

**SUBMISSION COVER SHEET**

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

**Registered Entity Identifier Code (optional):** 20-184

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

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

**Please note - only ONE choice allowed.**

**Filing Date (mm/dd/yy):** 04/09/20    **Filing Description:** Increase of Spot Month Position Limits and Accountability Levels of Five (5) Gold Futures and Option Contracts

**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.

April 9, 2020

**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. Notification Regarding Increase of Spot Month Position Limits and Accountability Levels of Five (5) Gold Futures and Option Contracts.  
COMEX Submission No. 20-184**

Dear Mr. Kirkpatrick:

Commodity Exchange, Inc. (“COMEX” or “Exchange”) is certifying to the Commodity Futures Trading Commission (“CFTC” or the “Commission”) an increase of the spot month position limits and accountability levels of five (5) gold futures and options contracts as noted below (the “Contracts”), effective on the close of business on Thursday, May 28, 2020 and commencing with the June 2020 contract month and beyond. This submission shall be effective on Friday, April 24, 2020.

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

Contract Title	Rulebook Chapter	Commodity Code	Reporting Level	Spot-Month Limit (in Net Futures Equivalent)	Single Month Accountability Level (in Net Futures Equivalents)	All Month Accountability Level (in Net Futures Equivalents)
<b>Gold Futures</b>	113	GC	50	<del>3,000</del> <b><u>6,000</u></b>	<del>6,000</del> <b><u>8,000</u></b>	<del>6,000</del> <b><u>8,000</u></b>
<b>Gold Option</b>	115	OG	50	<del>3,000</del> <b><u>6,000</u></b>	<del>6,000</del> <b><u>8,000</u></b>	<del>6,000</del> <b><u>8,000</u></b>
<b>Gold (Enhanced Delivery) Futures</b>	126	4GC	50	<del>3,000</del> <b><u>6,000</u></b>	<del>6,000</del> <b><u>8,000</u></b>	<del>6,000</del> <b><u>8,000</u></b>
<b>Micro Gold Futures</b>	120	MGC	50	<del>3,000</del> <b><u>6,000</u></b>	<del>6,000</del> <b><u>8,000</u></b>	<del>6,000</del> <b><u>8,000</u></b>
<b>Gold Weekly Options</b>	1008	OG1-OG5	50	<del>3,000</del> <b><u>6,000</u></b>	<del>6,000</del> <b><u>8,000</u></b>	<del>6,000</del> <b><u>8,000</u></b>

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 increased spot month position limits and accountability levels of the Contracts. (See Exhibit A and Exhibit B: Position Limit, Position Accountability, and Reportable Level Table in Chapter 5 of the COMEX Rulebook with additions **underscored** and deletions ~~struck through~~ which are attached under separate cover. Exhibit A provides the Table effective on Friday, April 24, 2020, and Exhibit B provides the Table effective on the close of business on Tuesday, May 28, 2020, at which time the June 2020 spot month position limit of the Contracts shall become effective (collectively, the “Rule Amendments”).

Consistent with Core Principle 3 of the Commodity Exchange Act, Appendix C of Part 38, the Exchange based deliverable supply on existing registered and eligible inventories at its Exchange approved depositories for Exchange delivery.

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."

### **Approved Depositories and Stock Reporting Requirements**

As of the date of this submission, Exchange-approved gold depositories include: Brinks, Inc., Delaware Depository Service Company, HSBC Bank, USA, International Depository Services of Delaware, JP Morgan Chase Bank NA, Malca-Amit USA, LLC, Manfra, Tordella & Brookes, Inc. Loomis, International and Bank of Nova Scotia.

Pursuant to the rules of the Exchange, each depository is required to report to the Exchange the level of Exchange grade inventory on a daily basis. The inventory shall include eligible and registered gold. Eligible gold is gold that is acceptable for delivery against the Contract (i.e., which meets the specifications and approved brands of the Contract) for which a warrant has not been issued. Registered gold is eligible gold for which a warrant has been issued. Specifically, on a daily basis, each depository is required to provide the Exchange with the (1) quantity of registered gold stored at the depository, (2) quantity of eligible gold stored at the depository, and (3) quantity of eligible gold and registered gold received and shipped from the depository.

The gold inventory levels at all Exchange-approved depositories are made publicly available daily on the Exchange website.<sup>1</sup> Further, the rules of the Exchange require an independent inventory audit to be performed annually to provide a comprehensive reconciliation of stocks stored at depositories with records maintained by both the Exchange and the depository.<sup>2</sup>

The Exchange determined at this time to base its estimates of deliverable supply of gold on eligible and registered stock stored at Exchange approved depositories. The Exchange recognizes that gold is used as an investment vehicle and as such some gold stock may be held as a long-term investment. While surveys conducted indicated no clear consensus as to how much gold is dedicated to long term investments, the Exchange, in an effort to represent a conservative deliverable supply that may be readily available for delivery, made a determination at this time to discount from its estimate of deliverable supply 50% of its reported eligible gold at this time. The Exchange may, at a later date, determine not to discount such stock or to recognize a discount level that is more or less than 50% of reported eligible gold when calculating deliverable supply estimates.

Table 1 below provides the monthly inventory average of each of registered and eligible gold stored at Exchange approved depositories for the period beginning March 2017 through February 2020.

Over the most recent three-year period beginning March 2017 through February 2020, the monthly average registered gold was 6,574 futures equivalent contracts. The monthly average eligible gold was 39,322 futures equivalent contracts accounting for a 50% discount. Based on the foregoing, the Exchange estimates monthly deliverable supply for the Gold Futures (GC) contract at approximately 45,897 futures equivalent contracts.

### **Table 1: Monthly Average Stock Levels at Exchange Depositories**

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<sup>1</sup> <http://www.cmegroup.com/market-data/reports/registrar-reports.html>

<sup>2</sup> <http://www.cmegroup.com/rulebook/NYMEX/1/7.pdf>

(in Gold Futures equivalent contracts)

<b>Month</b>	<b>Average Eligible Inventory (with 50% reduction)</b>	<b>Average Registered Inventory</b>	<b>Average Total Inventory</b>
Mar-17	38,293	12,799	51,092
Apr-17	39,908	9,829	49,736
May-17	39,714	8,977	48,691
Jun-17	38,969	8,838	47,807
Jul-17	39,118	7,307	46,425
Aug-17	39,610	7,519	47,129
Sep-17	39,932	7,167	47,099
Oct-17	40,114	5,903	46,017
Nov-17	41,048	5,740	46,788
Dec-17	40,511	9,500	50,011
Jan-18	43,473	5,648	49,121
Feb-18	43,856	4,078	47,934
Mar-18	43,655	3,571	47,226
Apr-18	43,378	3,798	47,176
May-18	43,718	2,931	46,649
Jun-18	42,599	3,811	46,409
Jul-18	42,149	2,477	44,626
Aug-18	41,116	2,987	44,103
Sep-18	40,914	1,497	42,411
Oct-18	39,925	1,512	41,437
Nov-18	39,247	1,527	40,774
Dec-18	38,144	6,864	45,008
Jan-19	38,381	7,478	45,859
Feb-19	37,871	7,045	44,916
Mar-19	38,406	3,649	42,055
Apr-19	37,736	3,817	41,553
May-19	37,487	2,075	39,562
Jun-19	36,886	3,057	39,943
Jul-19	36,976	3,337	40,313
Aug-19	36,626	6,067	42,693
Sep-19	36,714	7,629	44,343
Oct-19	35,299	11,503	46,802
Nov-19	36,722	11,246	47,968
Dec-19	36,965	13,418	50,383
Jan-20	36,709	13,602	50,311
Feb-20	36,265	14,376	50,641
3-year average	39,322	6,574	45,897

Further, the current level of inventory for 400 troy ounce gold bars and eligible brands in Exchange-approved vaults as of April 7, 2020, was 4,833,154 troy ounces or 24,166 contract equivalents after accounting for a 50% reduction, meaning that the combined inventory for all gold deliverable against the Gold Enhanced Delivery Futures (4GC) contract is 70,063 contract equivalents.

The new spot month position limit of 6,000 contracts represents 13.1% of deliverable supply for the Gold Futures (GC) contract and 8.6% of deliverable supply for the Gold Enhanced Delivery Futures (4GC) contract when taking into consideration the addition of the 400 troy ounce bars and eligible brands. This is proposed to be effective with the June 2020 contract month and beyond.

The Exchange does not currently account for Exchange grade gold stock stored at un-approved depositories that can be moved economically into Exchange-approved facilities. The Exchange may, at a later date, determine to account for such stock when calculating deliverable supply estimates.

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 Rule Amendments by publishing a Market Surveillance Notice (“MSN”) to the market. The MSN will also be available on CME Group’s website.

Pursuant to Section 5c(c) of the Act and CFTC Regulations 40.6(a), the Exchange certifies that the Rule Amendments comply 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](mailto:CMEGSubmissionInquiry@cmegroup.com).

Sincerely,

/s/ Christopher Bowen  
Managing Director and Chief Regulatory Counsel

Attachments: Exhibit A: Position Limit, Position Accountability, and Reportable Level Table in Chapter 5 of the COMEX Rulebook (effective Friday, April 24, 2020) (attached under separate cover)  
Exhibit B: Position Limit, Position Accountability, and Reportable Level Table in Chapter 5 of the COMEX Rulebook (effective Thursday, May 28, 2020) (attached under separate cover)

**Exhibit A**

**Position Limit, Position Accountability, and Reportable Level Table in Chapter 5  
of the COMEX Rulebook (effective Friday, April 24, 2020)**

(attached under separate cover)

**Exhibit B**

**Position Limit, Position Accountability, and Reportable Level Table in Chapter 5  
of the COMEX Rulebook (effective Friday, May 28, 2020)**

(attached under separate cover)