

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 18-177

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

Filing as a: DCM SEF DCO SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 05/11/2018 Filing Description: Decreasing the Spot Month Position Limits of the Aluminum Futures Contract

SPECIFY FILING TYPE

Please note only ONE choice allowed per Submission.

Organization Rules and Rule Amendments

- | | | |
|--------------------------|-------------------------------------|------------|
| <input type="checkbox"/> | Certification | § 40.6(a) |
| <input type="checkbox"/> | Approval | § 40.5(a) |
| <input type="checkbox"/> | Notification | § 40.6(d) |
| <input type="checkbox"/> | Advance Notice of SIDCO Rule Change | § 40.10(a) |
| <input type="checkbox"/> | SIDCO Emergency Rule Change | § 40.10(h) |

Rule Numbers:

New Product

Please note only ONE product per Submission.

- | | | |
|--------------------------|---------------------------------------|------------|
| <input type="checkbox"/> | Certification | § 40.2(a) |
| <input type="checkbox"/> | Certification Security Futures | § 41.23(a) |
| <input type="checkbox"/> | Certification Swap Class | § 40.2(d) |
| <input type="checkbox"/> | Approval | § 40.3(a) |
| <input type="checkbox"/> | Approval Security Futures | § 41.23(b) |
| <input type="checkbox"/> | Novel Derivative Product Notification | § 40.12(a) |
| <input type="checkbox"/> | Swap Submission | § 39.5 |

Official Product Name:

Product Terms and Conditions (product related Rules and Rule Amendments)

- | | | |
|-------------------------------------|---|----------------------|
| <input checked="" type="checkbox"/> | Certification | § 40.6(a) |
| <input type="checkbox"/> | Certification Made Available to Trade Determination | § 40.6(a) |
| <input type="checkbox"/> | Certification Security Futures | § 41.24(a) |
| <input type="checkbox"/> | Delisting (No Open Interest) | § 40.6(a) |
| <input type="checkbox"/> | Approval | § 40.5(a) |
| <input type="checkbox"/> | Approval Made Available to Trade Determination | § 40.5(a) |
| <input type="checkbox"/> | Approval Security Futures | § 41.24(c) |
| <input type="checkbox"/> | Approval Amendments to enumerated agricultural products | § 40.4(a), § 40.5(a) |
| <input type="checkbox"/> | "Non-Material Agricultural Rule Change" | § 40.4(b)(5) |
| <input type="checkbox"/> | Notification | § 40.6(d) |

Official Name(s) of Product(s) Affected: See filing.

Rule Numbers: See filing.

May 11, 2018

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) Rule Certification. Notification Regarding Decreasing the Spot Month Position Limits of the Aluminum Futures Contract. COMEX Submission No. 18-177

Dear Mr. Kirkpatrick:

Commodity Exchange, Inc. (“COMEX” or “Exchange”) is notifying the Commodity Futures Trading Commission (“CFTC” or the “Commission”) that it is self-certifying a decrease of the spot month position limits of the Aluminum Futures contract (the “Contract”), commencing with the June 2018 contract month and beyond, as noted in the table below. Specifically, the decreased spot month limits shall go into effect at the close of trading on May 30, 2018 for the June 2018 contract month. This submission shall become effective on May 29, 2018.

(**Bold/underline** indicates addition; ~~Strikethrough~~ indicates deletion)

Contract Title	Rule Chapter	Commodity Code	Reporting Level	Spot-Month Limit (In Net Futures Equivalents)	Single Month Accountability Level (In Net Futures Equivalents)	All Month Accountability Level (In Net Futures Equivalents)
Aluminum Futures	107	ALI	25 <u>10</u>	400 <u>100</u>	2,000 <u>500</u>	2,000 <u>500</u>

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 COMEX Rulebook (the “Table”) will be amended to reflect the decreased spot month position limits of the Contract. (See Exhibit A: Position Limit, Position Accountability, and Reportable Level Table in Chapter 5 of the COMEX Rulebook with additions underscored and bolded and deletions overstruck (attached under separate cover.)

Consistent with Core Principle 3 of the Commodity Exchange Act, Appendix C of Part 38, the Exchange based the definition of deliverable supply on existing registered and eligible inventories at its Exchange approved warehouses for Exchange delivery. Below is the guidance provided for in Appendix C.

The quantity of the commodity meeting the contract’s delivery specifications that reasonably can be expected to be readily available to short traders and salable by long traders at its market value in normal cash marketing channels at the contract’s delivery points during the specified delivery period, barring abnormal movement in interstate commerce. Typically, deliverable supply reflects the quantity of the commodity that potentially could be made available for sale on a spot basis at current prices at the contract’s delivery points. For a non-financial physical-delivery commodity contract, this estimate might represent product which is in storage at the delivery point(s) specified in the futures contract or can be moved economically into or through such points consistent

with the delivery procedures set forth in the contract and which is available for sale on a spot basis within the marketing channels that normally are tributary to the delivery point(s)¹.

COMEX Warehouse Stocks

As a physically delivered metal futures contract and in accordance with Appendix C of Part 38, the deliverable supply will be based on the inventory levels of aluminum stocks residing in Exchange approved warehouses. The warehouses that are currently approved for storage of aluminum are C. Steinweg (Baltimore), Inc. (Baltimore), Henry Bath LLC (New Orleans), Engelhart Warehousing (Owensboro and Detroit), Access World (New Orleans, Baltimore, and Owensboro), Worldwide Warehousing Solutions (New Orleans and Detroit), Kodiak Warehouse (Toledo and New Orleans area), MetalStore LLC (Detroit area), and Metal Ox (Detroit).

Inventory and Capacity of Exchange Approved Warehouses

Table 1. below provides the inventory levels of aluminum currently stored at Exchange approved warehouses and the total capacity of those warehouses in each location. The Exchange determined to only include material currently in store at Exchange approved warehouses as the basis of deliverable supply for Aluminum Futures.

Table 1. Approved Warehouses for Aluminum Futures

Warehouse Location	Aluminum Inventory at Exchange-approved Warehouses (in metric tons) as of April 30, 2018	Aluminum Inventory at Exchange-approved Warehouses (in contract units) as of April 30, 2018
Detroit	1,262	50
New Orleans		
Owensboro	4,722	189
Toledo	4,804	192
Baltimore		
Total	10,788	431

Source: CME Group

Table 2. below shows the average monthly registered, eligible and total aluminum inventory in COMEX approved warehouses for the storage of aluminum deliverable against the Aluminum Futures contract.

Table 2. Average Monthly Aluminum Inventory (in metric tons)

Month	Registered	Eligible	Total
May-15	1,750	23,845	25,595
Jun-15	2,864	24,662	27,527

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

Jul-15	9,171	30,516	39,687
Aug-15	16,503	31,385	47,888
Sep-15	17,436	29,853	47,289
Oct-15	17,397	30,717	48,114
Nov-15	18,005	32,062	50,067
Dec-15	17,674	29,624	47,298
Jan-16	19,373	24,516	43,888
Feb-16	20,852	20,246	41,098
Mar-16	20,443	15,497	35,940
Apr-16	19,869	15,363	35,232
May-16	17,425	20,642	38,067
Jun-16	15,056	19,405	34,462
Jul-16	9,340	17,675	27,015
Aug-16	4,367	16,250	20,617
Sep-16	3,525	12,981	16,506
Oct-16	2,487	10,925	13,412
Nov-16	2,075	10,954	13,029
Dec-16	2,898	14,794	17,692
Jan-17	2,958	19,843	22,801
Feb-17	2,482	19,584	22,066
Mar-17	4,568	23,715	28,283
Apr-17	5,165	29,699	34,863
May-17	6,215	31,324	37,539
Jun-17	5,756	32,200	37,956
Jul-17	5,773	29,699	35,472
Aug-17	6,330	26,514	32,844
Sep-17	3,845	28,004	31,849
Oct-17	2,935	25,606	28,542
Nov-17	1,381	36,786	38,166
Dec-17	856	40,644	41,500
Jan-18	125	50,318	50,444
Feb-18	51	60,874	60,925
Mar-18	51	58,762	58,813
Apr-18	51	23,314	23,365
3 Year Avg.	7,974	26,911	34,885

Source: CME Group

As of April 30, 2018, aluminum inventories held in Exchange approved warehouses totaled 10,788 metric tons, the equivalent of 431 Aluminum Futures contract equivalents. A significant decline in aluminum inventory in Exchange approved warehouses occurred on April 10, 2018. A revocation of several brands approved for delivery against the Exchange's Aluminum Futures contract, the public notice for which can be found [here](#) resulted in a 79% decrease in Exchange inventories. While it is Exchange practice to set the spot month position limit at a maximum level of 25% of deliverable supply over the most recent three-year period, the current level of inventory in the Exchange's approved warehouses for Aluminum is significantly

lower than the three-year average as indicated in Table 2. As a conservative measure, a proposed 100 contract spot month position limit would represent 23.20% of deliverable supply at Exchange approved warehouses.

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

- **Contracts Not Readily Subject to Manipulation**: The Contract is not readily subject to manipulation due to the deep liquidity and robustness in the underlying physical markets.
- **Position Limitations or Accountability**: The speculative position limits for the Contract as demonstrated in this submission is consistent with the Commission’s guidance.
- **Availability of General Information**: The Exchange will make publicly available the details of the spot month position limit decrease by publishing a Market Surveillance Notice (“MSN”) to the market. The MSN will also be available on CME Group’s website.

The Exchange certifies that the amendments to the Table comply with the Act and regulations thereunder. There were no opposing views to this proposal.

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

Attachment: Exhibit A – Amendments to COMEX Rulebook Chapter 5 Position Limit, Position Accountability, and Reportable Level Table (blackline format)

Exhibit A

COMEX Rulebook Chapter 5 Position Limit, Position Accountability, and Reportable Level Table

(under separate cover)

(blackline format)