

**SUBMISSION COVER SHEET**

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

**Registered Entity Identifier Code (optional):** 19-085

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

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

**Please note - only ONE choice allowed.**

**Filing Date (mm/dd/yy):** 01/29/19 **Filing Description:** Initial Listing of the Aluminum MW U.S. Transaction Premium Platts (25MT) Average Price Option

**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:**

**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:**



Christopher Bowen  
 Managing Director and Chief Regulatory Counsel  
 Legal Department

January 29, 2019

**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. Notification Regarding the Initial Listing of the Aluminum MW U.S. Transaction Premium Platts (25MT) Average Price Option Contract.  
 COMEX Submission No. 19-085**

Dear Mr. Kirkpatrick:

Commodity Exchange, Inc. (“COMEX” or “Exchange”) is notifying the Commodity Futures Trading Commission (“CFTC” or “Commission”) that it is self-certifying the initial listing of the Aluminum MW U.S. Transaction Premium Platts (25MT) Average Price Option contract (the “Contract”) for trading on the CME Globex electronic trading platform and for submission for clearing via CME ClearPort effective Sunday, February 17, 2019 for trade date Tuesday, February 19, 2019 as more specifically described below:

<b>Contract Title</b>	Aluminum MW U.S. Transaction Premium Platts (25MT) Average Price Option
<b>Rulebook Chapter</b>	1144
<b>Commodity Code</b>	ALO
<b>Underlying Futures</b>	Aluminum MW U.S. Transaction Premium Platts (25MT) Futures (Commodity Code: AUP)
<b>Floating Price</b>	The Floating Price for each contract month is equal to the average price calculated for all available price assessments published for Aluminum MW US Transaction Premium for that given calendar month by Platts.
<b>Listing Schedule</b>	Monthly contracts listed for 60 consecutive months
<b>Contract Size</b>	55,116 pounds
<b>Price Quotation</b>	U.S. dollars and cents per pound
<b>Minimum Price Fluctuation</b>	\$0.00001
<b>Value per Tick</b>	\$0.55116
<b>First Listed Contract</b>	March 2019
<b>CME Globex Match Algorithm</b>	First-In, First-Out (FIFO)
<b>Settlement Method</b>	Financial

<b>Strike Price Increment</b>	\$0.0025
<b>Strike Price Listing Rule</b>	Dynamic
<b>Option Type</b>	European
<b>Block Trade Minimum Threshold</b>	5 contracts
<b>Termination of Trading</b>	Trading terminates on the last business day of the contract month

**Trading and Clearing Hours:**

CME Globex and CME ClearPort	Sunday - Friday 6:00 p.m. - 5:00 p.m. Eastern Time/ET (5:00 p.m. - 4:00 p.m. Central Time/CT) with a 60-minute break each day beginning at 5:00 p.m. ET (4:00 p.m. CT)
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**Exchange Fees:**

<b>Exchange Fees</b>	<b>Member</b>	<b>Non-Member</b>
CME Globex	\$0.95	\$1.95
Block	\$1.55	\$2.55
EFR/EOO	\$1.45	\$2.45

<b>Processing Fees</b>	<b>Member</b>	<b>Non-Member</b>
Cash Settlement	\$0.95	\$1.95
<b>Other Fees</b>		
Facilitation Fee	\$0.50	
Give-Up Surcharge	\$0.05	
Position Adjustment/Transfer	\$0.10	

The Exchange is also notifying the CFTC that it is self-certifying block trading on the Contract with a minimum block threshold of 5 contracts.

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 Contract may have some bearing on the following Core Principles:

- **Availability of General Information:** The Exchange will publish information on the changes via a Special Executive Report (“SER”) to notify the marketplace of the Rule Amendments. The SER will also be posted on the CME Group website.
- **Contracts Not Readily Subject to Manipulation:** The Contract is based on a cash price series that is reflective of the underlying market and is commonly relied on and used as a reference price by cash market brokers and commercial market participants.

- **Compliance with Rules:** Trading in the Contract will be subject to the rules in Rulebook Chapter 4 which includes prohibitions against fraudulent, noncompetitive, unfair and abusive practices. Additionally, trading in this Contract will also be subject to the full panoply of trade practice rules, the majority of which are contained in Chapter 5 of the Rulebook. As with all products listed for trading on one of CME Group's designated contract markets, activity in this new product will be subject to extensive monitoring and surveillance by CME Group's Market Regulation Department. The Market Regulation Department has the authority to exercise its investigatory and enforcement power where potential rule violations are identified.
- **Position Limitations or Accountability:** The speculative position limits for the Contracts as demonstrated in this submission are consistent with the Commission's guidance.
- **Financial Integrity of Contracts:** All contracts traded on the Exchange will be cleared by the Clearing House of the Chicago Mercantile Exchange Inc. which is a registered derivatives clearing organization with the Commission and is subject to all Commission regulations related thereto.
- **Execution of Transactions:** The Contract will be listed for trading on CME Globex. The CME Globex platform provides a transparent, open, and efficient mechanism to electronically execute trades on screen.
- **Trade Information:** All required trade information is included in the audit trail and is sufficient for the Market Regulation Department to monitor for market abuse.
- **Protection of Market Participants:** Rulebook Chapters 4 and 5 contain multiple prohibitions precluding intermediaries from disadvantaging their customers. These rules apply to trading on all of the Exchange's competitive trading venues and will be applicable to transactions in this product.
- **Disciplinary Procedures:** Chapter 4 of the Rulebook contains provisions that allow the Exchange to discipline, suspend or expel members or market participants that violate the Rulebook. Trading in this contract will be subject to Chapter 4, and the Market Regulation Department has the authority to exercise its enforcement power in the event rule violations in this product are identified.
- **Dispute Resolution:** Disputes with respect to trading in this contract will be subject to the arbitration provisions set forth in Chapter 6 of the Rulebook. Chapter 6 allows all nonmembers to submit a claim for financial losses resulting from transactions on the Exchange to arbitration. A member named as a respondent in a claim submitted by a nonmember is required to participate in the arbitration pursuant to Chapter 6. Additionally, the Exchange requires that members resolve all disputes concerning transactions on the Exchange via arbitration.
- **Daily Publication of Trading Information:** COMEX will continue to comply with this Core Principle by making public daily information on settlement prices, volume, open interest, and opening and closing ranges for the contract. This will be accomplished by publishing this information on a daily basis on the Exchange's website.

Pursuant to Section 5c(c) of the Act and CFTC Regulations 40.2(a), the Exchange certifies that the listing of the Contract complies 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 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: COMEX Rulebook Chapter  
Exhibit B: Position Limit, Position Accountability, and Reportable Level Table in Chapter 5 of the COMEX Rulebook (attached under separate cover)  
Exhibit C: COMEX Rule 588.H. – (“Globex Non-Reviewable Trading Ranges”)  
Exhibit D: Cash Market Overview and Analysis of Deliverable Supply

## Exhibit A

### COMEX Rulebook

#### Chapter 1144

#### Aluminum MW U.S. Transaction Premium (Platts) Average Price Option

**1144100. SCOPE OF CHAPTER**

This chapter is limited in application to put and call options on Aluminum MW U.S. Transaction Premium (Platts) Futures. In addition to the rules of this chapter, transactions in options on Aluminum MW U.S. Transaction Premium (Platts) Futures shall be subject to the general rules of the Exchange insofar as applicable.

**1144101. OPTION CHARACTERISTICS**

The number of months open for trading at a given time shall be determined by the Exchange.

**1144101.A. Trading Schedule**

The hours of trading for this contract shall be determined by the Exchange.

**1144101.B. Trading Unit**

An Aluminum MW U.S. Transaction Premium (Platts) Average Price put option traded on the Exchange represents the cash difference between the exercise price and the settlement price of the Aluminum MW U.S. Transaction Premium (Platts) Futures multiplied by 55,116, or zero, whichever is greater. An Aluminum MW U.S. Transaction Premium (Platts) Average Price call option traded on the Exchange represents the cash difference between the settlement price of the Aluminum MW U.S. Transaction Premium (Platts) Futures and the exercise price multiplied by 55,116, or zero, whichever is greater.

**1144101.C. Price Increments**

Prices shall be quoted in dollars and cents per pound and shall be in multiples of \$0.00001 per pound.

**1144101.D. Position Limits and Position Accountability**

The applicable position limits and/or accountability levels, in addition to the reportable levels, are set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5.

A Person seeking an exemption from position limits for bona fide commercial purposes shall apply to the Market Regulation Department on forms provided by the Exchange, and the Market Regulation Department may grant qualified exemptions in its sole discretion.

Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.

**1144101.E. Termination of Trading**

The option shall expire at the close of trading on the last day of trading of the underlying Aluminum MW U.S. Transaction Premium (Platts) Futures contract.

**1144101.F. Type Option**

The option is a European-style option which can be exercised only on the expiration day.

**1144102. EXERCISE PRICES AND CHARACTERISTICS**

Transactions shall be conducted for option contracts as set forth in Rule 300.20.

**1144103. DISCLAIMER**

See [NYMEX/COMEX Chapter iv. \("DISCLAIMERS"\)](#) incorporated herein by reference

**Exhibit B**

**COMEX Rulebook  
Chapter 5  
("Trading Qualifications and Practices")**

**Position Limits, Position Accountability and Reportable Level Table in  
Chapter 5 of the COMEX Rulebook**

(attached under separate cover)

**Exhibit C**

**COMEX Rulebook**

**Chapter 5**

**(“Trading Qualifications and Practices”)**

**COMEX Rule 588.H. – (“Globex Non-Reviewable Trading Ranges”) Table**

Instrument	Globex Symbol	Bid/Ask Reasonability	Non-Reviewable Range (NRR)
<u>Aluminum MW U.S. Transaction Premium Platts (25MT) Average Price Option</u>	<u>ALO</u>	<u>The greater of the delta times the underlying futures' non-reviewable range or 20% of the fair value premium up to the underlying futures' non- reviewable range with a minimum reasonability of \$0.01</u>	<u>The greater of delta times the underlying futures non-reviewable range or 20% of premium up to 1/4 of the underlying futures' non- reviewable range with a minimum of 1 tick</u>



## **Exhibit D**

### **Cash Market Overview and Analysis of Deliverable Supply**

#### **SUPPLEMENTAL MARKET INFORMATION**

##### **Introduction**

The Exchange conducted a review of the underlying cash market of high grade aluminium (99.7% Al purity ingot) production in the United States to determine the deliverable supply for the Aluminum MW U.S. Transaction Premium (Platts) Option.

##### **Data Source**

The Exchange based its analysis of deliverable supply of Aluminum on data provided by the United States Geological Survey ("USGS"), UN Comtrade, and the Aluminum Association.

##### **USGS**

USGS, with respect to metals and minerals, is part of the U.S. Department of the Interior and its mission is to collect, analyze, and disseminate information on the domestic and international supply of and demand for minerals and mineral materials essential to the U.S. economy and national security. More than 90 mineral commodities are covered, ranging from low-unit-value bulk materials to high-unit-value specialty metals. The public and private sectors rely on USGS minerals information to understand better the use of materials and the ultimate disposition of materials in the economy, to use national resources efficiently, and to forecast future supply and demand for minerals. Domestic and international minerals information is used in the analysis of policies, in formulating plans to deal with shortages and interruptions in supplies of minerals, and in the development of strategies to maintain a competitive position in the global economy.

##### **Aluminum Association**

The Aluminum Association is the industry's leading voice in Washington, DC. It provides global standards, industry statistics and expert knowledge to member companies and policy makers nationwide. Highly engaged in public policy and technical forums, the Association is committed to advancing aluminum as the sustainable metal of choice around the world. The Aluminum Association directly engages Members of Congress and federal policy makers to advocate for a vibrant North American aluminum industry. Issues of energy, climate and recycling can impact the 500,000+ industry jobs and \$152 billion economic contribution to the U.S. economy. The Aluminum Association is the primary source for statistics and business information on the North American aluminum industry. Through ongoing surveys of more than 100 aluminum producers, the Association delivers data on 100 percent of all primary and nearly 90 percent of all mill output in the United States and Canada.

##### **UN Comtrade**

UN Comtrade refers to United Nations International Trade Statistics Database. Over 170 countries/area provide the United Nations Statistics Division (UNSD) with annual international trade statistics detailed by commodities/service categories and partner countries. UN Comtrade is the largest depository of international trade data containing well over 3 billion data records since 1962 and available publicly. All commodity values are converted from national currency to US dollars using exchange rates provided by the reporting countries or derived from monthly market rates and volume of trade.

#### **CASH MARKET OVERVIEW**

Aluminum is the second most abundant metallic element in the Earth's crust after silicon, yet it is a comparatively new industrial metal that has been produced in commercial quantities for just over 100 years. It weighs about one-third as much as steel or copper; is malleable, ductile, and easily machined and cast; and has excellent corrosion resistance and durability. Measured either in quantity or value,

aluminum's use exceeds that of any other metal except iron, and it is important in virtually all segments of the world economy<sup>1</sup>. This lightweight, 100 percent-recyclable metal has since become a foundation of our country's infrastructure. Aluminum is used in packaging, automotive, energy, construction, transportation, energy, aerospace and defense applications. In 1959, Coors Brewing popularized the two-piece aluminum can with a pop-top lid. Equally innovative, a cash payment recycling offer was established for cans returned to the brewery. In the 1980s, space shuttles were launched with aluminum oxide rocket boosters. Steve Jobs recognized both the beauty and strength of aluminum, creating a thin, light product line of laptops, iPads and iPhones. Today, aluminum wiring is the top choice for utility and power transmission networks<sup>2</sup>. In 2017, two companies operated five primary aluminum smelters in four States. Three smelters operated at reduced capacity throughout the year. The status of a shutdown of one smelter that was announced as permanent in 2016 was changed to temporary in 2017, and the owner planned to restart production in early 2018. Three other smelters remained on standby throughout the year. Based on published market prices, the value of primary aluminum production was \$1.61 billion, 8% more than the value in 2016. Aluminum consumption was centered in the Midwest United States. Transportation applications accounted for an estimated 41% of domestic consumption; in descending order of consumption, the remainder was used in packaging, 20%; building, 14%; electrical, 8%; machinery, 7%; consumer durables, 7%; and other, 3%.<sup>3</sup> Aluminum is also used in products such as beverage cans and bottles, food containers, and household and institutional foil. Product manufacturers and consumers appreciate foil for its impermeability to light, water, and oxygen - making it a preferred barrier material for beverage, food, and pharmaceutical products. Additionally, aluminum's low weight gives it a competitive advantage over other materials regarding shipping costs.

On April 27, 2017, in the United States, the President instructed the Secretary of Commerce to conduct an investigation on the impact of aluminum imports on U.S. national security under the authority of Section 232 of the Trade Expansion Act of 1962<sup>4</sup>. In January 2018, the Department of Commerce delivered the Section 232 reports on steel and aluminum to the President. In February 2018, the Commerce Department publicly released Section 232 reports on imported steel and aluminum. The reports concluded that the quantities and circumstances of steel and aluminum imports "threaten to impair the national security," as defined by Section 232. The reports found that United States steel imports were nearly four times our exports, and that aluminum imports had risen to 90% of total demand for primary aluminum. The Commerce Department recommended that President Trump take action to protect the long-term viability of our nation's steel and aluminum industries<sup>5</sup>.

On March 8, 2018, President Trump announced that imported aluminum and steel would be taxed at 10% and 25%, respectively exempting Canada and Mexico. The President is also negotiating for changes to the North American Free Trade Agreement (NAFTA). He indicated that other countries may also be exempt from the tariffs if ensured that their trade actions are not harmful to America's security<sup>6</sup>.

### **Production and Consumption**

According to the United States Geological Survey (USGS), U.S. production of primary aluminum decreased for the fifth consecutive year, declining about 12% in 2017 from that of 2016 and 64% from that in 2012<sup>7</sup>. U.S. import reliance continued to increase in 2017 because domestic production declined, and U.S. manufacturers were increasingly supplied by imports. U.S. imports of aluminum rose by 17% in 2017 compared to 2016 and Canada was the leading supplier of the imported material<sup>8</sup>. The United States ranked twelfth of twelve major producing nations, with China leading in world aluminum production. In 2017, two

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<sup>1</sup> <https://minerals.usgs.gov/minerals/pubs/commodity/aluminum/>

<sup>2</sup> <http://www.aluminum.org/aluminum-advantage/history-aluminum>

<sup>3</sup> <https://minerals.usgs.gov/minerals/pubs/commodity/aluminum/mcs-2018-alumi.pdf>

<sup>4</sup> <https://minerals.usgs.gov/minerals/pubs/commodity/aluminum/mcs-2018-alumi.pdf>

<sup>5</sup> <https://www.whitehouse.gov/briefings-statements/need-know-section-232-investigations-tariffs/>

<sup>6</sup> <https://www.usatoday.com/story/news/politics/2018/03/08/trump-planning-make-formal-tariff-announcement/406065002/>

<sup>7</sup> <https://minerals.usgs.gov/minerals/pubs/commodity/aluminum/mcs-2018-alumi.pdf>

<sup>8</sup> <https://minerals.usgs.gov/minerals/pubs/commodity/aluminum/mcs-2018-alumi.pdf>

companies operated five primary aluminum smelters in four states<sup>9</sup>. The concentration of aluminum consumption was centered in the Midwest portion of the United States. Transportation applications accounted for an estimated 41% of domestic consumption followed by packaging 20%; building 14%; electrical 8%; machinery 7%; consumer durables 7%; and other 3%.<sup>10</sup>

**Table 1. Aluminum Production in North America**

Year	Total U.S. Primary Aluminum Production (MT)	Total U.S. Secondary Aluminum Production (MT) <sup>11</sup>	Total Canadian Aluminum Production (MT)	Total Annual Production (MT)	Total Annual Production in Contract Equivalents (25MT=55,116 lbs.)	Average Monthly Production in Contract Equivalents (25MT=55,116 lbs.)
2013	1,946,000	3,420,000	2,970,000	8,336,000	333,440	27,787
2014	1,710,000	3,560,000	2,860,000	8,130,000	325,200	27,100
2015	1,587,000	3,560,000	2,900,000	8,047,000	321,880	26,823
2016	841,000	3,590,000	3,210,000	7,641,000	305,640	25,470
2017*	740,000	3,700,000	3,210,000	7,650,000	306,000	25,500
5-year avg.	1,364,800	3,566,000	3,030,000	7,960,800	318,432	26,536
3-year avg.	1,056,000	3,616,667	3,106,667	7,779,333	311,173	25,931

Source: USGS, \*Estimated figures

**Table 2. Unwrought Aluminum Imports into the United States (excluding imports from Canada)**

Year	Imports (MT)	Imports in Contract Equivalents	Average Monthly Imports in Contract Equivalents
2015	319,997	12,800	1,067
2016	809,705	32,388	2,699
2017	1,323,404	52,936	4,411
3-year average	817,702	32,708	2,726

Source: UN Comtrade<sup>12</sup>

### Pricing in North America

Benchmark pricing for aluminum takes place on the London Metal Exchange (“LME”), however, the North American consumption and production is priced as a differential (premium) to LME. Using the liquidity of LME trading, North American producers tend to price as a differential off the LME benchmark price. This premium was originally created to cover the freight from Baltimore to the Midwest and now it also incorporates demand and supply of the North American specific market to compliment the LME aluminum

<sup>9</sup> <https://minerals.usgs.gov/minerals/pubs/commodity/aluminum/mcs-2018-alumi.pdf>

<sup>10</sup> <https://minerals.usgs.gov/minerals/pubs/commodity/aluminum/mcs-2018-alumi.pdf>

<sup>11</sup> Secondary Production includes production from both new and old scrap as reported by USGS

<sup>12</sup> <https://comtrade.un.org/data>, using HS Code 760110, “Aluminum, unwrought, (not alloyed)”

contract. This differential tends to fluctuate on a cyclical basis. This is generally based on the availability of recycling of scrap and the potential for scheduling bottlenecks at the LME warehouses.

Physical trade in aluminum takes place throughout the supply chain, and includes miners, refineries, distributors, merchants, traders and end-users. Average price contracts are a preferred hedging tool by commercials in the aluminum industry. By definition, the contracts incorporate price movements each day of the month. The Aluminum MW U.S. Transaction Premium Platts (25MT) Futures contract offers this price protection on an average basis throughout the month and gives more relevance for the physical underlying market participants. The North American aluminum market is robust and has deep liquidity due to the diverse market participation.

### **Index Provider**

The Platts Aluminum Midwest US Transaction was developed as an index, reporting aluminum transactions in North America. While aluminum is a global commodity, purchases and sales in the U.S. often reflect differences in cost. Consequently, these transactions are typically based on cash market prices determined on the London Metals Exchange. The Platts MW US transaction is a daily premium or discount to the London Metal Exchange cash price for spot physical 99.7% high grade aluminum, delivered, duty paid US consumer works, arrival within 7-30 days from date of publication, net 30-day terms. Assessment is expressed in cents per pound, but also available on a converted dollars/MT basis. Premium or discount is determined based on physical spot deals, bids and offers reported through a daily survey of spot buyers and sellers, using a representative sample of producers, traders and different types of end users (e.g., sheet mills, remelt billet makers, extruders, rod mills.). Includes business for LME-deliverable, any origin 99.7% P1020 ingot, low-profile sow or T-bars, basis delivery US Midwest.

Volumes are minimum full 45,000 lb. truckloads; typical order quantities 100-500 mt. Prices for volumes that are larger or smaller than the typical order size may be normalized to the standard. The daily assessment reflects delivery to a typical-freight consumer in a broad US Midwest region via truck or rail.

The daily premium reflects the Platts editors' assessment of the most-widely available premium for delivery to a typical-freight consumer in broad Midwest regions. Premiums that are reported for non-Midwest locations or for particularly close or long freights (i.e., outside the range of 1.25-1.75 ct./lb.) are normalized before inclusion in the calculations. Platts uses a matrix of typical delivery locations throughout North America and categorizes these locations as "average," "close," or "extra" freights. The "close" or "extra" freight locations are normalized to "average" based on assigned differential values of ranging from plus/minus 0.25 cents to 0.5 cents/lb. which are adjusted periodically based on market feedback on typical locational discounts or extras.

The Index is for spot price transactions of aluminum in the Midwest United States, where most North American aluminum transactions are based. Each aluminum reference price is calculated as the volume weighted average of the relevant normalized price information submitted. Prior to calculating the average index price, averaging techniques are used to establish outliers and remove pricing points that can cause undue influence. Furthermore, when calculating the volume-weighted price, the percentage weighting assigned to the total submissions by any single data provide is capped in order to ensure that the average figure remains representative. The Platts index collects transaction data 7 days per week and 24 hours a day. There is deep liquidity and robustness in the underlying physical market, which provides diverse participation and sufficient spot transactions to support the Platts final settlement index<sup>13</sup>.

### **ANALYSIS OF DELIVERABLE SUPPLY**

The Exchange proposes to use a conservative estimate of deliverable supply. The Exchange believes that the North American primary and secondary aluminum production, together with US imports of aluminum

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<sup>13</sup> <http://www.platts.com/IM.Platts.Content/MethodologyReferences/MethodologySpecs/metals.pdf>

from outside North America, represents a reliable measure of aluminum deliverable supply. The majority of aluminum produced in North America is consumed in North America within the calendar year and is considered the basis for deliverable supply for the Aluminum MW U.S. Transaction Premium Platts (25MT) Futures contract which is the underlying contract for the proposed Aluminum MW U.S. Transaction Premium Platts (25MT) Option contract. In discussions with market participants in the aluminum industry, it was indicated that some longer-term supply arrangements exist in this market, but that these arrangements allow for flexible re-trading of the metal. These arrangements, therefore, do not restrict deliverable supply.

In addition, since the Platts MW US transaction premium includes business for LME-deliverable, any origin 99.7% P1020 ingot, low-profile sow or T-bars, basis delivery US Midwest, imports into the United States of unwrought aluminum<sup>14</sup> are also being considered as a basis of deliverable supply. Since North American production includes aluminum produced in Canada, including Canadian imports of aluminum into the United States would be an overestimation of deliverable supply. US import data therefore excludes material imported from Canada.

According to Table 1, the average annual production of aluminum in North America for the most recent five-year period is 7,960,800 metric tons which equates to 26,536 COMEX Aluminum Futures contract equivalents monthly. The most recent three-year period average annual production in North America is from 2015 through 2017 is 7,779,333 metric tons. This represents a monthly average of 25,931 COMEX Aluminum Futures contract equivalents. According to Table 2, the average imports into the United States excluding Canada for the most recent three-year period are 817,702 metric tons which equates to 2,726 COMEX Aluminum Futures contract equivalents monthly. During the most recent three-year period, the combined production and imports of aluminum as described above equates to 28,657 COMEX Aluminum Futures contract equivalents. The current spot month position limit for the Aluminum MW U.S. Transaction Premium (Platts) Futures contract is 5,000 contracts which represents 17.4% of deliverable supply.

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<sup>14</sup> Tariff code: 760110 Aluminum; unwrought, (not alloyed)