

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 24-060

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

Filing as a: DCM SEF DCO SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 01/22/24 **Filing Description:** Increase of Spot Month Position Limit, Single Month Accountability Level and All Month Accountability Level of the Lithium Hydroxide CIF CJK (Fastmarkets) Futures and Average Price Option Contracts

SPECIFY FILING TYPE

Please note only ONE choice allowed per Submission.

Organization Rules and Rule Amendments

- | | | |
|--------------------------|-------------------------------------|------------|
| <input 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:

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 checked="" 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: See filing.

Rule Numbers: See filing.

January 22, 2024

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. Increase of Spot Month Position Limit, Single Month Accountability Level and All Month Accountability Level of the Lithium Hydroxide CIF CJK (Fastmarkets) Futures and Average Price Option Contracts. COMEX Submission No. 24-060

Dear Mr. Kirkpatrick:

Commodity Exchange, Inc. (“COMEX” or “Exchange”) is certifying to the Commodity Futures Trading Commission (“CFTC” or “Commission”) an increase of the spot month position limit, single month accountability level and all month accountability level of the Lithium Hydroxide CIF CJK (Fastmarkets) Futures and the Lithium Hydroxide CIF CJK Average Price Option contracts (the “Contracts”) effective on February 6, 2024 and commencing with the March 2024 contract month and beyond as detailed in the table below.

(additions underscored; deletions ~~struck through~~)

Contract Title	Rulebook Chapter	CME Globex/CME ClearPort Commodity Code	Spot Month Position Limit (in contracts)	Single Month Accountability Level (in contracts)	All Month Accountability Level (in contracts)
Lithium Hydroxide CIF CJK (Fastmarkets) Futures	646	LTH	400 <u>1,000</u>	800 <u>1,500</u>	1,600 <u>1,500</u>
Lithium Hydroxide CIF CJK (Fastmarkets) Average Price Option	700	LHO	400 (aggregate into LTH 1:1 on a delta equivalent value) <u>1,000 (aggregate into LTH 1:1 on a delta equivalent value)</u>	800 1,500	1,600 <u>1,500</u>

The Position Limit, Position Accountability and Reportable Level Table (the “Table”) located in the Chapter 5 of the COMEX Rulebook is being amended to reflect the changes in the spot month limit, single month accountability level and all month accountability level for the Contracts. Exhibit A provides amendments to the Table effective on February 26, 2024, and Exhibit B provides amendments to the Table effective on March 1, 2024, the date that March 2024 becomes the spot contract month (collectively, the “Rule Amendments”). Both Exhibit A and Exhibit B are provided under separate cover in blackline format. Exhibit C below provides the Exchange’s updated cash market overview and analysis of deliverable supply in connection with the Contract.

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

- **Contracts Not Readily Susceptible to Manipulation**: Due to the liquidity and robustness in the underlying cash markets, the Contracts are not readily susceptible to manipulation.
- **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 information contained herein will be disseminated to the marketplace via a Market Surveillance Notice (“MSN”). The MSN will also be posted on the CME Group website. In addition, the Exchange will continue to publish information on the contract specifications on its website, together with daily trading volume, open interest, and price information.

Pursuant to Section 5c(c) of the Act and CFTC Regulations 40.6(a), the Exchange hereby certifies that the Rule Amendments comply 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 (312) 466-7478 or via e-mail at CMEGSubmissionInquiry@cmegroup.com.

Sincerely,

/s/ Timothy Elliott
Managing Director and Chief Regulatory Counsel

- Attachments:
- Exhibit A: Position Limits, Position Accountability and Reportable Level Table in Chapter 5 of the COMEX Rulebook (effective February 6, 2024) (attached under separate cover)
 - Exhibit B: Position Limits, Position Accountability and Reportable Level Table in Chapter 5 of the COMEX Rulebook (effective March 1, 2024) (attached under separate cover)
 - Exhibit C: Cash Market Overview and Analysis of Deliverable Supply

Exhibit A
COMEX Rulebook
Chapter 5
(“Trading Qualifications and Practices”)

Position Limits, Position Accountability and Reportable Level Table

(attached under separate cover)

[effective February 6, 2024]

Exhibit B
COMEX Rulebook
Chapter 5
(“Trading Qualifications and Practices”)

Position Limits, Position Accountability and Reportable Level Table

(attached under separate cover)

[effective March 1, 2024]

Exhibit C

Cash Market Overview and Analysis of Deliverable Supply

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

Fastmarkets (FM) is a leading global provider of price information for metals, agriculture and forestry products. FM's assessment methodologies for the futures contracts are available on its website¹ (under product code MB-LI-0033 for lithium). CME Group Inc. (parent company of COMEX) is a party to license agreements with Fastmarkets to utilize its pricing data for final settlement of the contract.

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

The **UN Comtrade Database (Comtrade)** provides free access to detailed global trade data. UN Comtrade is a data repository of official trade statistics and relevant analytical tables. It contains annual trade statistics starting from 1962 and monthly trade statistics since 2010.

Final settlement of the [Lithium Hydroxide CIF CJK \(Fastmarkets\) Futures underlying lithium futures](#) contract is based on the monthly average of all price assessments for "Lithium hydroxide monohydrate 56.5% LiOH.H₂O min, battery grade, spot price cif China, Japan & Korea, \$/kg" price assessment published by Fastmarkets (FM). The methodology refers to battery grade lithium hydroxide monohydrate delivered CIF in China, Japan or South Korea. The quantity required for assessment inclusion is 5 metric tonnes minimum. The denomination is \$/kg. The assessment is published daily.

¹ <https://www.fastmarkets.com/methodology/metals/lithium>
<https://www.fastmarkets.com/methodology/metals/cobalt>

CASH MARKET OVERVIEW - LITHIUM

Lithium is a metal that is widely used in industrial applications, notably in battery manufacturing. Lithium mining comes in two main forms: the metal can be produced from spodumene (lithium-containing rock) or brine. After extraction, lithium raw materials are refined into lithium carbonate or lithium hydroxide. According to the USGS, end-user markets for refined lithium were batteries (80%); ceramics and glass (7%); lubricating greases (4%); continuous casting mold flux powders (2%); air treatment (1%); medical (1%); and other uses (5%)². The global lithium industry is concentrated in Asia, which accounts for most of the global refining and battery manufacturing capacity. Major producing countries include Australia, Chile and China (Table 1). As a key material for lithium-ion batteries used in electric vehicles (EVs), market analysts expect that the global lithium industry will grow significantly over the coming decade(s) – Fastmarkets stated that global lithium production must quadruple from 2020 to 2030 in order to meet growing demand.³

Table 1 – Global Lithium Production (source: USGS⁴)

Metric tons contained lithium	2020	2021	2022 (estimate)
United States	Withheld	Withheld	Withheld
Argentina	5,900	5,970	6,200
Australia	39,700	55,300	61,000
Brazil	1,420	1,700	2,200
Canada			500
Chile	21,500	28,300	39,000
China	13,300	14,000	19,000
Portugal	348	900	600
Zimbabwe	417	710	800
Other countries	0	0	0
Total (rounded)	82,500	107,000	130,000

Table 2 shows that an average of 91,605 metric tons of lithium hydroxide was imported into North Asia during the past three years for which data is available.

Table 2 – Lithium Hydroxide– imports into North Asia⁵

Imports - Metric tons	2020	2021	2022	Average 2020-2022
China	527	3,600	3,088	2,405
Japan	37,339	33,876	35,543	35,586
Rep. of Korea	36,189	53,745	70,907	53,614
Grand Total	74,054	91,221	109,538	91,605

Note: Japan import data for 2020 was not available and was assumed to be equal to 2019.

Lithium hydroxide is traded both in the spot and term markets. Term contracts are using fixed price or a “formula pricing,” meaning a floating price component that may include customs data and/or price indexation. Term contracts typically allow to freely re-trade contracted volume.

² <https://pubs.usgs.gov/periodicals/mcs2023/mcs2023-lithium.pdf>

³ <https://www.fastmarkets.com/article/3999803/lithium-supply-and-demand-to-2030>

⁴ <https://pubs.usgs.gov/periodicals/mcs2023/mcs2023-lithium.pdf>

<https://pubs.usgs.gov/periodicals/mcs2022/mcs2022-lithium.pdf>

⁵ 2020 data under

<https://wits.worldbank.org/trade/comtrade/en/country/ALL/year/2020/tradeflow/Imports/partner/WLD/product/282520>, 2021 data under <https://wits.worldbank.org/trade/comtrade/en/country/ALL/year/2021/tradeflow/Imports/partner/WLD/product/282520>, 2022 data under <https://wits.worldbank.org/trade/comtrade/en/country/ALL/year/2022/tradeflow/Imports/partner/WLD/product/282520>

ANALYSIS OF DELIVERABLE SUPPLY

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

The Exchange is assessing spot month position limits for the [Lithium Hydroxide CIF CJK \(Fastmarkets\) Futures and Average Price Option Lithium](#) contracts based on UN Comtrade import data for lithium hydroxide into China, Japan and Republic of Korea. Average annual import volume into the three countries represents 91,605 MT annually for the 2020-2022 period, equivalent to 7,634 MT per month (7,634 contracts equivalent). The Exchange proposes a spot month position limit of 1,000 contracts, equivalent to 13.10% of deliverable supply.