SUBMISSION COVER SHEET

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

Registered Entity Identifier Code (optional): <u>14-463</u>

Organization: <u>New York Mercantile Exchange, Inc. ("NYMEX")</u>

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

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): <u>October 31, 2014</u> Filing Description: <u>Decrease in Spot Month Position Limits for Palladium Futures and Option Contracts</u>

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

Official Product Name:

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: <u>Palladium Futures and Option</u>

Rule Numbers: <u>NYMEX Rule 106, 119; NYMEX Chapter 5</u>

CME Group

Christopher Bowen
Managing Director and Chief Regulatory Counsel
Legal Department

October 31, 2014

VIA ELECTRONIC PORTAL

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 the Decrease in Spot Month Position Limits for Palladium Futures and Option Contracts.
NYMEX Submission No. 14-463

Dear Mr. Kirkpatrick:

New York Mercantile Exchange, Inc. ("NYMEX" or "Exchange") is notifying the Commodity Futures Trading Commission ("CFTC" or "Commission") that it is self-certifying a decrease in the spot month position limits for its Palladium futures (Commodity code PA, Rule 106) and option (Commodity code PAO, Rule 119) contracts. The current spot month limits are 650 contract units. The new spot month limits shall be 500 contract units and will take effect at the close of business on November 26, 2014 for the December 2014 contract month.

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 NYMEX Rulebook is being amended to reflect the changes in the spot month position limits as noted above (See Appendix A: Position Limit, Position Accountability, and Reportable Level Table in Chapter 5 of the NYMEX Rulebook (attached under separate cover)).

Exchange Market Surveillance 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 Subject to Manipulation: Due to the liquidity and robustness in the underlying physical market, the contracts are not readily subject 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 Market Surveillance Notice. 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. A cash market overview and analysis of deliverable supply is attached hereto as Appendix B.

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.

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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 NYMEX Rulebook (attached under separate cover)

Appendix B: Cash Market Overview and Analysis of Deliverable Supply

Appendix A

Position Limit, Position Accountability, and Reportable Level Table in Chapter 5

of the NYMEX Rulebook

(attached under separate cover)

Appendix B

Cash Market Overview and Analysis of Deliverable Supply

As of October 20, 2014, palladium inventories held at NYMEX approved warehouses totaled 237,997 troy ounces, the equivalent of 2,380 NYMEX Palladium futures contracts. Given the current stock levels, the Exchange determined to decrease the palladium spot month limits from 650 to 500 contract units effective with the December 2014 contract month. The new spot month limits represent approximately 21% of palladium inventory held at NYMEX approved warehouses.

While the Exchange recognizes that readily available supply exists beyond our approved warehouses, the Exchange determined to set the spot month position limits conservatively based solely on the current palladium inventory held at NYMEX approved warehouses.

Table 1 below illustrates the three-year average of total palladium inventory held at NYMEX approved warehouses and the current palladium inventory held at NYMEX approved warehouses as of October 20, 2014.

Table 1.

3 Year Average/Current	***Total (Troy Ounces)***	***Contracts Equivalent***	***25% of Deliverable Supply (Contracts Equivalent)***
3-Year Average	515,882	5,159	1,290
Total As of 10/20/2014	237,997	2,380	595