



## Special Executive Report

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**DATE:** October 17, 2019

**SER#:** 8464

**SUBJECT: Addition of COMEX Gold Warrants as Acceptable CME Clearing Performance Bond Collateral**

Effective Monday, November 4, 2019 CME Clearing (“CME”) will implement the following changes to its schedule of acceptable performance bond collateral:

1. CME will permit clearing members to deposit COMEX gold warrants as collateral to meet Base and IRS performance bond requirements in the House origin.<sup>1</sup> To support this initiative, CME is making enhancements to its Clearing 21 (Banking and Collateral Management) and Deliveries Plus (Deliveries and Inventory Management) systems. These changes are currently available for clearing member and depository testing.
2. CME currently accepts London gold bullion as collateral for Base and IRS performance bond requirements in the House origin with a limit of \$250 million per clearing member (and affiliates). CME will increase this limit to \$750 million per clearing member (and affiliates), which will be inclusive of both London gold bullion and COMEX gold warrants. Additionally, the haircut applied to COMEX gold warrants will be 15%, which is the same haircut applied to London gold bullion.

In addition, New York Mercantile Exchange, Inc. (“NYMEX”) and Commodity Exchange, Inc. (“COMEX”) (collectively, the “Exchanges”) will implement the following amendments to NYMEX/COMEX Rulebook Chapter 7 (“Delivery Facilities and Procedures”):

1. Within 703.A. (“Conditions for Approval”), add a reference to “pledged” metal, and to define this term as registered metal for which the warrant that has been issued is on deposit with CME Clearing for performance bond. Add the requirement for approved facilities to report pledged metal to the Exchange.
2. Amend 705.A. (“Procedures for the Issuance of Warrants”) to clarify that clearing members that have deposited gold warrants as performance bond with CME Clearing may not use these warrants to satisfy their delivery obligations.
3. Amend 705.B. (“Procedures for the Cancellation of Warrants”) to clarify that gold warrants that are deposited with CME Clearing as performance bond cannot be cancelled without the consent of CME Clearing.

Amendments to NYMEX/COMEX Chapter 7 may be viewed in blackline format in Exhibit A of CFTC Submission No. [19-284](#).

Amendments to CME, CBOT, NYMEX/COMEX Chapter 8 (“Clearing House and Performance Bonds”) and CME Chapter 8G (“Interest Rate Derivative Clearing”) may be viewed in blackline format in Exhibits A, B, and C of CFTC Submission No. [19-283](#).

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<sup>1</sup> CME Clearing will not accept Elemetal brand warrants as performance bond collateral. The Exchange suspended registration on 3/31/2017. For more information, see <https://www.cmegroup.com/content/dam/cmegroup/notices/ser/2017/03/SER-7886.pdf>

Please refer questions on this subject to:

**Market Regulation**

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