



Special Executive Report

S-7871

March 22, 2017

Amendments to CME/CBOT/NYMEX/COMEX Rule 770 (Delivery Obligation Transfer Procedures)

Effective Tuesday, March 28, 2017, and pending all relevant CFTC regulatory review periods, Chicago Mercantile Exchange Inc. ("CME"), The Board of Trade of the City of Chicago, Inc. ("CBOT"), New York Mercantile Exchange, Inc. ("NYMEX") and Commodity Exchange, Inc. ("COMEX") (collectively, the "Exchanges") will adopt amendments to Rule 770 ("Delivery Obligation Transfer Procedures").

Rule 770 is intended to mitigate the risk of a delivery default in circumstances when a clearing member has an open position in a physically-delivered futures contract after the contract has expired and when the open position results from a party's error, omission or outrade. Currently, Rule 770 requires that the party wishing to transfer the delivery obligation is unable to make or take delivery of the physical product. However, there are certain circumstances where market participants find themselves with a delivery obligation as a result of an error, outrade or omission but where they, for valid commercial reasons, wish to transfer the delivery obligation pursuant to Rule 770. Elimination of this requirement will not materially affect the delivery process and will allow a transfer as an alternative to any market participant who, as a result of an error, omission or outrade, has an unwanted delivery obligation.

The amendments to Rule 770 appear below, with additions underscored and deletions overstruck.

CME/CBOT/NYMEX/COMEX Chapter 7 Delivery Facilities and Procedures

770. DELIVERY OBLIGATION TRANSFER PROCEDURES

A clearing member ~~that~~who carries a futures position in a physically delivered contract that has expired, as the result of any party's~~an~~ error, omission or outrade discovered on or after the last day of trading, ~~carries a position in a contract which has expired and for which the position holder is unable to fulfill the obligation to make or take physical delivery in that contract~~ may, with the consent of the account owner(s) or controller(s), transfer such position to an account with different beneficial ownership; provided, however, that the parties to an error or outrade must exercise the utmost diligence to resolve the error or outrade.

Notice of delivery obligation transfers must be made to the Clearing House. Such transfers require that the Clearing House receive acceptance from an account(s) with different beneficial ownership and confirmation of the agreed upon transfer by the initiating party. Such confirmation must be submitted in writing on the form specified by the Clearing House. All positions transferred pursuant to this Rule shall take place at the final settlement price of the contract; however this requirement does not prohibit cash adjustments between the parties to the transfer.

Clearing member firms representing accounts that have transferred a trade pursuant to this Rule must correctly report the change in open interest to the Clearing House pursuant to the schedule established by the Exchange.

In the event a delivery obligation transfer notification does not result in a trade transfer, delivery shall take place as required under Exchange rules.

Nothing in this Rule relieves a clearing member of its responsibilities with respect to open positions in an expiring contract month in a physically delivered contract as set forth in Rule 716.

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