

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 22-155

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

Filing as a: DCM SEF DCO SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 05/03/22 Filing Description: Initial Listing of the Aluminum Option 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:

May 3, 2022

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. Initial Listing of the Aluminum Option Contract.
 COMEX Submission No. 22-155**

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 Aluminum Option contract (the “Contract”) for trading on the CME Globex electronic trading platform and for submission for clearing via CME ClearPort, effective Sunday, May 22, 2022 for trade date Monday, May 23, 2022, as more specifically described below.

Contract Title	Aluminum Option
Commodity Code	AX
Rulebook Chapter	123
Underlying Futures Contract/Commodity Code	Aluminum Futures / ALI
Trading Unit	An Aluminum put or call option contract traded on the Exchange represents an option to assume a short or long position in the underlying futures contract traded on the Exchange.
Contract Size	25 metric tons/MT
Price Quotation	U.S. dollars and cents metric ton
Minimum Price Fluctuation	\$0.25 per metric ton
Value per Tick	\$6.25
Option Exercise Style	American – exercise into the underlying futures
Listing Schedule	Monthly contracts listed for 12 consecutive months
Initial Listed Contract Month	July 2022
Strike Price Listing Schedule	Minimum 20 strikes at \$25.00 per metric ton strike increment above and below the at-the-money strike plus dynamic strikes at \$25.00 per metric ton strike increment above and below the highest and lowest prelisted strikes for the nearest 12 months.
Block Trade Minimum Threshold	5 contracts - subject to a 15-minute reporting window

Termination of Trading	Trading terminates on the fourth last business day of the month prior to the contract month.
CME Globex Match Algorithm	K - Split FIFO and Pro Rata
Trading and Clearing Hours	CME Globex Pre-open: Sunday 4:00 p.m. - 5:00 p.m. Central Time/CT Monday - Thursday 4:45 p.m. - 5:00 p.m. CT CME Globex: Sunday 5:00 p.m. - Friday 4:00 p.m. CT with a daily maintenance period from 4:00 p.m. - 5:00 p.m. CT CME ClearPort: Sunday 5:00 p.m. - Friday 4:00 p.m. CT with no reporting Monday - Thursday from 4:00 p.m. - 5:00 p.m. CT

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:

- **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 the Contract will also be subject to the full panoply of trade practice rules, the majority of which are contained in Chapter 5 and Chapter 8 of the Rulebook. As with all products listed for trading on one of CME Group’s designated contract markets, activity in the 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.
- **Contract Not Readily Subject to Manipulation:** The Contract is not readily susceptible to manipulation and are based on the deep liquidity of the underlying futures contract.
- **Prevention of Market Disruption:** Trading in the Contract will be subject to the Rules of COMEX which include prohibitions on manipulation, price distortion and disruptions of the delivery or cash-settlement process. As with all products listed for trading on one of CME Group’s designated contract markets, activity in the new product will be subject to extensive 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.
- **Availability of General Information:** The Exchange will publish on its website information regarding 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 information 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 and for clearing through CME ClearPort. The CME Globex trading venue provides for competitive and open execution of transactions. CME Globex affords the benefits of reliability and global connectivity.
- **Trade Information:** All required 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 Contract:** The Contract will be cleared by the CME Clearing House which is a registered derivatives clearing organization with the Commission and is subject to all Commission regulations related thereto.
- **Protection of Market Participants:** COMEX 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 Contract.
- **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 rules. 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 Contract 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. The rules in Chapter 6 allow 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 the rules in 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 Regulations 40.2(a), the Exchange hereby certifies that listing the Contract complies with the Act, including regulations under the Act. There were no substantive opposing views to the 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 123
 - Exhibit B: Position Limits, Position Accountability and Reportable Level Table in Chapter 5 of the COMEX Rulebook (attached under separate cover)
 - Exhibit C: Exchange Fees
 - Exhibit D: COMEX Rule 588.H. – (“Globex Non-Reviewable Trading Ranges”) Table (blackline format)
 - Exhibit E: COMEX Rule 589. – Special Price Fluctuation Limits and Daily Price Limits Table
 - Exhibit F: COMEX Rule 300.20 (“Strike Price Listing and Exercise Procedures”) Table
 - Exhibit G: Cash Market Overview and Analysis of Deliverable Supply

Exhibit A

**COMEX Rulebook
Chapter 123
Aluminum Option**

123100. SCOPE OF CHAPTER

This chapter is limited in application to put and call average price options on the Aluminum futures contract. In addition to the rules of this chapter, transactions in options on Aluminum Futures shall be subject to the general rules of the Exchange insofar as applicable

123101. OPTION CHARACTERISTICS

The number of contract months open for trading at a given time shall be determined by the Exchange. For each Aluminum Option month traded on the Exchange, the underlying Aluminum Futures contract into which the option contract month will exercise is as follows:

<u>Option Contract Month</u>	<u>Exercise into Underlying Futures</u>
Jan	Mar
Feb	Apr
Mar	May
Apr	Jun
May	Jul
Jun	Aug
Jul	Sep
Aug	Oct
Sep	Nov
Oct	Dec
Nov	Jan
Dec	Feb

123101.A. Trading Schedule

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

123101.B. Trading Units

An Aluminum put or call option contract traded on the Exchange represents an option to assume a short or long position in the underlying futures contract traded on the Exchange.

123101.C. Price Increments

Prices shall be quoted in dollars and cents per metric ton. The minimum price fluctuation shall be \$0.25 per metric ton.

123101D. 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.

123101.E. Termination of Trading

An Aluminum option shall expire at the close of trading four business days prior to the end of the month preceding the option contract month; provided, however, that (1) if such day is a Friday, the expiration date shall be the preceding business day or (2) if such day is the day immediately prior to an Exchange holiday, the expiration date shall be the preceding business day. In the event that the

official Exchange holiday schedule changes subsequent to the listing of an Aluminum futures option, the originally listed expiration date shall remain in effect. In the event that the originally listed expiration day is declared a holiday, expiration will move to the business day immediately prior.

123101.F. Type of Option

The option is an American-style option which can be exercised on any business day prior to and until expiration day.

123102. EXERCISE PRICES AND CHARACTERISTICS

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

123103. 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.

Exhibit B

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

Position Limits, Position Accountability and Reportable Level Table
(attached under separate cover)

Exhibit C

Exchange Fees

	Member	Non-Member		
CME Globex	\$1.25	\$2.50		
Block	\$1.25	\$2.50		
EFR/EOO	\$4.15	\$5.00		
Processing Fees			House Account	Customer Account
Option Exercise/Assignment Notice			\$0.40	\$0.85
Facilitation Fee			\$0.50	
Give-Up Surcharge			\$0.05	
Position Adjustment/Position Transfer			\$0.10	

Exhibit D

**COMEX Chapter 5
 (“Trading Qualifications and Practices”)
 Rule 588.H. – (“Globex Non-Reviewable Trading Ranges”) Table**

Instrument	Globex Symbol	Globex Non-Reviewable Ranges (NRR)
<u>Aluminum Option</u>	<u>AX</u>	The greater of the following: •Delta multiplied by the underlying futures non-reviewable range •20% of premium up to ¼ of the underlying futures non-reviewable range •5 ticks

Exhibit E

**COMEX Chapter 5
 (“Trading Qualifications and Practices”)
 Rule 589. – Special Price Fluctuation Limits and Daily Price Limits Table**

Product	Rulebook Chapter	Commodity Code	Primary/Associated	Associated With	Dynamically Calculated Variant	Daily Price Limit
<u>Aluminum Option</u>	<u>123</u>	<u>AX</u>	<u>Associated</u>	<u>ALI</u>		

Exhibit F

**COMEX Rulebook
Chapter 300
("Options Contracts")**

Rule 300.20 – ("Strike Price Listing and Exercise Procedures") Table

Commodity Code	CME Globex Code	Product Name	Product Group	Product Subgroup	Exchange	Rulebook Chapter	Strike Price Listing Rule	Option Style	Contrary Instructions	Exact At-The-Money Characteristics	Underlying Commodity Code	Underlying Product Name
AX	AX	Aluminum Option	Metals	Base	COMEX	123	Minimum 20 strikes at \$25.00 per metric ton strike increment above and below the at-the-money strike plus dynamic strikes at \$25.00 per metric ton strike increment above and below the highest and lowest prelisted strikes for the nearest 12 months. Dynamic strikes only for months 12+ at \$25.00 per metric ton strike increment .	American	No	Exercise Calls - Abandon Puts	ALI	Aluminum Futures

Exhibit G

Cash Market Overview and Analysis of Deliverable Supply

Commodity Exchange, Inc. ("COMEX" or "Exchange") is certifying the listing of an Aluminum Option contract for trading on CME Globex electronic platform ("CME Globex") and for submission for clearing via CME ClearPort.

Contract	Commodity Code	Rule Chapter
Aluminum Option	AX	123

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.”

Deliverable supply is defined as material that is readily available and meets the Exchange futures contracts’ specifications in terms of shape, weight, and quality. As general practice, COMEX has relied on inventory stored in Exchange approved warehouses to support spot month position limits of its physically delivered futures contracts. The proposal for spot month position limits for the Aluminum Option contract is based on the deliverable supply analysis of the Aluminum Futures contract as the option contract will aggregate into the futures contract for position limit purposes.

To date, the Exchange approved warehouses for aluminum are detailed in Table 1.

Table 1. Exchange Approved Warehouses for Aluminum

	Capacity in Metric Tons	Capacity in Contract Equivalents
United States		
Henry Bath LLC	93,620	3,745
Kodiak Resources LLC	410,000	16,400
Access World	103,000	4,120
Europe		
Henry Bath LLC	25,511	1,020
Access World	6,500	260
C. Steinweg, Inc.	99,780	3,991
Asia		
PGS	25,000	1,000
C. Steinweg, Inc.	151,000	6,040
Total Capacity	914,411	36,576

Pursuant to the rules of the Exchange, each warehouse is required to report to the Exchange the level of Exchange grade inventory on a daily basis. The inventory shall include eligible and registered metal. Eligible metal shall mean all such metal that is acceptable for delivery against the respective Exchange futures contract (i.e., which meets the specifications and approved brands of the respective futures contract) for which a warrant has not been issued. Registered metal shall mean eligible metal for which a warrant has been issued. Specifically, on a daily basis, each warehouse is required to provide the Exchange (1) the total quantity of registered metal stored at the warehouse, (2) the total quantity of eligible metal stored at the warehouse, and (3) the quantity of eligible metal and registered metal received and withdrawn from the warehouse.

The inventory levels at all Exchange-approved depositories and warehouses for gold, silver and copper are made publicly available daily on the Exchange website¹. Further, the rules of the Exchange require an independent inventory audit to be performed annually to provide a comprehensive reconciliation of stocks stored at warehouses with records maintained by both the Exchange and the warehouse².

Deliverable Supply Analysis

The Exchange determined at this time to base its estimates of deliverable supply of aluminum on registered stock as well as such aluminum stock meeting all specifications of the Aluminum Futures contract stored at Exchange approved warehouses.

Inventory in Exchange Approved Warehouses for Aluminum (in Contract Equivalents)

Table 2. below provides the monthly inventory average of registered and eligible copper stored at Exchange approved warehouses for the April 2019 through March 2022 period.

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

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

**Table 2. Monthly Average Stock Levels at Exchange Approved Warehouses for Aluminum
(in contract equivalents)**

Month	Average of Registered	Average of Eligible	Average Inventory
Apr-19	0	231	231
May-19	0	6	6
Jun-19	33	27	60
Jul-19	60	166	226
Aug-19	60	195	255
Sep-19	101	415	516
Oct-19	273	560	833
Nov-19	409	451	860
Dec-19	287	428	715
Jan-20	319	382	701
Feb-20	385	373	759
Mar-20	432	400	832
Apr-20	498	435	933
May-20	491	419	911
Jun-20	675	527	1,202
Jul-20	935	589	1,524
Aug-20	903	870	1,773
Sep-20	917	972	1,889
Oct-20	1,103	871	1,974
Nov-20	1,355	489	1,844
Dec-20	1,362	496	1,858
Jan-21	1,334	488	1,822
Feb-21	1,339	437	1,777
Mar-21	1,068	482	1,549
Apr-21	938	318	1,256
May-21	910	330	1,240
Jun-21	784	414	1,198
Jul-21	847	522	1,369
Aug-21	1,064	563	1,628
Sep-21	783	786	1,568
Oct-21	643	917	1,560
Nov-21	459	935	1,394
Dec-21	322	903	1,224
Jan-22	308	855	1,163
Feb-22	238	788	1,026
Mar-22	245	705	950
3-year Average	608	521	1,128

Over the most recent 3-year period, beginning April 2019 through March 2022, the monthly average of registered aluminum was 608 contract equivalents. The monthly average for eligible aluminum was 521 contract equivalents for the same period. The monthly average for total inventory for the most recent 3-year period was 1,128 contract equivalents. The current spot month position limit for Aluminum Futures is 150 contracts which equates to 13.30% of deliverable supply of the most recent 3-year period. The proposed spot month position limit for the Aluminum Option contract would be 150 contracts and would aggregate into the Aluminum Futures spot month position limit.