

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 20-463

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

Filing as a: DCM SEF DCO SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 11/24/20 Filing Description: Initial Listing of the Cobalt Metal (Fastmarkets) Futures Contract

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:

Rule Numbers:

November 24, 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 40.2(a) Certification. Notification Regarding the Initial Listing of
the Cobalt Metal (Fastmarkets) Futures Contract.
COMEX Submission No. 20-463**

Dear Mr. Kirkpatrick:

Commodity Exchange, Inc. (“COMEX” or “Exchange”) is notifying the Commodity Futures Trading Commission (“CFTC” or “Commission”) that it is self-certifying the initial listing of the Cobalt Metal (Fastmarkets) Futures contract (the “Contract”) for trading on the CME Globex electronic trading platform and for submission for clearing via CME ClearPort effective Sunday, December 13, 2020, for trade date Monday, December 14, 2020, as noted below:

Contract Title	Cobalt Metal (Fastmarkets) Futures
CME Globex/CME ClearPort Code	COB
Rulebook Chapter	645
Settlement Type	Financial
Contract Size	2,204.62 lbs (pounds) (equivalent to 1 metric ton)
Listing Schedule	Monthly contracts listed for twelve (12) consecutive months. Add a new contract month after the nearby expiry.
Pricing Quotation	U.S. dollars and cents per pound
First Listed Month	January 2021
Minimum Price Fluctuation	\$0.01 per lb
Value per tick	\$22.0462
Block Trade Minimum Threshold	2 contracts – subject to a 15-minute reporting window
Termination of Trading	Trading in the contract shall terminate at the close of trading on the last UK business day of the contract month. If such day is not an Exchange business day, trading in the contract shall terminate on the Exchange business day that is immediately prior.
CME Globex Matching Algorithm	First in First Out (FIFO)
Floating Price	The Floating Price for each contract month is equal to the arithmetic average of all available price assessments published for “Cobalt standard grade, in-whs Rotterdam, mid-price of range” in \$/pound by Fastmarkets during the contract month (Fastmarkets Code: MB-CO-005).

CME Globex	Sunday - Friday 6:00 p.m. - 5:00 p.m. Eastern Time/ET (5:00 p.m. - 4:00 p.m. Central Time/CT) with a 60-minute break each day beginning at 5:00 p.m. ET (4:00 p.m. CT)
CME Globex PreOpen	Sunday 5:00 p.m. – 6:00 p.m. ET (4:00 p.m. - 5:00 p.m. CT). Monday – Friday 5:45 p.m. – 6:00 p.m. ET (4:45 p.m. - 5:00 p.m. CT)
CME ClearPort	Sunday - Friday 6:00 p.m. - 5:00 p.m. ET (5:00 p.m. - 4:00 p.m. CT) with a 60-minute break each day beginning at 5:00 p.m. ET (4:00 p.m. CT)

Exchange Fees	Member	Non-Member
CME Globex	\$4.00	\$8.00
EFP	\$9.00	\$10.00
Block	\$9.00	\$10.00
EFR/EOO	\$9.00	\$10.00
Processing Fees	Member	Non-Member
Cash Settlement	\$9.00	\$10.00
Other Processing Fees	Fee	
Facilitation Fee	\$0.50	
Give-Up Surcharge	\$0.05	
Position Adjustment/Position Transfer	\$0.10	

The Exchange is certifying a minimum block level of two (2) contracts. The Exchange conducted a review of the currently activity of the product in the over the counter (“OTC”) market and observed that trades are generally executed in small intervals. The Exchange determined that the proposed minimum block threshold level is appropriate for the Contract. It is anticipated that the Contract will trade similarly to NYMEX contracts with a minimum block level of two (2) contracts.

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

- **Availability of General Information:** The Exchange will publish information on the Contract's specification on its website, together with daily trading volume, open interest and price information.
- **Contracts Not Readily Subject to Manipulation:** The Contract is based on a cash price series that is reflective of the underlying cash market and is commonly relied on and used as a reference price by cash market brokers and commercial market participants.
- **Compliance with Rules:** Trading in this Contract will be subject to Chapter 4 of the Exchange rules which includes prohibitions against fraudulent, non-competitive, unfair and abusive practices and will be subject to extensive monitoring and surveillance by CME Group's Market Regulation Department. The Market Regulation Department may use its investigatory and enforcement power where potential rule violations are identified during its regular surveillance reviews.
- **Prevention of Market Disruption:** Trading in the Contract will be subject to the Rules of COMEX which include prohibitions on manipulation, price distortion, and disruption to the cash settlement process. As with any new product listed for trading on a CME Group designated contract market, trading activity in the Contract proposed herein will be subject to monitoring and surveillance by CME Group's Market Regulation Department.
- **Position Limitations or Accountability:** The speculative position limits for the Contract as demonstrated in this submission are consistent with the Commission's guidance.

- **Financial Integrity of Contracts**: The Contract traded on the Exchange will be cleared by the CME Clearing House.
- **Execution of Transactions**: The Contract will be listed for trading on the CME Globex electronic trading and for clearing through CME ClearPort. The CME Globex electronic trading venue provides for competitive and open execution of transactions. CME Globex affords the benefits of reliability and global connectivity.
- **Trade Information**: All requisite trade information for the Contract will be included in the audit trail and is sufficient for the Market Regulation Department to monitor for market abuse.
- **Protection of Market Participants**: Chapter 4 contains multiple prohibitions precluding intermediaries from disadvantaging their customers and which apply to trading on all of the Exchange's competitive trading venues.
- **Disciplinary Procedures**: Chapter 4 of the Rulebook contains provisions that allow the Exchange to discipline, suspend or expel members or market participants that violate the Rulebook. Trading in the Contract will be subject to Chapter 4, and the Market Regulation Department has the authority to exercise its enforcement power in the event rule violations in this product are identified.
- **Dispute Resolution**: Disputes with respect to trading in the Contract will be subject to the arbitration provisions set forth in Chapter 6 of the Rulebook. Chapter 6 allows all non-members to submit a claim for financial losses resulting from transactions on the Exchange to arbitration. A member named as a respondent in a claim submitted by a non-member is required to participate in the arbitration pursuant to Chapter 6. Additionally, the Exchange requires that members resolve all disputes concerning transactions on the Exchange via arbitration.
- **Daily Publication of Trading Information**: Trading volume, open interest and price information will be published daily on the Exchange's website and via quote vendors.

Pursuant to Section 5c(c) of the Act and CFTC Regulations 40.2(a), the Exchange certifies that the listing of the Contract complies with the Act, including regulations under the Act. There were no substantive opposing views to this proposal.

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>.

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: COMEX Rulebook Chapter
 - Exhibit B: Position Limit, Position Accountability, and Reportable Level Table in Chapter 5 of the COMEX Rulebook (attached under separate cover)
 - Exhibit C: COMEX Rule 588.H. – (“Globex Non-Reviewable Trading Ranges”) Table
 - Exhibit D: COMEX Rule 589. (“Special Price Fluctuation Limits and Daily Price Limits”) Table
 - Exhibit E: Cash Market Overview and Analysis of Deliverable Supply

Exhibit A

COMEX Rulebook

Chapter 645

Cobalt Metal (Fastmarkets) Futures

645100. SCOPE OF CHAPTER

The provisions of these rules shall apply to all contracts bought or sold on the Exchange for cash settlement based on the Floating Price. The procedures for trading, clearing and cash settlement of this contract, and any other matters not specifically covered herein shall be governed by the general rules of the Exchange.

645101. CONTRACT SPECIFICATIONS

The Floating Price for each contract month is equal to the arithmetic average of all available price assessments published for "Cobalt standard grade, in-whs Rotterdam, mid-price of range" in \$/pound by Fastmarkets during the contract month.

645102. TRADING SPECIFICATIONS

The number of months open for trading at a given time shall be determined by the Exchange.

645102.A. Trading Schedule

The hours of trading for this contract shall be determined by the Exchange.

645102.B. Trading Unit

The contract quantity shall be 2,204.62 pounds (equivalent to 1 Metric Ton). Each contract shall be valued as the contract quantity (2,204.62) multiplied by the settlement price.

645102.C. Price Increments

Prices shall be quoted in U.S. dollars and cents per pound. The minimum price fluctuation shall be \$0.01 per pound. The minimum final settlement price fluctuation shall be \$0.01 per pound.

645102.D. Position Limits, Exemptions, Position Accountability and Reportable Levels

The applicable position limits and/or accountability levels, in addition to the reportable levels, are set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5. A Person seeking an exemption from position limits for bona fide commercial purposes shall apply to the Market Regulation Department on forms provided by the Exchange, and the Market Regulation Department may grant qualified exemptions in its sole discretion. Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.

645102.E. Termination of Trading

Trading in the contract shall terminate at the close of trading on the last UK business day of the contract month. If such day is not an Exchange business day, trading in the contract shall terminate on the Exchange business day that is immediately prior.

645102.F. Special Price Fluctuation Limits

At the commencement of each trading day, the contract shall be subject to special fluctuation limits as set forth in Rule 589 and in the Special Price Fluctuation Limits and Daily Price Limits Table in the Interpretations & Special Notices Section of Chapter 5.

645103. FINAL SETTLEMENT

Delivery under the contract shall be by cash settlement. Final settlement, following termination of trading for a contract month, will be based on the Floating Price. The final settlement price will be the Floating Price calculated for each contract month.

645104. DISCLAIMER

See [NYMEX/COMEX Chapter iv. \("DISCLAIMERS"\)](#) incorporated herein by reference.

Exhibit B

**COMEX Rulebook
Chapter 5
("Trading Qualifications and Practices")**

**Position Limits, Position Accountability and Reportable Level Table in
Chapter 5 of the COMEX Rulebook**

(attached under separate cover)

Exhibit C

COMEX Rulebook

Chapter 5

(“Trading Qualifications and Practices”)

COMEX Rule 588.H. – (“Globex Non-Reviewable Trading Ranges”) Table

(additions underscored)

Instrument	Globex Symbol	Outrights			Spreads	
		Globex Non-Reviewable Ranges (NRR)	NRR: Globex Format	NRR: Minimum Ticks	NRR: Globex Format	NRR: Minimum Ticks
<u>Cobalt Metal (Fastmarkets) Futures</u>	<u>COB</u>	<u>\$.50 per pound</u>	<u>50</u>	<u>50</u>	<u>N/A</u>	<u>N/A</u>

Exhibit D

**COMEX Rulebook
Chapter 5
("Trading Qualifications and Practices")
COMEX Rule 589 – ("Special Price Fluctuation Limits and Price Limits") Table
(additions underscored)**

Product	Rulebook Chapter	Commodity Code	PRIMARY/ASSOCIATED	ASSOCIATED WITH	BASE IN REAL ECONOMIC VALUE	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 4	LEVEL 5
<u>Cobalt Metal (Fastmarkets) Futures</u>	<u>645</u>	<u>COB</u>	<u>Primary</u>	<u>Primary</u>	<u>\$2.50</u>	<u>250</u>	<u>500</u>	<u>750</u>	<u>1000</u>	<u>No Limit</u>

Exhibit E

Cash Market Overview and Analysis of Deliverable Supply

Commodity Exchange, Inc. (“COMEX” or “Exchange”) is self-certifying the listing of the Cobalt Metal (Fastmarkets) Futures contract (the “Contract”).

Contract Title	Commodity Code	COMEX Rulebook Chapter
Cobalt Metal (Fastmarkets) Futures	COB	645

In its cash market and deliverable supply analysis, the Exchange has incorporated data from a range of sources as described below.

Fastmarkets (FM) is a leading global provider of price information for metals, agriculture and forestry products. FM’s assessment methodologies for cobalt is available on its website¹. CME Group Inc. (parent company of COMEX) is a party to license agreements with Fastmarkets to utilize its pricing data for final settlement of the contract.

The United States Geological Survey (USGS) is a scientific public agency in the United States. It is tasked with studying the landscape of the United States, its natural resources, and the natural hazards that threaten it.

Final settlement of the futures contract is based on the monthly average of all daily price assessments for Fastmarkets “Cobalt standard grade, in-whs Rotterdam, \$/lb”. The methodology refers to cobalt metal with a quality of minimum 99.8% cobalt metal content and matching the standard specifications of the following brands in original packaging: Katanga cathodes, Chambishi broken cathodes, CTT broken cathodes, Minara briquettes, Ambatovy briquettes, Norilsk grade 1 and grade 2 cut cathodes (production since January 2019). The quantity required for inclusion is minimum 1 metric ton, maximum 100 metric tons and the location is in-warehouse, Rotterdam. Timing is within 30 days. The denomination is \$/lb. The assessment is provided daily Monday-Friday on UK business days at 3pm London local time. The cobalt metal price in Rotterdam serves as a worldwide reference price due to its central location between producing countries and global demand centers in Asia, Europe and the United States.

¹ <https://fastmarkets.euromoneycdn.com/~media/4113CB10167C445D9D02DC7779CD8468.pdf?la=en>, <https://www.fastmarkets.com/about-us/methodology>

CASH MARKET OVERVIEW²

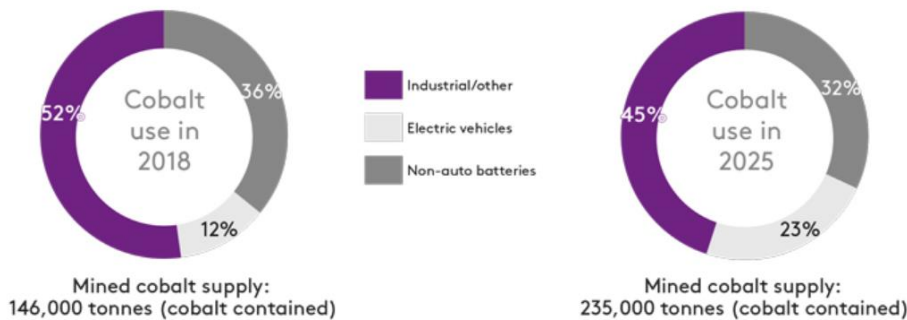
Cobalt is a ferromagnetic metal found in the earth’s crust. It is typically mined as a by-product of copper and nickel mining operations. The Democratic Republic of Congo (DRC) is the world’s largest producer of cobalt. According to the USGS, it produced 70% of the global total in 2019.

Table 1 – Global cobalt production (source: USGS³)

Mine production (metric tons)	2017	2018	2019e
United States	640	490	500
Australia	5,030	4,880	5,100
Canada	3,870	3,520	3,000
China	3,100	2,000	2,000
Congo (Kinshasa)	73,000	104,000	100,000
Cuba	5,000	3,500	3,500
Madagascar	3,500	3,300	3,300
Morocco	2,200	2,100	2,100
New Caledonia	n/a	2,100	1,600
Papua New Guinea	3,310	3,280	3,100
Philippines	4,600	4,600	4,600
Russia	5,900	6,100	6,100
South Africa	2,300	2,300	2,400
Other Countries	7,650	5,540	5,700
World total (rounded)	120,000	148,000	140,000

Cobalt is used in many applications, among which: use in of cobalt in alloys (for aerospace, gas turbines, medical equipment, etc.), lithium-ion batteries, various electronics (integrated circuits, semi-conductors) and catalysts. Since cobalt is a key component in battery manufacturing, it is expected that growth in electric vehicle usage will translate into increased demand for cobalt in the coming years.

Chart 1 – Shift in cobalt demand towards batteries (source: FM⁴)



The cobalt brands currently allowed in the FM assessment are mined and refined in the following regions and by the following firms:

² <https://www.cobaltinstitute.org/>

³ <https://pubs.usgs.gov/periodicals/mcs2020/mcs2020-cobalt.pdf>, https://prd-wret.s3-us-west-2.amazonaws.com/assets/palladium/production/s3fs-public/atoms/files/mcs-2019-cobal_0.pdf

⁴ <https://www.fastmarkets.com/article/3941701/tailored-pricing-adding-transparency-to-the-cobalt-market>

Table 2 – Cobalt brands used in assessment (source: Fastmarkets)

Name	Location	Ownership
Katanga cathodes	Katanga Province, DRC	Katanga Mining/ Glencore
Chambishi broken cathodes	Kitwe, Zambia	Eurasian Resources Group
CTT broken cathodes	Bou-Azzer mine, Morocco	Managem Group
Minara briquettes	Perth, Australia	Glencore
Ambatovy briquettes	Moramanga, Madagascar	Sherritt International (40%)
Norilsk grade 1 and 2 cut cathodes	Norilsk, Russia	Nornickel

Based on publicly available annual reports, the Exchange determined annual production volume for the locations producing the assessed brands as follows. Overall, the locations account for about 1/3 of global cobalt production.

Table 3 – Production volumes of assessed brands (source: company reports)

Production ('000 MT)	2017	2018	2019	2017-2019 average
Katanga cathodes	23.9	38.4	42.2	34.8
Chambishi broken cathodes	3.4	3.4	3.4	3.4
CTT broken cathodes	1.9	1.8	2.4	2.0
Minara briquettes	2.7	2.9	3.4	3.0
Ambatovy briquettes	3.1	2.9	2.9	2.9
Norilsk grade 1 and grade 2 cut cathodes	-	4.0	7.0	3.7
Total	35.0	53.4	61.3	49.9

Note: Production data for Chambishi was not available. The Chambishi refinery has an annual capacity of 6,800 tons/ year. We assumed that it was producing at 50% of capacity. For links to company reports see appendix.

Physical trade in cobalt takes place throughout a complex supply chain involving producers, refiners, merchants, and end-users. Cobalt is traded in the spot market as well as using floating index prices or on a fixed price basis for term contracts. Term contracts allow to freely re-trade contracted volume.

The growth in electric vehicle manufacturing has led to higher demand for cobalt sulfate, the cobalt intermediate product used in lithium-ion batteries. Cobalt sulfate can be manufactured from cobalt metal but is typically refined directly from cobalt intermediate products. Because cobalt metal is consumed in traditional industrial applications and can also find its way in lithium-ion batteries (via conversion into cobalt sulfate), it serves as the benchmark price in both sectors. Intermediate products in the cobalt supply chain are priced as a percent price of cobalt metal.

ANALYSIS OF DELIVERABLE SUPPLY

Appendix C to part 38 of the Commission's regulations defines deliverable supply as "the quantity of the commodity meeting the contract's delivery specifications that can reasonably be expected to be readily available to short traders and saleable by long traders at its market value in normal cash marketing channels at the derivative contract's delivery points during the specified delivery period, barring abnormal movement in interstate commerce."

The Exchange is assessing spot month limits for the contract based on production data for the mines whose brands are eligible for inclusion in the underlying FM market assessment. The Exchange further proposes to reduce deliverable supply by 50% to account for the share of mining production that may go directly into chemical refining for the battery manufacturing sector without processing into cobalt metal. The proposed reduction also adjusts deliverable supply for regional availability. Since the battery manufacturing sector is heavily concentrated in Asia, reducing deliverable supply by 50% reflects regional availability of the commodity by removing material that may not necessarily be readily available in Rotterdam warehouses.

Following this adjustment, average annual production volume in the locations covered represents 24,950 MT, equivalent to 2,079 MT per month. In pounds, this is equivalent to 55,005,269 pounds per year or 4,583,772 pounds per month. This is equivalent to 2,079 contract lots per month. The Exchange proposes a spot month position limit of 400 contracts, equivalent to 19% of deliverable supply.

Appendix – company reports for production volumes

Glencore (Katanga and Minara)

<https://www.glencore.com/dam/jcr:79fd3300-ee50-4ee1-870d-6372274c71b5/glen-2019-annual-report-interactive.pdf>

<https://www.glencore.com/dam/jcr:b4e6815b-3a2c-43ca-a9ef-ef606bb3c1/glen-2018-annual-report.pdf>

Chambishi

<https://www.ergafrica.com/cobalt-copper-division/chambishi-metals/>

CTT

http://www.managemgroup.com/sites/default/files/2020-10/Managem%20RA%202019%20VUK_0.pdf

http://www.managemgroup.com/sites/default/files/2019-09/Managem%20-%20Annual%20report%202018_0.pdf

Ambatovy

https://s2.q4cdn.com/343762060/files/doc_financials/Annual-Report/2019/Sherritt-ANNUAL-REPORT-Final.pdf

https://s2.q4cdn.com/343762060/files/doc_financials/Annual-Report/2018/2018-Financial-Results-2-20-Final.pdf

https://s2.q4cdn.com/343762060/files/doc_financials/2017/WEB-2017-Sherritt-ENGLISH-Annual-Report.pdf

Norilsk

https://www.nornickel.com/upload/iblock/deb/Databook_2020.06.xlsx