

March 3, 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 40.6(a) Certification. Notification Regarding Decreasing Position Limits for Four (4) Copper Contracts (Futures and Option).
COMEX Submission No. 14-073**

Dear Ms. Jurgens:

Commodity Exchange, Inc. ("COMEX") is notifying the Commodity Futures Trading Commission ("CFTC" or "Commission") that it is self-certifying amendments to the spot month position limits for four (4) existing Copper futures and option contracts, effective Tuesday, March 18, 2014. The new spot month limits for the contracts below shall be 200 contract units and will take effect with the April 2014 contract month. The contracts affected are listed in the table below:

Contract Name	Rule Chapter	Clearing Code
Copper Futures	111	HG
Copper Option	117	HX
Copper Average Price Option	1191	CAP
Copper Financial Futures	1190	HGS

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 is being amended to reflect the changes in the position limits and accountability levels for the contracts listed above. (See Appendix A: Position Limit, Position Accountability, and Reportable Level Table in Chapter 5 of the COMEX Rulebook (attached under separate cover.))

Exchange business staff responsible for the rule amendments and the Exchange Legal Department collectively reviewed the designated contract market core principles ("Core Principles") as set forth in the Commodity Exchange Act ("Act" or "CEA"). During the review, Exchange staff 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 physical market, the contracts are not readily susceptible to manipulation (See Appendix B: Cash Market Overview and Analysis of Deliverable Supply).

- Position Limitations or Accountability: The spot-month speculative position limits for the contracts are set at less than the threshold of 25% of the deliverable supply in the underlying market.
- Availability of General Information: The information contained herein will be disseminated to the marketplace via Special Executive Report. The Exchange will publish information on the contracts' specifications on its website, together with daily trading volume, open interest, and price information.

Pursuant to Section 5c(c) of the Act and CFTC Regulation 40.6(a), the Exchange hereby certifies that the attached amendments comply with the Act, including regulations under the Act. There were no substantive opposing views to this proposal.

The Exchanges certify that this submission has been concurrently posted on the Exchanges' 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 – Position Limit, Position Accountability, and Reportable Level Table in
Chapter 5 of the COMEX Rulebook (attached under separate cover)
Appendix B – Analysis of Deliverable Supply

Appendix A

**Position Limit, Position Accountability, and Reportable Level Table in Chapter 5
of the COMEX Rulebook**

(attached under separate cover)

Appendix B

ANALYSIS OF DELIVERABLE SUPPLY

Commodity Exchange, Inc. ("COMEX" or "Exchange") has undertaken an analysis of deliverable supply for its copper futures contract in connection with efforts to ensure that the deliverable supply estimate reflects current market realities.

The key components of the deliverable supply for the copper futures contract are the stocks at the Exchange Licensed Warehouses ("COMEX Warehouse") as described below. COMEX is submitting updated deliverable supply estimates for the Copper Futures contract.

As of February 27, 2014, copper inventories held at COMEX Warehouses totaled 13,589 short tons, the equivalent of 1,087 COMEX Copper Futures. For compliance with core principles, spot month position limits are set at a maximum level of 25% of deliverable supply over a three year period. The Exchange may at times determine if it is beneficial to set this level lower depending on market conditions. Given the current stock levels the Exchange has determined to reduce the copper futures spot month position limits from 600 contract units to 200 contract units effective with the April 2014 contract month.

Table 1: Copper Inventories held at COMEX Warehouses

<i>3 Year Average/Current</i>	<i>Total (Short Tons)</i>	<i>Contracts Equivalent</i>	<i>25% of Deliverable Supply (Contracts Equivalent)</i>
3 Year Average	65,777	5,262	1,316
Total As of 2/27/2014	13,589	1,087	272

Warehouse Stocks

By the rules of the Exchange, each COMEX Warehouse is required to furnish to the Exchange the level of Exchange grade inventory on a daily basis. The level of Exchange copper inventories is made publically available daily on the Exchange website (<http://www.cmegroup.com/trading/energy/nymex-delivery-notices.html>).

Further, the rules of the Exchange require an independent inventory audit to be performed annually to provide a comprehensive reconciliation of stocks stored in the COMEX Warehouses with records maintained by both the Exchange and the COMEX Warehouse¹. Warranted stock is that material which meets the specifications of the Copper Futures contract for which a warrant has been issued. In addition to the warranted stocks, there is eligible Market Regulation staff of the Exchange who monitors these COMEX Warehouses on a regular basis and requires an inventory audit to be performed annually. In addition to the warranted stocks, there is a non-warranted category of category of stocks which is the material that meets the specifications of the Copper Futures contract, but for which no warrant has been issued. The eligible stocks are readily available to be placed on warrant and readily available to deliver against the Exchange's Copper Futures contracts and, hence, are considered to be a component of deliverable supply.

The Exchange believes that reliable and conservative estimates for the deliverable supply come from existing inventories in COMEX Warehouses.

In estimating deliverable supply for Copper Futures, we relied on long-standing precedent, which provides that the key component in estimating deliverable supply is the portion of typical warehouse stocks that

¹ The Exchange rules require an annual inventory audit in compliance with Exchange procedures to be performed at the COMEX Warehouse by an independent auditor and to prepare and submit to the Exchange an audit report certifying the records of the COMEX Warehouse accurately reflect the Exchange's records.

could reasonably be considered to be reliably available for delivery. Most recently, the Commission stated in its final position limit rulemaking that:

In general, the term “deliverable supply” means the quantity of the commodity meeting a derivative 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.

Accordingly, there are two categories of stocks COMEX considered in updating the existing deliverable supply estimates underlying the Copper Futures contract:

- (1) Warranted Stocks
- (2) Non-Warranted Stocks

Approved Warehouses

To determine inventory estimates, COMEX reviewed information provided by the COMEX Warehouses. For Copper, the COMEX Warehouse companies include Arizona Commodity Storage, C. Steinweg (Baltimore), Dalby Moving and Storage, Henry Bath LLC, MetalStore, Southwest Commodity Storage, Stagecoach Cartage and Distribution, Tuscon Port Authority, and Utah Commodity Storage. The COMEX Warehouses owned and operated by these companies update their stocks daily and are regularly monitored by the Exchange’s Market Regulation staff. Included in the estimates are both Warranted and Non-Warranted stock levels.

Warehouse Stock Levels

In performing analysis of deliverable supply based on the total copper inventory held in the COMEX Warehouses, the Exchange first reviewed the COMEX Warehouse data to determine monthly averages from daily Warehouse reports in the last five years. The figures in Table 2 below represent monthly average inventory levels itemized by Warranted and Non-warranted categories. In the evaluation of the copper inventory levels, there is no material represented by paper warrants and, therefore, all Warranted and Non-Warranted metal is considered deliverable supply.

**Table 2: Monthly Average Stock Levels in COMEX Warehouses
(COMEX Copper Futures contract equivalents)**

Month	Average of Warranted	Average of Non-warranted	Average of Total
Jan-08	1,104	162	1,144
Feb-08	1,089	69	1,106
Mar-08	959	156	998
Apr-08	902	109	929
May-08	852	55	866
Jun-08	869	58	884
Jul-08	594	84	678
Aug-08	441	10	451
Sep-08	503	81	585
Oct-08	653	89	743
Nov-08	941	29	970
Dec-08	1,886	20	1,906
Mar-09	3,548	40	3,588
Apr-09	3,748	48	3,796

Month	Average of Warranted	Average of Non-warranted	Average of Total
May-09	4,004	51	4,056
Jun-09	4,652	51	4,703
Jul-09	4,462	198	4,660
Aug-09	4,166	103	4,269
Sep-09	4,221	46	4,267
Oct-09	4,461	107	4,568
Nov-09	5,616	238	5,854
Dec-09	7,368	169	7,537
Jan-10	8,009	58	8,068
Feb-10	8,312	40	8,352
Mar-10	8,093	59	8,152
Apr-10	8,088	2	8,090
May-10	8,094	9	8,103
Jun-10	8,084	75	8,158
Jul-10	8,014	80	8,094
Aug-10	7,615	217	7,832
Sep-10	6,198	1,047	7,244
Oct-10	5,726	616	6,342
Nov-10	5,628	270	5,898
Dec-10	5,045	265	5,310
Jan-11	5,184	110	5,294
Feb-11	5,585	631	6,216
Mar-11	6,022	729	6,751
Apr-11	5,864	844	6,708
May-11	5,738	802	6,539
Jun-11	5,474	950	6,424
Jul-11	5,597	896	6,493
Aug-11	5,953	800	6,754
Sep-11	6,789	113	6,901
Oct-11	6,732	344	7,079
Nov-11	6,759	254	7,014
Dec-11	6,785	231	7,016
Jan-12	6,641	501	7,142
Feb-12	6,630	558	7,188
Mar-12	6,665	562	7,227
Apr-12	5,847	663	6,510
May-12	4,366	930	5,296
Jun-12	3,990	518	4,508
Jul-12	3,700	278	3,978
Aug-12	3,710	250	3,959

Month	Average of Warranted	Average of Non-warranted	Average of Total
Sep-12	3,461	558	4,019
Oct-12	4,014	206	4,221
Nov-12	4,565	204	4,768
Dec-12	5,153	256	5,409
Jan-13	5,654	142	5,796
Feb-13	5,890	92	5,982
Mar-13	5,959	88	6,047
Apr-13	5,486	1,035	6,520
May-13	4,270	2,434	6,704
Jun-13	3,837	2,235	6,072
Jul-13	2,766	2,684	5,450
Aug-13	2,391	1,736	4,128
Sep-13	2,180	482	2,662
Oct-13	1,935	367	2,301
Nov-13	1,436	361	1,797
Dec-13	768	605	1,374
Jan-14	706	621	1,327
Feb-14 (Through Feb 27)	1,033	343	1,375
Avg. 3 yrs.	4,577	685	5,262

Source: CME Group

Deliverable Supply Analysis

Based on the above analysis, the Exchange estimates the deliverable supply for the Copper Futures contract to be 5,262 Copper Futures contract equivalents based on the average total inventory supply in the COMEX Warehouses in the last three years. Using the average copper inventory level in the last three years as the basis for deliverable supply, the current spot month position limit of 600 contracts represents 11% of the deliverable supply. The Exchange will reduce the spot month limit to 200 contracts effective with the April 2014 contract month, representing 4% of deliverable supply (average copper inventory levels for the last three years) or 18% of current inventory levels at COMEX Warehouses.

It should be further noted that warehouses licensed by the London Metals Exchange (“LME”) maintain copper in inventory as well as COMEX Warehouses. Additional inventory in LME approved warehouses in close proximity to COMEX Warehouses may also be considered a source of deliverable supply. The locations in which both the Exchange and the LME have warehouses in close proximity are Baltimore and New Orleans.

While LME copper contract specifications are completely fungible with COMEX copper contracts’ specifications, we do not include LME’s copper inventory as part of the COMEX deliverable supply, we note this to illustrate the conservative nature of the above deliverable supply analysis.

Contract Name	Rule Chapter	Commodity Code	Contract Size	Contract Units	Type	Settlement	Group
Copper Futures	111	HG	25,000	Pounds	Futures	Physically Settled Futures	Metals
Copper Option	117	HX	25,000	Pounds	Am.Option	Exercises into Physical Future	Metals
Copper Average Price Option	1191	CAP	25,000	Pounds	Eu.Option	Financially Settled Option	Metals
Copper Financial Futures	1190	HGS	25,000	Pounds	Futures	Financially Settled Futures	Metals

Diminishing Balance Contract			Spot-Month Aggregate Into Futures Equivalent Leg (1)
Reporting Level	Spot-Month position comprised of futures and deliveries		
	25	For position limit purposes, spot month position comprised of futures and deliveries.	HG
	25	For position limit purposes, spot month position comprised of futures and deliveries.	HG
Y	25		HGS
Y	25		HGS

Spot-Month Aggregate Into Futures Equivalent Leg (2)	Spot-Month Aggregate Into Ratio Leg (1)	Spot-Month Aggregate Into Ratio Leg (2)	Spot-Month Accountability Level	Initial Spot- Month Limit (In Net Futures Equivalents) Leg (1) / Leg (2)
				600 <u>200</u>
	1 HX : 1 HG			600 <u>200</u>
	1 CAP : 1 HGS			600 <u>200</u>
				600 <u>200</u>

Spot-Month

Initial Spot-Month Limit Effective Date	Spot-Month Limit (In Contract Units) Leg (1) / Leg (2)
Close of business on the business day prior to the first notice day for any delivery month.	15,000,000 <u>5,000,000</u>
For HG: Close of business on the business day prior to the first notice day for any delivery month.	15,000,000 <u>5,000,000</u>
For HGS: Close of business on the business day prior to the first notice day for any delivery month.	15,000,000 <u>5,000,000</u>
Close of business on the business day prior to the first notice day for any delivery month.	15,000,000 <u>5,000,000</u>

Single Month						All Month			
Single Month Aggregate Into Futures Equivalent Leg (1)	Single Month Aggregate Into Futures Equivalent Leg (2)	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)
HG				5,000		HG			
HG		1 HX : 1 HG		5,000		HG		1 HX : 1 HG	
HGS		1 CAP : 1 HGS		5,000		HGS		1 CAP : 1 HGS	
HGS				5,000		HGS			

All Month Accountability Level Leg (1) / Leg (2)	All Month Limit (In Net Futures Equivalents) Leg (1) / Leg (2)
5,000	
5,000	
5,000	
5,000	