

Cleared OTC London Gold Forwards

Credit risk mitigation for the London Gold Forwards market.

By offering our clearing house experience, financial safeguards and post-transaction services, CME Group is uniquely positioned to provide counterparty credit risk mitigation services to the OTC London gold forward market with our Cleared OTC London Gold forwards contract. This service provides centralized clearing, settlement and delivery for OTC London unallocated gold forwards in a framework of expanded flexibility and security.

Key Benefits

Mitigate counterparty credit risk.

CME ClearPort uses a central counterparty clearing model, where counterparty credit risk is shared among clearing members. This allows the central clearing house to guarantee the performance of every transaction — and the security of every clearing member's customer.

Enhance efficiency.

Post-trade clearing and processing through CME ClearPort provides margin offsets, replaces the need for significant time and expense of documentation, and facilitates fair market valuations and netting of deliveries. In addition, regardless of the number of transactions performed, positions are netted down and customers make or receive only one payment and one delivery per day.

Trust more than a century of experience.

For over 100 years, no CME Clearing member has failed to meet a performance bond call or its delivery obligations. And no customer has lost funds as a result of the failure of a clearing member firm.

Access independent, daily valuations.

CME ClearPort gives you access to neutral valuations and our daily mark-to-market process enables you to track positions accurately and assess risk.

Key Service Features

- » Contract sizes may be tailored out to three decimal places, providing the flexibility to meet industry as well as individual sizing needs.
- » Processing through CME ClearPort takes the burden and expense of documentation away from market participants.
- » This is a post-trade clearing service only — execution remains in the OTC market.
- » Contracts remain as forwards in clearing and are not converted to futures contracts. Every trade establishes a new open position. There is no liquidation. Upon reaching delivery, positions are netted down and CME Clearing remains the counterparty throughout the delivery process. Delivery occurs at LPMCL¹ member banks via book entry transfer of "London Good Delivery" gold.
- » Open trades are held on a gross basis at their original trade price.
- » Each business day, every open trade is marked from original trade price to the daily settlement price. These +/- differentials are then discounted to present value. The resulting net discounted mark to market amount is "collateralized." That is, it establishes a margin (performance bond) credit or liability.

Scope of Service

- » Clearing coverage for all good forward maturities that are deliverable into unallocated "London Good Delivery" gold (as defined by the LBMA²) extends 10 years out.

¹ LPMCL is London Precious Metals Clearing Limited. See lpmcl.com for account specifications.
² LBMA is the London Bullion Market Association. See lbma.org.uk for delivery specifications.

Contract Specifications

Cleared OTC London Gold Forwards

Product Symbol	GB
Venue	CME ClearPort
Clearing Hours (All Times are New York Time/ET)	CME ClearPort: Sunday – Friday 6:00 p.m. – 5:15 p.m. (5:00 p.m. – 4:15 p.m. Chicago Time/CT) with a 45-minute break each day beginning at 5:15 p.m. (4:15 p.m. CT)
Contract Size	.001 troy ounces
Price Quotation	U.S. dollars and cents per ounce
Minimum Price Fluctuation	\$0.001 per ounce
Last Submission Day	Trades can be submitted for clearing through CME ClearPort up to and including one good business day prior to the delivery date.
Settlement Type	Physical
Delivery Period	“London Good Delivery” as specified by the LBMA at unallocated accounts held at LPMCL member banks. Delivery can be made on any good business day in the LBMA calendar, with a maximum available maturity of 10 years from spot.
Rulebook Chapter	334
Exchange Rule	These contracts are listed with, and subject to, the rules and regulations of COMEX.

How to Register for Clearing through CME ClearPort:

Getting started to clear through CME ClearPort is easy. When an account has been established with a COMEX clearing member, you simply complete the online registration form. Once approved, you'll immediately be able to clear OTC energy trades.

1.

Establish an account with a NYMEX clearing member.

2.

Visit cmegroup.com/clearport and complete the online Exchange User License Agreement (EULA), whether you are a broker or a trader.

3.

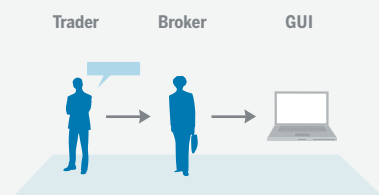
Once you have received your username and password, contact the clearing or risk staff person at your clearing member firm and request that your clearing account be added to RAV (Risk Account Value) Manager. You should inform your clearing firm as to which OTC brokers (if any) should be allowed to enter trades for clearing on your behalf. You will then be given permission for any markets you wish to clear.

How to Begin Entering Trades for Clearing through CME ClearPort.

Customers have three options for reporting the trade for clearing through CME ClearPort.

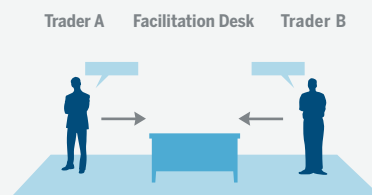
Broker Entry

Once a deal is reached, the broker enters the trade into the CME ClearPort web-based user interface (GUI) or CME ClearPort API.



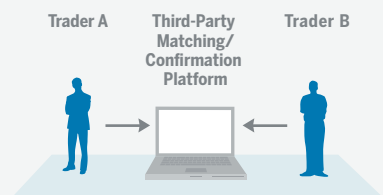
Facilitation Desk

Once a deal is reached, one of the traders calls the CME ClearPort facilitation desk. The facilitation desk contacts the other trader to confirm. When the desk has confirmation from both parties, it processes the trade.



Third-Party Matching

In this scenario, two traders are matched by a third-party matching/confirmation platform. The matching platform writes the trade directly into the CME ClearPort API.



To learn more about CME ClearPort visit cmegroup.com/clearport.

Onboarding Procedures

for CME Clearing and CME Clearing Europe (CMECE)

Clearing Firm Steps

Testing Steps:

- » Open a Cleared OTC Account (COTC) with CME Clearing in one or both of the following:
 - Certification environment for CMECE
 - New Release environment for CME Clearing
- » Gain access to appropriate systems at **cmegroup.com/clearingonline**:
 - CME ClearPort
 - Front-End Clearing
 - Firm FTP server to receive reports
- » Inject trades through CME ClearPort to validate flow
- » Review reports

Production Steps:

- » Become a registered COMEX or CMECE clearing firm at **cmegroup.com/clearingmembers**
- » Register legal entity by filling out a EULA at **cmegroup.com/clearporteula**
- » Open up Production COTC Accounts with CME Clearing
- » Gain access to appropriate systems:
 - CME ClearPort
 - RAV
 - Front End Clearing
 - Firm FTP server to receive reports
- » Obtain Exchange Unallocated Gold Settlement Instructions (SSIs) from the onboarding team

Client Steps

Testing Steps:

- » Contact a registered COMEX or CMECE clearing firm at **cmegroup.com/clearingmembers**

Production Steps:

- » Contact a registered COMEX or CMECE clearing firm
- » Register legal entity by filling out a EULA at **cmegroup.com/clearporteula**



For questions or additional onboarding information, please contact **onboarding@cmegroup.com** or call **312 388 7112**.

For more information about Cleared OTC London Gold forwards please contact a team member below or visit **cmegroup.com/lgf**.

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