



Special Executive Report

DATE: October 5, 2018
SER#: 8099
SUBJECT: Amendments to the Palladium Futures Contract and Related Amendments to NYMEX/COMEX Chapter 7 (Delivery Facilities and Procedures)

Effective Tuesday, October 17, 2018 for trade date Wednesday, October 18, 2018, and pending all relevant CFTC regulatory review periods, New York Mercantile Exchange, Inc. ("NYMEX") and Commodity Exchange, Inc. ("COMEX") (collectively, the "Exchanges") will amend the NYMEX Palladium Futures contract (Commodity Code: PA; Rulebook Chapter: 106) (the "Contract") and related amendments to NYMEX/COMEX Chapter 7 ("Delivery Facilities and Procedures") to implement additional delivery rules, commencing with the July 2019 contract month and beyond.

NYMEX is expanding the range of weights of bars and packages of palladium that may be registered with the NYMEX. Currently, palladium may be registered with NYMEX with weights between 90 and 110 troy ounces, inclusive. NYMEX is extending the upper limit of this range to be 192.904 troy ounces, equivalent to six (6) kilograms. This revised upper limit is consistent with the upper weight limit for good delivery material supported by the London Platinum and Palladium Market ("LPPM")¹. This expanded weight range will enable a greater amount of metal to be registered, and to be eligible to be registered, with NYMEX. Palladium in the extended weight range of 110.001 troy ounces to 192.904 troy ounces will be referred to as a larger palladium unit.

No other change to the specification of palladium eligible for delivery is being made. The revised weight range will apply for contract months from and including the July 2019 contract month. Currently there is no open interest in any affected contract month. The September 2019 and December 2019 contract months have no open interest and are listed for trading on the CME Globex electronic trading platform and for submission or clearing via CME ClearPort. It should be noted that the July 2019 contract month is scheduled to be listed for trading and clearing on April 29, 2019.

Specifically, holders of the larger palladium units which are registered with NYMEX will be able to endorse their warrant to the Clearing House in exchange for Accumulated Certificates of Exchange ("ACEs") in palladium. Each ACE represents an equal share of the ownership of the larger palladium unit, with ACEs being issued in such number to ensure that each ACE represents a holding of no less than 9.0 troy ounces and no more than 11.0 troy ounces. Ten (10) ACEs, representing ownership of palladium no less than 90 troy ounces and not more than 110 troy ounces will be required for delivery against the Contract.

Once the revised delivery rules come into effect, holders of short positions in the Contract will be able to deliver either a warrant for a standard palladium unit, or 10 palladium ACEs as described above. Where the holder of a long position in Palladium Futures is assigned delivery of ACEs, such ACEs represent ownership of between 90 and 110 troy ounces of palladium. The holder of ACEs is able to maintain their holding in the NYMEX's systems indefinitely. Holders of ACEs will be required to pay the storage charges for their position. A holding of ten (10) palladium ACEs will be eligible for delivery in respect of the Contract.

¹ See <http://www.lppm.com/good-delivery/>

NYMEX will enable the creation of ACEs in respect of standard palladium units, with each standard palladium unit being equivalent to ten (10) ACEs. Palladium ACEs may be redeemed in exchange for a warrant on either a larger palladium unit or standard palladium unit, provided that the number of ACEs being redeemed equates to the number of ACEs issued in respect of the warrant. NYMEX will publish information on the number and weight of warrants held by the Clearing House to ensure market participations are able to effectively manage their holdings.

Amendments to NYMEX Rule Chapter 106 and NYMEX/COMEX Chapter 7 in blackline format may be viewed be [here](#).

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