

TO: Clearing Member Firms
Chief Financial Officers
Back Office Managers

FROM: CME Clearing

ADVISORY #: 21-153

SUBJECT: REVISION - Expanded Collateral Eligibility of COMEX Gold Warrants to the Customer Origins

DATE: April 29, 2021

Effective April 28, 2021, CME Clearing (CME) expanded its collateral program to permit clearing members to deposit COMEX gold warrants (gold warrants) as collateral to meet Base and IRS performance bond requirements in the Customer Segregated and Customer OTC ("Customer") origins. CME accepts gold warrants to meet USD-denominated performance bond requirements in the House and Customer origins.

To support this initiative, CME made enhancements to its Clearing 21 (Banking and Collateral Management) and Deliveries Plus (Deliveries and Inventory Management) systems. These enhancements include a requirement that clearing members ensure an account number is provided in Deliveries Plus before depositing gold warrants as collateral in the Customer origins. The system enhancements are available for clearing member and depository testing.

CME currently accepts London gold bullion and gold warrants as collateral to meet Base and IRS performance bond requirements in the House origin with an aggregate limit of \$750 million per clearing member (and affiliates). There are no changes to this limit with the expansion of acceptability to the Customer origins. Additionally, the current haircut applied to London gold bullion and gold warrants will remain 15%.

Per current practice, CME does not accept gold warrants representing Elemetal (ELEM) and Al Ethiad (ALET) brand gold bars as performance bond. These brands were previously suspended from registration by the Exchange¹. Specific brands can be identified by clearing members in Deliveries Plus.

Additionally, CME's committed credit facility arrangements require a UCC-1 to be filed in the relevant jurisdiction(s) which identifies the clearing member as the debtor before the clearing member may post gold warrants as collateral to CME. If a clearing member wishes to use this program or has questions regarding the UCC-1 filing, please contact CME Credit Risk.

Lastly, CME segregates gold warrants deposited as performance bond on its own books and records. Customer assets are segregated by origin to ensure customer property is accounted for separately.

¹ <https://www.cmegroup.com/content/dam/cmegroup/notices/ser/2017/03/SER-7886.pdf>
<https://www.cmegroup.com/notices/market-regulation/2020/07/MKR07-31-20C.html>

There are no changes to collateral fees or the storage fee process for gold warrants as outlined in the [collateral fee schedule](#).

For collateral acceptance criteria, as well as information regarding limits and haircuts, please see the Standard Acceptable Collateral and Resources [website](#).

For further information related to the gold warrant collateral program or the UCC-1, please see the CME gold collateral [website](#) or contact CME Credit Risk at CreditRisk@cmegroup.com.

For further information related to Deliveries Plus, please contact CME Deliveries at ClearingHouseDelivTeam@cmegroup.com.

For further information related to Clearing 21, please contact CME Financial Operations at ClearingHouseFinancial@cmegroup.com.