

## FREQUENTLY ASKED QUESTIONS

# E-micro Gold Futures



### 1. What is the contract symbol for the E-micro Gold futures contract?

The contract symbol is MGC. (The 100-oz. benchmark Gold Futures contract is GC).

### 2. What are the contract specifications?

The E-micro Gold Futures contract is a smaller-sized physical gold contract settled against the 100-oz., full-size Gold futures contract (GC).

In essence, the E-micro Gold Futures contract is 1/10 the size of our benchmark Gold Futures contract, with 1/10 the initial margin requirement and reduced trading fees. When an individual takes delivery of an E-micro Gold futures contract, the individual receives an Accumulated Certificate of Exchange (“ACE”) which represents 10% ownership in a 100-oz. gold bar, held in the form of a COMEX gold warrant. Although the E-micro Gold futures contract does not allow an individual to take possession of a 10-oz. gold bar, individuals may, through accumulation of ACEs and a simple conversion process, take delivery of a 100-oz. COMEX gold warrant (depository receipt). The COMEX gold warrant represents an actual, serial-numbered bar of gold (see following question). Conversely, a short wishing to deliver against an E-micro Gold futures position may only deliver an ACE.

### 3. What is an ACE?

An ACE is the acronym for an Accumulated Certificate of Exchange, created by the CME clearing house, which represents a 10% ownership in one, 100-oz. COMEX gold warrant. ACEs are backed by physical gold held in an Exchange approved depository. When 10 ACEs are accumulated, they may be redeemed for one, 100-oz. COMEX gold warrant.

### 4. Why has CME Group created this contract?

The research and development of the physical E-micro Gold Futures contract is based on the demand of the individual investor looking for the opportunity to trade physical gold in smaller increments and for those seeking a less capital-intensive alternative to trading the 100-oz. Gold Futures contract.

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

- Conveniently sized and tailored to the individual investor at 1/10 of the full-size gold contract

- Convertible, with 10 ACEs equivalent to one, 100-oz. COMEX gold 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, with lower margin and Exchange fees
- Offered as part of our micro suite of products, facilitating cross-margining opportunities
- Attractive for gold 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 all the benefits of futures over various cash products.

### 6. Can I take possession of a 10-oz. gold bar?

No. The contract does not represent physical delivery of a 10-oz. bar of gold; rather, it is a smaller-size gold futures contract with the additional feature of allowing for the accumulation of ACEs, which in turn may be converted into a COMEX gold warrant. Conversion into a 100-oz. COMEX gold warrant is not an automatic process. If the individual's intention is to take possession of a 100-oz. COMEX Gold warrant, then they must notify their broker of such intention. Because an ACE represents a 1/10 ownership in an actual gold bar held at an Exchange approved depository, a holder must accumulate 10 ACEs prior to requesting conversion.

### 7. Can I deposit a 10-oz. gold bar into an Exchange approved depository and deliver the corresponding ACE to cover my short E-micro Gold 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 gold warrant into 10 ACEs and then use the appropriate number of created ACEs to deliver against the short position. For example, if an individual is short six (6) E-micro Gold Futures contracts, the individual converts a 100- oz. COMEX gold warrant into 10 (exact weight) ACEs and delivers six (6) against the contract. The individual then holds the remaining four ACEs in his account, representing 40% interest in a 100-oz. COMEX gold warrant, and begins paying storage on these four remaining ACEs – equal to 40% of the monthly storage charge.

**8. Can I deliver 10 E-micro Gold Futures contracts directly into the benchmark 100-oz. Gold Futures contract in satisfaction of my short position in that contract?**

No. They are two separate and distinct contracts, which are not fungible. You, however, can take delivery of 10 ACEs and convert them into a 100-oz. COMEX gold warrant to effect delivery against the 100-oz. Gold Futures contract.

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

Converting ACEs to a COMEX Gold warrant: An individual who is long an E-micro Gold Futures contract may opt to take delivery of that futures contract, and will receive an ACE at time of delivery. At any time thereafter, when the individual has accumulated 10 ACEs, he may convert them into a COMEX Gold warrant. While an individual is holding an ACE, he will be responsible for storage on the amount of gold represented by the ACE. Remember, each ACE represents 1/10 the actual weight of a specific bar of gold held in an Exchange approved depository.

Creating ACEs: A short position holder, for example, wishing to deliver against his E-micro Gold Futures contract, will instruct his broker to convert his 100-oz. COMEX gold warrant into 10 ACEs in order to effect this conversion. The broker will deposit the COMEX gold warrant with the clearing house. This warrant will be held as collateral; the clearing house will create 10 ACEs and transfer them back to the broker (or clearing firm). Delivery against the E-micro Gold 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 gold warrants held in an Exchange approved depository.

**10. What happens once I convert 10 ACEs into one COMEX gold warrant?**

You will receive a COMEX gold warrant, representing an actual, serial numbered bar of gold in one of the Exchange approved depositories.

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

**11. Is the conversion to a 100-oz. COMEX Gold warrant very difficult to do?**

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

**12. What are the trading months?**

Trading is conducted for futures contracts with delivery in February, April, June, August, October and December, falling within a 24-month period for which a Gold Futures contract is listed.

**13. How will the margin calls on the E-micro Gold Futures contract be determined each day?**

The settlement prices each day for the E-micro Gold Futures contract will be identical to that of the Gold Futures contract.

**14. Will the E-micro Gold futures contract trade at a premium or discount to the COMEX Gold futures contract?**

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

**15. What are the margins for E-micro Gold Futures?**

Original Margin will be 1/10 the margin rate of the Gold Futures contract.

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

Yes. There will be 100% margin offsets between 10 E-micro Gold Futures contracts and one (1) Gold 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.

**17. How can I trade the E-micro Gold Futures contract?**

Trading takes place on CME Globex, our electronic trading platform, and may also be conducted through a broker.

**18. What are the hours of trading for the E-micro Gold futures contract?**

CME Globex: Sunday – Friday 6:00 p.m. – 5:00 p.m. (4:00 p.m. – 5:00 p.m. CT); with an hour break each day beginning at 5:00 p.m. (4:00 p.m. CT).

**For more information on our E-micro Gold futures contract, please visit [cmegroup.com/gold](http://cmegroup.com/gold) or e-mail [metals@cmegroup.com](mailto:metals@cmegroup.com).**

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