Christopher Bowen
Managing Director and Chief Regulatory Counsel
Legal Department

November 1, 2013

VIA E-MAIL

Ms. Melissa Jurgens
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) Certification. Notification Regarding Decreasing Position Limits and Accountability Levels for Four (4) Copper Contracts (Futures and Option). NYMEX/COMEX Submission No. 13-506

Dear Ms. Jurgens:

New York Mercantile Exchange, Inc. ("NYMEX") and Commodity Exchange, Inc. ("COMEX") are notifying the Commodity Futures Trading Commission ("CFTC" or "Commission") that they are self-certifying amendments to the Position Limits, Position Accountability and Reportable Levels for four (4) existing Copper futures and option contracts, effective Monday, December 30, 2013. The contracts affected are listed in the table below:

Contract Name	Rule Chapter	Clearing Code
Copper Futures	111	HG
Copper Option	117	HX
Copper Average Price Option	1191	CAP
Copper Financial Futures	1190	HGS

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 NYMEX Rulebook is being amended to reflect the changes in the position limits and accountability levels for the contracts listed above. (See Appendix A: Position Limit, Position Accountability, and Reportable Level Table in Chapter 5 of the NYMEX Rulebook (attached under separate cover.))

Exchange business staff responsible for the rule amendments and the Exchange Legal Department collectively reviewed the designated contract market core principles ("Core Principles") as set forth in the Commodity Exchange Act (the "Act" or "CEA"). During the review, Exchange staff identified that the rule amendments may have some bearing on the following Core Principles:

- Contracts not Readily Subject to Manipulation: The contracts are not readily subject to manipulation due to the deep liquidity and robustness in the underlying physical market, which provides diverse

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participation and sufficient spot transactions. (See Appendix B: Cash Market Overview and Analysis of Deliverable Supply.)

- Position Limitations or Accountability: The spot-month speculative position limits for the contracts are set at less than the threshold of 25% of the deliverable supply in the underlying market.
- Availability of General Information: The information contained herein will be disseminated to the marketplace via Special Executive Report. The Exchange will publish information on the contracts' specifications on its website, together with daily trading volume, open interest, and price information.

Pursuant to Section 5c(c) of the Act and CFTC Regulation 40.6(a), the Exchange hereby certifies that the attached amendments comply with the Act, including regulations under the Act. There were no substantive opposing views to this proposal. A cash market overview and analysis of deliverable supply is attached hereto as Appendix B.

The Exchanges certify that this submission has been concurrently posted on the Exchanges' 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 Christopher.Bowen@cmegroup.com.

Sincerely,

/s/ Christopher Bowen
Managing Director and Chief Regulatory Counsel

Attachments:

Appendix A – Position Limit, Position Accountability, and Reportable Level Table in Chapter 5 of the NYMEX Rulebook (attached under separate cover)
Appendix B – Cash Market Overview and Analysis of Deliverable Supply

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Appendix A

Position Limit, Position Accountability, and Reportable Level Table in Chapter 5 of the NYMEX Rulebook

(attached under separate cover)

Appendix B

CASH MARKET OVERVIEW and ANALYSIS OF DELIVERABLE SUPPLY

Commodity Exchange, Inc. ("COMEX" or "Exchange") has undertaken an analysis of deliverable supply for its copper futures contract in connection with efforts to ensure that the deliverable supply estimate reflects current market realities.

The key components of the deliverable supply for the copper futures contract are the stocks at the Exchange Licensed Warehouses ("COMEX Warehouse" as described below. COMEX is submitting updated deliverable supply estimates for the Copper Futures contract.

Key Components of Supply

Production

Copper is a global commodity, and world production is the relevant measure of copper availability. According to U.S. Geological survey, the world produced 16.1 million metric tons of primary copper in 2011 and estimates the production to increase to 17.0 million metric tons in 2012. Specifically, Chile is the biggest copper mined producer in the world and produced approximately 5.26 million metric tons of copper in 2011 and it is anticipated to grow to 5.37 million metric tons in 2012[1]. The U.S. made up about 7% of the world's copper mined production in 2011[2]. Table 1 below indicates the world production of primary copper in 2012 (estimated) compared to 2011.

Table 1[3]: The World Primary Production of Copper (thousand metric tons)

Countries	Production in 2011	Production in 2012 (est.)
U.S	1,110	1,150
Australia	958	970
Canada	566	530
Chile	5,260	5,370
China	1,310	1,500
Congo	520	580
Indonesia	543	430
Kazakhstan	417	420
Mexico	443	500
Peru	1,240	1,240
Poland	427	430

[1] U.S. Geological Survey, Copper Statistics and Information: Annual Mineral Commodity Summary 2013, p. 49. http://minerals.usgs.gov/minerals/pubs/commodity/copper/mcs-2013-copper.pdf
[2] U.S. Geological Survey, Copper Statistics and Information: Annual Mineral Commodity Summary 2013, p. 49.http://minerals.usgs.gov/minerals/pubs/commodity/copper/mcs-2013-copper.pdf
[3] U.S. Geological Survey, Copper Statistics and Information: Annual Mineral Commodity Summary 2013, p. 49. http://minerals.usgs.gov/minerals/pubs/commodity/copper/mcs-2013-copper.pdf

Russia	713	720
Zambia	668	675
Other countries	1,970	2,100
Total	16,100	17,000

Source: U.S. Geological Survey

U.S. mine production of copper in 2012 was 1.15 million metric tons, rising 4% above the production level in 2011, and its value increasing to $9 billion.[4] The principal mining states – Arizona, Utah, New Mexico, Nevada, and Montana – in descending order of production - accounted for more than 99% of domestic production.[5] Of the twenty-eight (28) mines recovering copper, eighteen (18) accounted for 99% of the production. Although refined copper prices remained volatile during the first ten months of 2012, copper has traded in a more narrow range than in recent years. In addition, the copper supply and demand balance remained tight, in part due to an 80% year on year increase in China's net imports in the first half of 2012, well in excess of industrial demand. U.S. exports of refined copper through June 2012 were nearly four times those for all of 2011.

Warehouse Stocks

By the rules of the Exchange, each COMEX Warehouse is required to furnish to the Exchange the level of Exchange grade inventory on a daily basis. The level of Exchange copper inventories is made publically available daily on the Exchange website (http://www.cmegroup.com/trading/energy/nymex-daily-reports.html#warehouse).

Further, the rules of the Exchange require an independent inventory audit to be performed annually to provide a comprehensive reconciliation of stocks stored in the COMEX Warehouses with records maintained by both the Exchange and the COMEX Warehouse[6] . Warranted stock is that material which meets the specifications of the Copper Futures contract for which a warrant has been issued. In addition to the warranted stocks, there is eligible Market Regulation staff of the Exchange who monitors these COMEX Warehouses on a regular basis and requires an inventory audit to be performed annually. In addition to the warranted stocks, there is a non-warranted category of category of stocks which is the material that meets the specifications of the Copper Futures contract, but for which no warrant has been issued. The eligible stocks are readily available to be placed on warrant and readily available to deliver against the Exchange's Copper Futures contracts and, hence, are considered to be a component of deliverable supply.

The Deliverable Supply Estimate Underlying the Existing Position Limit and Market Changes

Past Position Limit Approval and Deliverable Supply Estimate

The spot month position limit for Copper Futures is currently set at 1,200 contracts and has been in effect since February 2010. The average inventory levels of copper stored in COMEX Warehouses in December 2010 was 5,310 contract equivalents, representing 23% of deliverable supply; in December

[4] U.S. Geological Survey, Copper Statistics and Information: Annual Mineral Commodity Summary 2013, p. 49. http://minerals.usgs.gov/minerals/pubs/commodity/copper/mcs-2013-copper.pdf

[5] U.S. Geological Survey, Copper Statistics and Information: Annual Mineral Commodity Summary 2013, p. 49. http://minerals.usgs.gov/minerals/pubs/commodity/copper/mcs-2013-copper.pdf

[6] The Exchange rules require an annual inventory audit in compliance with Exchange procedures to be performed at the COMEX Warehouse by an independent auditor and to prepare and submit to the Exchange an audit report certifying the records of the COMEX Warehouse accurately reflect the Exchange's records.

2011 was 7,016, representing 18% of deliverable supply; and in December 2012 was 5,409, representing 23% of deliverable supply.

Market Changes and Forecasts

Copper is a commodity which historically is sensitive to world-wide economic growth. In response to high copper prices and increased end-use demand, production increases were curtailed following the 2008 economic crisis. Other factors affecting the copper market includes the earthquake and tsunami in Japan, political disturbances in the Middle East and North Africa, changes in trade and monetary policies, and economic uncertainties in Europe and China (the world's two largest consumers of copper). Globally, world mine production of copper in 2012 was 16.7 metric tons[7] which is equivalent to 122,723 COMEX Copper Futures contract equivalents per month.

While this production projection represents an increase over 2011, it is anticipated that the increase will more likely be less than expected due to project delays, technical problems, and labor and political unrest that have become the norm in recent years and may continue to reduce output.

Updated Deliverable Supply Estimate and Supporting Data

The Exchange believes that reliable and conservative estimates for the deliverable supply come from existing inventories in COMEX Warehouses.

In estimating deliverable supply for Copper Futures, we relied on long-standing precedent, which provides that the key component in estimating deliverable supply is the portion of typical warehouse stocks that could reasonably be considered to be reliably available for delivery. Most recently, the Commission stated in its final position limit rulemaking that:

In general, the term "deliverable supply" means 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.[8]

Accordingly, there are two categories of stocks NYMEX considered in updating the existing deliverable supply estimates underlying the Copper Futures contract:

(1) Warranted Stocks
(2) Non-Warranted Stocks

Approved Warehouses

To determine inventory estimates, COMEX reviewed information provided by the COMEX Warehouses. For Copper, the COMEX Warehouse companies include Arizona Commodity Storage, C. Steinweg (Baltimore), Dalby Moving and Storage, Henry Bath LLC, MetalStore, Southwest Commodity Storage, Stagecoach Cartage and Distribution, Tuscon Port Authority, and Utah Commodity Storage. The COMEX Warehouses owned and operated by these companies update their stocks daily and are regularly monitored by the Exchange's Market Regulation staff. Included in the estimates are both Warranted and Non-Warranted stock levels.

[7] International Copper Study Group, The World Copper Factbook 2013, p. 6. http://www.icsg.org/
[8] Position Limits for Futures and Swaps, Unofficial Notice of Final Rulemaking, p. 28 (publication in Federal Register forthcoming).

Warehouse Stocks

In performing analysis of deliverable supply based on the total copper inventory held in the COMEX Warehouses, the Exchange first reviewed the COMEX Warehouse data to determine monthly averages from daily Warehouse reports in the last five years. The figures in Table 2 below represent monthly average inventory levels itemized by Warranted and Non-warranted categories. In the evaluation of the copper inventory levels, there is no material represented by paper warrants and, therefore, all Warranted and Non-Warranted metal is considered deliverable supply.

Table 2: Monthly Average Stock Levels in COMEX Warehouses (COMEX Copper Futures contract equivalents)

Month	Average of Warranted	Average of Non-warranted	Average of Total
Jan-08	1,104	162	1,144
Feb-08	1,089	69	1,106
Mar-08	959	156	998
Apr-08	902	109	929
May-08	852	55	866
Jun-08	869	58	884
Jul-08	594	84	678
Aug-08	441	10	451
Sep-08	503	81	585
Oct-08	653	89	743
Nov-08	941	29	970
Dec-08	1,886	20	1,906
Jan-09	2,947	17	2,964
Feb-09	3,309	55	3,364
Mar-09	3,548	40	3,588
Apr-09	3,748	48	3,796
May-09	4,004	51	4,056
Jun-09	4,652	51	4,703
Jul-09	4,462	198	4,660
Aug-09	4,166	103	4,269
Sep-09	4,221	46	4,267
Oct-09	4,461	107	4,568
Nov-09	5,616	238	5,854
Dec-09	7,368	169	7,537
Jan-10	8,009	58	8,068
Feb-10	8,312	40	8,352
Mar-10	8,093	59	8,152
Apr-10	8,088	2	8,090
May-10	8,094	9	8,103
Jun-10	8,084	75	8,158

Jul-10	8,014	80	8,094
Aug-10	7,615	217	7,832
Sep-10	6,198	1,047	7,244
Oct-10	5,726	616	6,342
Nov-10	5,628	270	5,898
Dec-10	5,045	265	5,310
Jan-11	5,184	110	5,294
Feb-11	5,585	631	6,216
Mar-11	6,022	729	6,751
Apr-11	5,864	844	6,708
May-11	5,738	802	6,539
Jun-11	5,474	950	6,424
Jul-11	5,597	896	6,493
Aug-11	5,953	800	6,754
Sep-11	6,789	113	6,901
Oct-11	6,732	344	7,079
Nov-11	6,759	254	7,014
Dec-11	6,785	231	7,016
Jan-12	6,641	501	7,142
Feb-12	6,630	558	7,188
Mar-12	6,665	562	7,227
Apr-12	5,847	663	6,510
May-12	4,366	930	5,296
Jun-12	3,990	518	4,508
Jul-12	3,700	278	3,978
Aug-12	3,710	250	3,959
Sep-12	3,461	558	4,019
Oct-12	4,014	206	4,221
Nov-12	4,565	204	4,768
Dec-12	5,153	256	5,409
Jan-13	5,654	142	5,796
Feb-13	5,890	92	5,982
Mar-13	5,959	88	6,047
Apr-13	5,486	1,035	6,520
May-13	4,270	2,434	6,704
Jun-13	3,837	2,235	6,072
Jul-13	2,766	2,684	5,450
Aug-13	2,391	1,736	4,128
Sep-13	2,180	482	2,662
Avg. 3 yrs.	5,168	674	5,842

Source: CME Group

It should be further noted that warehouses licensed by the London Metals Exchange ("LME") maintain considerably more copper in inventory than COMEX Warehouses. Year-to-date, LME warehouses, on average have about 48,000 COMEX contract equivalents in inventory. While LME copper contract specifications are completely fungible with COMEX copper contracts' specifications, we do not include as part of the COMEX deliverable supply, we note this to illustrate the conservative nature of the above deliverable supply analysis.

Paper Warrant Conversion to Electronic Delivery System

Beginning in August 2008, COMEX began a conversion from paper warrants as a title of ownership to copper stored in Licensed Depositories to an electronic format. As part of this process, all holders of paper warrants were required to return the warrants to the COMEX Warehouse for conversion into electronic format in order to be deliverable against the Exchange's Copper Futures contract. While the paper warrants would still be recognized as a title of ownership of the copper, they would no longer be acceptable for delivery unless they were converted to electronic form. Any metal still held in the form of paper warrants is to be reported to the Exchange as Non-warranted Stocks on the daily stock report required by each COMEX Warehouse to the Exchange. In January 2013, the Exchange required the COMEX Warehouses to provide their record of the current number of paper warrants that are still in existence and have not been converted to electronic format. It was determined that all paper warrants in existence prior to the conversion to electronic format that began in August 2008, have been returned to the appropriate COMEX Warehouses and converted to the proper format to be deliverable against the Exchange's Copper Futures contract. Table 2, therefore, represents total inventory deemed to be the basis for deliverable supply.

Updated Deliverable Supply Estimate

Based on the above analysis, the Exchange estimates the deliverable supply for the Copper Futures contract to be 5,842 Copper Futures contract equivalents based on the average total inventory supply in the COMEX Warehouses in the last three years. Using the average copper inventory level in the last three years as the basis for deliverable supply, the current spot month position limit of 1,200 contracts represents 21% of the deliverable supply. Analysis of deliverable supply will be conducted by the Exchange's Research Department on an annual basis for global production and supply and the cash market for copper. The Exchange will review the deliverable supply based on Exchange inventory levels on a semi-annual basis.

Note: It is important to note that the above estimate is conservative in its use of the inventory in Exchange approved warehouses. Additional inventory in LME approved warehouses in close proximity to COMEX Warehouses may also be considered a source of deliverable supply. The locations in which both the Exchange and the LME have warehouses in close proximity are Baltimore and New Orleans. In 2012, the average inventory level of copper stored in LME approved warehouses in Baltimore and New Orleans was 2,277 and 65,789 metric tons, respectively, which, when combined, equates to 6,002 COMEX Copper Futures contract equivalents. Additionally, the COMEX Warehouses in Baltimore and New Orleans have a capacity of 12,000 metric tons and 25,000 metric tons, respectively. This would represent a capacity to store approximately 1,090 and 2,240 COMEX Copper Futures contract equivalents, respectively.

Contract Name	Rule Chapter	Commodity Code	Contract Size	Contract Units	Type	Settlement	Group
Copper Futures	111	HG	25,000	Pounds	Futures	Physically Settled Futures	Metals
Copper Option	117	HX	25,000	Pounds	Am.Option	Exercises into Physical Future	Metals
Copper Average Price Option	1191	CAP	25,000	Pounds	Eu.Option	Financially Settled Option	Metals
Copper Financial Futures	1190	HGS	25,000	Pounds	Futures	Financially Settled Futures	Metals

Diminishing Balance Contract	Reporting Level	Spot-Month position comprised of futures and deliveries	Spot-Month Aggregate Into Futures Equivalent Leg (1)
	25	For position limit purposes, spot month position comprised of futures and deliveries.	HG
	25	For position limit purposes, spot month position comprised of futures and deliveries.	HG
Y	25		HGS
Y	25		HGS

Spot-Month Aggregate Into Futures Equivalent Leg (2)	Spot-Month Aggregate Into Ratio Leg (1)	Spot-Month Aggregate Into Ratio Leg (2)	Spot-Month Accountability Level	Initial Spot-Month Limit (In Net Futures Equivalents) Leg (1) / Leg (2)
				~~1,200~~ **600**
	1 HX : 1 HG			~~1,200~~ **600**
	1 CAP : 1 HGS			~~1,200~~ **600**
				~~1,200~~ **600**

Spot-Month

Initial Spot-Month Limit Effective Date	Spot-Month Limit (In Contract Units) Leg (1) / Leg (2)
Close of business on the business day prior to the first notice day for any delivery month.	~~30,000,000~~ **15,000,000**
For HG: Close of business on the business day prior to the first notice day for any delivery month.	~~30,000,000~~ **15,000,000**
For HGS: Close of business on the business day prior to the first notice day for any delivery month.	~~30,000,000~~ **15,000,000**
Close of business on the business day prior to the first notice day for any delivery month.	~~30,000,000~~ **15,000,000**

Single Month						All Month			
Single Month Aggregate Into Futures Equivalent Leg (1)	Single Month Aggregate Into Futures Equivalent Leg (2)	Single Month Aggregate Into Ratio Leg (1)	Single Month Aggregate Into Ratio Leg (2)	Single Month Accountability Level Leg (1) / Leg (2)	Single Month Limit (In Net Futures Equivalents) Leg (1) / Leg (2)	All Month Aggregate Into Futures Equivalent Leg (1)	All Month Aggregate Into Futures Equivalent Leg (2)	All Month Aggregate Into Ratio Leg (1)	All Month Aggregate Into Ratio Leg (2)
HG				5,000		HG			
HG		1 HX : 1 HG		5,000		HG		1 HX : 1 HG	
HGS		1 CAP : 1 HGS		5,000		HGS		1 CAP : 1 HGS	
HGS				5,000		HGS			

All Month Accountability Level Leg (1) / Leg (2)	All Month Limit (In Net Futures Equivalents) Leg (1) / Leg (2)
5,000	
5,000	
5,000	
5,000	