

## Special Executive Report

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**S-5005**

**September 8, 2009**

### **Status of Paper Warrants with Regard to Delivery of the Exchange's Metals Futures Contracts**

In August 2008, the NYMEX and COMEX Divisions of CME Group launched the paperless phase of its Electronic Delivery System for its metals futures contracts by implementing rules which eliminated the use of paper Warrants issued by Exchange Licensed Depository. Delivery against the Exchange's Metals Futures contracts now takes place by the electronic transfer of Warrants between Exchange Clearing Members.

The Exchange, in notices to market participants dated August 11, 2008 with respect to Palladium, September 12, 2008 with respect to Platinum, October 9, 2008 with respect to Copper, December 23, 2008 with respect to Gold and February 6, 2009 with respect to Silver informed the metals industry that, effective with the conversion to the Electronic Delivery System, paper Warrants would no longer be acceptable for delivery against the respective contracts and that, in order to convert the paper Warrants to electronic Warrants, the paper Warrants must be endorsed by the Clearing Member to the appropriate Exchange Licensed Depository for conversion to electronic Warrants.

Since, pursuant to these rules changes, paper Warrants, designed specifically for delivery against an Exchange Metals Futures Contract, are no longer valid for Exchange delivery and may no longer be considered to be "Bearer" instruments by the Licensed Facilities that issued them, market participants holding these paper Warrants are requested to either (1) endorse them to their Clearing Member for conversion to an electronic Warrant or (2) return them directly to the Exchange Licensed Depository that issued them for conversion to a standard warehouse receipt. The Licensed Depository may, in its sole discretion, require that the owner of the metal represented by the paper Warrant, establish a customer account at the facility.

Even though a new document of title is issued, the metal represented by these paper Warrants, would continue to remain eligible for delivery against the respective Exchange Metals Futures contracts; provided however, that the gold, platinum and palladium remain within the Exchange Licensed Depository. In the event that the gold, platinum or palladium is removed from the Exchange Licensed Depository to a location other than another Exchange Licensed Depository, the gold, platinum or palladium would have to be assayed by an Exchange Approved Assayer in order to become eligible for Exchange delivery. This requirement does not apply to silver or copper.

**Should you have any questions or require any further information, please contact Joe Hawrysz at 312-341-7750 or Joann Arena at 212-299-2356.**