

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 21-494 (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): 12/10/21 Filing Description: Initial Listing of Two (2) China Portside Iron Ore (Argus) Futures Contracts

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:

December 10, 2021

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 Two (2) China Portside Iron Ore (Argus) Futures Contracts. COMEX Submission No. 21-494 (2 of 2)

Dear Mr. Kirkpatrick:

Commodity Exchange, Inc. (“COMEX” or “Exchange”) is certifying to the Commodity Futures Trading Commission (“CFTC” or “Commission”) the initial listing of two (2) China portside iron ore futures contracts (the “Contracts”) for trading on the CME Globex electronic trading platform and for submission for clearing via CME ClearPort, effective Sunday, January 9, 2022 for trade date Monday, January 10, 2022, as more specifically described below.

Contract Title	Iron Ore China Portside Fines CNH for Qingdao (Argus) Futures	Iron Ore China Portside Fines USD Seaborne Equivalent (Argus) Futures
Commodity Code	PAC	PAU
Rulebook Chapter	917	918
Settlement Type	Financial	Financial
Contract Size	100 wet metric tons	100 dry metric tons
Listing Schedule	Monthly contracts listed for 12 consecutive months.	Monthly contracts listed for 12 consecutive months.
Minimum Price Fluctuation	¥0.1 Reminbi per wet metric ton	\$0.01 per dry metric ton
Value per tick	¥10 Reminbi	\$1.00
First Listed Month	January 2022	January 2022
Block Trade Minimum Threshold	5 contracts - subject to a 15-minute reporting window	5 contracts - subject to a 15-minute reporting window
Termination of Trading	The contract shall terminate at the close of trading on the last Singapore business day of the contract month. If such day is not an Exchange business day, the contract will terminate on the Exchange business day immediately prior.	The contract shall terminate at the close of trading on the last Singapore business day of the contract month. If such day is not an Exchange business day, the contract will terminate on the Exchange business day immediately prior.
CME Globex Matching Algorithm	First-In, First-Out (FIFO)	First-In, First-Out (FIFO)
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-	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)	minute break each day beginning at 5:00 p.m. ET (4:00 p.m. CT)
CME Globex Pre-Open	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)	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)	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)

The Exchange is also certifying a minimum block threshold of 5 contracts which is comparable to similar Exchange futures 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:

- **Compliance with Rules:** Trading in the Contracts will be subject to the rules in Rulebook Chapter 4 which includes prohibitions against fraudulent, noncompetitive, unfair and abusive practices. Additionally, trading in the Contracts will also be subject to the full panoply of trade practice rules, the majority of which are contained in Chapter 5 and Chapter 8 of the Rulebook. As with all products listed for trading on one of CME Group’s designated contract markets, activity in the new product will be subject to extensive monitoring and surveillance by CME Group’s Market Regulation Department. The Market Regulation Department has the authority to exercise its investigatory and enforcement power where potential rule violations are identified.
- **Contract Not Readily Subject to Manipulation:** The Contracts not readily susceptible to manipulation and are based on cash price series that are reflective of the underlying cash market and are commonly relied on and used as a reference price by cash market brokers and commercial market participants.
- **Prevention of Market Disruption:** Trading in the Contracts will be subject to the Rules of COMEX which include prohibitions on manipulation, price distortion and disruptions of the delivery or cash-settlement process. As with all products listed for trading on one of CME Group’s designated contract markets, activity in the new products will be subject to extensive monitoring and surveillance by CME Group’s Market Regulation Department.
- **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 publish on its website information regarding contract specifications, terms and conditions, as well as daily trading volume, open interest and price information for the Contracts.
- **Daily Publication of Trading Information:** The Exchange will publish information contract trading volumes, open interest levels, and price information daily on its website and through quote vendors for the Contracts.
- **Execution of Transactions:** The Contracts will be listed for trading on the CME Globex electronic trading and for clearing through CME ClearPort. The CME Globex trading venue provides for competitive and open execution of transactions. CME Globex affords the benefits of reliability and global connectivity.

- **Trade Information:** All required trade information for the Contracts will be included in the audit trail and is sufficient for the Market Regulation Department to monitor for market abuse.
- **Financial Integrity of Contract:** The Contracts will be cleared by the CME Clearing House which is a registered derivatives clearing organization with the Commission and is subject to all Commission regulations related thereto.
- **Protection of Market Participants:** COMEX Rulebook Chapters 4 and 5 contain multiple prohibitions precluding intermediaries from disadvantaging their customers. These rules apply to trading on all of the Exchange's competitive trading venues and will be applicable to transactions in this product.
- **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 rules. Trading in this 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 these products are identified.
- **Dispute Resolution:** Disputes with respect to trading in the Contracts will be subject to the arbitration provisions set forth in Chapter 6 of the Rulebook. The rules in Chapter 6 allow all nonmembers 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 nonmember is required to participate in the arbitration pursuant to the rules in Chapter 6. Additionally, the Exchange requires that members resolve all disputes concerning transactions on the Exchange via arbitration.

Pursuant to Section 5c(c) of the Act and CFTC Regulations 40.2(a), the Exchange hereby certifies that listing the Contracts complies with the Act, including regulations under the Act. There were no substantive opposing views to the 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 917 and 918
Exhibit B: Position Limits, 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 (blackline format)
Exhibit D: Exchange Fees
Exhibit E: Cash Market Overview and Analysis of Deliverable Supply

Exhibit A

COMEX Rulebook Chapter 917

Iron Ore China Portside Fines CNH fot Qingdao (Argus) Futures

917100. SCOPE OF CHAPTER

The provisions of these rules shall apply to all futures 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.

917101. CONTRACT SPECIFICATIONS

The Floating Price for each contract month is equal to the average price calculated for all available price assessments published for "Iron ore portside fines 62% Fe (PCX) fot Qingdao" by ARGUS in the contract month.

917102. TRADING SPECIFICATIONS

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

917102.A. Trading Schedule

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

917102.B. Trading Unit

The contract quantity shall be hundred (100) wet metric tons. Each contract shall be valued as the contract quantity (100) multiplied by the settlement price.

917102.C. Price Increments

Prices shall be quoted in CNH per wet metric ton. The minimum price fluctuation shall be 0.1 CNH per wet metric ton. There shall be no maximum price fluctuation.

917102.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.

917102.E. Termination of Trading

The contract shall terminate at the close of trading on the last Singapore business day of the contract month. If such day is not an Exchange business day, the contract will terminate on the Exchange business day immediately prior.

917103. FINAL SETTLEMENT

Final settlement 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.

917104. DISCLAIMER

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

**COMEX Rulebook
Chapter 918**

Iron Ore China Portside Fines USD Seaborne Equivalent (Argus) Futures

918100. SCOPE OF CHAPTER

The provisions of these rules shall apply to all futures 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.

918101. CONTRACT SPECIFICATIONS

The Floating Price for each contract month is equal to the average price calculated for all available price assessments published for "Iron ore portside fines 62% Fe (PCX) for Qingdao" by ARGUS in the contract month.

918102. TRADING SPECIFICATIONS

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

918102.A. Trading Schedule

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

918102.B. Trading Unit

The contract quantity shall be hundred (100) dry metric tons. Each contract shall be valued as the contract quantity (100) multiplied by the settlement price.

918102.C. Price Increments

Prices shall be quoted in US dollars and cents per dry metric ton. The minimum price fluctuation shall be \$0.01 per dry metric ton. There shall be no maximum price fluctuation.

918102.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.

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Final settlement 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.

918104. 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
(attached under separate cover)

Exhibit C

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

Rule 588.H. – ("Globex Non-Reviewable Trading Ranges") Table

(additions underscored)

Instrument	Globex Symbol	Outrights		
		Globex Non-Reviewable Ranges (NRR)	NRR: Globex Format	NRR:Minimum Ticks
<u>Iron Ore China Portside Fines CNH, for Qingdao (Argus) Futures</u>	<u>PAC</u>	<u>10.00 Chinese Renminbi per wet metric ton</u>	<u>100</u>	<u>100</u>
<u>Iron Ore China Portside Fines USD Seaborne Equivalent (Argus) Futures</u>	<u>PAU</u>	<u>10.00 USD per dry metric ton</u>	<u>1000</u>	<u>1000</u>

Exhibit D

Exchange Fees

	Member	Non-Member
CME Globex	\$0.60	\$1.20
EFP	\$1.40	\$1.60
Block	\$1.40	\$1.60
EFR/EOO	\$1.40	\$1.60
Processing Fees	Member	Non-Member
Cash Settlement	\$1.40	\$1.60
Facilitation Fee	\$0.50	
Give-Up Surcharge	\$0.05	
Position Adjustment/Position Transfer	\$0.10	

Exhibit E

Cash Market Overview and Analysis of Deliverable Supply

Data Source

General Administration of Customs of the People's Republic of China (China Customs)

The General Administration of the People's Republic of China (GACC), the headquarter of China Customs, is a key border agency of the nation. Following the government restricting in 2018, China Customs now boasts 100,000 staff throughout the country with responsibilities of traditional customs, as well as border health checks, inspection and quarantine for imported and exported animals, plants, and their products, imported and exported food safety and commodity inspection. GACC oversees 42 customs districts which operate through a total of 678 customs houses nationwide.

Key responsibilities of GACC include port management coordination; customs control; anti-smuggling; trade statistics compilation; duty collection, etc.

Argus Media ("Argus")

Founded in 1970 and headquarter in UK, Argus is a leading global provider of energy, petrochemicals, metals and agriculture information, and a premier source of benchmark price assessments for those commodity markets. Argus produces price assessments and analysis of international commodity markets and offers bespoke consulting services and industry conferences. Argus' data are used to index physical trades and as benchmarks in financial derivatives markets.

Cash Market Overview

Steel making is vital to all industrial economies and its production requires access to iron units. Iron (Fe) is a relatively abundant mineral and easily extracted, but it is capital intensive to mine and freight constrained to transport due to its high shipping cost relative to price.

Iron ore is produced, consumed, and exported by many nations, but primary ore exports are concentrated in Australia and Brazil. In 2020, Australia tops the global iron ore exporter list with 56% of market share while Brazil taking the second place with 18%. Other iron ore exports include South Africa, Canada and Ukraine.

On the demand side, Asian countries such as China, Japan and South Korea tend to be the leading iron ore importing countries. Among the different countries, China is by far the largest iron ore buyer. In 2020 the country imported about 1.17 billion tons of iron ore which represented close to 80% of the global iron ore trade volume.

The GACC China customs provides historical import data for China iron ore. Below is the import data for the past 36 months. During the most recent 36-month period from October 2018 to September 2021, China imports of iron ore averaged 92.9 million metric tons per month.

Table 1: Iron ore imports into China¹
Unit: 10,000 Metric Tons

Month	China Iron Ore Imports
Oct-18	8,840
Nov-18	8,625
Dec-18	8,665
Jan-19	9,126
Feb-19	8,308
Mar-19	8,642
Apr-19	8,077
May-19	8,375
Jun-19	7,518
Jul-19	9,102
Aug-19	9,485
Sep-19	9,944
Oct-19	9,286
Nov-19	9,065
Dec-19	10,130
Jan-20	8,950
Feb-20	8,715
Mar-20	8,591
Apr-20	9,571
May-20	8,703
Jun-20	10,168
Jul-20	11,265
Aug-20	10,036
Sep-20	10,855
Oct-20	10,674
Nov-20	9,815
Dec-20	9,675
Jan-21	9,100
Feb-21	9,050
Mar-21	10,211
Apr-21	9,857
May-21	8,979
Jun-21	8,942
Jul-21	8,851
Aug-21	9,749
Sep-21	9,561
Average	9,292

¹<http://english.customs.gov.cn/statics/report/monthly.html> (14) Major Imports Commodities in Quantity and Value

The Port of Qingdao

The port of Qingdao is located in Shandong province at Yellow Sea. Occupying the central position among ports in Northeast Asia, Qingdao port sits between the Bohai Rim port region and the Yangtze River Delta port region.

Qingdao is one of the China's largest iron ore importing ports. Qingdao port is a complete port with both container and bulk terminals and can offer loading, unloading, storage and other logistics services for a wide range of commodities including iron ore, coal and crude oil. Qingdao port can berth ore ships with deadweight capacity of 400,000 tonnes which is considered the largest ore carrier size. Qingdao, together with other major iron ore ports, Caofeidian, Tanjin, Tianjin, Rizhao, Lianyungang and Huanji, handled more than 50% of the nation's iron ore imports.

Analysis of Deliverable Supply

The Commission defines deliverable supply as the quantity of the commodity meeting a derivative 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.

China Iron Ore

Argus' Iron ore portside fines 62% Fe (PCX) for Qingdao index measures iron ore delivered into China at Qingdao port. Therefore, for the index, the Exchange based its analysis of deliverable supply on China imports through the port of Qingdao. Additionally, the Exchange determined not to adjust the deliverable supply estimates based on the spot availability because spot market liquidity is not restrictive and tends to vary depending on the market fundamentals of supply and demand. According to market sources, the typical term agreement in the cash market allows flexibility for re-trading of the contracted quantity in the spot market, so the term agreements do not restrict the potential deliverable supply.

The Exchange utilized the data for the 36-month period from October 2018 – September 2021, based on the published imports data by GACC China Customs. The average monthly China iron ore imports was 92.9 million during the period. There is no publicly available historical data for iron ore imports through Qingdao. The Exchange, therefore, opted to estimate Qingdao's iron ore imports at one-ninth, or 11% of national volume based on available market information.² The deliverable supply of Qingdao port iron ore therefore equates to 10.2 million metric tons per month (92.9 million metric tons x 11% = 10.2 million metric tons). This is approximately 102,000 contract equivalents (contract size: 100 metric tons).

Based on the deliverable supply for Iron ore at Qingdao port of 10.2 million metric tons or 102,000 contract equivalents (100 metric ton contract size), the Exchange proposes a spot month position limit of 20,000 contracts for both Iron Ore China Portside Fines CNH for Qingdao (Argus) Futures and Iron Ore China Portside Fines USD Seaborne Equivalent (Argus) Futures. It is also proposed that positions in the Iron Ore China Portside Fines USD Seaborne Equivalent (Argus) Futures be aggregated into the Iron Ore China Portside Fines CNH for Qingdao (Argus) Futures. The proposed position limits equate to approximately 19.6% of deliverable supply.

² <http://www.sh.chinanews.com/chanjing/2019-06-01/57637.shtml>

“...每进口9吨矿石，就有1吨从青岛港上岸。” Qingdao handled one every 9 tons of iron ore imported.