

**SUBMISSION COVER SHEET**

**IMPORTANT:** Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 23-114

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

Filing as a:  DCM  SEF  DCO  SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 02/27/23 Filing Description: Decrease of Spot Month Position Limits of Seven (7) Copper Futures and 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.

February 27, 2023

**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) Rule Certification. Decrease of Spot Month Position Limits of Seven (7) Copper Futures and Option Contracts. COMEX Submission No. 23-114**

Dear Mr. Kirkpatrick:

Commodity Exchange, Inc. (“COMEX” or “Exchange”) is certifying to the Commodity Futures Trading Commission (“CFTC” or the “Commission”) a decrease of the spot month position limits of seven (7) copper futures and option contracts as noted below (the “Contracts”) effective on the close of business on March 14, 2023 and commencing with the May 2023 contract month and beyond.

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

Contract Title	Rule Chapter	Commodity Code	Reporting Level	Spot-Month Limit (In Net Futures Equivalents)	Single Month Accountability Level (In Net Futures Equivalents)	All Month Accountability Level (In Net Futures Equivalents)
Copper Futures	111	HG	25	<del>4,000</del> <b><u>600</u></b>	5,000	5,000
Copper Option	117	HX	25	<del>4,000</del> <b><u>600</u></b>	5,000	5,000
Copper Weekly Friday Option	1010	H1E-H5E	25	<del>4,000</del> <b><u>600</u></b>	5,000	5,000
Copper Weekly Monday Option	1010	H1M-H5M	25	<del>4,000</del> <b><u>600</u></b>	5,000	5,000
Copper Weekly Wednesday Option	1010	H1W-H5W	25	<del>4,000</del> <b><u>600</u></b>	5,000	5,000
Copper Financial Futures	1190	HGS	25	<del>4,000</del> <b><u>600</u></b>	5,000	5,000
Copper Average Price Option	1191	CAP	25	<del>4,000</del> <b><u>600</u></b>	5,000	5,000

**Federal Position Limits**

The Copper Option, Copper Weekly Friday Option, Copper Weekly Monday Option and Copper Weekly Wednesday Option contracts are referenced contracts and are subject to federal position limits during the spot month. The core referenced futures contract is the Copper Futures contract (Commodity Code: HG; COMEX Rulebook Chapter: 111).

## Background

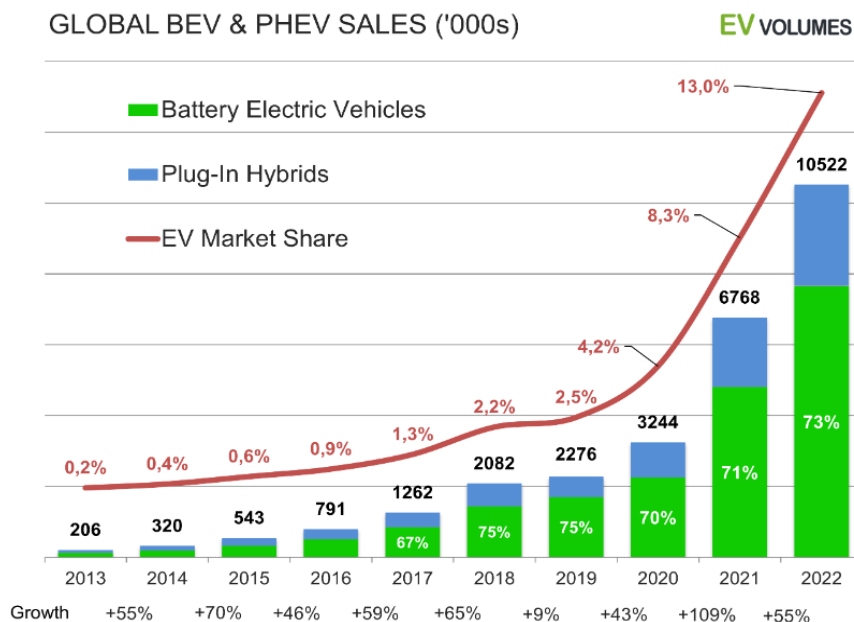
Historically, copper has been used in a wide array of applications and industries due to its resistance to corrosion, malleability, and its ability to conduct heat and electricity efficiently. These industries include construction, telecommunications, industrial machinery, electronics, and transportation. In recent years, usage in the transportation sector, in support of electric vehicles, has grown rapidly.

### Supply and Demand

According to the United States Geological Survey (USGS), as of 2020, annual global copper demand was approximately 28 million metric tons. To meet that demand, approximately 18 metric tons is from mine production, with the balance being met by recycled copper. Copper is nearly infinitely recyclable, and therefore it is highly unlikely that the world would ever deplete the copper supply. As of 2020, it was estimated that global reserves of copper were approximately 870 million metric tons, with total copper resources exceeding 5 billion metric tons. Reserves are considered to be discovered, evaluated, and assessed to be profitable, while resources include reserves, discovered deposits which are potentially profitable and undiscovered deposits predicted based on preliminary geological surveys.<sup>1</sup>

### Electric Vehicles

The introduction of electric vehicles (EVs) to the market has, in some cases, increased the amount of copper needed for production by as much 273%. A traditional internal combustion engine vehicle requires about 49 pounds of copper, while a hybrid electric vehicle (HEV) requires approximately 85 pounds of copper, and a battery electric vehicle (BEV) requires 183 pounds.<sup>2</sup> In 2013, EV sales represented only 0.2% of all vehicle sales. That market share has increased to 13% in 2022, which has exponentially increased the amount of copper needed for vehicle production.<sup>3</sup>



Source: EV-volumes.com

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

<sup>1</sup> [Copper Demand and Long-Term Availability - Copper Alliance](#)

<sup>2</sup> [A6191-ElectricVehicles-Factsheet.pdf \(copper.org\)](#)

<sup>3</sup> [EV-Volumes - The Electric Vehicle World Sales Database](#)

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."

As of January 31, 2023, the 3-year average monthly copper inventory held at COMEX approved warehouses totaled 61,775 short tons, the equivalent of 4,942 COMEX Copper Futures contracts. Copper stocks, however, have been in a steady decline since mid-2022, and have decreased by 21% since October.

### Copper Inventory in Exchange Approved Warehouses

Table 1. below provides the monthly average inventory levels of copper for the most recent three (3) year period stored at Exchange approved warehouses.

Table 1. Inventory at Exchange Approved Warehouses

Month	Average of Registered (ST)	Average of Eligible (ST)	Average of Total (ST)	Average Inventory in Contract Equivalents
Feb-20	28,280	1,026	29,306	2,345
Mar-20	26,648	2,331	28,979	2,318
Apr-20	34,075	5,540	39,614	3,169
May-20	39,015	11,325	50,340	4,027
Jun-20	52,523	20,934	73,456	5,876
Jul-20	72,606	15,952	88,558	7,085
Aug-20	82,723	4,869	87,592	7,007
Sep-20	79,688	2,070	81,758	6,541
Oct-20	77,335	1,653	78,988	6,319
Nov-20	79,685	1,985	81,670	6,534
Dec-20	73,919	4,810	78,729	6,298
Jan-21	71,810	5,211	77,021	6,162
Feb-21	55,761	12,360	68,120	5,450
Mar-21	57,945	12,667	70,612	5,649
Apr-21	53,634	14,873	68,508	5,481
May-21	50,319	13,058	63,377	5,070
Jun-21	45,765	8,686	54,451	4,356
Jul-21	43,643	2,452	46,095	3,688
Aug-21	45,571	2,243	47,814	3,825
Sep-21	49,934	2,643	52,577	4,206
Oct-21	53,448	3,013	56,461	4,517
Nov-21	53,991	4,508	58,498	4,680
Dec-21	56,476	5,439	61,915	4,953
Jan-22	67,105	10,970	78,075	6,246

Feb-22	66,537	9,575	76,112	6,089
Mar-22	64,886	7,030	71,915	5,753
Apr-22	67,980	11,436	79,416	6,353
May-22	68,687	13,326	82,013	6,561
Jun-22	67,753	11,086	78,839	6,307
Jul-22	57,224	8,399	65,624	5,250
Aug-22	43,337	12,379	55,716	4,457
Sep-22	33,869	12,682	46,552	3,724
Oct-22	28,942	11,945	40,888	3,271
Nov-22	29,493	7,228	36,721	2,938
Dec-22	31,273	4,149	35,422	2,834
Jan-23	28,874	3,295	32,168	2,573
3-year average	53,910	7,865	61,775	4,942

Source: CME Group

While the 3-year average inventory supports the current spot month position limit of 1,000 contracts, based on the continuing decline in copper inventory, the Exchange will decrease the spot month position limit for the Contracts from 1,000 contracts to 600 contracts which represents 12.14% of deliverable supply for the most recent 3-year period. The decrease of the spot month position limits of the Contracts shall be effective with the May 2023 contract month and beyond.

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 COMEX Rulebook (the "Table") will be amended to reflect the amended spot month position limits of the Contracts. Exhibit A reflects the amendments to the Table as of March 14, 2023, the effective date of this submission and Exhibit B reflects the amendments to the Table effective on the close of business on April 27, 2023, the date that May 2023 becomes the lead contract month (collectively, the "Rule Amendments"). Exhibits A and B are provided in blackline format under separate cover.

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

**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 markets.

**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 make publicly available the details of the spot month position limit decreases by publishing a Market Surveillance Notice ("MSN") to the market. The MSN will also be available on CME Group's website.

The Exchange certifies that the Rule Amendments comply with the Act and regulations thereunder. There were no opposing views to the amendments to Chapter 5.

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 via e-mail at [CMEGSubmissionInquiry@cmegroup.com](mailto:CMEGSubmissionInquiry@cmegroup.com).

Sincerely,

/s/ Christopher Bowen  
Managing Director and Chief Regulatory Counsel

Attachments: Exhibit A – Amendments to COMEX Rulebook Chapter 5 Position Limit, Position Accountability, and Reportable Level Table (effective March 14, 2023) (under separate cover)

Exhibit B – Amendments to COMEX Rulebook Chapter 5 Position Limit, Position Accountability, and Reportable Level Table (effective close of business April 27, 2023) (under separate cover)

**Exhibit A**

**COMEX Rulebook  
Chapter 5  
("Trading Qualifications and Practices")  
Position Limit, Position Accountability, and Reportable Level Table**

(under separate cover)  
(Effective close of business March 14, 2023)

**Exhibit B**

**COMEX Rulebook  
Chapter 5  
("Trading Qualifications and Practices")  
Position Limit, Position Accountability, and Reportable Level Table**

(under separate cover)  
(Effective close of business April 27, 2023)