

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 19-003

Organization: New York Mercantile Exchange, Inc. ("NYMEX")

Filing as a: DCM SEF DCO SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 04/04/19 **Filing Description:** Initial Listing of Physically-Delivered E-micro Palladium 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:

April 4, 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, D.C. 20581

Re: CFTC Regulation 40.2(a) Certification. Notification Regarding the Initial Listing of the Physically-Delivered E-Micro Palladium Futures Contract. NYMEX Submission No 19-003

Dear Mr. Kirkpatrick:

New York Mercantile Exchange, Inc. (“NYMEX” or “Exchange”) is notifying the Commodity Futures Trading Commission (“CFTC” or “Commission”) that it is self-certifying the initial listing of the physically-delivered E-Micro Palladium Futures contract (the “Contract”) for trading on the CME Globex electronic trading platform and for submission for clearing via CME ClearPort effective on Sunday, April 28, 2019 for trade date Monday, April 29, 2019, as set forth in the table below.

Contract Title	E-micro Palladium Futures
Rulebook Chapter	118
Commodity Code	PAM
Contract Size	10 troy ounces
Listing Schedule	Monthly contracts listed for 3 consecutive months, and quarterly contracts (Mar, Jun, Sep, Dec) listed for 15 months
Price Quotation	U.S. dollars and cents per troy ounce
Minimum Price Fluctuation	\$0.10 per troy ounce
Value per Tick	\$1.00
First Listed Contract	July 2019
CME Globex Match Algorithm	First-In, First-Out (FIFO)
Settlement Method	Physical Delivery
Block Trade Minimum Threshold	10 contracts
Termination of Trading	Trading terminates on the 3rd last business day of the contract month
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	Delivery of one Palladium ACE per contract only

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:

	Member	Non-Member	International Incentive Programs (IIP/IVIP)
CME Globex	\$0.10	\$0.20	\$0.15
EFP	\$0.10	\$0.20	
Block	\$0.10	\$0.20	
EFR/EOO	\$0.10	\$0.20	

Processing Fees	House Account	Customer Account
Delivery Notice	\$0.10	\$0.10

Other Processing Fees	Fee
Facilitation Fee	\$0.50
Give-Up Surcharge	\$0.05
Position Adjustment/Position Transfer	\$0.10

NYMEX amended the delivery rules for the Palladium Futures contract (Commodity Code: PA; Rulebook Chapter: 106) commencing with the July 2019 contract month and beyond (see [NYMEX Submission 18-083](#), dated October 2, 2018) such that holders of palladium registered with the NYMEX may exchange their warrant for Accumulated Certificates of Exchange (“ACEs”) by endorsing the warrant to the CME Clearing House. The delivery process for the E-micro Palladium Futures contract, will be effected by the transfer of one Palladium ACE per contract.

The Exchange is also notifying the CFTC that it is self-certifying the insertion of the terms and conditions for the Contract into the Position Limit, Position Accountability and Reportable Level Table and Header Notes located in the Interpretations and Special Notices Section of Chapter 5 of the NYMEX Rulebook in relation to the listing of the new Contract. These terms and conditions establish the all month/any one month accountability levels, expiration month position limit, reportable level, and aggregation allocation for the new contract. Please see Exhibit B attached under separate cover.

In addition, the Contract will be eligible for offset pursuant to Rule 855. (“Offsetting Positions”). Please see Exhibit E attached below.

Palladium NYMEX is also notifying the CFTC that it is self-certifying block trading on the Contract with a minimum block threshold level of ten (10) contracts.

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

- **Compliance with Rules:** Trading in the Contract will be subject to all NYMEX Rules, including prohibitions against fraudulent, noncompetitive, unfair and abusive practices as outlined in NYMEX [300 Vesey Street](#) [New York, NY 10282](#) [T 212 299 2200](#) [F 212 299 2299](#) christopher.bowen@cmegroup.com cmegroup.com

Rule Chapter 4, the Exchange's trade practice rules, the majority of which are contained in Chapter 5 and Chapter 8 of the NYMEX Rulebook, and the dispute resolution and arbitration procedures of NYMEX Rule Chapter 6. As with all products listed for trading on one of CME Group's designated contract markets, trading activity in the Contract will be subject to 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.

- **Contracts Not Readily Susceptible to Manipulation**: The Contract is not readily susceptible to manipulation due to its physically delivered nature and the terms and conditions of the delivery process.
- **Prevention of Market Disruption**: Trading in the Contract will be subject to the Rules of the Exchange, which include prohibitions on manipulation and price distortion. As with any new product listed for trading on a CME Group designated contract market, trading activity in the futures contract proposed herein will be subject to monitoring and surveillance by CME Group's Market Regulation Department.
- **Position Limitations and Accountability**: The speculative position limits for the Contract as demonstrated in this submission are consistent with the Commission's guidance.
- **Availability of General Information**: The Exchange will publish on its website information in regard to contract specifications, terms, and conditions, as well as daily trading volume, open interest, and price information for the Contract.
- **Daily Publication of Trading Information**: The Exchange will publish contract trading volumes, open interest levels, and price information daily on its website and through quote vendors for the Contract.
- **Execution of Transactions**: The Contract will be listed for trading on the CME Globex electronic trading platform and for submission of clearing via CME ClearPort. CME Globex provides for competitive and open execution of transactions and affords the benefits of reliability and global connectivity.
- **Trade Information**: All requisite trade information for the Contract will be included in the audit trail and is sufficient for the Market Regulation Department to monitor for market abuse.
- **Financial Integrity of Contracts**: The Contract will be cleared by the CME Clearing House, a derivatives clearing organization registered with the Commodity Futures Trading Commission and subject to all CFTC regulations related thereto.
- **Protection of Market Participants**: NYMEX Rulebook Chapters 4 and 5 set forth multiple prohibitions that preclude intermediaries from disadvantaging their customers. These rules apply to trading in all of the Exchange's competitive trading venues.
- **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 these products 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 Rulebook. Chapter 6 allows all non-members 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 non-member 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.

Pursuant to Section 5c(c) of the Act and CFTC Regulation 40.2(a), the Exchange hereby certifies that the listing of the Contract complies with the Act, including regulations under the Act. There were no substantive opposing views to the listing of the Contract.

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 via e-mail at CMEGSubmissionInquiry@cmegroup.com.

Sincerely,

/s/ Christopher Bowen
Managing Director and Chief Regulatory Counsel

Attachments: Exhibit A: NYMEX Rulebook Chapter
Exhibit B: Position Limit, Position Accountability, and Reportable Level Table in
Chapter 5 of the NYMEX Rulebook (attached under separate cover)
Exhibit C: NYMEX Rule 588.H. – (“Globex Non-Reviewable Trading Ranges”) Table
Exhibit D: NYMEX Rule 589. – (“Special Price Fluctuation Limits and Daily Price Limits
Table”)
Exhibit E: NYMEX Rule 855. (“Offsetting Positions”) Contracts Eligible for Offset Table
Exhibit F: Analysis of Deliverable Supply

Exhibit A

NYMEX Rulebook

Chapter 118 E-micro Palladium Futures

118100. SCOPE OF CHAPTER

This chapter is limited in application to E-micro Palladium futures. 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 palladium 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.

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

118101. CONTRACT SPECIFICATIONS

The contract unit shall be ten (10) troy ounces. Palladium delivered under this contract shall meet all of the specifications in Exchange Chapter 7 and Chapter 106 (“Palladium Futures”) as they apply to the Exchange’s 100-troy ounce Palladium Futures contract.

Deliveries under the contract are restricted to multiples of ten (10) futures contracts on all days on which deliveries may take place with the exception of the last intent day. On the last intent day, there will be no restriction on the delivery quantity.

Upon delivery, the buyer’s clearing member receives and the seller’s clearing member delivers an Accumulated Certificate of Exchange (“ACE”), issued by the Clearing House. An ACE represents a part ownership in a palladium bar held in the form of a Warrant, as described in Chapter 106.

Pursuant to Chapter 106, a clearing member may request the issuance of ACEs by electronically endorsing to the Clearing House a Warrant representing one (1) standard palladium contract unit or one (1) larger palladium unit in respect of the 100-troy ounce Palladium Futures contract.

ACEs may only be redeemed for a Warrant upon the accumulation of sufficient number of such ACEs. Upon presentation and endorsement to the Clearing House of ACEs, the owner will receive either one (1) Warrant for a standard palladium contract unit, or one (1) Warrant for a larger palladium unit meeting the contract specifications in accordance with Rule 106101A. Tolerance adjustments for ounces received vs. ounces represented by the ACEs will be made through the Clearing House.

Storage charges are invoiced to the clearing member who owns the ACEs.

118102. TRADING SPECIFICATIONS

Trading in E-micro Palladium futures is regularly conducted in the following months: (1) the current calendar month; (2) the next two calendar months; and (3) each March, June, September, and December falling within a 15-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.

118102.A. Trading Schedule

The hours for trading shall be determined by the Exchange.

118102.B. Trading Unit

The contract unit shall be ten (10) troy ounces.

118102.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.

118102.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.

118102.E. Termination of Trading

No trades in E-micro Palladium 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.
- (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.

118102.F. Final Settlement

Each contract shall be valued as the contract unit multiplied by the settlement price of the corresponding Palladium Futures contract.

118102.G. 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.

118103.-107. [RESERVED]

118108. 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

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

Position Limits, Position Accountability and Reportable Level Table

(attached under separate cover)

Exhibit C

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

Rule 588.H. – ("Globex Non-Reviewable Trading Ranges") Table

(additions are underscored)

Outright					Spreads	
Instrument Name	Globex Symbol	Globex Non-Reviewable Ranges (NRR)	NRR: Globex Format	NRR: Ticks	NRR: Globex Format	NRR: Minimum Outright Ticks
<u>E-micro Palladium Futures</u>	<u>PAM</u>	<u>\$10.00 Per Troy Ounce</u>	<u>1000</u>	<u>100</u>	<u>Each leg evaluated as an outright</u>	

Exhibit D

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

Rule 589. ("Special Price Fluctuation Limits and Daily Price Limits Table")

(additions are underscored)

Product	Rulebook Chapter	Commodity Code	Primary/Associated	Associated With	Base in Real Economic Value	Level 1	Level 2	Level 3	Level 4	Level 5
<u>E-micro Palladium Futures</u>	<u>118</u>	<u>PAM</u>	<u>Associated</u>	<u>PA</u>						<u>No Limit</u>

Exhibit E

**NYMEX Rulebook
Chapter 8
("Clearing House and Performance Bonds")**

Rule 855. ("Offsetting Positions") – Contracts Eligible for Offset Table

(pending regulatory review)

(additions are underscored)

Clearing/ Globex Code	Product Name	Rulebook Chapter	Offset Ratio	Offset to Clearing/ Globex Code	Offset to Product Name	Rulebook Chapter	Cash/ Deliverable	Futures/ Option
<u>PA/PA</u>	<u>Palladium Futures</u>	<u>106</u>	<u>0.1</u>	<u>PAM/PAM</u>	<u>E-micro Palladium Futures</u>	<u>118</u>	<u>D</u>	<u>F</u>
<u>PAM/PAM</u>	<u>E-micro Palladium Futures</u>	<u>118</u>	<u>10</u>	<u>PA/PA</u>	<u>Palladium Futures</u>	<u>106</u>	<u>D</u>	<u>F</u>

Exhibit F

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"¹.

Positions in the E-micro Palladium contract are aggregated with the standard sized NYMEX Palladium futures contract. The delivery instrument for the E-micro Palladium futures contract is an Accumulated Certificate of Exchange ("ACE") in palladium, created under the terms of the NYMEX Palladium futures contract. ACEs may be created in respect of all palladium registered with the Exchange.

As of February 28, 2019, the palladium inventory held at Exchange approved depositories totaled 42,583,095 troy ounces, the equivalent of 426 NYMEX Palladium Futures contracts (contract size – 100 troy ounces). Exchange practice is to set spot month position limits at a maximum level of 25% of deliverable supply over the most recent three-year period. Deliverable supply is calculated as the sum of total reported registered palladium with total reported eligible palladium, after taking a 10% discount for eligible palladium. Table 1 below shows the monthly average palladium stocks in Exchange approved depositories for the most recent three-year period in contract equivalents.

Table 1. Palladium Inventories Held at Exchange Approved Depositories
(contract equivalents)

Month	Average Eligible Inventory (with 10% haircut)	Average Registered Inventory	Average Total Inventory
Mar-16	300	341	642
Apr-16	379	327	706
May-16	328	318	646
Jun-16	403	262	666
Jul-16	431	260	691
Aug-16	445	260	704
Sep-16	446	256	702
Oct-16	466	256	722
Nov-16	369	256	624
Dec-16	356	252	608
Jan-17	387	220	607
Feb-17	355	220	575
Mar-17	329	220	549
Apr-17	357	125	483
May-17	291	122	413

¹ <http://www.cftc.gov/ucm/groups/public/@Irfederalregister/documents/file/2012-12746a.pdf>

Jun-17	259	132	391
Jul-17	255	128	383
Aug-17	245	156	400
Sep-17	245	264	509
Oct-17	331	171	501
Nov-17	333	171	504
Dec-17	286	153	438
Jan-18	258	120	378
Feb-18	285	102	387
Mar-18	243	152	396
Apr-18	229	160	388
May-18	229	156	385
Jun-18	196	180	376
Jul-18	189	195	384
Aug-18	215	195	410
Sep-18	248	195	443
Oct-18	269	181	450
Nov-18	257	182	439
Dec-18	245	191	436
Jan-19	249	160	409
Feb-19	244	155	399
3 Year Average	304	200	504

Source: CME Group Inc.

Over the period beginning March 2016 through February 2019, the monthly average registered palladium was 200 futures equivalent contracts. The monthly average eligible palladium was 304 futures equivalent contracts accounting for a 10% discount. Based on the foregoing, the Exchange estimates monthly deliverable supply at approximately 504 futures equivalent contracts. The current spot month position limit of 50 contracts represents 9.92% of the estimated monthly deliverable supply.