

**SUBMISSION COVER SHEET**

**IMPORTANT:** Check box if Confidential Treatment is requested

**Registered Entity Identifier Code (optional):** 20-345

**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):** 07/30/20 **Filing Description:** Increase of Spot Month Position Limits of Four (4) Palladium Futures and Option Contracts

**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.



Christopher Bowen  
 Managing Director and Chief Regulatory Counsel  
 Legal Department

July 30, 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 40.6(a) Certification. Notification Regarding Increase of Spot Month Position Limits of Four (4) Palladium Futures and Option Contracts. NYMEX Submission No. 20-345**

Dear Mr. Kirkpatrick:

New York Mercantile Exchange, Inc. (“NYMEX” or “Exchange”) is certifying to the Commodity Futures Trading Commission (“CFTC” or the “Commission”) an increase of spot month position limits of four (4) Palladium futures and option contracts as noted below (the “Contracts”), effective at the close of business on Friday, August 28, 2020 commencing with the September 2020 contract month and beyond.

(additions underscored; deletions ~~struck through~~)

Contract Title	Rulebook Chapter	Commodity Code	Reporting Level	Spot-Month Limit (In Net Futures Equivalents)	Single Month Accountability Levels (In Net Futures Equivalent)	All Month Accountability Levels (In Net Futures Equivalent)
Palladium Futures	106	PA	1	<del>25</del> <u>50</u>	100	100
Palladium Option	119	PAO	1	<del>25</del> <u>50</u>	100	100
Micro Palladium Futures	118	PAM	1	<del>25</del> <u>50</u>	100	100
Platinum/ Palladium Spread Futures	190	PPS	1	<del>25</del> <u>50</u>	100	100

The Position Limit, Position Accountability and Reportable Level Table and Header Notes located in the Interpretations and Special Notices Section of Chapter 5 (“Trading Qualifications and Practices”) of the NYMEX Rulebook (the “Table”) will be amended to reflect the increased spot month position limits of the Contracts (See Exhibit A and Exhibit B: Position Limit, Position Accountability, and Reportable Level Table in Chapter 5 of the NYMEX Rulebook with additions underscored and **bolded** and deletions ~~overstruck~~ (attached under separate cover.)

This submission shall be effective on Friday, August 14, 2020.

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)<sup>1</sup>.

As of February 3, 2020, the total palladium inventory held at Exchange approved depositories totaled 29,751.296 troy ounces the equivalent of 298 Palladium Futures contracts. As of June 30, 2020, inventories rose to 46,531.895 troy ounces equaling 465 Palladium Futures contracts. Given the significant increase in inventories, the Exchange is reexamining the spot month position limits.

### **Inventory and Capacity of Exchange Approved Depositories**

The table below provides the monthly average inventory levels of palladium for the most recent three (3) year period stored at Exchange approved depositories.

#### **Palladium Inventory at Exchange Approved Depositories (in contract units)**

<b>Month</b>	<b>Average Eligible Inventory (with 10% decrease)</b>	<b>Average Registered Inventory</b>	<b>Average Total Inventory</b>
<b>Jun-17</b>	259	132	391
<b>Jul-17</b>	255	128	383
<b>Aug-17</b>	245	156	400
<b>Sep-17</b>	245	264	509
<b>Oct-17</b>	331	171	501
<b>Nov-17</b>	333	171	504
<b>Dec-17</b>	286	153	439
<b>Jan-18</b>	258	120	378
<b>Feb-18</b>	285	102	387
<b>Mar-18</b>	243	152	396
<b>Apr-18</b>	229	160	388
<b>May-18</b>	229	156	385
<b>Jun-18</b>	196	180	376
<b>Jul-18</b>	189	195	384
<b>Aug-18</b>	215	195	410
<b>Sep-18</b>	248	195	443
<b>Oct-18</b>	269	181	450
<b>Nov-18</b>	257	182	439
<b>Dec-18</b>	245	191	436
<b>Jan-19</b>	249	160	409
<b>Feb-19</b>	245	154	399

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

<b>Mar-19</b>	245	153	399
<b>Apr-19</b>	238	159	397
<b>May-19</b>	229	169	398
<b>Jun-19</b>	279	348	628
<b>Jul-19</b>	298	341	639
<b>Aug-19</b>	287	323	610
<b>Sep-19</b>	259	285	544
<b>Oct-19</b>	252	242	493
<b>Nov-19</b>	252	243	495
<b>Dec-19</b>	253	243	495
<b>Jan-20</b>	187	218	405
<b>Feb-20</b>	126	197	323
<b>Mar-20</b>	138	198	335
<b>Apr-20</b>	107	196	303
<b>May-20</b>	132	179	312
<b>Jun-20</b>	180	284	464
<b>3 Year Average</b>	237	197	434

Source: CME Group

The Exchange proposes to increase the spot month limit for the Contracts from 25 contracts to 50 contracts which represents 11.52% of deliverable supply for the most recent 3-year period.

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

**Contracts Not Readily Subject to Manipulation:** The Contracts are 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 Contracts as demonstrated in this submission are consistent with the Commission’s guidance.

**Availability of General Information:** The Exchange will make publicly available the details of the spot month position limit increases 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 increased position limits of the Contracts comply with the Act and regulations thereunder. There were no substantive opposing views to the Rule Amendments.

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](mailto:CMEGSubmissionInquiry@cmegroup.com).

Sincerely,

/s/ Christopher Bowen  
Managing Director and Chief Regulatory Counsel

Attachments: Exhibit A – Amendments to NYMEX Rulebook Chapter 5 Position Limit, Position Accountability, and Reportable Level Table (effective August 14, 2020)

Exhibit B – Amendments to NYMEX Rulebook Chapter 5 Position Limit, Position Accountability, and Reportable Level Table (effective close of business August 28, 2020)

**Exhibit A**

**NYMEX Rulebook**

**Chapter 5**

**(“Trading Qualifications and Practices”)**

**Position Limit, Position Accountability, and Reportable Level Table**

(under separate cover)  
(effective August 14, 2020)

**Exhibit B**

**NYMEX Rulebook**

**Chapter 5**

**(“Trading Qualifications and Practices”)**

**Position Limit, Position Accountability, and Reportable Level Table**

(under separate cover)  
(effective close of business August 28, 2020)