

FAQ: 1,000-oz. Silver Futures

1. What is the contract symbol for the 1,000-oz. Silver Futures contract?

The contract symbol is SIL. (The 5,000-oz. benchmark Silver Futures contract is SI).

2. What are the contract specifications?

The 1,000-oz. Silver Futures contract is a smaller-sized silver contract designed to replicate the 5,000-oz., full-size Silver Futures contract (SI) in most ways, including deliverability, termination of trading, trading hours, and trading and clearing venues.

In essence, the 1,000-oz. Silver Futures contract is 1/5 the size of our benchmark Silver futures contract. When an individual takes delivery of a 1,000-oz. Silver Futures contract, the individual receives an Accumulated Certificate of Exchange (ACE), which represents 20% ownership in a 5,000-oz. COMEX silver warrant. Although the 1,000-oz. Silver Futures contract does not allow an individual to take possession of a 1,000-oz. silver bar, individuals may, through accumulation of ACEs and a simple conversion process, take delivery of a 5,000-oz. COMEX silver warrant (depository receipt).

For more information on contract specifications, please visit www.cmegroup.com/silver.

3. What is an ACE?

An ACE, or Accumulated Certificate of Exchange, was created by the CME clearing house for the 1,000-oz. Silver Futures contract. It represents a 20% ownership in one, 5,000-oz. COMEX silver warrant. ACEs are backed by physical silver held in a COMEX Licensed Depository. When five ACEs are accumulated, they may be redeemed for one, 5,000-oz. COMEX silver warrant. Conversely, a short wishing to deliver against a 1,000-oz. Silver Futures position may only deliver an ACE.

4. Why has CME Group created this contract?

The research and development of the physical 1,000-oz. Silver Futures contract is based on the demand of the individual investor looking for the opportunity to trade physical silver in smaller increments and for those seeking a less capital-intensive alternative to trading the 5,000-oz. Silver Futures contract.

5. What are the benefits of this new contract to the individual?

- Conveniently sized and tailored to the individual investor at 1/5 of the full-size silver contract
- Convertible, with five ACEs equivalent to one, 5,000-oz. COMEX silver warrant
- Backed by the security of CME Clearing

- Flexible, affording more time to make strategic market decisions; limiting risk of market timing
- Affordable, requiring lower initial capital outlay than the benchmark Silver Futures contract (SI), with lower margin and Exchange fees
- Offered as part of our suite of smaller-sized products, facilitating cross-margining opportunities
- Attractive for silver option traders looking to better hedge delta and gamma positions
- Accessible virtually around the clock on CME Globex
- Because this is a futures contract, it has certain benefits of futures over various cash products. [Read a more in depth analysis.](#)

6. Can I deposit a 1,000-oz. silver bar into a COMEX Licensed Depository and deliver the corresponding ACE to cover my short 1,000-oz. Silver Futures position?

No. Only an ACE may be used to satisfy delivery. For example, a short position holder who decides to deliver rather than close out or roll the position will need to convert a COMEX silver warrant into five ACEs and then use the appropriate number of created ACEs to deliver against the short position. So, if an individual is short three, 1,000-oz. Silver Futures contracts, the individual converts a 5,000-oz. COMEX silver warrant into five (exact weight) ACEs and delivers three against the contract. The individual then holds the remaining two ACEs in his account, representing 40% interest in a 5,000-oz. COMEX silver warrant, and begins paying storage on these two remaining ACEs—equal to 40% of the monthly storage charge.

7. Can I deliver 1,000-oz. Silver Futures contracts directly into the benchmark 5,000-oz. Silver Futures contract in satisfaction of my short position in that contract?

Yes. Five ACEs must be accumulated in order to convert to a 5,000-oz. COMEX silver warrant.

8. Can you provide an example of how ACEs are converted and created?

Converting ACEs to a COMEX silver warrant: An individual who is long a 1,000-oz. Silver Futures contract may opt to take delivery of that futures contract, and will receive an ACE at the time of delivery. At any time thereafter, when the individual has accumulated five ACEs, he may convert them into a COMEX silver warrant. While an individual is holding an ACE, he will be responsible for storage on the amount of silver represented by the ACE.

Creating ACEs: A short position holder, for example, wishing to deliver against his 1,000-oz. Silver Futures contract, will instruct his broker to convert his 5,000-oz. COMEX silver warrant into five ACEs in order to effect this conversion. The broker will deposit the COMEX silver warrant with the clearing house. This warrant will be held as collateral; the clearing house will create five ACEs and transfer them back to the broker (or clearing firm). Delivery against the 1,000-oz. Silver Futures contract is made with these ACEs. Remember, that a short position holder may rollover or close out their

position prior to last trading day, or may deliver an ACE against the short position. ACEs may only be created from existing COMEX silver warrants held in a COMEX Licensed Depository.

9. What happens after I convert five ACEs into one COMEX silver warrant?

You will receive a COMEX silver warrant, representing five actual, serial-numbered bars of silver in one of the COMEX Licensed Depositories.

Once payment is made for the COMEX silver warrant, the individual will own those bars of silver and be responsible for storage charges each month. The clearing member will debit the individual's account each month for the appropriate storage.

10. Is the conversion to a 5,000-oz. COMEX silver warrant very difficult to do?

No. Your clearing firm has been instructed as to the procedure and CME Clearing is very familiar with this type of conversion process.

11. What are the trading months?

Trading is conducted for futures contracts with delivery in the current calendar month, the next two calendar months, and any January, March, May, July, September, and December falling within a 12-month period.

12. How will the margin calls on the 1,000-oz. Silver Futures contract be determined each day?

The settlement price each day for the 1,000-oz. Silver Futures contract will be identical to that of the Silver Futures contract.

13. Will the 1,000-oz. Silver Futures contract trade at a premium or discount to the COMEX Silver (SI) futures contract?

We would expect market dynamics to determine a premium or discount, if at all, to the Silver Futures contract.

14. What are the margins for 1,000-oz. Silver Futures?

Original Margin will be 1/5 the margin rate of the Silver Futures contract.

15. Are there any margin offsets available with other CME Group products?

Yes. There will be a 100% margin offset between five, 1,000-oz. Silver Futures contracts and one Silver Futures contract, if one of the contracts is long and the other contract is short, for the same month. If not the same month, then spread margining is in effect.

16. How can I trade the 1,000-oz. Silver Futures contract?

Trading takes place on CME Globex, the New York trading floor, and for submission for clearing through CME ClearPort.

17. What are the hours of trading for the 1,000-oz. Silver Futures contract?

The trading hours for the 1,000-oz. Silver Futures contract are the same as the Silver Futures contract (SI).

18. Where can I find the official contract rules for the 1,000-oz. Silver Futures contract?

Please see COMEX Rulebook Chapter 121.

For more information on our 1,000-oz. Silver Futures contract, please visit www.cmegroup.com/silver, or contact a member of our metals team at metals@cmegroup.com.

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Futures trading is not suitable for all investors, and involves the risk of loss. Futures are a leveraged investment, and because only a percentage of a contract's value is required to trade, it is possible to lose more than the amount of money deposited for a futures position. Therefore, traders should only use funds that they can afford to lose without affecting their lifestyles. And only a portion of those funds should be devoted to any one trade because they cannot expect to profit on every trade. All examples in this brochure are hypothetical situations, used for explanation purposes only, and should not be considered investment advice or the results of actual market experience.

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