 and 11:00:00 CT. Additionally, if no outright trades occur during the settlement period in a given contract month, then the contract month settles to the last CME Globex outright, strip trade or CME ClearPort outright, calendar or strip trade that occurred between 04:00:00 and 11:00:00 CT. If the last trade is below a CME Globex bid or above a CME Globex ask that is active at the end of the respective settlement period, the settlement will be adjusted to the CME Globex bid or CME Globex ask.

The Exchange is also enhancing the settlement procedure of all non-lead months of the Aluminum Futures contract. The volume-weighted average price (“VWAP”) of calendar spreads during the spread settlement time (between 16:30:00 and 16:35:00 London Time) will be used in conjunction with settlements from any months where a settlement price has been determined to form a VWAP in the contract month to be settled. Efforts will be made to honor resting bids and asks, but VWAP trades will take precedence.

Exhibit A and Exhibit B provide the Amendments to the Documents in blackline format.

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

- **Compliance with Rules:** The Exchange shall continue its normal practice to establish, monitor, and enforce compliance with the rules for the Contracts, including the Amendments to the Documents for the Contracts.
- **Daily Publication of Trading Information:** The Exchange will continue to publish on its website information regarding contract specifications, terms and conditions, as well as daily trading volume, open interest and price information for the Contracts.
- **Availability of General Information:** The Exchange shall disseminate a Special Executive Report (“SER”) regarding the Amendments to the Documents. The SER will also be posted on the CME Group website.
- **Execution of Transactions:** The Amendments to the Documents will further enable the Exchange to continue their current practice of providing a competitive, open, and efficient market mechanism for executing transactions.

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

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 concerning the above, please contact the undersigned at (212) 299-2200 or via e-mail at [CMEGSubmissionInquiry@cmegroup.com](mailto:CMEGSubmissionInquiry@cmegroup.com).

Sincerely,

/s/ Christopher Bowen  
Managing Director and Chief Regulatory Counsel

Attachments: Exhibit A: Steel Futures Settlement Procedures Document  
Exhibit B: Aluminum Futures Settlement Procedures Document

## Exhibit A

### Steel Futures Settlement Procedures Document

(additions underscored; deletions ~~struck through~~)

#### Normal Daily Settlement Procedure

CME Group staff determines the daily settlements for U.S. Midwest Domestic Hot-Rolled Coil Steel (CRU) Index Futures (CME Globex: HRC; CME ClearPort/Clearing: HR), U.S. Midwest Busheling Ferrous Scrap (AMM) Futures (BUS), U.S. Midwest Domestic Steel Premium (CRU) Futures (HDG) and North European Hot-Rolled Coil Steel (Argus) Futures (EHR) based on outright trading activity on CME Globex (Globex) and CME ClearPort (CPC) between ~~12:30:00~~ 10:30:00 and ~~13:00:00~~ 11:00:00 Central Time (CT), the settlement period.

**Tier 1:** If there are outright trades in a given contract month on Globex or CPC during the respective settlement period, then that month settles to the volume-weighted average price (VWAP) of the trade(s) during this period.

**Tier 2:** If no outright trades in a given contract month occur during the respective settlement period, then the contract month settles to the last ~~trade on either Globex outright, strip trade or CPC outright, calendar or strip trade or CPC~~ that occurred between 04:00:00 and ~~12:30:00~~ 11:00:00 CT. If the last trade is below a Globex bid or above a Globex ask that is active at the end of the respective settlement period, the settlement will be adjusted to the Globex bid or Globex ask.

**Tier 3:** If no trades occur between 04:00:00 and ~~13:00:00~~ 11:00:00 CT in a listed contract month, ~~and there is a Globex bid higher than the previous days settlement price or a Globex ask that is lower than the previous days settlement price,~~ the settlement will be adjusted according to the following Globex bid or Globex ask. If the previous day's settlement, ~~is between the Globex bid/ask at the end of the respective settlement period, that contract months settle will be when~~ adjusted to the net change of the previous listed contract month is between the Globex bid/ask ~~If the resulting settlement from the previous listed contract month's net change is below a Globex bid or above a Globex ask that is active at the end of the respective settlement period, that contract month settles to that level.~~ If the previous day's settlement adjusted to the previous listed contract month's net change is below the Globex bid or above the Globex ask that is active at the end of the respective settlement period, the settle will be adjusted to the Globex bid or Globex ask.

**Tier 4:** If no trades occur between 04:00:00 and ~~13:00:00~~ 11:00:00 CT and there is no Globex bid or Globex ask active at the end of the respective settlement period, that contract month's settlement will be adjusted to the net change of the previous listed contract month.

#### Final Settlement Procedure

HRC – COMEX Rulebook [Chapter 920](#)

BUS – COMEX Rulebook [Chapter 601](#)

HDG – COMEX Rulebook [Chapter 969](#)

EHR – COMEX Rulebook [Chapter 971](#)

## Exhibit B

### Aluminum Futures Settlement Procedures Document

(additions underscored; deletions ~~struck through~~)

#### Normal Daily Settlement Procedure

COMEX 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: 16:30:00 to 16:35:00 London Time.

#### Lead Month

The lead month is the anchor month for settlements and will be the third chronological month. However, on the 15<sup>th</sup> of the current calendar month, the lead month becomes the 4<sup>th</sup> chronological month, and remains the 4<sup>th</sup> chronological month until expiry of the current calendar month. The lead month is settled based on market activity on CME Globex between 16:30:00 to 16:35:00 London Time – the lead month settlement period.

**Tier 1:** The lead month settles to the volume-weighted average price (VWAP) of the trades executed on CME Globex between 16:30:00 to and 16:35:00 London Time, 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 ~~current~~ the 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 ~~current~~ the 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~~ All non-lead months and settle according to the following ~~procedures~~ guidelines:

**Tier 1:** All months other than the designated lead month will settle based upon the VWAP of accumulated calendar spread transactions ~~executed on Globex from between 16:30:00 to and 16:35:00 London Time, the calendar spread settlement time.~~ These calendar spreads will be used in conjunction with settlements from any months where a settlement price has been determined to form a VWAP in the contract month to be settled.

**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 will be used to derive the best possible bid and the best possible ask, ~~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 the 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~~ within the implied bid/ask spread. Note: Efforts will be made to honor resting bids and asks, but VWAP trades will take precedence.

**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 16:35 London Time 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.~~

### **Final Settlement Calculation for Expiring Contract**

CME Group staff determines the settlement of the expiring Aluminum (ALI) contract by following the regular daily settlement procedures for non-lead months. The expiring contract, considered to be a non-lead month, is settled based on relevant spread relationships on CME Globex throughout the settlement period (for Deferred Months) up to expiration.

### **Additional Details**

Aluminum (ALI) futures are physically delivered upon expiration. For additional details on delivery, please see the COMEX Rulebook chapter [107](#).