

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 20-172

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

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

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 03/26/20 **Filing Description:** Initial Listing of the Gold (Enhanced Delivery) Futures Contract

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

March 26, 2020

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 40.2(a) Certification. Notification Regarding the Initial Listing of the Gold (Enhanced Delivery) Futures Contract.
COMEX Submission No. 20-172**

Dear Mr. Kirkpatrick:

Commodity Exchange, Inc. (“COMEX” or “Exchange”) is certifying to the Commodity Futures Trading Commission (“CFTC” or “Commission”) the initial listing of the Gold (Enhanced Delivery) Futures contract (the “Contract”) for trading on the CME Globex electronic trading platform and for submission for clearing via CME ClearPort effective Sunday, April 5, 2020, for trade date Monday, April 6, 2020, as noted in the table below:

| | |
|--------------------------------------|---|
| Contract Title | Gold (Enhanced Delivery) Futures |
| CME Globex/CME ClearPort Code | 4GC |
| Rulebook Chapter | 126 |
| Contract Size | 100 troy ounces |
| Listing Schedule | Monthly contracts listed for 3 consecutive months and any February, April, August, and October in the nearest 23 months and any June and December in the nearest 72 months |
| Price Quotation | U.S. dollars and cents per troy ounce |
| First Listed Month | April 2020 |
| Minimum Price Fluctuation | \$0.10 per troy ounce |
| Value per tick | \$10.00 |
| Termination of Trading | Trading terminates on the third last business day of the contract month. |
| CME Globex Matching Algorithm | First in First Out (FIFO) |
| Delivery Period | Delivery may take place on any business day beginning on the first business day of the delivery month or any subsequent business day of the delivery month, but not later than the last business day of the current delivery month. |
| Delivery Instrument | Physical delivery via 100 troy ounce bars, or kilo bars, or 400 troy ounce bars. 400 troy ounce bars are deliverable via Accumulated Certificate of Exchange (“ACE”) certificates issued by the CME Clearing House. |

| | |
|--------------------------------------|--|
| Minimum Block Threshold Level | 25 contracts – subject to a five (5) minute reporting window (Effective by trade date Monday, April 13, 2020.) |
|--------------------------------------|--|

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) |
|-------------------------------------|--|

Exchange Fees:

| | Member Day Rate | Member | Non-Member | International Incentive Programs (IIP/IVIP) | CBIP, EMBIP, FMIP |
|---------------------------------------|------------------------|---------------|-------------------------|--|--------------------------|
| CME Globex | \$0.60 | \$0.70 | \$1.55 | \$1.00 | \$1.27 |
| EFP | | \$0.85 | \$1.50 | | |
| Block | | \$0.80 | \$1.60 | | |
| EFR/EOO | | \$3.35 | \$4.00 | | |
| Processing Fees | House Account | | Customer Account | | |
| Delivery Notices | \$1.00 | | \$1.00 | | |
| Facilitation Fee | | | \$0.50 | | |
| Give-Up Surcharge | | | \$0.05 | | |
| Position Adjustment/Position 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 25 contracts (effective by trade date Monday, April 13, 2020).

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 listing the Contract may have some bearing on the following Core Principles:

- **Availability of General Information:** The Exchange will publish the Contract's specifications and related information on its website, including daily trading volumes, open interest levels and prices.
- **Contracts Not Readily Subject to Manipulation:** The Contract is not readily susceptible to manipulation because it is physically deliverable under a functional delivery process that promotes price discovery.
- **Compliance with Rules:** Trading in the Contract will be subject to Chapter 4 of the Exchange's rules which includes prohibitions against fraudulent, non-competitive, unfair and abusive practices and will be subject to extensive monitoring and surveillance by CME Group's Market Regulation Department. The Market Regulation Department may use its investigatory and enforcement powers when potential rule violations are identified during its regular surveillance reviews.

- **Prevention of Market Disruption:** Trading in the Contract will be subject to Exchange Rules including prohibitions on manipulation, price distortion, and disruption to the cash settlement process. As with any new product listed for trading on a CME Group designated contract market, trading activity in the Contract will be subject to monitoring and surveillance by CME Group's Market Regulation Department.
- **Position Limitations or Accountability:** The speculative position limits for the Contract as demonstrated in this submission are consistent with the Commission's guidance.
- **Financial Integrity of Contracts:** The Contract traded on the Exchange will be cleared by the CME Clearing House.
- **Execution of Transactions:** The Contract will be listed for trading on the CME Globex electronic trading venue and will be available for clearing via CME ClearPort. The CME Globex electronic trading venue provides for the competitive and open execution of transactions. CME Globex affords the benefits of reliability and global connectivity.
- **Trade Information:** All requisite trade information for the Contract will be subject to audit trails that enable the Market Regulation Department to monitor for market abuse.
- **Protection of Market Participants:** Chapter 4 of the Exchange's rules contains multiple prohibitions precluding intermediaries from disadvantaging their customers and which apply to trading practices on the CME Globex electronic trading venue.
- **Disciplinary Procedures:** Chapter 4 of the Exchange's rules contains provisions that allow the Exchange to discipline, suspend or expel members or market participants that violate Exchange rules. Trading in the Contract will be subject to Chapter 4, and the Market Regulation Department has the authority to exercise its enforcement power if rule violations in this product are identified.
- **Dispute Resolution:** Disputes with respect to trading in the Contract will be subject to the arbitration provisions set forth in Chapter 6 of the Exchange's rules. Chapter 6 allows all non-members to submit an arbitration claim for financial losses resulting from transactions on the Exchange. A member named as a respondent in a claim submitted by a non-member is required to participate in 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:** Trading volume, open interest and price information will be published daily on the Exchange's website and via quote vendors.

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.

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”) Table
Exhibit D: COMEX Rule 589. (“Special Price Fluctuation Limits and Price Limits”) Table
Exhibit E: Analysis of Deliverable Supply and Cash Market Overview

Exhibit A

Chapter 126 Gold (Enhanced Delivery) Futures

126100. SCOPE OF CHAPTER

This chapter is limited in application to the Gold (Enhanced Delivery) Futures contract. The procedures for trading, clearing, delivery and settlement not specifically covered herein or in Chapter 7 shall be governed by the general rules of the Exchange.

The provision of these rules shall apply to all gold bought or sold for future delivery on the Exchange.

The terms “seller” and “buyer” shall mean the seller of the physical product and the buyer of the physical product, respectively. Terms not specifically defined herein shall be defined in Chapter 7.

For purposes of these rules, unless otherwise specified, times referred to herein shall refer to and indicate New York time.

126101. CONTRACT SPECIFICATIONS

The contract for delivery on futures contracts shall be one hundred (100) troy ounces of gold with a weight tolerance of 12.5% lower tolerance and 7.5% higher tolerance. Gold delivered under this contract shall assay to a minimum of 995 fineness and must be a brand approved by the Exchange.

Gold meeting all of the following specifications shall be deliverable in satisfaction of futures contract delivery obligations under this rule:

1. Either one (1) 100 troy ounce bar, or three (3) kilo bars, or one (1) Accumulated Certificate of Exchange (“ACE”) in Gold issued by the Clearing House.
 - a. Each ACE represents a share in the ownership of one (1) 400 troy ounce bar.
 - b. Should the seller’s clearing member satisfy its delivery obligations with respect to a contract by utilizing ACEs, the buyer’s clearing member receives and the seller’s clearing member delivers one (1) ACE as issued by the Clearing House.
 - c. A clearing member may request the issuance of ACEs by electronically endorsing to the Clearing House a Warrant representing one (1) 400 troy ounce bar. The Clearing House will issue four (4) ACEs, with each such ACE representing an equal share in the ownership of the 400 troy ounce bar.
 - d. ACEs may only be redeemed for a Warrant upon the accumulation of four (4) ACEs. Upon presentation and endorsement to the Clearing House of ACEs, the owner will receive one (1) Warrant for one (1) 400 troy ounce bar. Tolerance adjustments for ounces received vs. ounces represented by the ACEs will be made through the Clearing House.
 - e. Storage charges are invoiced to the clearing member who owns the ACEs.
 - f. Notwithstanding the weight tolerance as defined above, any 100 troy ounce bar used in the delivery process needs to comply with a weight tolerance of 5% either higher or lower for that bar.
2. Gold must consist of one or more of the Exchange’s Brand marks, as provided in Chapter 7, current at the date of the delivery of contract
3. Each 100 troy ounce or kilo bar of eligible gold must have the weight, fineness, bar number, and brand mark clearly incised on the bar. The weight may be in troy ounces or grams. If the weight is in grams, it must be converted to troy ounces for documentation purposes by dividing the weight in grams by 31.1035 and rounding to the nearest one hundredth of a troy ounce.

- All documentation must illustrate the weight in troy ounces. Each 400 troy ounce bar must have the fineness, bar number, and brand mark clearly incised on the bar and must be eligible for settlement in the wholesale London bullion market.
4. Each Warrant issued by a Depository shall reference the serial number and name of the Producer of each bar.
 5. Each assay certificate issued by an Assayer shall certify that each bar of gold in the lot assays no less than 995 fineness and weight of each bar and the name of the Producer that produced each bar.
 6. Gold must be delivered to a Depository by a Carrier as follows:
 - a. directly from a Producer;
 - b. directly from an Assayer, provided that such gold is accompanied by an assay certificate of such Assayer; or
 - c. directly from another Depository; provided, that such gold was placed in such other Depository pursuant to paragraphs (a) or (b) above.

126102. TRADING SPECIFICATIONS

Trading in Gold (Enhanced Delivery) futures is regularly conducted in the following months: (1) the current calendar month; (2) the next two calendar months; (3) each February, April, August and October falling within a 23-month period beginning with the current calendar month; and (4) each June and December falling within a 72-month period beginning with the current calendar month. The number of months open for trading at a given time shall be determined by the Exchange.

126102.A. Trading Schedule

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

126102.B. Trading Unit

The contract quantity shall be one hundred (100) troy ounces.

126102.C. Price Increments

The minimum price fluctuation shall be ten cents (\$0.10) per troy ounce. Prices shall be quoted in dollars and cents per troy ounce.

126102.D. Position Limits, Exemptions, Position Accountability and Reportable Levels

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.

126102.E. Termination of Trading

No trades in Gold (Enhanced Delivery) futures deliverable in the current month shall be made after the third last business day of that month. Any contracts remaining open after the last trade date must be either:

(A) Settled by delivery which shall take place on any business day beginning on the first business day of the delivery month or any subsequent business day of the delivery month, but no later than the last business day of the delivery month, or

(B) Liquidated by means of a bona fide Exchange for Related Position ("EFRP") pursuant to Rule 538. An EFRP is permitted in an expired futures contract until 12:00 p.m. on the business day following termination of trading in the expired futures contract. An EFRP which establishes a futures position for either the buyer or the seller in an expired futures contract shall not be permitted following the termination of trading of an expired futures contract.

126102.F. Special Price Fluctuation Limits

At the commencement of each trading day, the contract shall be subject to special fluctuation limits as set forth in Rule 589 and in the Special Price Fluctuation Limits Table in the Interpretations & Special Notices Section of Chapter 5.

126103. DELIVERY PROCEDURES AND FACILITIES

Approved delivery facilities and procedures not addressed within this rule will follow those outlined in Chapter 7 of the COMEX rulebook for the COMEX Gold (GC) contract.

126104.-126107 - RESERVED

126108. VALIDITY OF DOCUMENTS

The Exchange makes no representation respecting the authenticity, validity or accuracy of any document or instrument delivered pursuant to these rules.

Exhibit B

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

Position Limits, Position Accountability and Reportable Level Table

(attached under separate cover)

Exhibit C

**COMEX Rulebook
Chapter 5
("Trading Qualifications and Practices")
COMEX Rule 588.H. – ("Globex Non-Reviewable Trading Ranges") Table
(additions underscored)**

| Outright | | | | | Spreads | |
|---|---------------|------------------------------------|--------------------|------------|--|--------------------|
| Instrument Name | Globex Symbol | Globex Non-Reviewable Ranges (NRR) | NRR: Globex Format | NRR: Ticks | NRR: Globex Format | NRR: Minimum Ticks |
| <u>Gold (Enhanced Delivery) Futures</u> | <u>4GC</u> | <u>\$10.00 per troy ounce</u> | <u>100</u> | <u>100</u> | <u>Each leg evaluated as an outright</u> | |

Exhibit D

**COMEX Rulebook
Chapter 5
("Trading Qualifications and Practices")
COMEX Rule 589. – ("Special Price Fluctuation Limits and Price Limits") Table
(additions underscored)**

| Product | Rulebook Chapter | Commodity Code | Primary/Associated | Associated With | Dynamically Calculated Variant | Daily Price Limit |
|---|-------------------------|-----------------------|---------------------------|------------------------|--|--------------------------------|
| <u>Gold (Enhanced Delivery) Futures</u> | <u>126</u> | <u>4GC</u> | <u>Associated</u> | <u>GC</u> | <u>10% of Dynamically Calculated Reference Price</u> | <u>Daily Price Limit Table</u> |

Exhibit E

Cash Market Overview and Analysis of Deliverable Supply

Appendix C to part 38 of the Commission's regulations defines deliverable supply as "the quantity of the commodity meeting the contract's delivery specifications that can reasonably be expected to be readily available to short traders and saleable by long traders at its market value in normal cash marketing channels at the derivative contract's delivery points during the specified delivery period, barring abnormal movement in interstate commerce."

Approved Depositories and Stock Reporting Requirements

As of the date of this submission, Exchange-approved gold depositories include: Brinks, Inc., Delaware Depository Service Company, HSBC Bank, USA, International Depository Services of Delaware, JP Morgan Chase Bank NA, Malca-Amit USA, LLC, Manfra, Tordella & Brookes, Inc. Loomis, International and Bank of Nova Scotia.

Pursuant to the rules of the Exchange, each depository is required to report to the Exchange the level of Exchange grade inventory on a daily basis. The inventory shall include eligible and registered gold. Eligible gold is gold that is acceptable for delivery against the Contract (i.e., which meets the specifications and approved brands of the Contract) for which a warrant has not been issued. Registered gold is eligible gold for which a warrant has been issued. Specifically, on a daily basis, each depository is required to provide the Exchange with the (1) quantity of registered gold stored at the depository, (2) quantity of eligible gold stored at the depository, and (3) quantity of eligible gold and registered gold received and shipped from the depository.

The gold inventory levels at all Exchange-approved depositories are made publicly available daily on the Exchange website.¹ Further, the rules of the Exchange require an independent inventory audit to be performed annually to provide a comprehensive reconciliation of stocks stored at depositories with records maintained by both the Exchange and the depository.²

The Exchange determined at this time to base its estimates of deliverable supply of gold on eligible and registered stock stored at Exchange approved depositories. The Exchange recognizes that gold is used as an investment vehicle and as such some gold stock may be held as a long-term investment. While surveys conducted indicated no clear consensus as to how much gold is dedicated to long term investments, the Exchange, in an effort to represent a conservative deliverable supply that may be readily available for delivery, made a determination at this time to discount from its estimate of deliverable supply 50% of its reported eligible gold at this time. The Exchange may, at a later date, determine not to discount such stock or to recognize a discount level that is more or less than 50% of reported eligible gold when calculating deliverable supply estimates.

Table 1 below provides the monthly inventory average of each of registered and eligible gold stored at Exchange approved depositories for the period beginning March 2017 through February 2020.

Over the most recent three-year period beginning March 2017 through February 2020, the monthly average registered gold was 6,574 futures equivalent contracts. The monthly average eligible gold was 39,322 futures equivalent contracts accounting for a 50% discount. Based on the foregoing, the Exchange estimates monthly deliverable supply for the Gold Futures contract at approximately 45,897 futures equivalent contracts.

¹ <http://www.cmegroup.com/market-data/reports/registrar-reports.html>

² <http://www.cmegroup.com/rulebook/NYMEX/1/7.pdf>

Table 1: Monthly Average Stock Levels at Exchange Depositories
(in Gold Futures equivalent contracts)

| Month | Average Eligible Inventory (with 50% haircut) | Average Registered Inventory | Average Total Inventory |
|----------------|--|-------------------------------------|--------------------------------|
| Mar-17 | 38,293 | 12,799 | 51,092 |
| Apr-17 | 39,908 | 9,829 | 49,736 |
| May-17 | 39,714 | 8,977 | 48,691 |
| Jun-17 | 38,969 | 8,838 | 47,807 |
| Jul-17 | 39,118 | 7,307 | 46,425 |
| Aug-17 | 39,610 | 7,519 | 47,129 |
| Sep-17 | 39,932 | 7,167 | 47,099 |
| Oct-17 | 40,114 | 5,903 | 46,017 |
| Nov-17 | 41,048 | 5,740 | 46,788 |
| Dec-17 | 40,511 | 9,500 | 50,011 |
| Jan-18 | 43,473 | 5,648 | 49,121 |
| Feb-18 | 43,856 | 4,078 | 47,934 |
| Mar-18 | 43,655 | 3,571 | 47,226 |
| Apr-18 | 43,378 | 3,798 | 47,176 |
| May-18 | 43,718 | 2,931 | 46,649 |
| Jun-18 | 42,599 | 3,811 | 46,409 |
| Jul-18 | 42,149 | 2,477 | 44,626 |
| Aug-18 | 41,116 | 2,987 | 44,103 |
| Sep-18 | 40,914 | 1,497 | 42,411 |
| Oct-18 | 39,925 | 1,512 | 41,437 |
| Nov-18 | 39,247 | 1,527 | 40,774 |
| Dec-18 | 38,144 | 6,864 | 45,008 |
| Jan-19 | 38,381 | 7,478 | 45,859 |
| Feb-19 | 37,871 | 7,045 | 44,916 |
| Mar-19 | 38,406 | 3,649 | 42,055 |
| Apr-19 | 37,736 | 3,817 | 41,553 |
| May-19 | 37,487 | 2,075 | 39,562 |
| Jun-19 | 36,886 | 3,057 | 39,943 |
| Jul-19 | 36,976 | 3,337 | 40,313 |
| Aug-19 | 36,626 | 6,067 | 42,693 |
| Sep-19 | 36,714 | 7,629 | 44,343 |
| Oct-19 | 35,299 | 11,503 | 46,802 |
| Nov-19 | 36,722 | 11,246 | 47,968 |
| Dec-19 | 36,965 | 13,418 | 50,383 |
| Jan-20 | 36,709 | 13,602 | 50,311 |
| Feb-20 | 36,265 | 14,376 | 50,641 |
| 3-year average | 39,322 | 6,574 | 45,897 |

Further, the current level of inventory for 400 troy ounce gold bars in Exchange approved vaults as of March 24, 2020, was 5,292,000 troy ounces or 26,460 contract equivalents after accounting for a 50% haircut.

The combined inventory for all gold deliverable against the Contract is 72,357 contract equivalents.

The new Contract will aggregate into the existing COMEX Gold Futures (GC) contract for position limit purposes. The current spot month position limit of 3,000 contracts would represent 6.5% of deliverable supply for the existing Gold Futures (GC) contract and 4.1% of deliverable supply for the new Contract when taking into consideration the addition of the 400 troy ounce bars.

The Exchange does not currently account for Exchange grade gold stock stored at un-approved depositories that can be moved economically into Exchange approved facilities. The Exchange may, at a later date, determine to account for such stock when calculating deliverable supply estimates.