

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested ☐

Registered Entity Identifier Code (optional): 22-184 (1 of 2)

Organization: New York Mercantile Exchange, Inc. ("NYMEX")

Filing as a: ☒ DCM ☐ SEF ☐ DCO ☐ SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 04/25/22 **Filing Description:** Adoption of NYMEX/COMEX Rule 705.C. ("Procedures for Insurance Claims") of Chapter 7 ("Delivery Facilities and Procedures")

SPECIFY FILING TYPE

Please note only ONE choice allowed per Submission.

Organization Rules and Rule Amendments

- | | | |
|-------------------------------------|-------------------------------------|------------|
| <input checked="" type="checkbox"/> | Certification | § 40.6(a) |
| <input type="checkbox"/> | Approval | § 40.5(a) |
| <input type="checkbox"/> | Notification | § 40.6(d) |
| <input type="checkbox"/> | Advance Notice of SIDCO Rule Change | § 40.10(a) |
| <input type="checkbox"/> | SIDCO Emergency Rule Change | § 40.10(h) |

Rule Numbers: See filing.

New Product

Please note only ONE product per Submission.

- | | | |
|--------------------------|---------------------------------------|------------|
| <input type="checkbox"/> | Certification | § 40.2(a) |
| <input type="checkbox"/> | Certification Security Futures | § 41.23(a) |
| <input type="checkbox"/> | Certification Swap Class | § 40.2(d) |
| <input type="checkbox"/> | Approval | § 40.3(a) |
| <input type="checkbox"/> | Approval Security Futures | § 41.23(b) |
| <input type="checkbox"/> | Novel Derivative Product Notification | § 40.12(a) |
| <input type="checkbox"/> | Swap Submission | § 39.5 |

Product Terms and Conditions (product related Rules and Rule Amendments)

- | | | |
|--------------------------|---|----------------------|
| <input type="checkbox"/> | Certification | § 40.6(a) |
| <input type="checkbox"/> | Certification Made Available to Trade Determination | § 40.6(a) |
| <input type="checkbox"/> | Certification Security Futures | § 41.24(a) |
| <input type="checkbox"/> | Delisting (No Open Interest) | § 40.6(a) |
| <input type="checkbox"/> | Approval | § 40.5(a) |
| <input type="checkbox"/> | Approval Made Available to Trade Determination | § 40.5(a) |
| <input type="checkbox"/> | Approval Security Futures | § 41.24(c) |
| <input type="checkbox"/> | Approval Amendments to enumerated agricultural products | § 40.4(a), § 40.5(a) |
| <input type="checkbox"/> | "Non-Material Agricultural Rule Change" | § 40.4(b)(5) |
| <input type="checkbox"/> | Notification | § 40.6(d) |

Official Name(s) of Product(s) Affected:

Rule Numbers:

April 25, 2022

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 40.6(a) Certification. Adoption of NYMEX/COMEX Rule 705.C.
("Procedures for Insurance Claims") of Chapter 7 ("Delivery Facilities and
Procedures").
NYMEX Submission No. 22-184 (1 of 2)**

Dear Mr. Kirkpatrick:

New York Mercantile Exchange, Inc. ("NYMEX") and Commodity Exchange, Inc. ("COMEX") (collectively, the "Exchanges") certify to the Commodity Futures Trading Commission ("CFTC" or "Commission") the adoption of NYMEX/COMEX Rule 705.C. ("Procedures for Insurance Claims") to provide clarity for insurance claims against the loss of metal (the "Rule Amendments") effective on May 10, 2022.

NYMEX/COMEX Rule 703.A.3. requires metal depositories and warehouses to have insurance against the loss or damage of registered metal in order to be declared regular. As such, market participants routinely inquire into the process associated with filing an insurance claim, what happens with the proceeds collected from an insurance claim, and how an insurance claim would affect stored metal at the Exchanges, including but not limited to, metal held for delivery processing or gold warrants used for performance bond purposes.

The Exchanges' rules do not explicitly address the manner by which warrant holders could be compensated for insurance claims associated with a warrant holder's stored metal. While insurance claims in connection with registered metal stored at a regular facility are extremely rare, the Exchanges are providing clarity for current procedures in its rules. Specifically, the Rule Amendments provide discretionary authority to the Exchanges to prescribe the manner in which relevant insurance proceeds may be used or disbursed.

The Rule Amendments are provided under separate cover in Exhibit A with additions underscored.

The Exchange reviewed the designated contract market core principles ("Core Principles") as set forth in the Commodity Exchange Act ("CEA" or "Act") and identified that the following Core Principles may be impacted by the Rule Amendments as follows:

- **Availability of General Information:** The Exchange will make publicly available the details of the Rule Amendments by publishing a Market Surveillance Notice ("MSN") and Special Executive Report ("SER") to the market. The MSN and SER will be available on CME Group's website.
- **Contracts not Readily Subject to Manipulation:** The NYMEX/COMEX contracts will continue to comply with this Core Principle as the Rule Amendments simply provides clarity to market participants.

- **Prevention of Market Disruption:** The Rule Amendments provide guidance for insurance claims against the loss of metal.

Pursuant to Section 5c(c) of the Act and CFTC Regulations 40.6(a), the Exchanges certify that the Rule Amendments comply with the Act, including regulations under the Act. There were no substantive opposing views to this action.

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

Attachment: Exhibit A – Amendments to NYMEX/COMEX Rulebook Chapter 7 (“Delivery Facilities and Procedures”) (blackline format)

Exhibit A
NYMEX/COMEX Rulebook
Chapter 7
(“Delivery Facilities and Procedures”)
(additions underscored)

705. METAL WARRANTS

705.A. Procedures for the Issuance of Warrants

A warrant shall mean a document of title under Article 7 of the Uniform Commercial Code (“UCC”) issued by a facility demonstrating that the referenced quantity of the covered metal, stored in the facility referenced thereon, meets the specifications of the applicable metal futures contract. All warrants issued by a facility must be issued in the name of the clearing member (warrant holder) and must be in a format approved by the Exchange. A clearing member shall retain documentation that allows the clearing member to take possession of metal and transfer possession to the owner of the metal. Warrants shall be lettered or numbered consecutively by each facility and no two warrants for the same metal shall bear an identical combination of letters and/or numbers. If letters are used, they must not exceed three (3) characters and if used in combination with numbers, they must precede the numbers. The numbers must not exceed 7 digits.

1. Within three (3) business days from receipt of any metal at a facility, the facility must (a) determine such metal's eligibility, (b) advise the owner if the metal is determined to be not eligible, and (c) if requested by the owner and provided the metal meets the contract specifications, issue a warrant. In addition, upon receipt of the 100 troy ounce gold bar by the depository for delivery against the Gold futures contract or Gold (Enhanced Delivery) futures contract, the depository shall weigh each 100 troy ounce gold bar in the lot measured to 1/100 of a troy ounce (two decimal points). In accomplishing such measurement, each bar shall be weighed to the nearest 1/1000 of a troy ounce (three decimal points); weights of 4/1000 of a troy ounce or less shall be rounded down to the nearest 1/100 of a troy ounce and weights of 5/1000 of a troy ounce or more shall be rounded up to the nearest 1/100 of a troy ounce. If, due to capacity limitations or for any other reason, a facility is unable to meet such requirements, the facility shall notify the Exchange immediately and shall describe the reason(s) for such delay. Each 400 troy ounce bar must be eligible for settlement in the wholesale London bullion market.

2. In issuing a warrant, facility shall be responsible for (a) verifying that the metal meets all of the specifications for the product in accordance with the product's terms and conditions as stated in the Exchange Rules, (b) verifying that the metal is of an approved brand, and (c) entering all applicable information into the electronic delivery system. Additionally, in issuing a warrant for delivery against the Gold Kilo futures contract, the depository must confirm that the fineness, serial number and weight inscribed on the 1 kilogram gold bar match the fineness, serial number and weight of the gold indicated on the bar list provided by the approved producer.

3. A warrant shall be an electronic document, that is a transferable record under the Uniform Electronic Transactions Act or any comparable applicable law, and a document of title under Article 7 of the UCC, in a form approved by the Exchange and issued in compliance with this Rule, and shall be supported by such paper or other tangible documents as specified in this Rule. The facility shall enter in the electronic delivery system a reference to each paper or other tangible document(s) that is related to the warrant as specified in this Rule.

4. Except as permitted in the contract specification, warrants shall not be issued for more than or less than one contract unit. Each contract unit shall be delivered from a single facility. A warrant issued for aluminum shall be from a single brand and shall be made up exclusively of the deliverable grades in one of the three shapes as prescribed in the Aluminum futures contract Rules. A warrant issued for copper, lead or zinc shall be from a single brand. A warrant may be issued for gold, silver, platinum or palladium that comingles brands, provided such comingled brands are stored within the same facility.

5. A warrant shall be of unlimited duration and remain valid until cancelled by the facility that issued it.

6. Notwithstanding anything to the contrary herein, any warrant that is on deposit with the Clearing House as performance bond pursuant to Rule 820 may not be used to satisfy any delivery obligations hereunder.

7. The facility shall be solely responsible for insuring that no duplicate warrants are issued, printed or released by it.

8. In the event that any paper or other tangible document that supports a warrant has been damaged, lost, stolen or destroyed, facility shall issue a replacement document upon completion of its procedures for the replacement thereof.

705.B. Procedures for the Cancellation of Warrants

A warrant may be cancelled only by the facility that issued it and only upon endorsement from the clearing member to such facility in accordance with these Rules. Notwithstanding the foregoing, a warrant that is on deposit with the Clearing House as performance bond may not be cancelled until the warrant is released back to the Clearing Member with the consent of the Clearing House.

Upon request to the clearing member by the owner of the metal for delivery of a metal, the clearing member shall endorse in the electronic delivery system with delivery instructions ("the account of") and shall, upon request by the owner, issue to the owner a physical confirmation of such endorsement.

A facility shall have and maintain in fireproof secure document storage until five (5) years following cancellation of the applicable warrant, any documentation associated with such cancelled warrant as required by the metal futures contract.

705.C. Procedures for Insurance Claims

A service provider shall promptly notify the Exchange of any claims it files against the insurance policy it maintains as a condition of regularity with respect to metal covered by an outstanding warrant issued under Exchange Rule 705. The service provider shall also promptly notify the Exchange of any proceeds that it receives from any such claim.

Prior to using or disbursing the proceeds received, the service provider shall provide the Exchange with the opportunity to prescribe the manner in which the proceeds or a portion thereof are to be used or disbursed by the service provider to compensate the owner of registered metal for the loss of metal.

If the Exchange prescribes the manner in which such proceeds are to be used or disbursed, then the service provider shall use or disburse the proceeds solely in the manner prescribed by the Exchange. To the extent any disbursement is prescribed by the Exchange, the service provider shall make payment to the owner of the registered metal or, at the service provider's discretion, to such owner's Clearing Member.

Notwithstanding the above, the Exchange may in its sole discretion determine not to prescribe the manner in which such proceeds or a portion thereof are to be used or disbursed.

[End of Rule.]