

TO: Clearing Member Firms
FROM: CME Clearing
ADVISORY #: 16-472
SUBJECT: **Clearing and Bookkeeping Processing for COMEX Gold and Silver Spot Futures**
DATE: November 8, 2016

On Sunday January 8, 2017 for trade date Monday, January 9, 2017 (and pending final regulatory approval), trading will commence in COMEX's London Spot Gold and London Spot Silver Futures. These innovative contracts will provide market participants with exposure to the London precious metals spot market.

On each COMEX business day, there will be one London Spot Gold Futures contract available for trading, and analogously for the London Spot Silver Futures contract. For example, on Monday, January 9, 2017, the **20170109** contract will be eligible. That Monday will be the contract's first day of trading, its last day of trading, and its clearing settlement date (the date on which its final settlement price is determined.) The contract will trade up to 5:00 pm New York time.

The contracts will be listed for trading on CME Globex and will also be eligible for submission of block trades and EFRPs via CME ClearPort. Bids, offers and trades will be made at an outright price. In addition, an inter-commodity spread trade market will be established on CME Globex between the London Spot Future and the active month of the regular COMEX monthly Gold or Silver Future. A transaction in this market will have economic equivalence to an EFP trade, with the primary difference that it will be executed on an electronic futures venue with full transparency and audit trails.

The product codes will be **GSP** for COMEX's London Spot Gold Future and **SSP** for the London Spot Silver Future. They will be the same size as the regular monthly futures – 100 troy ounces for the London Spot Gold future and 5,000 troy ounces for the London Spot Silver Future.

Open positions at the closing at 5:00 pm New York time will result in physical delivery of unallocated metal – gold or silver – on the spot value date. Following OTC market conventions, that value date will be the second London banking business day following the trading day, or, if that date is not also a New York banking day, the first subsequent day that is a banking day in both London and New York.

Clearing firms will submit delivery intents within one hour of the 5:00 pm closing time, providing delivery instructions for positions open at the close. Firms will receive delivery notifications at approximately 9:30 pm New York time that day. On the next day, clearing firms will receive a delivery Invoice providing exact delivery obligations. Also on that second day, beginning at the intraday settlement cycle, open positions will be margined as "positions in delivery", meaning that no risk offsets will be recognized against any other contract.

On the morning of the value date (delivery date), short position holders will deliver unallocated gold or silver to the designated Clearing House account by 2:30 pm London time, and will receive USD cash once they do. Long position holders will deliver USD cash to the designated Clearing House account by 10:00 am New York time, and will receive unallocated metal once they do. The special delivery margin requirement will be removed beginning at the intraday settlement cycle on the value date.

Clearing firms will need to establish or have an account(s) for unallocated gold and/or silver at a London Precious Metals Clearing Limited bank to effectuate delivery and provide Clearing Deliveries with account information for deliveries.

The contracts are available in CME Clearing's New Release testing environment now, and will be available on the CME Globex, CME Clearport, and CME Direct New Release testing environments on December 19.

For more information, please see:

The Precious Metals Spot Spread, on CME Group's website, at:

<http://www.cmegroup.com/trading/metals/precious/precious-metals-spot-spread.html>

Initial Listing of London Spot Gold Futures and London Spot Silver Futures Contracts Special Executive Report 7769, published November 1, 2016:

<http://www.cmegroup.com/notices/ser/2016/11/SER-7769.pdf>

New Product Notice for London Spot Gold Futures and London Spot Silver Futures Clearing Advisory 16-461, published November 2, 2016:

<http://www.cmegroup.com/notices/clearing/2016/11/Chadv16-461.pdf>

Or contact CME Clearing's Deliveries team at clearinghousedelivteam@cmegroup.com or (312) 930-3172.