



Special Executive Report

DATE: February 27, 2024

SER#: 9330

SUBJECT: Amendments to the Gold Futures, Gold Kilo Futures, and Gold (Enhanced Delivery) Futures Contracts in Connection with the Chain of Custody of Gold Eligible for Delivery

Effective March 13, 2024, and pending all relevant Commodity Futures Trading Commission (“CFTC”) regulatory review periods, Commodity Exchange, Inc. (“COMEX” or “Exchange”) will amend Rule 1XX101. (“Contract Specifications”) of the Gold Futures, Gold Kilo Futures, Gold (Enhanced Delivery) Futures contracts (the “Physically-Delivered Gold Contracts”) as noted in Table 1.

Table 1.

Contract Title	Rulebook Chapter	Commodity Code
Gold Futures	113	GC
Gold Kilo Futures	114	GCK
Gold (Enhanced Delivery) Futures	126	4GC

Specifically, COMEX will adopt new language in Rule 1XX101. (“Contract Specifications”) of the Physically-Delivered Gold Contracts to explicitly include that gold obtained directly from an Exchange approved producer for gold or Exchange approved assayer for gold that has been stored at a depository that is owned and/or operated by an Exchange approved depository for gold is among the criteria that satisfies the Exchange’s chain of custody requirements.

By way of background, maintaining chain of custody is required for gold to be eligible for delivery against the Physically-Delivered Gold Contracts. In order to clarify the Exchange’s practice regarding the chain of custody standard, the Exchange is implementing amendments to Rule 1XX101. (“Contract Specifications”) to codify in the rules that gold stored in a vault that is not an Exchange approved depository, however is owned and/or operated by an Exchange approved depository, is eligible for delivery. The adoption of such rule language is reflective of Exchange’s current and long-standing practice of maintaining the chain of custody requirement. These amendments will not impact the deliverable supply of the Physically-Delivered Gold Contracts. The Exchange calculates deliverable supply of gold based solely on gold stored in Exchange approved depositories and, therefore, this new language will not impact the deliverable supply of gold.

Also at this time, COMEX is implementing certain administrative, non-substantive amendments to Rule 1XX101. (“Contract Specifications”) of the Physically-Delivered Gold Contracts as well as Rule 114103. (“Delivery Procedures”) of the Gold Kilo Futures contract for purposes of clarification and harmonization (collectively, the “Rule Amendments”).

The Rule Amendments are provided in Exhibit A below in blackline format.

Please refer questions on this subject to:

Research and Product Development

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Exhibit A
COMEX Rulebook

(additions underscoring) deletions ~~struck through~~)

Chapter 113
Gold Futures

113101. CONTRACT SPECIFICATIONS

The contract for delivery on futures contracts shall be one hundred (100) troy ounces of gold with a weight tolerance of 5% either higher or lower. Gold delivered under this contract shall assay to a minimum of 995 fineness and must be a brand approved by the Exchange.

Gold meeting all of the following specifications shall be deliverable in satisfaction of futures contract delivery obligations under this rule:

1. Either one (1) 100 troy ounce bar, or three (3) one (1) kilo bars.
2. Gold must consist of one or more of the Exchange's ~~Brand~~ brand marks, as provided in Chapter 7, current at the date of the delivery of contract.
3. Each bar of ~~Eligible~~ eligible gold must have the weight, fineness, bar number, and brand mark clearly incised on the bar. The weight may be in troy ounces or grams. If the weight is in grams, it must be converted to troy ounces for documentation purposes by dividing the weight in grams by 31.1035 and rounding to the nearest one hundredth of a troy ounce. All documentation must illustrate the weight in troy ounces.
4. Each ~~Warrant~~ warrant issued by a ~~an Depository~~ Exchange approved depository for gold shall reference the serial number and name of the Exchange approved Producer producer for gold of each bar.
5. Each assay certificate issued by an Exchange approved ~~Assayer~~ assayer for gold shall certify that each bar of gold in the lot assays no less than 995 fineness and weight of each bar and the name of the Exchange approved Producer producer for gold that produced each bar.
6. Gold must be delivered to a ~~an Exchange approved Depository~~ Exchange approved Depository depository for gold by a ~~an Exchange approved Carrier~~ carrier for gold as follows:
 - a. directly from a an Exchange approved Producer producer for gold;
 - b. directly from an Exchange approved Assayer assayer for gold, provided that such gold is accompanied by an assay certificate of such Exchange approved Assayer assayer for gold;
 - c. directly from another ~~Depository~~ Exchange approved depository for gold, provided that such gold was placed in such other ~~Depository~~ Exchange approved depository for gold pursuant to paragraphs (a) or (b) above; or
 - d. directly from an Exchange approved producer for gold or Exchange approved assayer for gold that has been stored at another Exchange approved depository for gold or a depository that is owned and/or operated by an Exchange approved depository for gold.

[Remainder of Chapter is unchanged.]

Chapter 114

Gold Kilo Futures

114101. CONTRACT SPECIFICATIONS

The gold for delivery on the futures contract shall be one kilogram bar (32.15 troy ounces). Gold delivered under this contract shall assay to a minimum .9999 fineness and must be a brand approved by the Exchange. Gold meeting all of the following specifications shall be deliverable in satisfaction of futures contract delivery obligations under this rule:

1. One kilogram bar (32.15 troy ounces)
2. Gold must consist of one of the Exchange's ~~Brand~~ brand marks, as provided in Chapter 7, current at the date of the delivery of contract.
3. Each ~~Warrant~~ warrant issued by a ~~an Depository~~ Exchange approved depository for gold shall reference the serial number and name of the Exchange approved Producer-producer for gold of each bar.
4. Each assay certificate issued by an Exchange approved Assayer assayer for gold shall certify that each bar of gold in the lot assays no less than .9999 fineness and indicates the weight and name of the Exchange approved Producer-producer of the bar of gold.
5. Gold must be delivered to a an Exchange approved Depository depository by a an Exchange approved Carrier carrier as follows:
 - a. directly from the Exchange approved Producer-producer for gold;
 - b. directly from an Exchange approved Assayer assayer, provided that such gold is accompanied by an assay certificate of such Exchange approved Assayer assayer for gold;
 - c. directly from another Exchange approved Depository depository; provided that such gold was placed in such other Exchange approved Depository depository for gold pursuant to paragraphs (a) or (b) above; or
 - d. directly from an Exchange approved producer for gold or Exchange approved assayer for gold that has been stored at another Exchange approved depository for gold or a depository that is owned and/or operated by an Exchange approved depository for gold.

114103. DELIVERY PROCEDURES

For purposes of this rule, a "Business Day" shall be defined as a common U.S. and Hong Kong Business Day. Business Days are based on U.S. and Hong Kong public holiday calendars.

A short clearing member may only commence the delivery procedures as detailed below with respect to a ~~Warrant~~ warrant that has been registered into the electronic delivery system. The delivery procedures for Gold Kilo futures are as follows:

114103.A. Location of Delivery of Gold Kilo

1. Delivery of Gold Kilo futures shall be made from the short clearing member's choice of a Facility.
2. All duties, entitlements, taxes, fees and other charges imposed prior to delivery on or in respect to Gold Kilo shall be paid by the short clearing member. Delivery shall be made in accordance with applicable Federal, State and local laws.

114103.B. Notice of Intention to Deliver

The intent day shall be two Business Days prior to the delivery day.

1. Where Gold Kilo futures is sold for delivery in a specified month, delivery of such gold kilo shall be made by the seller on the third Wednesday of the contract month. If the third Wednesday of the contract month is not a common U.S. and Hong Kong Business Day, the delivery day shall be the following common Business Day.

A seller obligated or desiring to make delivery of gold kilo shall provide the Clearing House with a delivery notice in the form and manner specified by the Clearing House.

Where a clearing member has an interest both long and short for accounts on its own books, it must tender to the Clearing House such notices of intention to deliver as it receives from its accounts that are short. No office deliveries may be made by clearing members.

A notice of intention to deliver must be delivered to the Clearing House by 1:00 p.m. on the intent day. The Clearing House shall, on the same day, assign the deliveries to eligible buyers.

Upon determining the buyers obligated to accept deliveries tendered by issuers of delivery notices, the Clearing House shall promptly furnish to each issuer the names of the buyers obligated to accept delivery for which a notice was submitted and shall also inform the issuer of the number of contracts for which each buyer is obligated.

2. The notice of intention to deliver is not transferable.

114103.C. Notice Day

The notice day will be one Business Day prior to the delivery day.

The notice day shall be the day on which an assignment notification is issued by the Clearing House to the long clearing member and the short clearing member.

The assignment notification shall specify the parties matched for delivery and the number of contracts to be delivered. The invoice shall specify the ~~brand~~ Brand, the ~~warrant~~ Warrant number, the weight, the ~~Facility~~ Exchange approved depository in which the gold kilo is stored, the name of the short clearing member, the name of the long clearing member, and the price of the gold kilo for each corresponding ~~warrant~~ Warrant.

3. The assignment notification shall be issued by the Clearing House to the long clearing member and the short clearing member upon completion of assignment.

4. The assignment notification is not transferable.

114103.D. Settlement Price

The settlement price at the close of business on the last trading day is provided to the Clearing House shall be the basis for delivery.

114103.E. Delivery Day

The delivery day shall be the third Wednesday of the contract month. If the third Wednesday of the contract month is not a common U.S. and Hong Kong Business Day, the delivery day shall be the following common Business Day.

The day on which the long clearing member receives the ~~Warrant~~ warrant for gold kilo shall be referred to as the delivery day. The cost of delivery will be debited or credited to the clearing member's settlement account. Long clearing members obligated to accept delivery must take delivery and make delivery payment and short clearing members obligated to make delivery must make delivery during the 7:45 a.m. settlement process, or at such other time designated by the Clearing House, on the day of delivery, except on banking holidays when delivery must be taken or made and delivery payment made during the 7:45 a.m. settlement process, or such other time designated by the Clearing House, on the next banking Business Day. Adjustments for differences between contract prices and delivery prices established by the Clearing House shall be made with the Clearing House in accordance with Exchange Rules, policies and procedures.

114103.F. Settlement of Storage and Handling Charges

Gold kilo must be delivered to the long clearing member with handling and storage charges paid up to and including the day of delivery, and the long clearing members may require the short clearing member to furnish satisfactory proof of payment thereof. Any storage charges prepaid by the short clearing member for a period extending beyond the delivery day (but not in excess of 30 days) shall be refunded by the long clearing member to the short clearing member on a pro rata basis for the unexpired term and an adjustment made upon the invoice. All storage and handling charges for gold kilo must be in U.S. Dollars. Where "in and out labor" charges have been paid as evidenced by the Warrant receipt, or otherwise, the short clearing member shall be entitled to charge the long clearing member for one-half of such "in and out labor" charges; in other words, the long clearing member will have to assume the "out labor" charges.

[Remainder of Chapter is unchanged.]

Chapter 126

Gold (Enhanced Delivery) Futures

126101.

CONTRACT SPECIFICATIONS

The contract for delivery on futures contracts shall be one hundred (100) troy ounces of gold with a weight tolerance of 12.5% lower tolerance and 7.5% higher tolerance. Gold delivered under this contract shall assay to a minimum of 995 fineness and must be a brand approved by the Exchange.

Gold meeting all of the following specifications shall be deliverable in satisfaction of futures contract delivery obligations under this rule:

1. Either one (1) 100 troy ounce bar, or three (3) kilo bars, or one (1) Accumulated Certificate of Exchange ("ACE") in Gold issued by the Clearing House.
 - a. Each ACE represents a share in the ownership of one (1) 400 troy ounce bar.
 - b. Should the seller's clearing member satisfy its delivery obligations with respect to a contract by utilizing ACEs, the buyer's clearing member receives and the seller's clearing member delivers one (1) ACE as issued by the Clearing House.
 - c. A clearing member may request the issuance of ACEs by electronically endorsing to the Clearing House a ~~Warrant warrant~~ representing one (1) 400 troy ounce bar. The Clearing House will issue four (4) ACEs, with each such ACE representing an equal share in the ownership of the 400 troy ounce bar.
 - d. ACEs may only be redeemed for a ~~Warrant warrant~~ upon the accumulation of four (4) ACEs. Upon presentation and endorsement to the Clearing House of ACEs, the owner will receive one (1) ~~Warrant warrant~~ for one (1) 400 troy ounce bar. Tolerance adjustments for ounces received vs. ounces represented by the ACEs will be made through the Clearing House.
 - e. Storage charges are invoiced to the clearing member who owns the ACEs.
 - f. Notwithstanding the weight tolerance as defined above, any 100 troy ounce bar used in the delivery process needs to comply with a weight tolerance of 5% either higher or lower for that bar.
2. Gold must consist of one or more of the Exchange's ~~Brand brand~~ marks, as provided in Chapter 7, current at the date of the delivery of contract
3. Each 100 troy ounce or kilo bar of eligible gold must have the weight, fineness, bar number, and brand mark clearly incised on the bar. The weight may be in troy ounces or grams. If the weight is in grams, it must be converted to troy ounces for documentation purposes by dividing the weight in grams by 31.1035 and rounding to the nearest one hundredth of a troy ounce.

All documentation must illustrate the weight in troy ounces. Each 400 troy ounce bar must have the fineness, bar number, and brand mark clearly incised on the bar and must be eligible for settlement in the wholesale London bullion market.
4. Each ~~Warrant warrant~~ issued by a ~~an Exchange approved Depository depository~~ for gold shall reference the serial number and name of the ~~Exchange approved Producer producer~~ of each bar of gold.
5. Each assay certificate issued by an ~~Exchange approved Assayer assayer~~ for gold shall certify that each bar of gold in the lot assays no less than 995 fineness and weight of each bar and the name of the ~~Exchange approved Producer producer~~ for gold that produced each bar.
6. Gold must be delivered to a ~~an Exchange approved Depository depository~~ for gold by a ~~an Exchange approved Carrier carrier~~ for gold as follows:
 - a. directly from a ~~an Exchange approved Producer producer~~ for gold;

- b. directly from an Exchange approved Assayer ~~assayer~~ for gold, provided that such gold is accompanied by an assay certificate of such Exchange approved Assayer ~~assayer~~ for gold;
- c. directly from another Depository ~~Exchange approved depository~~ for gold, provided; that such gold was placed in such other Depository ~~Exchange approved depository for gold~~ pursuant to paragraphs (a) or (b) above; or
- d. directly from an Exchange approved producer for gold or Exchange approved assayer for gold that has been stored at another Exchange approved depository for gold or a depository that is owned and/or operated by an Exchange approved depository for gold.

[Remainder of Chapter is unchanged.]