

Implementation of New NYMEX/COMEX Rule Regarding Special Price Fluctuation Limits for Certain NYMEX and COMEX Metals Futures and Options Contracts

Background

Effective Sunday, December 21, 2014 for trade date Monday, December 22, 2014, and pending all relevant Commodity Futures Trading Commission regulatory review periods, the New York Mercantile Exchange, Inc. (NYMEX) and Commodity Exchange, Inc. (COMEX) (collectively, the Exchanges) will implement new NYMEX/COMEX Rule 589 (Special Price Fluctuation Limits) to apply price fluctuation limits to certain metals futures and options contracts. Price fluctuation limits deter sharp price movements that may, for example, be driven by illiquid central limit order books prevailing from time to time in otherwise liquid markets.

NYMEX currently applies price fluctuation limits to its energy complex of futures and options contracts. These limits are referenced in each contract's respective NYMEX product rulebook chapter. The Exchanges are proposing new Rule 589 to extend price fluctuation limit functionalities to certain metals futures and options as a measure that is consistent with promoting price discovery and cash-futures price convergence. The operation of new Rule 589 for metals futures and options contracts is described below. The full text of the new rule is set forth in Appendix B. Appendix C provides the specific limit levels for the relevant NYMEX/COMEX contracts to which Rule 589 will apply.

The Operation of New Rule 589 for Metals Futures and Options

At the commencement of each trading day, new Rule 589 will require the Exchanges to determine initial price fluctuation limits as levels above or below the previous day's settlement price for lead-month primary futures contracts. There are three primary COMEX metals futures contracts and two primary NYMEX metals futures contracts. These contracts have the largest and most liquid metals central limit order books on CME Globex or are considered separate and distinct stand-alone products on an outright basis. The lead-month contract, as determined by the Exchanges, will typically be a primary contract's most actively traded futures contract month.

The Exchanges will monitor the price movements of lead-month primary futures contracts in real-time on a daily basis. Price movements in lead-month primary futures contracts will result in triggering events. Triggering events result in monitoring periods, possible temporary trading halts followed by the re-opening of trading, and price fluctuation limit expansions.

If the lead-month primary futures contract is bid or offered via CME Globex at the upper or lower first special price fluctuation limit, the Exchanges will consider such an occurrence a triggering event that will begin a five-minute monitoring period in the lead-month contract. If at the end of this five-minute period the lead-month primary futures contract is not bid or offered at the applicable limit, the Exchanges will expand the limits an additional price limit increment above and below the lead-month contract's previous-day settlement price. If, however, at the end of the five-minute interval, the Exchanges determine that the lead-month primary futures contract is bid or offered at the applicable limit, they will commence a two-minute temporary trading halt in all contract months of the primary futures contract as well as in all contract months of associated products. Primary contracts and associated products are identified in Appendixes A and C.

Following the end of a temporary trading halt, the Exchanges will re-open trading in all contract months of the primary futures contract as well as in all contract months of associated products. When trading resumes, the Exchanges will expand the price fluctuation limit an additional increment above and below the lead-month contract's previous-day settlement price. Subsequent price fluctuations, if significant enough, will trigger the same sequence of monitoring periods, possible trading halts followed by the re-opening of trading, and incremental adjustments to price fluctuation limits.

As noted above, when an initial triggering event occurs, the Exchanges will commence a five-minute monitoring period. In each instance, the Exchanges will subsequently expand the price fluctuation limit for all primary futures contract months, as well as all associated products, by an additional increment above and below the lead-month contract's previous-day settlement price. The incremental adjustment will occur regardless of whether or not a

trading halt is triggered. However, no further special price fluctuation limits will be implemented following a trading day's fourth price fluctuation limit adjustment.

Expiring Contracts

There shall be no special price fluctuation limits for an expiring primary metals futures contract during the period between and including the contract's first intent day and the last delivery day. The Exchanges will also not call temporary trading halts or an expansion of special price fluctuation limits for primary futures contract months or their associated products during the last five minutes of trading between and including the first intent day and the last delivery day of a related expiring primary metals futures contract.

Floor Trading

The Exchanges will apply special price fluctuation limits to all primary metals futures and options contracts and all associated metals products that are available for trading on the floor. Although the Exchanges will limit all applicable markets on the trading floor at these price levels, floor trading in lead-month primary futures markets at these price levels will not constitute a triggering event under new Rule 589. In all instances when a triggering event resulting in a trading halt occurs on CME Globex, the Exchanges will immediately halt floor trading in all contract months of primary futures contracts and associated products. The Exchanges will implement a coordinated temporary trading halt for any floor-traded associated products that are options on primary contracts or other associated products. When the Exchanges re-open CME Globex markets with expanded price limits, the Exchanges will simultaneously re-open all affected markets on the trading floor with the expanded limits in place.

Please refer to the following appendixes for details regarding special price fluctuation limits for certain NYMEX/COMEX metals futures and options contracts:

Appendix A: Metals Futures and Options Contracts Subject to NYMEX/COMEX Rule 589

Appendix B: New NYMEX/COMEX Rule 589

Appendix C: Special Price Fluctuation Limits Table in Chapter 5 of the NYMEX/COMEX Rulebook

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Appendix A

NYMEX/COMEX Metals Futures and Options Contracts

Subject to New NYMEX/COMEX Rule 589 (Special Price Fluctuation Limits)

Metals Products	NYMEX/COMEX Rulebook Chapter	Commodity Code	Primary or Associated Contract
Gold Futures	113	GC	Primary
Gold Option	115	OG	GC
E-micro Gold Futures	120	MGC	GC
COMEX miNY Gold Futures	911	QO	GC
Gold Weekly Option	1008	OG1-OG5	GC
Silver Futures	112	SI	Primary
Silver Option	116	SO	SI
1,000-oz. Silver Futures	121	SIL	SI
COMEX miNY Silver Futures	912	QI	SI
Silver Weekly Option	1009	SO1-SO5	SI
Copper Futures	111	HG	Primary
Copper Option	117	HX	HG
E-mini Copper Futures	913	QC	HG
Copper Financial Futures	1190	HGS	HG
Copper Average Price Option	1191	CAP	HG
Copper Weekly Option	1010	H1E-H5E	HG
Platinum Futures	105	PL	Primary
Platinum Option	360	PO	PL
Palladium Futures	106	PA	Primary
Palladium Option	119	PAO	PA

Appendix B

New NYMEX/COMEX Rule (Additions are underlined.)

Chapter 5

Trading Qualifications and Practices

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SPECIAL PRICE FLUCTUATION LIMITS

The special price fluctuation limits applicable to those contracts with special price fluctuation limits are set forth in the Special Price Fluctuation Limits Table ("Table") in the Interpretations Section at the end of Chapter 5.

1. Initial Price Fluctuation Limits for All Contract Months. At the commencement of each trading day, there shall be initial price fluctuation limits in effect for each futures contract month of the Primary Futures Contract (as identified in the Table) above or below the previous day's settlement price for such contract month set at the first special price fluctuation limit level as provided in the Table.
2. (i) First Triggering Event and Temporary Trading Halt. If the lead contract month (as identified by the Exchange) of the Primary Futures Contract is bid or offered via Globex at the upper or lower price fluctuation limit at the first special price fluctuation limit level, as applicable, it will be considered a Triggering Event that will begin a five (5) minute monitoring period in the lead contract month. If at the end of the five (5) minute monitoring period, the lead contract month of the Primary Futures Contract is not bid or offered at the applicable special price fluctuation limit, the special price fluctuation limits shall be expanded an additional increment above and below the previous day's settlement price for all contract months of the Primary Futures Contract as provided in the Table. If, however, at the end of the five (5) minute monitoring period, the lead contract month of the Primary Futures Contract is bid or offered at the applicable special price fluctuation limit, a two (2) minute Temporary Trading Halt will commence in all contract months of the Primary Futures Contract as well as in all contract months of Associated Products of the Primary Futures Contract as provided in the Table. In addition, trading in any Associated Product that is an option related to the Primary Futures Contract or in an option contract related to any other Associated Product of the Primary Futures Contract of this rule that may be available for trading on Globex or on the trading floor shall be subject to a coordinated Temporary Trading Halt.
(ii) Expansion of Limits Following Temporary Trading Halt. Following the end of a Temporary Trading Halt, the affected markets shall re-open simultaneously in all contract months of the Primary Futures Contract as well as in all contract months of Associated Products of the Primary Futures Contract of this rule. When trading resumes, the price fluctuation limits of the Primary Futures Contract shall be expanded an additional increment above and below the previous day's settlement price for all contract months of the Primary Futures Contract as provided in the Table.
(iii) Each instance in which a Triggering Event occurs, a five (5) minute monitoring period will commence as provided in Sections 589.2.(a) and 589.2.(b). In each instance, the price fluctuation limits for each contract month of the Primary Futures Contract shall be expanded by an additional increment as provided in the Table

above and below the previous day's settlement price for such contract month. Following the fourth triggering event, there will be no further limits.

(iv) A Primary Futures Contract shall not be the lead Primary Futures Contract on the contract's last trading day. There shall be no special price fluctuation limits during the period between the first position day and the last delivery day of an expiring Metal futures contract that serves as a primary futures contract for the purposes of Rule 589. Additionally, there shall be no temporary trading halts or expansion of special price fluctuation limits during the last five (5) minutes of trading during the period between the first position day and the last delivery day of an expiring Metal futures contract that serves as a primary futures contract for the purposes of Rule 589.

3. Price Fluctuation Limits on Trading Floor (Floor Trading)

(i) The special price fluctuation limits cited in Section 589.1. of this rule shall be applicable on the trading floor. All markets on the trading floor shall be limited to trading at these special fluctuation price levels (locked limit); however, such trading shall not constitute a Triggering Event for purposes of a Temporary Trading Halt.

(ii) In all instances when a Triggering Event in the lead contract month of the Primary Futures Contract occurs on Globex, floor trading in all contract months of the Primary Futures Contract and in all contract months of Associated Products of the Primary Futures Contract of this rule shall immediately halt. Additionally, trading in any option related to the Primary Futures Contract or in an option contract related to any Associated Product of the Primary Futures Contract of this rule shall be subject to a coordinated Temporary Trading Halt.

(iii) Whenever Globex markets are re-opened with expanded price limits pursuant to the provisions of Section 589.2. of this rule, the affected markets on the trading floor shall simultaneously re-open with the expanded limits in place.

Appendix C

Special Price Fluctuation Limits Table in Chapter 5 of the NYMEX/COMEX Rulebook for Certain Metals Futures and Option Contracts

Primary Futures Contract	Revised Values in Globex Format				Revised Values in Currency per Troy Ounce or Pound				Associated Products
	Level 1	Level 2	Level 3	Level 4	Level 1	Level 2	Level 3	Level 4	
Gold Futures	1000	2000	3000	4000	\$100.00	\$200.00	\$300.00	\$400.00	Options on Gold Futures Weekly Options on Gold Futures E-micro Gold Futures miNY Gold Futures
Silver Futures	3000	6000	9000	12000	\$3.00	\$6.00	\$9.00	\$12.00	Options on Silver Futures Weekly Options on Silver Futures 1,000-Ounce Silver Futures miNY Silver Futures
Copper Futures	4000	8000	12000	16000	\$0.40	\$0.80	\$1.20	\$1.60	Options on Copper Futures Weekly Options on Copper Futures E-mini Copper Futures Copper Financial Futures Copper Average Price Options
Platinum Futures	1000	2000	3000	4000	\$100.00	\$200.00	\$300.00	\$400.00	Options on Platinum Futures
Palladium Futures	5000	10000	15000	20000	\$50.00	\$100.00	\$150.00	\$200.00	Options on Palladium Futures