

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 19-398

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

Filing as a: DCM SEF DCO SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 11/06/19 Filing Description: Decrease of the Spot Month Position Limit, Single Month Accountability Level and All Month Accountability Level of the Zinc 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 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 checked="" type="checkbox"/> | Notification | § 40.6(d) |

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

Rule Numbers: See filing.

November 6, 2019

VIA ELECTRONIC PORTAL

Mr. Christopher J. Kirkpatrick
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, D.C. 20581

**Re: CFTC Regulation 40.6(a) Rule Certification. Notification Regarding Decrease of the Spot Month Position Limit, Single Month Accountability Level and All Month Accountability Level of the Zinc Futures Contract.
COMEX Submission No. 19-398**

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 limit, single month accountability level and all month accountability level of the Zinc Futures contract (the “Contract”) effective with the close of business on November 27, 2019 for trade date November 29, 2019 and commencing with the December 2019 contract month and beyond as noted in Table 1. below. This submission shall be effective on Friday, November 22, 2019.

Table 1.

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

| Contract Title | Rulebook 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) |
|----------------|------------------|----------------|-----------------|---|--|---|
| Zinc Futures | 186 | ZNC | 5-1 | 75 <u>25</u> | 250 <u>100</u> | 250 <u>100</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 Contracts. (See Exhibit A and Exhibit B: 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.

As of September 30, 2019, the 3-year average monthly zinc inventory held at COMEX approved warehouses totaled 7,114 metric tons, the equivalent of 285 COMEX Zinc Futures contracts. Zinc stocks have generally trended lower over the past three years. On October 3, 2016, zinc stocks stood at 16,904 metric tons, or 676 contract equivalents. As of October 21, 2019, zinc inventories held at COMEX approved warehouses totaled 875 metric tons, the equivalent of 35 COMEX Zinc Futures contracts.

Inventory and Capacity of Exchange Approved Warehouses

Table 2. below provides the monthly average inventory levels of zinc for the most recent three (3) year period stored at Exchange approved warehouses.

Table 2. Inventory at Exchange Approved Warehouses

| Month | Average of Registered in MT | Average of Eligible in MT | Average of Total in MT | Average of Inventory in Contract Equivalents |
|--------|-----------------------------|---------------------------|------------------------|--|
| Oct-16 | 34 | 15,567 | 15,601 | 624 |
| Nov-16 | 100 | 13,922 | 14,022 | 561 |
| Dec-16 | 0 | 12,726 | 12,726 | 509 |
| Jan-17 | 18 | 12,051 | 12,068 | 483 |
| Feb-17 | 59 | 10,883 | 10,942 | 438 |
| Mar-17 | 11 | 11,392 | 11,403 | 456 |
| Apr-17 | 0 | 10,596 | 10,596 | 424 |
| May-17 | 0 | 22,678 | 22,678 | 907 |
| Jun-17 | 34 | 20,492 | 20,526 | 821 |
| Jul-17 | 117 | 17,882 | 17,999 | 720 |
| Aug-17 | 11 | 16,466 | 16,476 | 659 |
| Sep-17 | 0 | 15,615 | 15,615 | 625 |
| Oct-17 | 17 | 7,548 | 7,565 | 303 |
| Nov-17 | 48 | 4,662 | 4,710 | 188 |
| Dec-17 | 75 | 4,297 | 4,372 | 175 |
| Jan-18 | 410 | 3,448 | 3,857 | 154 |
| Feb-18 | 1,024 | 2,180 | 3,204 | 128 |
| Mar-18 | 993 | 2,147 | 3,140 | 126 |
| Apr-18 | 850 | 2,187 | 3,037 | 121 |
| May-18 | 850 | 2,125 | 2,975 | 119 |
| Jun-18 | 811 | 2,149 | 2,960 | 118 |
| Jul-18 | 761 | 2,139 | 2,900 | 116 |
| Aug-18 | 837 | 2,231 | 3,068 | 123 |
| Sep-18 | 974 | 2,224 | 3,198 | 128 |
| Oct-18 | 895 | 2,150 | 3,045 | 122 |

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

| | | | | |
|----------------|-----|-------|-------|-----|
| Nov-18 | 748 | 2,205 | 2,952 | 118 |
| Dec-18 | 622 | 2,160 | 2,782 | 111 |
| Jan-19 | 616 | 2,131 | 2,747 | 110 |
| Feb-19 | 497 | 2,192 | 2,689 | 108 |
| Mar-19 | 497 | 2,137 | 2,634 | 105 |
| Apr-19 | 247 | 2,204 | 2,451 | 98 |
| May-19 | 247 | 2,132 | 2,379 | 95 |
| Jun-19 | 228 | 2,125 | 2,353 | 94 |
| Jul-19 | 334 | 1,939 | 2,272 | 91 |
| Aug-19 | 453 | 1,664 | 2,110 | 84 |
| Sep-19 | 375 | 1,665 | 2,039 | 82 |
| 3-year average | 383 | 6,731 | 7,114 | 285 |

Source: CME Group

Based on this updated deliverable supply, staff proposes to decrease the spot month limit for the Contract from 75 contracts to 25 contracts which represents 8.77% of deliverable supply for the most recent 3-year period. This is proposed to be effective with the December 2019 contract month. In addition, the Reportable and Accountability levels will also be reduced as indicated in Table 1.

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 limit 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 the amendments to Chapter 5.

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

Attachments: Exhibit A – Amendments to COMEX Rulebook Chapter 5 Position Limit, Position Accountability, and Reportable Level Table (Effective on Friday, November 22, 2019)
Exhibit B – Amendments to COMEX Rulebook Chapter 5 Position Limit, Position Accountability, and Reportable Level Table (Effective close of business November 27, 2019)

Exhibit A

**COMEX Rulebook
Chapter 5
("Trading Qualifications and Practices")
Position Limit, Position Accountability, and Reportable Level Table**

(under separate cover)
(Effective on November 22, 2019)

Exhibit B

**COMEX Rulebook
Chapter 5
("Trading Qualifications and Practices")
Position Limit, Position Accountability, and Reportable Level Table**

(under separate cover)
(Effective November 27, 2019)