

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 23-300

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

Filing as a: **DCM** **SEF** **DCO** **SDR**

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 09/15/23 **Filing Description:** Initial Listing of the Cobalt Hydroxide CIF China (Fastmarkets) Futures Contract

SPECIFY FILING TYPE

Please note only ONE choice allowed per Submission.

Organization Rules and Rule Amendments

- Certification § 40.6(a)
- Approval § 40.5(a)
- Notification § 40.6(d)
- Advance Notice of SIDCO Rule Change § 40.10(a)
- SIDCO Emergency Rule Change § 40.10(h)

Rule Numbers:

New Product

Please note only ONE product per Submission.

- Certification § 40.2(a)
- Certification Security Futures § 41.23(a)
- Certification Swap Class § 40.2(d)
- Approval § 40.3(a)
- Approval Security Futures § 41.23(b)
- Novel Derivative Product Notification § 40.12(a)
- Swap Submission § 39.5

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

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

Official Name(s) of Product(s) Affected: See filing.

Rule Numbers: See filing.

September 15, 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 40.2(a) Certification. Initial Listing of the Cobalt Hydroxide CIF China (Fastmarkets) Futures Contract.
COMEX Submission No. 23-300**

Dear Mr. Kirkpatrick:

Commodity Exchange, Inc. (“COMEX” or “Exchange”) is certifying to the Commodity Futures Trading Commission (“CFTC” or “Commission”) the initial listing of the Cobalt Hydroxide CIF China (Fastmarkets) Futures contract (the “Contract”) for trading on the CME Globex electronic trading platform and for submission for clearing via CME ClearPort effective Sunday, October 22, 2023, for trade date Monday, October 23, 2023, as noted in the table below:

Contract Title	Cobalt Hydroxide CIF China (Fastmarkets) Futures
CME Globex and CME ClearPort Code	COH
Rulebook Chapter	643
Settlement Type	Financial
Contract Size	2,204.62 lbs (pounds)
Listing Schedule	Monthly contracts listed for the current year and the next 4 calendar years.
Pricing Quotation	U.S. dollars and cents per pound
First Listed Month	November 2023
Minimum Price Fluctuation	\$0.01 per pound
Value per tick	\$22.0462
Block Trade Minimum Threshold and Reporting Window	2 contracts – subject to a minimum 15-minute reporting window
Termination of Trading	Trading terminates on the last UK business day of the contract month. If this is not a U.S. business day, trading terminates on the prior U.S. business day.
CME Globex Matching Algorithm	First in First Out (FIFO)
Trading and Clearing Hours	CME Globex Pre-Open: Sunday 4:00 p.m. - 5:00 p.m. Central Time/CT Monday - Thursday 4:45 p.m. - 5:00 p.m. CT CME Globex: Sunday - Friday 5:00 p.m. CT with a daily maintenance period from 4:00 p.m. - 5:00 p.m. CT CME ClearPort: Sunday - Friday 5:00 p.m. - 4:00 p.m. CT with no reporting Monday - Thursday from 4:00 p.m. - 5:00 p.m. CT

The Exchange is also notifying the CFTC that it is self-certifying block trading on the Contract with a minimum block threshold of two (2) contracts which is commensurate with the Exchange's similar battery metals futures contracts.

The Exchange reviewed the designated contracts market core principles ("Core Principles") as set forth in the Commodity Exchange Act ("CEA" or "Act") and identified that the Contract may have some bearing on the following Core Principles:

- **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.
- **Contracts Not Readily Subject to Manipulation**: The Contract is based on a cash price series that is reflective of the underlying cash market and is commonly relied on and used as a reference price by cash market brokers and commercial market participants.
- **Compliance with Rules**: Trading in this Contract will be subject to Chapter 4 of the Exchange rules which includes prohibitions against fraudulent, non-competitive, unfair and abusive practices and will be subject to extensive monitoring and surveillance by CME Group's Market Regulation Department. The Market Regulation Department may use its investigatory and enforcement power where potential rule violations are identified during its regular surveillance reviews.
- **Prevention of Market Disruption**: Trading in the Contract will be subject to the Rules of COMEX which include prohibitions on manipulation, price distortion, and disruption to the cash settlement process. As with any new product listed for trading on a CME Group designated contract market, trading activity in the Contract proposed herein will be subject to monitoring and surveillance by CME Group's Market Regulation Department.
- **Position Limitations or Accountability**: The speculative position limits for the Contract as demonstrated in this submission are consistent with the Commission's guidance.
- **Financial Integrity of Contracts**: The Contract traded on the Exchange will be cleared by the CME Clearing House.
- **Execution of Transactions**: The Contract will be listed for trading on the CME Globex electronic trading and for clearing through CME ClearPort. The CME Globex electronic trading venue provides for competitive and open execution of transactions. CME Globex affords the benefits of reliability and global connectivity.
- **Trade Information**: All requisite trade information for the Contract will be included in the audit trail and is sufficient for the Market Regulation Department to monitor for market abuse.
- **Protection of Market Participants**: Chapter 4 contains multiple prohibitions precluding intermediaries from disadvantaging their customers and which apply to trading on all of the Exchange's competitive trading venues.
- **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 the 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 non-members to submit a claim for financial losses resulting from transactions on the Exchange to arbitration. A

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member named as a respondent in a claim submitted by a non-member 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.

- **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.

Pursuant to Section 5c(c) of the Act and CFTC Regulation 40.2(a), the Exchange certifies that the listing of the Contract complies with the Act, including regulations under the Act. There were no substantive opposing views to this 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 (212) 299-2200 or via e-mail at CMEGSubmissionInquiry@cmegroup.com.

Sincerely,

/s/ Christopher Bowen
Managing Director and Chief Regulatory Counsel

Attachments: Exhibit A: COMEX Rulebook Chapter 643
Exhibit B: Position Limit, Position Accountability, and Reportable Level Table in Chapter 5 of the COMEX Rulebook (attached under separate cover)
Exhibit C: Exchange Fees
Exhibit D: COMEX Rule 588.H. – (“Globex Non-Reviewable Trading Ranges”) Table
Exhibit E: COMEX Rule 589. (“Special Price Fluctuation Limits and Price Limits”) Table
Exhibit F: Cash Market Overview and Analysis of Deliverable Supply

Exhibit A

COMEX Rulebook

Chapter 643

Cobalt Hydroxide CIF China (Fastmarkets) Futures

643100. SCOPE OF CHAPTER

The provisions of these rules shall apply to all contracts bought or sold on the Exchange for cash settlement based on the Floating Price. The procedures for trading, clearing and cash settlement of this contract, and any other matters not specifically covered herein shall be governed by the general rules of the Exchange.

643101. CONTRACT SPECIFICATIONS

The Floating Price for each contract month is equal to the arithmetic average of all available price assessments published for “Cobalt hydroxide, min 30% Co, inferred, China, \$ per lb” in \$/pound by Fastmarkets during the contract month.

643102. TRADING SPECIFICATIONS

The number of months open for trading at a given time shall be determined by the Exchange.

643102.A. Trading Schedule

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

643102.B. Trading Unit

The contract quantity shall be 2,204.62 pounds (equivalent to 1 metric ton). Each contract shall be valued as the contract quantity (2,204.62) multiplied by the settlement price.

643102.C. Price Increments

Prices shall be quoted in U.S. dollars and cents per pound. The minimum trading price fluctuation shall be \$0.01 per pound. The minimum daily and final settlement price fluctuation shall be \$0.01 per pound.

643102.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.

643102.E. Termination of Trading

Trading in the contract shall terminate at the close of trading on the last UK business day of the contract month. If such day is not an Exchange business day, trading in the contract shall terminate on the Exchange business day that is immediately prior.

643102.F. Special Price Fluctuation

Limits at the commencement of each trading day, the contract shall be subject to special fluctuation limits as set forth in Rule 589 and in the Special Price Fluctuation Limits and Daily Price Limits Table in the Interpretations & Special Notices Section of Chapter 5.

643103. FINAL SETTLEMENT

Delivery under the contract shall be by cash settlement. Final settlement, following termination of trading for a contract month, will be based on the Floating Price. The final settlement price will be the Floating Price calculated for each contract month.

643104. DISCLAIMER

See [NYMEX/COMEX Chapter iv. \(“DISCLAIMERS”\)](#) incorporated herein by reference.

Exhibit B

**COMEX Rulebook
Chapter 5
("Trading Qualifications and Practices")**

Position Limits, Position Accountability and Reportable Level Table

(attached under separate cover)

Exhibit C

Exchange Fees

	Member	Non-Member
CME Globex	\$4.00	\$8.00
EFP	\$9.00	\$10.00
Block	\$9.00	\$10.00
EFR/EOO	\$9.00	\$10.00
Processing Fees	Member	Non-Member
Cash Settlement	\$9.00	\$10.00
Facilitation Fee	\$0.60	
Give-Up Surcharge	\$0.05	
Position Adjustment/Position Transfer	\$0.10	

Exhibit D

COMEX Rulebook

Chapter 5

(“Trading Qualifications and Practices”)

COMEX Rule 588.H. – (“Globex Non-Reviewable Trading Ranges”) Table

(additions underscored)

Instrument	Globex Symbol	Outrights			Spreads	
		Globex Non-Reviewable Ranges (NRR)	NRR: Globex Format	NRR: Minimum Ticks	NRR: Globex Format	NRR: Outright Minimum Ticks
<u>Cobalt Hydroxide CIF China (Fastmarkets) Futures</u>	<u>COH</u>	<u>\$.50 per pound</u>	<u>50</u>	<u>50</u>		<u>N/A</u>

Exhibit E

**COMEX Rulebook
Chapter 5
("Trading Qualifications and Practices")
COMEX Rule 589 – ("Special Price Fluctuation Limits and Price Limits") Table
(additions underscored)**

Product	Rulebook	Commodity Code	PRIMARY/ASSOCIATED	ASSOCIATED WITH	Dynamically Calculated Variant - All Hours	Daily Price Limit
<u>Cobalt Hydroxide</u> <u>ClF China</u> <u>(Fastmarkets)</u> <u>Futures</u>	<u>643</u>	<u>COH</u>	<u>Primary</u>	<u>Primary</u>	<u>10% of</u> <u>Dynamically</u> <u>Calculated</u> <u>Reference</u> <u>Price</u>	<u>Daily</u> <u>Price</u> <u>Limit</u> <u>Table</u>

Exhibit F

Cash Market Overview and Analysis of Deliverable Supply

Commodity Exchange, Inc. (“COMEX” or “Exchange”) will list the Cobalt Hydroxide CIF China (Fastmarkets) Futures contract (the “Contract”) for trading on the CME Globex electronic trading platform (“CME Globex”) and for submission of clearing via CME ClearPort.

Contract Title	CME Globex and CME ClearPort Code	Rulebook Chapter
Cobalt Hydroxide CIF China (Fastmarkets) Futures	COH	643

In its cash market overview and deliverable supply analysis, the Exchange considered 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 cobalt are available on its website.¹ 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. USGS is tasked with studying the landscape of the United States, its natural resources, and the natural hazards that threaten the landscape.

The **Cobalt Institute** is a trade association composed of producers, users, recyclers, and traders of cobalt. The association’s aims are to promote the sustainable and responsible production and use of cobalt in all its forms.

The **International Trade Center (ITC)** is a multilateral agency which has a joint mandate with the World Trade Organization (WTO) and the United Nations (UN) through the United Nations Conference on Trade and Development (UNCTAD).

Final settlement of the Contract is based on the monthly average of all daily price assessments for Fastmarkets “Cobalt hydroxide, min 30% Co, inferred, China, \$ per lb” (code MB-CO-0023). The denomination is in \$/lb. The assessment is provided daily Monday-Friday on UK business days at 3:30 p.m. London local time. The cobalt hydroxide cobalt price is based on two components – the “cobalt metal” price and the “cobalt hydroxide payable.”

- The cobalt metal price as assessed by Fastmarkets is a daily price range for standard grade cobalt priced in-warehouse Rotterdam and serves as a worldwide reference price due to its central location between producing countries and global demand centers in Asia, Europe, and the United States. COMEX current avails for trading and clearing a futures contract, Cobalt Metal (Fastmarkets) Futures (COMEX Chapter [645](#): Commodity Code: COB) which cash-settles against the Fastmarkets cobalt metal price.

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

- Cobalt hydroxide used in battery manufacturing is typically bought and sold as a percent price of the cobalt metal price (the “cobalt hydroxide payable”). The cobalt hydroxide payable is a percentage price for cobalt hydroxide (min. cobalt content 30%) assessed on a CIF China basis. The payable will move depending on the relative supply/demand balance for hydroxide vs. metal.

The cobalt hydroxide inferred price combines the metal price and the payable to provide a \$/lb daily inferred price for cobalt hydroxide.

CASH MARKET OVERVIEW

Cobalt is a ferromagnetic metal found in the earth’s crust. It is typically mined as a by-product of copper and nickel mining operations. The Democratic Republic of Congo (DRC) is the world’s largest producer of cobalt. According to the USGS, it produced 68% of the global total in 2022.

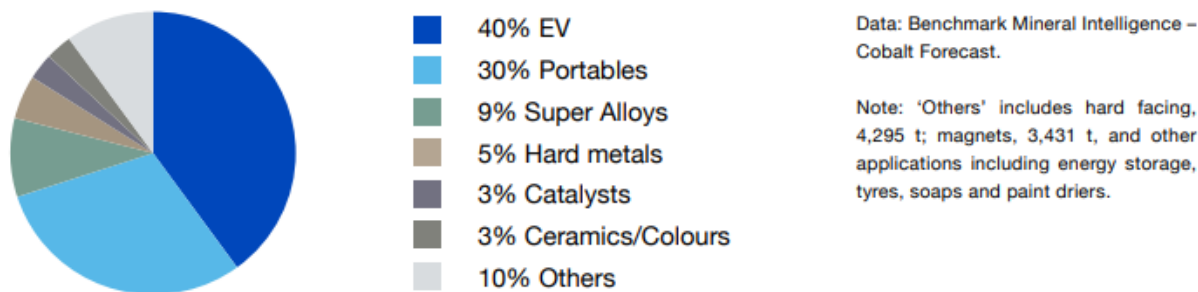
Table 1 – Global cobalt production (source: USGS²)

Mine production (metric tons)	2020	2021	2022 estimated
United States	600	650	800
Australia	5,630	5,295	5,900
Canada	3,690	4,361	3,900
China	2,200	2,200	2,200
Congo (Kinshasa)	98,000	119,000	130,000
Cuba	3,800	4,000	3,800
Indonesia	1,100	2,700	10,000
Madagascar	850	2,800	3,000
Morocco	2,300	2,300	2,300
Papua New Guinea	2,940	2,953	3,000
Philippines	4,500	3,600	3,800
Russia	9,000	8,000	8,900
Turkey	-	2,400	2,700
Other Countries	7,640	4,567	5,200
World Total (rounded)	142,000	165,000	190,000

² <https://pubs.usgs.gov/periodicals/mcs2023/mcs2023-cobalt.pdf>,
<https://pubs.usgs.gov/periodicals/mcs2022/mcs2022-cobalt.pdf>

Cobalt is used in many applications, among which: use in of cobalt in alloys (for aerospace, gas turbines, medical equipment, etc.), lithium-ion batteries, various electronics (integrated circuits, semi-conductors) and catalysts. The battery sector accounts for 70% of total cobalt demand (40% electric vehicles and 30% portable electronics). Since cobalt is a key component in battery manufacturing, it is expected that growth in electric vehicle usage and energy storage applications will translate into increased demand for cobalt in the coming years. According to the Cobalt Institute's latest market report, *to 2030, demand is forecast to rise by 108% over 2022, to close to 388 kt (rising at a compound annual growth rate, CAGR, of 10%). This would see the cobalt market more than doubling in size relative to 2022.*³

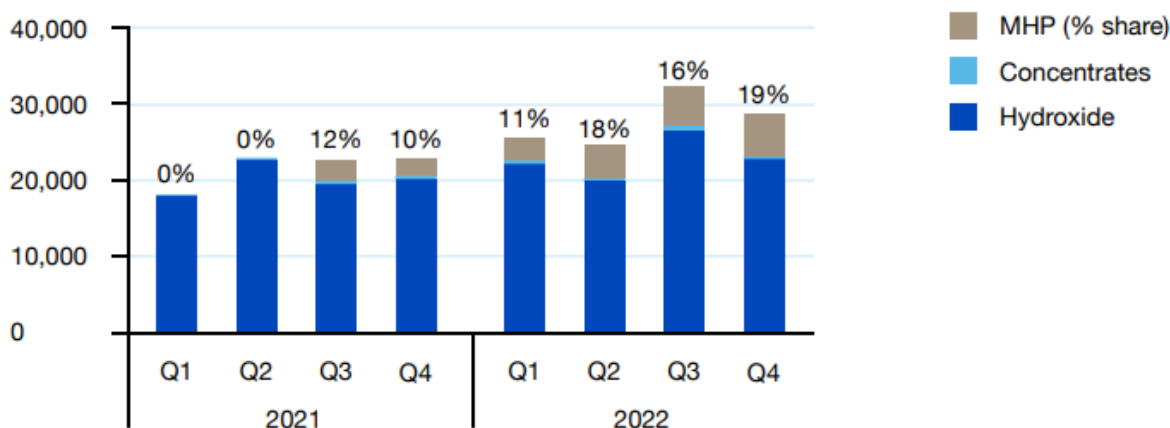
Chart 1 – Cobalt demand by end-use (source: Cobalt Institute Cobalt Market Report 2022)



Cobalt hydroxide is the main feedstock for cobalt sulphate that is used in EV battery cathode manufacturing. The main trade flows of cobalt hydroxide are from the Democratic of Congo to China, which is the main hub for cobalt hydroxide refining into cobalt sulphate. Cobalt sulphate is then mostly processed in Asia, with major battery producers located in South Korea, Japan, and China respectively. The finished batteries are then distributed to EV manufacturers across the globe. Chart 2 documents that cobalt hydroxide represented the main cobalt product imported into China, accounting for 80-90% of total imports from Q3'2021 onwards. It ran at >20,000 metric tons/month in 2022.

³ https://www.cobaltinstitute.org/wp-content/uploads/2023/05/Cobalt-Market-Report-2022_final.pdf

Chart 2 – Cobalt hydroxide imports into China, MT per month (source: Cobalt Institute Cobalt Market Report 2022)



Data: China Customs data, Benchmark Mineral Intelligence.

Table 1 below shows imports of cobalt intermediate products into China based on the ITC Trade Map⁴ and sourced from the General Customs Administration of China statistics. The imports accounted for an average of 329,504 metric tons per year in the period 2020-2022, equivalent to 27,459 MT per month, in line with the figures of approximately 20-30,000 MT/month in 2022 provided in Chart 2.

Table 1 – China imports of cobalt matte and other intermediate products (MT) (source: ITC)

2020	2021	2022	Average
309,808	317,697	361,006	329,504

Cobalt 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 indexation to market reference prices. Term contracts typically allow to freely re-trade contracted volume.

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 contract based on ITC import data for cobalt intermediate products into China. Average annual import volume into China represents 329,504 MT annually for the 2020-2022 period, equivalent to 27,459 MT per month. To account for the share of cobalt hydroxide imports only, the Exchange proposes to adjust that number downward by 15% (since non-

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https://www.trademap.org/Country_SelProductCountry_TS.aspx?nvpm=1%7c156%7c%7c%7c8105%7c%7c%7c4%7c1%7c1%7c1%7c2%7c1%7c2%7c2%7c1%7c1

hydroxide cobalt imports run at 10-20% of the total), resulting in an adjusted deliverable supply of 23,340 MT per month (23,340 contract equivalents). The Exchange proposes a spot month position limit of 1,000 contracts, equivalent to 4.3% of deliverable supply.