

**SUBMISSION COVER SHEET**

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

Registered Entity Identifier Code (optional): 15-377

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): 08/27/15 Filing Description: Amendments to NYMEX Chapter 5 Position Limits, Position Accountability and Reportable Level Table to Decrease the Spot Month Limit of 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: Palladium

Rule Numbers: NYMEX Chapter 5 - Position Limits, Position Accountability and Reportable Level Table

August 27, 2015

**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 Amendments to NYMEX Chapter 5 Position Limits, Position Accountability and Reportable Level Table to Decrease the Spot Month Limit of Palladium Futures and Option Contracts. NYMEX Submission No. 15-377**

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 amendments to NYMEX Rulebook Chapter 5 - Position Limits, Position Accountability and Reportable Level Table to decrease the spot month limit of the Palladium Futures (commodity code PA, product chapter 106) and Palladium Option (commodity code PAO, product chapter 119) contracts from 400 futures equivalent contracts to 100 futures equivalent contracts. This self-certification shall be effective on Monday, September 14, 2015. The amended spot month limits shall go into effect at the close of trading on September 29, 2015 commencing with the October 2015 contract month and beyond.

The Exchange has undertaken an analysis of deliverable supply of its Palladium futures contract in connection with efforts to ensure that the deliverable supply estimate reflects current market realities.

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

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>.

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

As of August 25, 2015, palladium inventories held at Depositories totaled 83,432 troy ounces, the equivalent of 834 Palladium futures. Exchange practice is to set spot month position limits at a maximum level of 25% of deliverable supply over a three year period. The Exchange may at times determine it beneficial to set position limits lower than 25% depending on market conditions. Given current stock levels at Depositories, the Exchange determined to decrease the spot month limits for the Palladium futures and associated option contracts from 400 futures equivalent contracts to 100 futures equivalent contracts beginning with the October 2015 contract month.

**Table 1: Palladium Inventories held at NYMEX Depositories**

<b>3 Year Average/Current</b>	<b>Total (Troy Ounces)</b>	<b>Contracts Equivalent</b>	<b>25% of Deliverable Supply (Contracts Equivalent)</b>
3 Year Average	403,364	4,034	1,008
Total As of 8/25/2015	83,432	834	209

NYMEX Palladium stocks reached a high of 608,300 troy ounces on February 17, 2012. Stocks held in Depositories have since dropped by 87% to a low of 81,427 troy ounces on August 24, 2015. Over the past eighteen months, stocks have been trending down.

The Exchange reviewed the designated contract market core principles (“Core Principles”) as set forth in the Act and identified that the amendments to NYMEX Rulebook Chapter 5 - Position Limits, Position Accountability and Reportable Level Table may have some bearing on the following Core Principles:

- **Contracts not Readily Subject to Manipulation:** Due to the liquidity and robustness in the underlying physical market, the contracts are not readily subject to manipulation.
- **Position Limitations or Accountability:** The spot-month speculative position limits for the contracts are set at less than the threshold of 25% of the deliverable supply in the underlying market.
- **Availability of General Information:** The information contained herein will be disseminated to the marketplace via CME Group Market Surveillance Notice. The Exchange will publish information on the contracts’ specifications on its website, together with daily trading volume, open interest, and price information.

The Exchange certifies that the amendments to Chapter 5 - Position Limits, Position Accountability and Reportable Level Table comply with the Act and regulations thereunder. There were no substantive opposing views to the amendments to Chapter 5 - Position Limits, Position Accountability and Reportable Level Table.

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>.

If you require any additional information, please e-mail [CMEGSubmissionInquiry@cmegroup.com](mailto:CMEGSubmissionInquiry@cmegroup.com) or contact the undersigned at 212-299-2200.

Sincerely,

/s/Christopher Bowen  
 Managing Director and Chief Regulatory Counsel

Attachment: Appendix A – Amendments to NYMEX Chapter 5 - Position Limits, Position Accountability and Reportable Level Table (under separate cover)

## **Appendix A**

### **Amendments to NYMEX Chapter 5 Position Limits, Position Accountability and Reportable Level Table**

(Attached under separate cover)