Christopher Bowen
Managing Director and Chief Regulatory Counsel
Legal Department

May 1, 2014

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 40.2(a) Certification. Notification Regarding the Initial Listing of a Physically-Delivered Aluminum Futures Contract.
COMEX Submission No. 14-138

Dear Ms. Jurgens:

Commodity Exchange, Inc. ("COMEX" or "Exchange") is notifying the Commodity Futures Trading Commission ("CFTC" or "Commission") that it is self-certifying the listing of a physically-delivered Aluminum futures contract ("Contract") for trading on the COMEX trading floor and CME Globex, and for submission for clearing through CME ClearPort effective on Monday, May 5, 2014, for trade date Tuesday, May 6, 2014.

Pursuant to Commission Regulation 40.6(a), COMEX has self-certified block trading on this contract with a minimum threshold of ten (10) contracts in NYMEX/COMEX Submission No. 14-139. In addition, pursuant to Commission Regulation 40.6(a), NYMEX/COMEX has self-certified amendments to Chapter 7 ("Delivery Facilities and Procedures") in NYMEX/COMEX Submission No. 14-140.

The Contract specifications are as follows:

Rule Chapter Number and Contract Title	Chapter 107 Aluminum futures
Commodity Code	ALI
Contract Size	25 metric tons (MT)
First Listed and Delivery Month	July 2014
Listing Period	CME Globex: 24 consecutive months; CME ClearPort and Open Outcry: 60 consecutive months
Termination of Trading	The third last business day of the delivery month
Minimum Price Fluctuation	$0.25 per metric ton
Value per Tick	$6.25
Block Trade Minimum Threshold	10 contracts

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Trading and Clearing Hours:

COMEX Trading Floor: Monday – Friday 8:10 a.m. – 12:00 p.m. New York Time/ET (7:10 a.m. – 11:00 a.m. Chicago Time/CT).

CME Globex and CME ClearPort**:** Sunday – Friday 6:00 p.m. – 5:15 p.m. ET (5:00 p.m. – 4:15 p.m. CT) with a 45-minute break each day beginning at 5:15 p.m. ET (4:15 p.m. CT).

Fee Schedule:

Exchange Fees						
	Member Day	Member	Cross Division	Non-Member		
Pit	$0.55	$0.70 (EFS/EFP 0.85)	$0.95 (EFS/EFP 1.20)	$1.45		
Globex	$0.55	$0.70	$0.95	$1.45		
ClearPort		$0.70 (EFS/EFP 0.85)		$1.45		

Other Processing Fees		
	Member	Non-Member
Futures from E/A	$0.70	$1.45
	House Acct	Customer Acct
Delivery Notice	$1.00	$1.00

Additional Fees and Surcharges		
EFS Surcharge	$2.50	
Block Surcharge	$0.10	
Facilitation Desk Fee	$0.20	

COMEX Lessee Fees	
Trading Fee	$0.125
Trading Surcharge	$0.50

The Exchange is also notifying the CFTC that it is self-certifying the addition of the terms and conditions for the Aluminum futures contract into 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/COMEX Rulebook in relation to the listing of the Contract. The terms and conditions establish the all month/any one month accountability levels, expiration month position limit, reportable level and aggregation allocation for the Contract (See Appendix B, attached under separate cover).

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

- Prevention of Market Disruption: Trading in this Contract will be subject to COMEX rules ("Rulebook") Chapters 4 and 7 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 product will be subject to extensive monitoring and surveillance by CME Group's Market Regulation Department.

- Contracts not Readily Susceptible to Manipulation: This Contract is not readily susceptible to manipulation based on the ample sources of deliverable supply that ensure a smooth and orderly delivery process.

- Compliance with Rules: Trading in this Contract will be subject to the rules in Rulebook Chapter 4 which includes prohibitions against fraudulent, noncompetitive, unfair and abusive practices. Additionally, trading in this Contract will also be subject to the full panoply of trade practice rules, the majority of which are contained in Chapter 5 of the Rulebook. As with all products listed for trading on one of CME Group's designated contract markets, activity in this 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.

- Position Limitations or Accountability: The spot month speculative position limits for the Aluminum futures contract is set at 200 contracts which is representative of 25% of the inventory in Exchange approved Sheds.

- 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.

- 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.

- Financial Integrity of Contracts: All contracts traded on the Exchange will be cleared by the Clearing House of the Chicago Mercantile Exchange Inc. which is a registered derivatives clearing organization with the Commission and is subject to all Commission regulations related thereto.

- Execution of Transactions: The Contract will be listed for trading on CME Globex and the COMEX trading floor and for clearing through the CME ClearPort platform. The CME Globex platform provides a transparent, open, and efficient mechanism to electronically execute trades on screen. In addition, the COMEX trading floor continues to be available as a trading venue and provide for competitive and open execution of transactions. The CME ClearPort platform continues to provide a competitive and open execution of transactions by brokers.

- Trade Information: All required trade information is included in the audit trail and is sufficient for the Market Regulation Department to monitor for market abuse.

- Protection of Market Participants: 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 Rulebook. 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 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 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 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 Regulation 40.2(a), the Exchange hereby certifies that the Contract complies with the Act, including regulations under the Act. There were no substantive opposing views to the listing of the Contract. A description of the cash markets for the new product is attached (See Appendix D: Cash Market Overview and Analysis of Deliverable Supply).

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 christopher.bowen@cmegroup.com.

Sincerely,

/s/Christopher Bowen
Managing Director and Chief Regulatory Counsel

Attachments:	Appendix A:	COMEX Rulebook Chapter 107
	Appendix B:	Position Limit, Position Accountability, and Reportable Level Table in Chapter 5 of the NYMEX/COMEX Rulebook (attached under separate cover)
	Appendix C:	Rule 588.H – CME Globex Non-reviewable Range Table
	Appendix D:	Cash Market Overview and Analysis of Deliverable Supply

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APPENDIX A

Chapter 107
Aluminum Futures

107100. SCOPE OF CHAPTER

This chapter is limited in application to physically delivered Aluminum futures. The procedures for trading, clearing, delivery and settlement not specifically covered herein or in Chapter 7 shall be governed by the general rules of the Exchange. The provisions of these rules shall apply to all aluminum bought or sold for future delivery on the Exchange.

The terms "seller" and "buyer" shall mean the seller of the physical product and the buyer of the physical product, respectively.

For purposes of these rules, unless otherwise specified, times referred to herein shall refer to and indicate New York time.

"Primary conveyance" shall mean the conveyance which shall be subject to the minimum guaranteed daily load out rate as prescribed in Chapter 7, Rule 703.C.3.b., contingent on any pending conveyance orders submitted prior to the primary conveyance order.

"Alternate conveyance" shall mean the conveyance which shall be subject to Rule 107103, contingent on any pending conveyance orders submitted prior to the alternate conveyance order.

107101. CONTRACT SPECIFICATIONS

The aluminum for delivery on the futures contract shall be twenty-five metric tons (25 MT) with a weight tolerance of 2% either higher or lower and must be of an approved Brand. Aluminum meeting all of the following specifications shall be deliverable in satisfaction of futures contract delivery obligations under this Rule:

Eligible aluminum must consist of primary aluminum meeting all of the requirements of the P1020A in the North American and International Registration Record entitled "International Designation and Chemical Composition Limits for Unalloyed Aluminum" (revised March 2007), or its latest revision. If the North American and International Registration Record adopts a change in the standard specifications for the aforementioned deliverable grade and such change is adopted and confirmed by the Exchange, aluminum conforming to the change so adopted, as well as aluminum conforming to the previous specifications if placed in an approved Shed prior to the date of the adoption and confirmation by the Exchange of the new specifications, shall be deliverable against the Aluminum futures contract. A Certificate of Analysis and Certificate of Origin must accompany all metal delivered into an approved Shed. The Certificate of Origin must be kept on file at the approved Shed.

Aluminum must conform to one of the following shapes:

a. Sows weighing up to 787.5 kgs.;

b. T-bars weighing up to 787.5 kgs.; or

c. Ingots weighing from 9 kgs. to 26 kgs. Ingots are to be secured in bundles suitable for stacking not to exceed 2 metric tons per bundle. There is one smelter (heat) number per bundle.

Each Warrant shall be made up exclusively of the deliverable grade in one of the shapes listed above and must derive from one smelter. The approved Brand must be permanently marked on each piece of aluminum delivered in fulfillment of the contract. The cast number must be permanently marked on tbars and sows and labeled on each bundle of ingots of aluminum delivered in fulfillment of the contract.

1. Eligible aluminum must consist of any of the approved Brand marks, as provided in Chapter 7, current at the date of delivery of the contract, provided, however, a Warrant issued for aluminum shall be from a single approved Brand.
2. Aluminum may be delivered only from an approved Shed.
3. Deliveries shall be made without any allowance for freight.
4. The aluminum must be weighed by an approved Weighmaster. A Weight Certificate shall be issued by the approved Weighmaster.

5. An approved Shed must declare that the aluminum meets the specification for delivery in fulfillment of an Aluminum futures contract. Upon request from the approved Shed, the seller's clearing member shall provide verification that the aluminum is of an approved Brand meeting the specification of the contract, unless received directly from the producer of the approved Brand.
6. The electronic certificate shall reference a signed declaration of the approved Shed, as to the origin of the aluminum and the grade thereof; such declaration to be in the following form and maintained on file at the approved Shed.

   This is to certify that the brand of aluminum covered by Warrant #..... issued by ..... (approved Shed) is the product of ..... (approved Producer) an approved producer for delivery of aluminum against the Commodity Exchange, Inc., Aluminum futures contract and conforming to the specifications for P1020A pursuant to the rules of the Exchange.

107102. TRADING SPECIFICATIONS

Trading in Aluminum futures is regularly conducted in all calendar months. The number of months open for trading at a given time shall be determined by the Exchange.

107102.A. Trading Schedule

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

107102.B. Trading Unit

The contract unit shall be twenty-five (25) metric tons.

107102.C. Price Increments

Prices shall be quoted in multiples of twenty-five cents ($0.25) per metric ton. Price shall be quoted in dollars and cents per metric tons.

107102.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.

107102.E. Termination of Trading

No trades in Aluminum futures deliverable in the current month shall be made after the third last business day of that month. Any contracts remaining open after the last trade date must be either:

(A) Settled by delivery which shall take place on any business day no earlier than the first business day of the delivery month or any subsequent business day of the delivery month and shall be completed no later than the last business day of the delivery month; or

(B) Liquidated by means of a bona fide Exchange for Related Position ("EFRP") pursuant to Rule 538. An EFRP is permitted in an expired futures contract until 12:00 p.m. on the business day following termination of trading in the expired futures contract. An EFRP which establishes a futures position for either the buyer or the seller in an expired futures contract shall not be permitted following the termination of trading of an expired futures contract.

107103. ALTERNATE LOAD-OUT INSTRUCTIONS

A party may elect to load out at the approved Shed by an alternate conveyance, if available. In electing an alternate conveyance, the minimum guaranteed daily load out rate for the alternate conveyance as published under the Interpretations & Special Notices Related to Chapter 7 shall apply absent any pending conveyance orders submitted prior to the alternate conveyance order. While minimum guaranteed daily load out rates prescribed in Rule 703.C.3.b only apply to primary conveyance(s) at the approved Shed, at all times the approved Shed shall be required to meet a cumulative minimum guaranteed daily load out rate as prescribed in Chapter 7, Rule 703.C.3.b. for all pending load out orders, on a first-come, first-served, non-discriminatory basis. The handling out fees for the alternate conveyance shall be published under the Interpretations & Special Notices Related to Chapter 7.

107104.-107. [RESERVED]

107108. VALIDITY OF DOCUMENTS

The Exchange makes no representation respecting the authenticity, validity or accuracy of any inspection certificate, Notice of Intention to Deliver, Notice of Intention to Accept, bill of lading, check or document or instrument delivered pursuant to these rules.

107109. WARNING

Any market participant taking physical delivery is advised that this metal may contain crevices and hidden recesses holding entrapped moisture. The metal should be handled and processed with this possibility in mind. Entrapped moisture may cause an explosion if the metal is introduced into a melting-furnace without proper drying.

APPENDIX B

NYMEX/COMEX Rulebook Chapter 5 Position Limit Table

(Attached under separate cover)

APPENDIX C

Rule 588.H CME Globex Non-Reviewable Ranges

Instrument	Non-Reviewable Range (NRR) in CME Globex format	NRR including Unit of Measure	NRR Ticks
Aluminum futures	5000	$50.00 per metric ton	200

APPENDIX D

Cash Market Overview and Analysis of Deliverable Supply

Commodity Exchange, Inc. ("COMEX" or "Exchange") is self-certifying the listing of a physically-delivered Aluminum futures contract for trading on the COMEX trading floor and CME Globex, and for submission for clearing through CME ClearPort.

Contract	Code	Rule Chapter
Aluminum futures	ALI	107

Aluminum's combination of physical properties results in its use in a wide variety of products, many of which are indispensable to modern life. Because of its light weight and electrical conductivity, aluminum wire is used for long-distance transmission of electricity. Aluminum's strength, light weight, and workability have led to increased use in transportation systems, including light vehicles, railcars, and aircraft, as efforts to reduce fuel consumption have increased. Aluminum's excellent thermal properties and resistance to corrosion have led to its use in air conditioning, refrigeration, and heat-exchange systems. Finally, its malleability has allowed it to be rolled and formed into very thin sheets used in a variety of packaging.

Aluminum is used in products such as beverage cans and bottles, food containers, and household and institutional foil. Product manufacturers and consumers appreciate foil for its impermeability to light, water, and oxygen - making it a preferred barrier material for beverage, food, and pharmaceutical products. Additionally, aluminum's low weight gives it a competitive advantage over other materials with regard to shipping costs.

Aluminum is the second most abundant metallic element in the Earth's crust after silicon, yet it is a comparatively new industrial metal that has been produced in commercial quantities for just over 100 years.[1] The United States' aluminum industry annually produces about $40 billion in aluminum related

[1] United States Geological Survey (USGS) http://minerals.usgs.gov/minerals/pubs/commodity/aluminum/

products, such as those referenced above, and exports.[2] Aluminum weighs about one third as much as copper or steel, and is malleable, easily machined and cast, and has excellent corrosion resistance and durability. Aluminum activity spans physical plants and facilities, recycling, heavy industry, or consumption of consumer goods. Top markets for the industry are transportation, beverage cans and other packaging, and building/construction. Aluminum recovery from scrap has become an important component of the aluminum industry. Though aluminum recycling had been a common practice since the 1900's, its profile increased in the 1960's when recycling became a focus of public awareness. Sources for recycled aluminum include automobiles and appliances, however, recycling of aluminum cans may have the highest profile.

Production

The U.S. primary aluminum (P1020A grade aluminum) production level has been increasing over the past few years. As indicated in Table 1, in 2013, the U.S. produced 1.95 million metric tons (MT) of aluminum valued at $4.61 billion, a 5% decrease from the production level of 2012.[3,4] The United States ranked fourth in production worldwide behind China, Russia, and Canada. In 2012, five companies operated ten primary aluminum smelters in seven states.[5] Four smelters in the U.S. were closed for the entire year. Failure to obtain favorable power supply contracts was cited as the primary reason for the closures.

[2] Aluminum Association http://www.aluminum.org/

[3] USGS 2012 Minerals Yearbook http://minerals.usgs.gov/minerals/pubs/commodity/aluminum/myb1-2012-alumi.pdf

[4] Aluminum Association http://www.aluminum.org/Content/NavigationMenu/NewsStatistics/StatisticsReports/PrimaryProduction/USPrimaryProduction112013.pdf

[5] United States Geological Survey (USGS) http://minerals.usgs.gov/minerals/pubs/commodity/aluminum/

Table 1. The U.S. Domestic Primary Aluminum Production

Year	Total Yearly Production (MT)	Total Yearly Contract Size	Average Monthly Contract Size
2001	2,637,000	132,127	11,011
2002	2,707,000	135,634	11,303
2003	2,703,000	135,434	11,286
2004	2,516,000	126,064	10,505
2005	2,481,000	124,311	10,359
2006	2,284,000	116,309	9,692
2007	2,554,000	127,968	10,664
2008	2,658,000	133,179	11,098
2009	1,727,000	86,531	7,211
2010	1,727,258	86,544	7,212
2011	1,986,447	79,458	6,621
2012	2,070,316	82,813	6,901
*2013	1,960,379	78,415	7,129

*through November 2013

Source: The Aluminum Association and USGS

Consumption

The concentration of aluminum consumption was centered in the Eastern Central portion of the United States. Transportation accounted for 34% of domestic consumption followed by packaging, 26%, building, 12%, electrical, 9%, machinery, 8%, consumer durables, 7%, and other, 4%.[6]

Domestic consumption totaled 20.0 billion pounds in 2012, while exports amounted to 3.7 billion pounds[7]. The transportation sector is the largest North American market for aluminum, accounting for 7.1 billion pounds or 29.9 percent of total shipments.[8] For comparative purposes, a metric ton is equivalent to 2,204.6 pounds. The approximate amount of aluminum consumed in the United States increased by 16%

[6] United States Geological Survey (USGS) http://minerals.usgs.gov/minerals/pubs/commodity/aluminum/

[7] http://www.aluminum.org/Content/NavigationMenu/NewsStatistics/StatisticsReports/FactsAtAGlance/factsataglance.pdf

[8] http://www.aluminum.org/Content/NavigationMenu/NewsStatistics/StatisticsReports/FactsAtAGlance/factsataglance.pdf

in 2013 from that in 2012.[9] The increase in aluminum shipments to the transportation industry was the result of increased automobile production and sales. U.S. sales of automobiles and light trucks increased by nearly 13% in 2012 compared with sales in 2011. Another reason for the increase in shipments of aluminum to the transportation industry was attributed to an upsurge in deliveries of commercial aircraft, mostly notably by Boeing whose deliveries of commercial aircraft increased by 26% in 2012 compared with 2011.[10] Aluminum shipments to the building industry also increased as construction of residential and non-residential structures began to escalate. Sales of new homes in 2012 rose by 19.9% in 2012 compared with new home starts in 2011.[11]

ANALYSIS OF DELIVERABLE SUPPLY

In general, the term “deliverable supply” means 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. For aluminum, it is either produced in the U.S. or is part of net imports (mostly from Canada). In addition, there remains a great deal of capacity that is outside the warehouse systems of either COMEX or the London Metal Exchange (LME). In an article published by The Wall Street Journal on December 27, 2013 and widely referred to by industry participants, it is estimated that over half of all inventory lies outside Exchange warehouse systems. In the event of higher demand or low inventories, this material could provide the necessary buffer for the industry to meet demand. While the Exchange does not have access to data on load out rates from these warehouses, it has had in depth discussions with industry

[9] Aluminum Association http://www.aluminum.org/

[10] United States Geological Survey (USGS) http://minerals.usgs.gov/minerals/pubs/commodity/aluminum/

[11] United States Geological Survey (USGS) http://minerals.usgs.gov/minerals/pubs/commodity/aluminum/

participants (see off-Exchange warehousing below). Access to material in these off-Exchange warehouses in the U.S. gives the Exchange confidence that these stocks provide a balancing mechanism to ensure that COMEX Aluminum futures will not be readily susceptible to manipulation.

Domestic industry operates with excess capacity. While there was production of 1.96 million MT in 2013 according to Table V below, the U.S. Geological Survey estimates that there was domestic capacity of 2.7 million MT. This excess capacity is a direct result of relative low prices since 2008. However, the industry would be able to rapidly increase production should demand rise for aluminum.

COMEX Warehouse Stocks

As COMEX Aluminum futures is a new contract, some warehouses have not had an opportunity to begin building inventory. However, Scale Distribution, Inc., which is an approved Shed for the COMEX Aluminum futures contract located in the Detroit area, has represented that it has approximately between 15,000 MT to 20,000 MT of eligible aluminum on hand in the approved facility which is suitable for delivery against the COMEX Aluminum futures contract. The inventory on hand of the aforementioned approved Shed ranges from 600 to 800 COMEX Aluminum futures contract equivalents.

Off-Exchange Warehouses

The Exchange directly consulted with eight major warehouse operators, three major producers, four banks, three major merchant trading houses, and fifteen consumers to verify the accessibility of off-Exchange warehouse aluminum, duration of transportation time within the U.S. and the industry's definition of a spot market. These are all major participants in the LME markets. In the course of these surveys, staff was cautioned repeatedly and uniformly, that their responses were highly confidential and that it must maintain their anonymity. Based on the number of participants in the North American aluminum industry, Exchange staff canvassed a large percentage of industry commercial participants to develop a general consensus.

Participants uniformly agreed as to the prompt availability of the off-Exchange warehouse aluminum. In most cases, movements occur within a few days of agreements. They also noted that, due to the strong contango market, private aluminum stock movements between LME approved warehouses

and off-Exchange warehouses are becoming more routine. In particular, private metal stocks are often moved between facilities in order to get financing implied by the differential between current and future market prices. Consequently, timely movements within a few days of agreements are considered normal for the industry. The main conclusion is that, if the market price represents an opportunity, materials are freely flowing into and out of off-Exchange facilities or to consumers. Since the movement of material between warehouses ensures that the price will reflect the market price, the off-Exchange aluminum stocks protect the COMEX Aluminum futures contract from being readily subject to manipulation.

Based on the reasons described above, the Exchange includes off-Exchange aluminum as potentially part, or easily substitutable, for the deliverable supply of aluminum. Harbor Intelligence's information provided in Appendix II below shows the off-Exchange material that meets the Exchange's Aluminum futures contract specifications. Appendix II is a diagram showing primary aluminum stocks on a global basis. Based on the survey conducted by the Exchange, these materials can be transferred to Exchange approved warehouses and, therefore, we believe these stocks may be deemed eligible deliverable supply for this analysis.

The Exchange surveyed the various sectors over the entire supply chain of the aluminum industry, especially consumers, for what they consider to be readily available as the spot market. The industry was uniformly consistent in that any delivery taking place within a one month time frame from transaction to delivery is considered spot. Numerous discussions with industry participants have consistently estimated that, at most, material can be shipped within a two-week period across the widest possible ranges in the United States, e.g. Long Beach California to Baltimore.[i] Aluminum is transported by truck, barge, and rail, and the Exchange has targeted consumption delivery points to ensure easy access to commercial participants. In addition, there was a unanimous consensus from industry participants that queues that exist in LME approved warehouses do not affect off-Exchange warehousing. While such stocks lack official documentation, there are reliable sources that give estimates of these stocks. While the Exchange did not include these off-exchange stocks in the setting of initial position limits, it is included in this analysis to emphasize the conservative nature of its proposal. For purposes of the Aluminum futures contract, we estimate from Harbor Aluminum, in Appendix II below, that off-Exchange warehouse stocks

in the U.S. are approximately 1 million MT. If the Exchange were to include these stocks, the Exchange estimates readily available supply from this source to be to be 40,000 contract equivalents.

Production and Net Imports

In addition to warehouse stocks, the Exchange represents that supply can potentially be accessed from new production and net imports. The Exchange surveyed the entire supply chain of the industry, especially to consumers, for what they consider to be readily available as the spot market. The industry was consistent in that any delivery taking place within a one month time frame from transaction to delivery is considered spot. According to Table II, primary aluminum production in the U.S. averaged about 161,000 MT per month over the most recent four year period. As an attached appendix, Harbor Aluminum estimates that about 43% of primary production is LME branded, or suitable for delivery in the COMEX Aluminum futures contract. Consequently, about 69,000 MT per month meet the contract specifications. Harbor Aluminum further estimates that 60%-75% of estimated production of primary aluminum may be committed to end users under long term contracts. However, the current and specific fundamentals of the market for primary aluminum are such that they may not be readily available for delivery within 30 days. Therefore, taking a conservative approach, 25% of the 69,000 eligible metric tons equates to 17,000 metric tons of primary production that are readily available for delivery. This represents 692 COMEX Aluminum futures contract equivalents.

Table II. U.S. Primary Aluminum Production[12]
(in Metric Tons)

	2010	2011	2012	2013
January	141,688	151,590	178,483	171,042
February	130,246	139,562	167,326	155,313
March	146,555	161,932	179,238	172,090
April	142,164	161,521	174,106	166,839
May	147,493	169,674	179,321	171,183
June	141,339	166,569	172,838	165,182
July	146,280	171,494	177,045	169,305

[12] The Aluminum Association
http://www.aluminum.org/Content/NavigationMenu/NewsStatistics/StatisticsReports/PrimaryProduction/default.htm

August	145,969	171,690	171,099	162,853
September	143,115	168,698	164,356	156,701
October	148,331	174,661	169,613	154,250
November	144,457	171,339	165,872	149,123
December	149,621	177,717	171,019	153,973

Net import data can only be estimated on an annual basis from the U.S. Geological Survey as presented in Table III. On average from 2009 to 2013 (the latest estimated data), there were 52,000 net metric tons of aluminum imported into the U.S. per month. This comes primarily from Canada, with Russia and Mexico being the next two biggest exporters. This is approximately 2,000 contract equivalents.

Nonetheless, the Exchange did not include either production or net imports in its position limit proposal. It is included here to insure that there are sources of supply that would insure that deliveries under the Aluminum futures contract will be smooth and that the contract will not be readily susceptible to manipulation.

Table III. Monthly Net Imports[13]
(Thousands, Metric Tons)

	Imports	**Exports**	**Annual Net Imports**	**Average Monthly Imports**
2009	3,680	2,710	970	80.83
2010	3,610	3,040	570	47.50
2011	3,710	3,420	290	24.17
2012	3,760	3,480	280	23.33
2013	4,360	3,350	1,010	84.17
Average	3,824	3,200	624	52.00

Capacity (COMEX warehouses and production)

Warehouse and production capacity are discussed here as potential constraints to help alleviate concerns that bottlenecks do not interfere with the delivery of metal under the futures contract. In terms of warehouse capacity, each warehouse has, in its application, indicates the capacity of the facility.

[13] U.S. Geological Survey. http://minerals.usgs.gov/minerals/pubs/commodity/aluminum/mcs-2013-alumi.pdf

	Capacity (Metric Tons)	Contract Equivalents
Scale Distribution, Inc.	150,000	6,000
Henry Bath LLC	20,125	805
C. Steinweg (Baltimore), Inc.	20,284	812
Total Initial Capacity	190,409	7,617

The Exchange has determined to set initial position limits at a level well below deliverable supply. Based on the initial three warehousing companies that have been approved by the Exchange, as indicated above, the spot month position limit of 200 contracts represents 25% of aluminum stocks. While the supply of aluminum as described in this document is over 1 million MT, the readily available deliverable supply is constrained by the capacity of the approved facilities. Based on the three facilities listed above, the position limit represents 2.6% of capacity of the approved Sheds. According to Table V below, aluminum production and capacity for selected countries is estimated. While globally, production is nearly 76% of capacity, in the U.S, where all of the delivery points of the futures contract are located, it was 73% as of the latest 2013 estimate. Consequently, any rise in demand could easily be met by ramping up production from unused capacity.

Table V. World Smelter Production and Capacity[14]
(Thousands of Metric Tons)

	Production		Capacity		Capacity Utilization	
	2012	**2013**	**2012**	**2013**	**2012**	**2013**
United States	2,070	1,950	2,720	2,680	76.10%	72.76%
Argentina	450	460	455	455	98.90%	101.10%
Australia	1,860	1,750	1,980	1,770	93.94%	98.87%
Bahrain	890	900	970	970	91.75%	92.78%
Brazil	1,440	1,330	1,700	1,700	84.71%	78.24%
Canada	2,780	2,900	3,020	2,880	92.05%	100.69%
China	20,300	21,500	26,900	30,200	75.46%	71.19%
Germany	410	400	620	620	66.13%	64.52%
Iceland	820	825	810	830	101.23%	99.40%
Mozambique	565	560	570	570	99.12%	98.25%
Norway	1,150	1,200	1,230	1,230	93.50%	97.56%

[14] U.S. Geological Survey. http://minerals.usgs.gov/minerals/pubs/commodity/aluminum/mcs-2013-alumi.pdf

Qatar	604	600	610	610	99.02%	98.36%
Russia	3,850	3,950	4,450	4,450	86.52%	88.76%
South Africa	665	820	900	900	73.89%	91.11%
United Arab Emirates	1,820	1,800	1,850	2,350	98.38%	76.60%
Other Countries	4,540	4,550	6,400	6,960	70.94%	65.37%
World Total	45,900	47,300	57,000	61,900	80.53%	76.41%

Based on the above analysis and using a very conservative approach in setting position limits, the Exchange has set the initial position limits as percentage of the inventory levels of aluminum in Exchange approved facilities. For the COMEX Aluminum futures contract, an initial spot month position limit of 200 contracts, which represents 25% of the aforementioned inventory level and 2.6% of the capacity in Exchange approved facilities, has been proposed.

Appendix I

Harbor Aluminum[15]

1. Primary aluminum production level in North America in 2013
North America's total production of primary aluminum (remelt ingot+VAP's) in 2013 is estimated by *HARBOR Aluminum* to have been 4.2 million tons. This estimate comes after computing production at each of the different 21 smelters that operated in the region during 2013. Canada was the largest producer of primary aluminum in North America with an estimated 2013 production of 2.962 million tons. This production came from 11 smelters operated by three companies: Rio Tinto Alcan (RTA), Alcoa and Alouette (shareholders are RTA, Norsk Hydro, AMAG and Marubeni). The United States is estimated to have produced 1.957 million tons out of 10 smelters, which were operated by 4 companies: Alcoa, Century, Noranda and Ormet. Important is to note that RTA sold Sebree (210 ktpy of capacity) to Century in May 2013 and that Ormet went into bankruptcy and closed its last potline in the fourth quarter of 2013. Mexico has no production of primary aluminum.

2. Primary aluminum of LME brands in North America
As stated above, remelt ingot with a specification of a minimum aluminum content of 99.7% and maximum levels of other impurities, in the format of sows, standard ingots and T-ingots, is the primary aluminum that is accepted for delivery by the London Metal Exchange under their “high grade aluminum” contract and is therefore the material to which LME prices of primary aluminum ingot refer. High purity aluminum meets this requirement too. Primary aluminum such as billet, slab, wire rod and PFA have a chemistry that doesn't meet the 99.7% LME requirement and are thus not LME-subject metal.
From the 21 smelters that operated in North America in 2013, all except one are LME branded. This was Hawesville, a smelter located in Hancock, KY which is owned by *Century Aluminum* and is estimated by HARBOR to have produced 251,000 tons during 2013.
All of the above implies that out of the 4.2 million tons of primary aluminum produced in North America (remelt ingot + VAP's) only 2.3 million tons or 43% was LME branded. From these 2.3 *confidential million tons, around 60% or 1.5 million tons came from Canada and 915,000 tons or 40% came from the United States.

3. The spot market vs. long term contracts
Every year sellers (domestic and foreign producers and traders) negotiate annual contracts with aluminum consumers (semi-fabricators). Annual negotiations take place mainly between September and October. Some years the "mating season" has extended to late November. This was the case of 2013 given the uncertainty surrounding the LME's proposal to changing warehousing regulations. The bulk of the negotiations are done with four aluminum industry conferences at the background: a) Metal Bulletin (alternates each year between Europe, North America and Middle East), b) LME week in London, c) ISRI's Commodity Round Table and d) AEC's Annual Meeting.
HARBOR serves most of the main regional/global consumers (Novelis, Sapa, Aleris, JW Aluminum, Nemak, among others) of primary aluminum in the US, Canada and Mexico and all except one (Alouette) of the five North American primary aluminum producers. HARBOR also serves and has direct relationship with all major primary aluminum producers that export metal to North America (UC Rusal, Dubal/Emal,

[15] http://www.harboraluminum.com/ Harbor Aluminum produces strategic aluminum industry and outlook reports to help its clients make objective and timely purchasing/selling/planning decisions. They also provide analytics and relevant industry hard facts related the entire aluminum supply chain. They provide focused, comprehensive and detailed aluminum industry intelligence, outlook and research papers. They have a wide array of clients ranging from consumers, producers, recyclers, traders, governments to non-profit organization related to aluminum.

Alba, Venalum, and Vedanta among others). HARBOR has almost daily contact with all the major primary aluminum traders in North America (Glencore, Trafigura, Noble, Mitsubishi, etc.).
From serving its clients (producers, consumers and traders) and its relationship with key market participants, HARBOR intelligence indicates that:
Annual contract volumes in North America between primary aluminum sellers and buyers (ingot + VAP's) typically varies between 60 to 75% of the total volume of the year (most of the time closer to 75% than 60%) and the balance is left for spot purchases. These numbers are derived from final sales to consumers which consider annual contracts between producers and consumers and between producers and traders that in turn are sold by traders to consumers in an annual contract /spot mix.
Mexican consumers usually contract 80-85% of their annual metal needs under annual contracts (more than the North American average given the inexistence of local producers). These numbers are derived from final sales to consumers which considers annual contracts *confidential between producers and consumers and between producers and traders that in turn are sold by traders to consumers in an annual contract /spot mix.

APPENDIX II

[i] Exchange directly consulted warehouse operators, producers, banks and major trade houses in coming up with the two week time horizon.

Contract Name	Rule Chapter	Commodity Code	Contract Size	Contract Units	Type	Settlement	Group	Diminishing Balance Contract
Aluminum Futures	107	ALI	25	Metric Tons	Futures	Physically Settled Futures	Metals	

Reporting Level	Spot-Month position comprised of futures and deliveries	Spot-Month Aggregate Into Futures Equivalent Leg (1)	Spot-Month Aggregate Into Futures Equivalent Leg (2)
25	For position limit purposes, spot month position comprised of futures and deliveries.	ALI	

Sp				
Spot-Month Aggregate Into Ratio Leg (1)	Spot-Month Aggregate Into Ratio Leg (2)	Spot-Month Accountability Level	Daily Accountability Level (For Daily Contract)	Initial Spot-Month Limit (In Net Futures Equivalents) Leg (1) / Leg (2)
				200

ɔot-Month

Initial Spot-Month Limit Effective Date	Spot-Month Limit (In Contract Units) Leg (1) / Leg (2)	Single Month Aggregate Into Futures Equivalent Leg (1)	Single Month Aggregate Into Futures Equivalent Leg (2)
Close of business on the business day prior to the first notice day for any delivery month.	5,000	ALI	

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