

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 14-526

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

Filing as a: DCM SEF DCO SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 12/5/14 **Filing Description:** New COMEX Rule 589

SPECIFY FILING TYPE

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: 589

New Product

Please note only ONE product per Submission.

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|--------------------------|---------------------------------------|------------|
| <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:



Christopher Bowen
Managing Director and Chief Regulatory Counsel
Legal Department

December 5, 2014

VIA ELECTRONIC PORTAL

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 Implementation of New COMEX Rule 589 ("Special Price Fluctuation Limits") for Certain Metals Futures and Options Contracts. COMEX Submission No. 14-526

Dear Mr. Kirkpatrick:

Commodity Exchange Inc. ("COMEX" or "Exchange") is self-certifying with the Commodity Futures Trading Commission ("CFTC" or "Commission") new COMEX Rule 589 ("Special Price Fluctuation Limits"). New COMEX Rule 589 implements price fluctuation limits for certain COMEX metals contracts effective on Sunday, December 21, 2014 for trade date Monday, December 22, 2014.

The price fluctuation limits deter sharp price movements that may, for example, be driven by illiquid central limit order books that could prevail in otherwise liquid markets from time to time. COMEX is applying the price fluctuation limits functionality as a measure that is consistent with promoting price discovery and cash-futures convergence.

The COMEX metals contracts that will be subject to new COMEX Rule 589 are listed in Appendix A.

New COMEX Rule 589 is set forth in Appendix B. The new rule will be added to COMEX Rulebook Chapter 5 ("Trading Qualifications and Practices").

At the commencement of each trading day, new Rule 589 will require the Exchange to determine the initial price fluctuation limits in effect for each futures contract month of the primary futures contract above or below the previous day's settlement price for such contract month set at the first special price fluctuation limit level, as well as applicable associated products.

If the lead contract month of the primary futures contract is bid or offered via CME Globex at the upper or lower first special price fluctuation limit, the Exchange will consider such an occurrence a triggering event that will begin a five-minute monitoring period in the lead contract month. If at the end of this five-minute period the lead contract month of the primary futures contract is not bid or offered at the applicable limit, the Exchange will expand the limits an additional price limit increment above and below the previous day's settlement price for all contract months of the primary futures contract, as well as applicable associated products.

If, however, at the end of the five-minute interval, the Exchange determines the lead contract month of the primary futures contract is bid or offered at the applicable limit, it will commence a two-minute temporary trading halt in all contract months of the primary futures contract as well as in all contract months of associated products of the primary futures contract. In addition, the Exchange will terminate trading in any associated product that is an option related to the primary futures contract or in an option contract related to any other associated product of the primary futures contract that may be available for trading on

CME Globex or the COMEX trading floor in a coordinated temporary trading halt. Primary contracts and their associated products are identified in Appendix A.

Following the end of a temporary trading halt, the Exchange will re-open trading in all contract months of the primary futures contract as well as in all contract months of associated products of the primary futures contract. When trading resumes, the Exchange will expand the price fluctuation limits of the primary futures contract an additional increment above and below the previous day's settlement price for all contract months of the primary futures contract, as well as applicable associated products. Subsequent price fluctuations, if significant enough, will trigger the same sequence of monitoring periods, trading halts, re-opening of trading, and incremental adjustments to price fluctuation limits.

When a triggering event occurs, the Exchange will commence a five-minute monitoring period. In each instance, the Exchange will expand the price fluctuation limits for each contract month of the primary futures contract by an additional increment above and below the previous day's settlement price for such contract month. As well as applicable associated products. Following the fourth adjustment to price fluctuation limits there will be no remaining special price fluctuation limits.

In addition, there shall be no special price fluctuation limits during the period between the first intent day and the last delivery day of an expiring Metals futures contract that serves as a primary futures contract for the purposes of Rule 589. Additionally, there shall be no temporary trading halts or expansion of special price fluctuation limits during the last five (5) minutes of trading during the period between the first intent day and the last delivery day of an expiring Metals futures contract that serves as a primary futures contract for the purposes of Rule 589.

The Exchange will apply special price fluctuation limits to all COMEX metals futures and options contracts that are available for trading on the COMEX trading floor. The Exchange will limit all markets on the trading floor at these price levels. However, such trading in these markets at these price levels will not constitute a triggering event for the purposes of the Exchange commencing a temporary trading halt.

In all instances when a triggering event in the lead contract month of the primary futures contract occurs on CME Globex, the Exchange will immediately halt floor trading in all contract months of the primary futures contract and in all contract months of associated products of the primary futures contract. Additionally, the Exchange will halt trading in any option related to the primary futures contract or in an option contract related to any associated product of the primary futures contract in a coordinated temporary trading halt.

Whenever the Exchange re-opens CME Globex markets with expanded price limits, the Exchange will simultaneously re-open all affected markets on the trading floor with the expanded limits in place.

Appendix C, which is attached under separate cover, provides the specific limit levels for the relevant COMEX contracts to which Rule 589 will apply. COMEX is separately self-certifying the related COMEX product rulebook chapter amendments in COMEX Submission No. 14-525.

There are 3 primary COMEX metals futures contracts that have the largest and most liquid central limit order books on CME Globex or are considered separate and distinct stand-alone products on an outright basis. The Exchange will monitor the price movements of these contracts in real-time on a daily basis. Price movements in primary futures contracts will determine triggering events, monitoring periods, temporary trading halts, and price level expansions in primary futures contracts and their respective associated 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 rule amendments may have some bearing on the following Core Principles:

- **Prevention of Market Disruption:** COMEX is applying special price fluctuation limits to certain metals futures and options products in an effort to protect the markets from large price fluctuations in circumstances of an illiquid market. The Exchange believes that the

implementation of special price fluctuation limits in these metals contracts is consistent with this Core Principle and promoting orderly markets.

- Availability of General Information: The Exchange will amend the COMEX rulebook accordingly on the effective date. The Exchange will make these amendments publically available on the CME Group website. In addition, COMEX 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 implementation of special price fluctuation limits in these metals contracts 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), COMEX hereby certifies that the amendments comply with the Act, including all regulations under the Act. There were no substantive opposing views to this proposal.

COMEX 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

Attachments: Appendix A: Metals Futures and Options Subject to COMEX Rule 589
Appendix B: New COMEX Rule 589
Appendix C: Special Price Fluctuation Limits Table in Chapter 5 of the COMEX Rulebook (attached under separate cover)

Appendix A

Metals Futures and Options

Subject to New COMEX Rule 589 on Special Price Fluctuation Limits

Metals Products	COMEX Rulebook Chapter	Commodity Code	Primary or Associated Contract
Gold Futures	113	GC	Primary
Gold Option	115	OG	GC
E-micro Gold Futures	120	MGC	GC
COMEX miNY Gold Futures	911	QO	GC
Gold Weekly Option	1008	OG1-OG5	GC
Silver Futures	112	SI	Primary
Silver Option	116	SO	SI
1,000-oz. Silver Futures	121	SIL	SI
COMEX miNY Silver Futures	912	QI	SI
Silver Weekly Option	1009	SO1-SO5	SI
Copper Futures	111	HG	Primary
Copper Option	117	HX	HG
E-mini Copper Futures	913	QC	HG
Copper Financial Futures	1190	HGS	HG
Copper Average Price Option	1191	CAP	HG
Copper Weekly Option	1010	H1E-H5E	HG

Appendix B

COMEX Rulebook Amendments

(Additions are underlined.)

Chapter 5

Trading Qualifications and Practices

589.

SPECIAL PRICE FLUCTUATION LIMITS

The special price fluctuation limits applicable to those contracts with special price fluctuation limits are set forth in the Special Price Fluctuation Limits Table ("Table") in the Interpretations Section at the end of Chapter 5.

- A. Initial Price Fluctuation Limits for All Contract Months. At the commencement of each trading day, there shall be initial price fluctuation limits in effect for each futures contract month of the Primary Futures Contract (as identified in the Table) above or below the previous day's settlement price for such contract month set at the first special price fluctuation limit level as provided in the Table.
- B. (i) First Triggering Event and Temporary Trading Halt. If the lead contract month (as identified by the Exchange) of the Primary Futures Contract is bid or offered via Globex at the upper or lower price fluctuation limit at the first special price fluctuation limit level, as applicable, it will be considered a Triggering Event that will begin a five (5) minute monitoring period in the lead contract month. If at the end of the five (5) minute monitoring period, the lead contract month of the Primary Futures Contract is not bid or offered at the applicable special price fluctuation limit, the special price fluctuation limits shall be expanded an additional increment above and below the previous day's settlement price for all contract months of the Primary Futures Contract as provided in the Table. If, however, at the end of the five (5) minute monitoring period, the lead contract month of the Primary Futures Contract is bid or offered at the applicable special price fluctuation limit, a two (2) minute Temporary Trading Halt will commence in all contract months of the Primary Futures Contract as well as in all contract months of Associated Products of the Primary Futures Contract as provided in the Table. In addition, trading in any Associated Product that is an option related to the Primary Futures Contract or in an option contract related to any other Associated Product of the Primary Futures Contract of this rule that may be available for trading on Globex or on the trading floor shall be subject to a coordinated Temporary Trading Halt.
- (ii) Expansion of Limits Following Temporary Trading Halt. Following the end of a Temporary Trading Halt, the affected markets shall re-open simultaneously in all contract months of the Primary Futures Contract as well as in all contract months of Associated Products of the Primary Futures Contract of this rule. When trading resumes, the price fluctuation limits of the Primary Futures Contract shall be expanded an additional increment above and below the previous day's settlement price for all contract months of the Primary Futures Contract as provided in the Table.
- (iii) Each instance in which a Triggering Event occurs, a five (5) minute monitoring period will commence as provided in Sections 589.2.(a) and 589.2.(b). In each

instance, the price fluctuation limits for each contract month of the Primary Futures Contract shall be expanded by an additional increment as provided in the Table above and below the previous day's settlement price for such contract month. Following the fourth triggering event, there will be no further limits.

(iv) A Primary Futures Contract shall not be the lead Primary Futures Contract on the contract's last trading day. There shall be no special price fluctuation limits during the period between the first intent day and the last delivery day of an expiring Metals futures contract that serves as a primary futures contract for the purposes of Rule 589. Additionally, there shall be no temporary trading halts or expansion of special price fluctuation limits during the last five (5) minutes of trading during the period between the first intent day and the last delivery day of an expiring Metals futures contract that serves as a primary futures contract for the purposes of Rule 589.

C. Price Fluctuation Limits on Trading Floor (Floor Trading)

(i) The special price fluctuation limits cited in Section 589.1. of this rule shall be applicable on the trading floor. All markets on the trading floor shall be limited to trading at these special fluctuation price levels (locked limit); however, such trading shall not constitute a Triggering Event for purposes of a Temporary Trading Halt.

(ii) In all instances when a Triggering Event in the lead contract month of the Primary Futures Contract occurs on Globex, floor trading in all contract months of the Primary Futures Contract and in all contract months of Associated Products of the Primary Futures Contract of this rule shall immediately halt. Additionally, trading in any option related to the Primary Futures Contract or in an option contract related to any Associated Product of the Primary Futures Contract of this rule shall be subject to a coordinated Temporary Trading Halt.

(iii) Whenever Globex markets are re-opened with expanded price limits pursuant to the provisions of Section 589.2. of this rule, the affected markets on the trading floor shall simultaneously re-open with the expanded limits in place.

Appendix C

Special Price Fluctuation Limits Table in Chapter 5 of the COMEX Rulebook

(attached under separate cover)