

**SUBMISSION COVER SHEET**

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

**Registered Entity Identifier Code (optional):** 18-083 (2 of 2)

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

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

**Please note - only ONE choice allowed.**

**Filing Date (mm/dd/yy):** 10/02/18    **Filing Description:** Amendments to the Palladium Futures Contract and Related Amendments to NYMEX/COMEX Chapter 7 ("Delivery Facilities and Procedures")

**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:** See filing.

**Rule Numbers:** See filing.

October 2, 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) Certification. Notification Regarding Amendments to the Palladium Futures Contract and Related Amendments to NYMEX/COMEX Chapter 7 (“Delivery Facilities and Procedures”).  
COMEX Submission No. 18-083 (2 of 2)**

Dear Mr. Kirkpatrick:

New York Mercantile Exchange, Inc. (“NYMEX”) and Commodity Exchange, Inc. (“COMEX”) (collectively the “Exchanges”) are notifying the Commodity Futures Trading Commission (“CFTC” or “Commission”) that they are self-certifying amendments to the NYMEX Palladium Futures Contract (Commodity Code PA, Rulebook Chapter 106) (the “Contract”) and related amendments to NYMEX/COMEX Chapter 7 (“Delivery Facilities and Procedures”), as described below (collectively, the “Rule Amendments”), effective on October 18, 2018 and commencing with the July 2019 contract month and beyond. There is currently no open interest in any affected contract month.

NYMEX is expanding the range of weights of bars and packages of palladium that may be registered with NYMEX. Currently, palladium may be registered with NYMEX with weights between 90 and 110 troy ounces, inclusive. NYMEX is extending the upper limit of this range to be 192.904 troy ounces, equivalent to six (6) kilograms. This revised upper limit is consistent with the upper weight limit for good delivery material supported by the London Platinum and Palladium Market (“LPPM”)<sup>1</sup>. This expanded weight range will enable a greater amount of metal to be registered, and to be eligible to be registered, with NYMEX. Palladium in the extended weight range of 110.001 troy ounces to 192.904 troy ounces will be referred to as a larger palladium unit.

No other change to the specification of palladium eligible for delivery is being made. The revised weight range will apply for contract months from and including the July 2019 contract month. As of this filing, the September 2019 and December 2019 contract months have no open interest and are listed for trading on the CME Globex electronic trading platform and for submission for clearing via CME ClearPort. It should be noted that the July 2019 contract month is scheduled to be listed for trading and clearing on April 29, 2019.

The trading unit for the Contract is 100 troy ounces. In order to ensure that the delivery of the larger palladium ingots or packages (i.e. with weights in excess of the current upper limit of eligibility of 110 troy ounces), does not affect the efficiency of the trading or pricing of the Contract, NYMEX will adopt a delivery

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<sup>1</sup> See <http://www.lppm.com/good-delivery/>

mechanism for these larger palladium units that ensures that amount of palladium delivered remains within the existing 10% weight tolerance band.

Specifically, holders of the larger palladium units which are registered with NYMEX will be able to endorse their warrant to the Clearing House in exchange for Accumulated Certificates of Exchange (“ACEs”) in palladium. Each ACE represents an equal share of the ownership of the larger palladium unit, with ACEs being issued in such number to ensure that each ACE represents a holding of no less than 9.0 troy ounces and no more than 11.0 troy ounces. Ten (10) ACEs, representing ownership of palladium no less than 90 troy ounces and not more than 110 troy ounces will be required for delivery against the Contract.

The delivery mechanism for palladium with weights between 90 and 110 troy ounces inclusive, which will be referred to as the standard palladium unit, will be unchanged from the current structure.

Revisions to NYMEX Rulebook Chapter 106 are attached in blackline format in Exhibit A below. In addition, related amendments will be implemented to NYMEX/COMEX Rulebook Chapter 7, (“Delivery Facilities and Procedures”) with specific reference to storage and withdrawal rates for NYMEX approved depositories to coincide with July 2019, the effective month of this initiative. Amendments to NYMEX/COMEX Chapter 7 are provided in Exhibit B below.

Once the revised delivery rules come into effect, holders of short positions in Palladium Futures will be able to deliver either a warrant for a standard palladium unit, or 10 palladium ACEs as described above. As is currently the case, positions that remain open on the last trading day a contract month may be liquidated by means of a bona fide Exchange for Related Position transaction until 12:00 p.m. on the business day following the last trade date.

Where the holder of a long position in Palladium Futures is assigned delivery of ACEs, such ACEs represent ownership of between 90 and 110 troy ounces of palladium. The holder of ACEs is able to maintain their holding in the Exchange’s systems indefinitely. Holders of ACEs will be required to pay the storage charges for their position. A holding of ten (10) palladium ACEs will be eligible for delivery in respect of the Contract.

NYMEX will enable the creation of ACEs in respect of standard palladium units, with each standard palladium unit being equivalent to ten (10) ACEs. Palladium ACEs may be redeemed in exchange for a warrant on either a larger palladium unit or standard palladium unit, provided that the number of ACEs being redeemed equates to the number of ACEs issued in respect of the warrant. NYMEX will publish information on the number and weight of warrants held by the Clearing House to ensure market participants are able to effectively manage their holdings.

NYMEX expects that larger palladium bars will be added to the eligible and registered inventory in NYMEX’s approved depositories as a result of the addition of the ACE delivery mechanism for the Contract.

Furthermore, NYMEX is developing a smaller sized palladium futures contract, where the deliverable instrument would be one (1) ACE. Such a contract will facilitate risk management and position transfer of palladium ACEs, as well as being of potential interest to investors who require a more tailored size exposure to the palladium market. NYMEX intends to coordinate the launch of the smaller sized palladium futures contract with the aforementioned amendments to the Contract.

The creation, transfer and redemption of ACEs are processes which have been applied to gold and silver markets operated by COMEX. Specifically, COMEX gold warrants may be exchanged for ACEs to facilitate a delivery in the COMEX E-micro Gold Futures contract, and COMEX silver warrants may be exchanged for ACEs to facilitate a delivery in the COMEX 1,000oz Silver futures contracts. Customers and clearing firms active in the metals markets are therefore familiar with the concept and operational aspects of ACEs. The manner in which ACEs are used for these contracts somewhat differs from that which will be used for the Contract. Specifically, ACEs accumulated for the COMEX E-micro Gold Futures and 1,000 oz. Silver Futures contracts can only be redeemed for standard size gold or silver bars, respectively. ACEs used in the Contract can be redeemed for either a standard or larger size palladium bar.

Currently, as with all physically delivered NYMEX or COMEX metals products, daily inventory reports are generated and published on the Exchange website. These reports provide the quantity of metal in the respective Exchange approved facilities. In addition, a daily inventory report will be generated detailing the quantity of palladium warrants (representing either standard palladium units or larger palladium units) by weight range which are being held by the Clearing House. Holders of ACEs may redeem their positions against the warrants held by the Clearing House which appear on this report. This report will provide transparency to the marketplace.

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

- **Compliance with Rules**: The Exchanges shall continue to ensure that registered palladium meets the specification set out in the contract terms and conditions by requiring approved depositories to accurately assess and register metal, and through active monitoring of registered metal and service providers by Exchange staff.
- **Contracts Not Readily Subject to Manipulation**: The Contract is not readily susceptible to manipulation due to its physically delivered nature and the terms and conditions of the delivery process. The increase in the range of metal capable of being registered with NYMEX will enhance the accessible deliverable supply of the contract.
- **Prevention of Market Disruption**: NYMEX is implementing the change for deferred contract months with no open interest only, and providing extensive notice of the change to market participants. Increasing the range of metal capable of being registered with the Exchange has the effect of reducing the propensity for market disruption.
- **Availability of General Information**: The Exchanges will publish information on the amendment to the contract’s terms and conditions on its website, and will issue a Special Executive Report (“SER”) regarding contract amendment.

Pursuant to Section 5c(c) of the Act and CFTC Regulations 40.6(a), the Exchanges certify that the Rule Amendments comply with the Act, including regulations under the Act. There were no substantive opposing views to these proposals.

The Exchanges certify 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](mailto:CMEGSubmissionInquiry@cmegroup.com).

Sincerely,

/s/ Christopher Bowen  
Managing Director and Chief Regulatory Counsel

Attachments: Exhibit A: Amendments to NYMEX Rulebook Chapter 106  
Exhibit B: Amendments to NYMEX/COMEX Chapter 7  
Exhibit C: Deliverable Supply Analysis

## **Exhibit A**

### **NYMEX Rulebook**

(additions underlined; deletions ~~overstruck~~)

(Effective October 18, 2018)

## **Chapter 106 Palladium Futures**

### **106101. CONTRACT SPECIFICATIONS (FOR CONTRACT MONTHS UP TO AND INCLUDING JULY 2019)**

The contract for delivery on futures contracts shall be 100 troy ounces of palladium, weighed to the nearest thousandth of a troy ounce, or the equivalent weight in grams, of homogeneous cast plate and/or ingot, with a weight tolerance of 10% either higher or lower. Each contract may consist of more than one piece of plate and/or ingot, with no individual piece weighing less than 10 troy ounces, or the equivalent weight in grams. Palladium delivered under this contract shall be a minimum of 99.95% pure and must be a brand approved by the Exchange.

#### **106101.B. Packing Methods**

Palladium may be delivered in packaged or unpackaged form.

1. If palladium is delivered in packaged form, the palladium must be in a package sealed by an Assayer or Producer such that the package may not be opened without destruction of the seal. Each package must contain exactly one contract unit of palladium and must bear:
  - a. the lot or identification number(s) of each ingot and/or plate contained therein;
  - b. the actual weight of the palladium therein;
  - c. the grade of the pieces therein;
  - d. the name or logo of the Assayer or mark of the Brand; and
  - e. the chemical symbol for palladium "Pd" and/or the word "Palladium".
2. If palladium is delivered in unpackaged form, each piece of palladium comprising the contract unit shall be incised with:
  - a. the lot or identification number of such ingot and/or plate contained therein;
  - b. its actual weight (provided that if the piece was previously sampled, the weight on the Assay Certificate shall govern);
  - c. the grade of such piece;
  - d. the name or logo of the Assayer or mark of the Brand; and
  - e. the chemical symbol for palladium "Pd" and/or the word "Palladium".

#### **106101.C. Warrant**

Each Warrant shall contain the information set forth in the Assay Certificate, incised on the bar, or clearly identified on the package; provided, however, that weight shall be expressed in troy ounces. If the weight incised on the bar or set forth on the Assay Certificate is in grams, it shall be converted to troy ounces by dividing the weight in grams

by 31.1035 and rounding to the nearest thousandth of a troy ounce. The Warrant shall represent that the contract unit:

1. is a Brand, meeting the grade and quality specifications herein, received directly from its Producer by means of one or more Carriers and/or, with respect to palladium from the Producer, by means of such Producer's own transport, or
2. is a Brand, meeting the grade and quality specifications herein, received directly from one or more storage vaults located in Zurich, Switzerland owned or controlled by either Credit Suisse Group or UBS AG, by means of one or more Carriers. Such storage vaults are delivery locations for the London Platinum and Palladium Market. Upon request of the Depository, the seller's clearing member shall provide to the Depository a pro forma invoice and a bar list issued by either Credit Suisse Group or UBS AG (or the wholly-owned subsidiary that owns such vault), and, if so requested, the Depository is not required to issue a Warrant for any such contract unit until such documentation has been provided, or
3. was received directly from an Assayer or Producer by means of one or more Carriers and/or, with respect to palladium from the Producer, by means of such Producer's own transport, and was accompanied by an Assay Certificate(s) for each piece in the contract unit, or
4. was received directly from an Assayer or Producer by means of one or more Carriers and/or, with respect to palladium from the Producer, by means of such Producer's own transport, and was not accompanied by an Assay Certificate(s) for each piece in the contract unit but has been determined to be Eligible after having been inspected by an Assayer or Producer, or
5. was received directly from another Depository by means of one or more Carriers, provided, however, that the palladium was previously Eligible, or
6. was deposited at a Depository, and thereafter inspected by an Assayer or Producer and determined to be Eligible.

**106101A. CONTRACT SPECIFICATIONS (FOR CONTRACT MONTHS FROM JULY 2019 AND ONWARDS)**

Palladium held for delivery against a futures contract shall be either (i) a standard palladium unit which is defined as 100 troy ounces of palladium, weighed to the nearest thousandth of a troy ounce, or the equivalent weight in grams, of homogeneous cast plate and/or ingot, with a weight tolerance of 10% either higher or lower, or (ii) a larger palladium unit which is defined as palladium with weight greater than 110 troy ounces and less than or equal to 192.904 troy ounces (6 kilograms) weighed to the nearest thousandth of a troy ounce, or the equivalent weight in grams, of homogeneous cast plate and/or ingot.

The contract for delivery on futures contracts shall be either:

- (A) a standard palladium unit. Each standard palladium unit may consist of more than one piece of plate and/or ingot, with no individual piece weighing less than 10 troy ounces, or the equivalent weight in grams; or
- (B) ten (10) Accumulated Certificates of Exchange ("ACE") in palladium issued by the Clearing House.

Each ACE represents a share in the ownership of either a standard palladium unit or a larger palladium unit held in the form of a Warrant. Each larger palladium unit may consist of more than one piece of plate and/or ingot, with no individual piece weighing less than 10 troy ounces.

Upon delivery, the buyer's clearing member receives and the seller's clearing member delivers ten (10) ACEs, issued by the Clearing House.

A clearing member may request the issuance of ACEs by electronically endorsing to the Clearing House a Warrant representing one (1) standard palladium unit or one (1) larger palladium unit.

In respect of standard palladium units, the Clearing House will issue ten (10) ACEs, with each such ACE representing an equal share in the ownership of the standard palladium unit (subject to any necessary rounding requirements). In respect of larger palladium units, the Clearing House will issue an ACE for each division of 10 troy ounces, or residual part thereof, within the larger palladium unit, with each such ACE representing an equal share in the ownership of the larger palladium unit based on the number of ACEs being issued in respect of the larger palladium unit (subject to any necessary rounding requirements).

ACEs may only be redeemed for a Warrant upon the accumulation of sufficient number such ACEs. Upon presentation and endorsement to the Clearing House of ACEs, the owner will receive either one (1) Warrant for a standard palladium unit, or one (1) Warrant for a larger palladium unit. Tolerance adjustments for ounces received vs. ounces represented by the ACEs will be made through the Clearing House.

Storage charges are invoiced to the clearing member who owns the ACEs.

Palladium delivered under this contract shall be a minimum of 99.95% pure and must be a brand approved by the Exchange.

#### **106101A.B. Packing Methods**

Palladium may be delivered in packaged or unpackaged form.

1. If palladium is delivered in packaged form, the palladium must be in a package sealed by an Assayer or Producer such that the package may not be opened without destruction of the seal. Each package must contain either (i) exactly one standard palladium unit, or (ii) one larger palladium unit, and must bear:
  - a. the lot or identification number(s) of each ingot and/or plate contained therein;
  - b. the actual weight of the palladium therein;
  - c. the grade of the pieces therein;
  - d. the name or logo of the Assayer or mark of the Brand; and
  - e. the chemical symbol for palladium "Pd" and/or the word "Palladium".
2. If palladium is delivered in unpackaged form, each piece of palladium comprising the standard palladium unit or larger palladium unit shall be incised with:
  - a. the lot or identification number of such ingot and/or plate contained therein;
  - b. its actual weight (provided that if the piece was previously sampled, the weight on the Assay Certificate shall govern);
  - c. the grade of such piece;
  - d. the name or logo of the Assayer or mark of the Brand; and
  - e. the chemical symbol for palladium "Pd" and/or the word "Palladium".

#### **106101A.C. Warrant**

Each Warrant shall contain the information set forth in the Assay Certificate, incised on the bar, or clearly identified on the package; provided, however, that weight shall be expressed in troy ounces. If the weight incised on the bar or set forth on the Assay Certificate is in grams, it shall be converted to troy ounces by dividing the weight in grams

by 31.1035 and rounding to the nearest thousandth of a troy ounce. The Warrant shall represent that the standard palladium unit or larger palladium unit:

1. is a Brand, meeting the grade and quality specifications herein, received directly from its Producer by means of one or more Carriers and/or, with respect to palladium from the Producer, by means of such Producer's own transport, or
2. is a Brand, meeting the grade and quality specifications herein, received directly from one or more storage vaults located in Zurich, Switzerland owned or controlled by either Credit Suisse Group or UBS AG, by means of one or more Carriers. Such storage vaults are delivery locations for the London Platinum and Palladium Market. Upon request of the Depository, the seller's clearing member shall provide to the Depository a pro forma invoice and a bar list issued by either Credit Suisse Group or UBS AG (or the wholly-owned subsidiary that owns such vault), and, if so requested, the Depository is not required to issue a Warrant for any such standard palladium unit or larger palladium unit until such documentation has been provided, or
3. was received directly from an Assayer or Producer by means of one or more Carriers and/or, with respect to palladium from the Producer, by means of such Producer's own transport, and was accompanied by an Assay Certificate(s) for each piece in the standard palladium unit or larger palladium unit, or
4. was received directly from an Assayer or Producer by means of one or more Carriers and/or, with respect to palladium from the Producer, by means of such Producer's own transport, and was not accompanied by an Assay Certificate(s) for each piece in the standard palladium unit or larger palladium unit but has been determined to be Eligible after having been inspected by an Assayer or Producer, or
5. was received directly from another Depository by means of one or more Carriers, provided, however, that the palladium was previously Eligible, or
6. was deposited at a Depository, and thereafter inspected by an Assayer or Producer and determined to be Eligible.

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**106103.**

#### **INSPECTION AND ASSAY CERTIFICATE**

Except for palladium delivered pursuant to Rules 106101.C (1), (2), (3) or (5), or 106101A.C. (1), (2), (3) or (5), the Depository shall, upon receipt of the commodity, cause an inspection to be made by an Assayer or a Producer. The Assayer or Producer shall issue Assay Certificate(s) covering each piece in the contract in the form approved by the Exchange.

Each Assay Certificate shall report the lot or bar number, weight, grade, the name of the Assayer or Producer, the symbol identifying the metal or the name of the metal and the date of inspection. On all Assay Certificates, weight shall be expressed in troy ounces.

Every lot inspected must bear on the package the lot number, seal number, date of inspection, weight, grade, and the name of the Assayer or Producer who made the inspection. (Effective as to palladium assayed prior to October 1, 1979)

Every lot inspected, if packaged, must bear on such package the lot or bar number, weight, grade, the name or logo of the Assayer or Producer and the symbol identifying the metal or the name of the metal. Every lot inspected, if unpackaged, must be incised with the lot or bar number, weight; grade, the name or logo of the Assayer or Producer, and the symbol identifying the metal. (Effective as to palladium assayed on and after October 1, 1979)

If a ~~contract unit of palladium~~ standard palladium unit or a larger palladium unit is surrendered to the bearer of a Warrant, or if the ~~contract unit~~ standard palladium unit or



~~contract unit~~ larger palladium unit is in a package and the seal is broken, Assay Certificate(s) for such ~~contract unit~~ standard palladium unit or larger palladium unit is no longer valid and such ~~contract unit~~ standard palladium unit or larger palladium unit is no longer Eligible.

The seller shall bear the costs of inspection, delivery to the Depository, charges of the Depository, and all other expenses, if any, to determine that the palladium is Eligible.

## **Exhibit B**

### **NYMEX/COMEX Rulebook**

(additions underlined; deletions overstruck)

(Effective October 18, 2018)

## **Chapter 7 DELIVERY FACILITIES AND PROCEDURES GENERAL**

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### **704. STORAGE OF METALS**

#### **704.A. Storage and Handling Charges**

In the event that a depository or warehouse wishes to change its maximum fees, the depository or warehouse shall make application for the desired change on a form prescribed by the Exchange. The Exchange, in its sole discretion, may determine to not approve the requested changes.

Increases to maximum fees for a depository or warehouse shall be effective ninety (90) days after the Exchange posts a notice that a bona fide application has been approved.

The maximum storage and delivery out charges by a depository shall not exceed the following:

	Maximum Storage	Maximum Delivery Out
Gold (GC) (per contract)	\$15.00	\$35.00
Gold Kilo (GCK) (per contract)	\$6.50	\$12.50
Silver (SI) (per bar)	\$8.50	\$35.00
Platinum (PL) (per contract)	\$20.00	\$30.00
Palladium (PA) (per contract)	\$20.00	\$30.00

For larger palladium units (as defined in NYMEX Chapter 106), the maximum storage and delivery out charges shall be pro-rated from the above table based on the weight of the larger palladium unit.

#### **704.B. Storage Limitations**

In the event a facility becomes unable to accept for delivery any metal, whether due to capacity limitations or any other reason, the facility shall immediately notify the Exchange, in writing, of such circumstance, describing in detail the relevant metal(s) affected and the status of such metal(s) stored therein.

The facility shall not make a change that affects its ability or capacity to accept, process, ship or store metal without ninety (90) days prior written notice to the Exchange.

### **705. METAL WARRANTS**

#### **705.A. Procedures for the Issuance of Warrants**

A warrant shall mean a document of title under Article 7 of the Uniform Commercial Code (“UCC”) issued by a facility demonstrating that the referenced quantity of the covered metal, stored in the facility referenced thereon, meets the specifications of the applicable metal futures contract.

All warrants issued by a facility must be issued in the name of the clearing member (warrant holder) and must be in a format approved by the Exchange. A clearing member shall retain documentation that allows the clearing member to take possession of metal and transfer possession to the owner of the metal. Warrants shall be lettered or numbered consecutively by each facility and no two warrants for the same metal shall bear an identical combination of letters and/or numbers. If letters are used, they must not exceed three (3) characters and if used in combination with numbers, they must precede the numbers. The numbers must not exceed 7 digits.

1. Within three (3) business days from receipt of any metal at a facility, the facility must (a) determine such metal's eligibility, (b) advise the owner if the metal is determined to be not eligible, and (c) if requested by the owner and provided the metal meets the contract specifications, issue a warrant. In addition, upon receipt of the 100 troy ounce gold bar by the depository for delivery against the Gold futures contract, the depository shall weigh each 100 troy ounce gold bar in the lot measured to 1/100 of a troy ounce (two decimal points). In accomplishing such measurement, each bar shall be weighed to the nearest 1/1000 of a troy ounce (three decimal points); weights of 4/1000 of a troy ounce or less shall be rounded down to the nearest 1/100 of a troy ounce and weights of 5/1000 of a troy ounce or more shall be rounded up to the nearest 1/100 of a troy ounce. If, due to capacity limitations or for any other reason, a facility is unable to meet such requirements, the facility shall notify the Exchange immediately and shall describe the reason(s) for such delay.
2. In issuing a warrant, facility shall be responsible for (a) verifying that the metal meets all of the specifications for the product in accordance with the product's terms and conditions as stated in the Exchange Rules, (b) verifying that the metal is of an approved brand, and (c) entering all applicable information into the electronic delivery system. Additionally, in issuing a warrant for delivery against the Gold Kilo futures contract, the depository must confirm that the fineness, serial number and weight inscribed on the 1 kilogram gold bar match the fineness, serial number and weight of the gold indicated on the bar list provided by the approved producer.
3. A warrant shall be an electronic document, that is a transferable record under Article 3 of the UCC, and a document of title under Article 7 of the UCC, in a form approved by the Exchange and issued in compliance with this Rule, and shall be supported by such paper or other tangible documents as specified in this Rule. The facility shall enter in the electronic delivery system a reference to each paper or other tangible document(s) that is related to the warrant as specified in this Rule.
4. Except as permitted in the contract specification, warrants ~~Warrants~~ shall not be issued for more than or less than one contract unit. Each contract unit shall be delivered from a single facility. A warrant issued for aluminum shall be from a single brand and shall be made up exclusively of the deliverable grades in one of the three shapes as prescribed in the Aluminum futures contract Rules. A warrant issued for copper, lead or zinc shall be from a single brand. A warrant may be issued for gold, silver, platinum or palladium that co-mingles brands, provided such co-mingled brands are stored within the same facility.
5. A warrant shall be of unlimited duration and remain valid until cancelled by the facility that issued it.
6. The facility shall be solely responsible for insuring that no duplicate warrants are issued, printed or released by it.
7. In the event that any paper or other tangible document that supports a warrant has been damaged, lost, stolen or destroyed, facility shall issue a replacement document upon completion of its procedures for the replacement thereof.

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## Exhibit C

### Deliverable Supply Analysis

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 depositories 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 July 31, 2018, the palladium inventory held at Exchange approved depositories totaled 40,458.743 troy ounces, the equivalent of 404 NYMEX Palladium Futures contracts (contract size – 100 troy ounces). Exchange practice is to set spot month position limits at a maximum level of 25% of deliverable supply over the most recent three-year period. Deliverable supply is calculated as the sum of total reported registered palladium with total reported eligible palladium, after taking a 10% discount for eligible palladium. Table 1 below shows the monthly average palladium stocks in Exchange approved depositories for the most recent three-year period in contract equivalents.

**Table 1. Palladium Inventories Held at Exchange Approved Depositories**  
(contract equivalents)

<b>Month</b>	<b>Average Eligible Inventory (with 10% haircut)</b>	<b>Average Registered Inventory</b>	<b>Average Total Inventory</b>
<b>Aug-15</b>	506	425	931
<b>Sep-15</b>	505	467	973
<b>Oct-15</b>	479	381	860
<b>Nov-15</b>	449	377	827
<b>Dec-15</b>	322	501	823
<b>Jan-16</b>	335	388	723
<b>Feb-16</b>	311	337	648

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

<b>Mar-16</b>	300	341	642
<b>Apr-16</b>	379	327	706
<b>May-16</b>	328	318	646
<b>Jun-16</b>	403	262	666
<b>Jul-16</b>	431	260	691
<b>Aug-16</b>	445	260	704
<b>Sep-16</b>	446	256	702
<b>Oct-16</b>	466	256	722
<b>Nov-16</b>	369	256	624
<b>Dec-16</b>	356	252	608
<b>Jan-17</b>	387	220	607
<b>Feb-17</b>	355	220	575
<b>Mar-17</b>	329	220	549
<b>Apr-17</b>	357	125	483
<b>May-17</b>	291	122	413
<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	438
<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>3 Year Average</b>	337	245	582

Source: CME Group Inc.

Over the period beginning August 2015 through July 2018, the monthly average registered palladium was 245 futures equivalent contracts. The monthly average eligible palladium was 337 futures equivalent contracts accounting for a 10% discount. Based on the foregoing, the Exchange estimates monthly deliverable supply at approximately 582 futures equivalent contracts. The current spot month position limit of 50 contracts represents 8.60% of the estimated monthly deliverable supply.