

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 21-148

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

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

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy: 04/14/21 **Filing Description:** Initial Listing of the Lithium Hydroxide CIF CJK (Fastmarkets) 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 14, 2021

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 Lithium Hydroxide CIF CJK (Fastmarkets) Futures Contract. COMEX Submission No. 21-148

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 Lithium Hydroxide CIF CJK (Fastmarkets) Futures contract (the “Contract”) for trading on the CME Globex electronic trading platform (“CME Globex”) and for submission for clearing via CME ClearPort effective Sunday, May 2, 2021, for trade date Monday, May 3, 2021, as noted in the table below:

Contract Title	Lithium Hydroxide CIF CJK (Fastmarkets) Futures
CME Globex/CME ClearPort Code	LTH
Rulebook Chapter	646
Settlement Type	Financial
Contract Size	1,000 kg (kilograms)
Listing Schedule	Monthly contracts listed for twelve (12) consecutive months. Add a new contract month after the nearby expiry.
Pricing Quotation	U.S. dollars and cents per kilogram
First Listed Month	May 2021
Minimum Price Fluctuation	\$0.01 per kg
Value per tick	\$10.00
Block Trade Minimum Threshold	2 contracts – subject to a minimum 15-minute reporting window
Termination of Trading	Trading terminates on the last Thursday of the contract month. If this is not a U.S. business day, trading terminates on the prior U.S. business day.
CME Globex Matching Algorithm	First in First Out (FIFO)
Trading and Clearing Hours	CME Globex: 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)

	<p>CME Globex PreOpen: Sunday 5:00 p.m. – 6:00 p.m. ET (4:00 p.m. – 5:00 p.m. CT). Monday – Friday 5:45 p.m. – 6:00 p.m. ET (4:45 p.m. – 5:00 p.m. CT)</p> <p>CME ClearPort: Sunday – Friday 6:00 p.m. – 5:00 p.m. ET (5:00 p.m. – 4:00 p.m. CT) with a 60-minute break each day beginning at 5:00 p.m. ET (4:00 p.m. CT)</p>
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The Exchange is also certifying block trading on the Contract with a minimum block threshold of two (2) contracts which is commensurate with the Exchange’s similar battery metals futures 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 Contract’s specification on its website, together with daily trading volume, open interest and price information.
- **Contracts Not Readily Subject to Manipulation**: The Contract is based on a cash price series that is reflective of the underlying cash 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 this Contract will be subject to Chapter 4 of the Exchange 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 power where potential rule violations are identified during its regular surveillance reviews.
- **Prevention of Market Disruption**: Trading in the Contract will be subject to the Rules of COMEX which include 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 proposed herein 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 and for clearing through CME ClearPort. The CME Globex electronic trading venue provides for 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 included in the audit trail and is sufficient for the Market Regulation Department to monitor for market abuse.

- **Protection of Market Participants:** Chapter 4 contains multiple prohibitions precluding intermediaries from disadvantaging their customers and which apply to trading on 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 the 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 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.
- **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 Daily Price Limits Table
 Exhibit E: Exchange Fees
 Exhibit F: Cash Market Overview and Analysis of Deliverable Supply

Exhibit A

COMEX Rulebook

Chapter 646

Lithium Hydroxide CIF CJK (Fastmarkets) Futures

646100. SCOPE OF CHAPTER

The provisions of these rules shall apply to all contracts bought or sold on the Exchange for cash settlement based on the Floating Price. The procedures for trading, clearing and cash settlement of this contract, and any other matters not specifically covered herein shall be governed by the general rules of the Exchange.

646101. CONTRACT SPECIFICATIONS

The Floating Price for each contract month is equal to the arithmetic average of all available price assessments published for "Lithium hydroxide monohydrate min 56.5% LiOH.H₂O battery grade spot price, US\$ per kg CIF China, Japan & South Korea" by Fastmarkets during the contract month.

646102. TRADING SPECIFICATIONS

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

646102.A. Trading Schedule

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

646102.B. Trading Unit

The contract quantity shall be 1,000 kilograms (equivalent to 1 metric ton). Each contract shall be valued as the contract quantity (1,000) multiplied by the settlement price.

646102.C. Price Increments

Prices shall be quoted in U.S. dollars and cents per kilogram. The minimum price fluctuation shall be \$0.01 per kilogram. The minimum final settlement price fluctuation shall be \$0.01 per kilogram.

646102.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.

646102.E. Termination of Trading

Trading in the contract shall terminate at the close of trading on the last Thursday of the contract month. If such day is not an Exchange business day, trading in the contract shall terminate on the Exchange business day that is immediately prior.

646102.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 and Daily Price Limits Table in the Interpretations & Special Notices Section of Chapter 5.

646103. FINAL SETTLEMENT

Delivery under the contract shall be by cash settlement. Final settlement, following termination of trading for a contract month, will be based on the Floating Price. The final settlement price will be the Floating Price calculated for each contract month.

646104. 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

(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)**

Instrument	Globex Symbol	Outrights			Spreads	
		Globex Non-Reviewable Ranges (NRR)	NRR: Globex Format	NRR: Minimum Ticks	NRR: Globex Format	NRR: Minimum Ticks
<u>Lithium Hydroxide CIF CJK (Fastmarkets) Futures</u>	<u>LTH</u>	<u>\$.50 per kilogram</u>	<u>50</u>	<u>50</u>	<u>N/A</u>	<u>N/A</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>Lithium Hydroxide CIF CJK (Fastmarkets) Futures</u>	<u>646</u>	<u>LTH</u>	<u>Primary</u>	<u>Primary</u>	<u>10% of Dynamically Calculated Reference Price</u>	<u>Daily Price Limit Table</u>

Exhibit E

Exchange Fees

	Member	Non-Member
CME Globex	\$3.00	\$6.00
EFP	\$4.00	\$7.00
Block	\$4.00	\$7.00
EFR/EOO	\$4.00	\$7.00
Processing Fees	Member	Non-Member
Cash Settlement	\$4.00	\$7.00
Facilitation Fee		\$0.50
Give-Up Surcharge		\$0.05
Position Adjustment/Position Transfer		\$0.10

Exhibit F

Cash Market Overview and Analysis of Deliverable Supply

CASH MARKET OVERVIEW

In its cash market and deliverable supply analysis, the Exchange has incorporated data from a range of sources as described below.

Fastmarkets (FM) is a leading global provider of price information for metals, agriculture and forestry products. FM's assessment methodologies for lithium are available on its website.¹ CME Group Inc. (parent company of COMEX) is a party to license agreements with Fastmarkets to utilize its pricing data for final settlement of the contract.

The **United States Geological Survey (USGS)** is a scientific public agency in the United States. It is tasked with studying the landscape of the United States, its natural resources, and the natural hazards that threaten it.

The **UN Comtrade Database (Comtrade)** provides free access to detailed global trade data. UN Comtrade is a data repository of official trade statistics and relevant analytical tables. It contains annual trade statistics starting from 1962 and monthly trade statistics since 2010.

Final settlement of the futures contract is based on the monthly average of all weekly price assessments for "Lithium hydroxide monohydrate min 56.5% LiOH.H₂O battery grade spot price, US\$ per kg CIF China, Japan & South Korea" published by Fastmarkets (FM). The methodology refers to battery grade lithium hydroxide monohydrate delivered CIF in China, Japan or South Korea. The quantity required for assessment inclusion is 5 metric tonnes minimum. The denomination is \$/kg. The assessment is published weekly on Thursday (4pm London).

¹ <https://fastmarkets.euromoneycdn.com/~media/4113CB10167C445D9D02DC7779CD8468.pdf?la=en>,
<https://www.fastmarkets.com/about-us/methodology>

Lithium is a metal that is widely used in industrial applications, notably in battery manufacturing. Lithium mining comes in two main forms: the metal can be produced from spodumene (lithium-containing rock) or brine. After extraction, lithium raw materials are refined into lithium carbonate or lithium hydroxide. According to the USGS, end-user markets for refined lithium were batteries (71%); ceramics and glass (14%); lubricating greases (4%); continuous casting mold flux powders (2%); polymer production (2%); air treatment (1%); and other uses (6%)². The global lithium industry is concentrated in Asia, which accounts for most of the global refining and battery manufacturing capacity. Major producing countries include Australia, Chile and China (Table 1).

Table 1 – Global Lithium Production (source: USGS³)

Mine production (tons lithium content)	2018	2019	2020e
United States	withheld	withheld	withheld
Argentina	6,400	6,300	6,200
Australia	58,800	45,000	40,000
Brazil	300	2,400	1,900
Canada	2,400	200	0
Chile	17,000	19,300	18,000
China	7,100	10,800	14,000
Namibia	500	0	0
Portugal	800	900	900
Zimbabwe	1,600	1,200	1,200
Other	0	0	0
Total	94,900	86,100	82,200

Table 2 shows that an average of 41,534 metric tons of lithium hydroxide was imported into North Asia during the past three years for which data is available.

Table 2 – Lithium Hydroxide – imports into North Asia⁴

Imports - metric tons	2017	2018	2019	average
China	1,269	1,354	545	1,056
Republic of Korea	7,055	12,344	23,469	14,290
Japan	18,843	22,384	37,339	26,189
Sum	27,167	36,081	61,353	41,534

Lithium hydroxide is traded both in the spot and term markets. Term contracts are using fixed price or a “formula pricing,” meaning a floating price component that may include customs data and/or price indexation. Term contracts typically allow to freely re-trade contracted volume.

ANALYSIS OF DELIVERABLE SUPPLY

² <https://pubs.usgs.gov/periodicals/mcs2021/mcs2021-lithium.pdf>

³ <https://pubs.usgs.gov/periodicals/mcs2021/mcs2021-lithium.pdf>,

<https://pubs.usgs.gov/periodicals/mcs2020/mcs2020-lithium.pdf>

⁴ <https://comtrade.un.org/data/>, commodity code 282520

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."

The Exchange is assessing spot month position limits for the contract based on UN Comtrade import data for lithium hydroxide into China, Japan and South Korea. Average annual import volume into the three countries represented 41,534 MT annually, equivalent to 3,461 MT per month (3,461 contracts equivalent). The Exchange proposes a spot month position limit of 400 contracts, equivalent to 12% of deliverable supply.