

COMEX Gold Warrants

FREQUENTLY ASKED QUESTIONS



What are COMEX gold warrants?

COMEX gold warrants are classified as electronic document of title under the Uniform Commercial Code (UCC) and issued by Exchange-approved COMEX depositories. Each warrant is registered at the Exchange and linked to specific bars with identifiable and unique warrant numbers traceable to each COMEX gold depository.

Why are COMEX gold warrants as collateral attractive to the market?

COMEX gold warrants may provide funding efficiencies to clearing members by offering an alternative method to fund initial margin requirements, which allows them to further optimize how they deploy their assets.

What initial margin requirements can be met with gold warrants?

COMEX gold warrants are acceptable collateral for Base and IRS performance bond requirements in the House origin.

How is gold registered and warranted with the Exchange?

At the instruction of a clearing member, COMEX gold depositories register/warrant eligible gold bars with the Exchange on behalf of clearing members and their clients. There are no changes to this process.

Who are the Exchange-approved COMEX gold depositories?

Currently, COMEX gold depositories include Brink's, Inc.; Delaware Depository; HSBC Bank, USA; International Depository Services of Delaware; JP Morgan Chase Bank NA; Loomis International (US) Inc.; Malca-Amit USA, LLC; Manfra, Tordella & Brookes, Inc.; The Bank of Nova Scotia.

How will clearing members pledge warrants as collateral to CME?

As per current practice with other collateral types, clearing members will initiate a pledge/withdraw transaction in Clearing 21. Clearing 21 will communicate with Deliveries Plus, which will display registered inventory, including pledged warrants.

When a warrant is pledged as collateral, is the title to the warrant transferred to CME?

Yes. Under CME Rule 819, clearing members grant CME a first priority security interest in the collateral they pledge to CME. The transfer of title to the warrant to CME is intended to achieve this result.

Are there new statuses in Deliveries Plus?

Yes. When a pledge is initiated by a clearing member, the warrant status will change from "Registered" to "Pledged_PB_Pending". Upon confirmation of title transfer to CME, the status will change to "Pledged_PB".

Is a pledged warrant still considered registered with the Exchange?

Yes, pledged warrants remain registered material with the Exchange. The Gold Stock Report will include a separate line item for pledged inventory warehoused at each COMEX gold depository.

Will reports be available for pledged warrants?

Yes. Financial and Delivery reports currently distributed to clearing members will include details regarding warrant status, including warrants pledged as collateral ("Pledged_PB").

Will the same warrant pledged be returned when withdrawn?

Yes, the same warrant is returned upon withdrawal.

What are the deadlines to pledge and withdraw gold warrants?

The deadline to initiate a pledge or withdraw transaction in Clearing 21 is 2 p.m. ET for same-day settlement. Warrants may be withdrawn as long as there is sufficient excess collateral value on deposit.

Can warrants in a "Pledged_PB" or "Pledged_PB_Pending" status satisfy a delivery obligation under a COMEX Gold futures contract?

No, warrants in a "Pledged_PB" or "Pledged_PB_Pending" status cannot be used to satisfy a delivery obligation. To satisfy a delivery obligation, a pledged warrant must first be withdrawn from Clearing 21 and removed from either of the above classifications in Deliveries Plus. The clearing member can then submit their Intent to Deliver.

Are COMEX gold warrants subject to a collateral limit?

Yes. COMEX gold warrants and London gold bullion, collectively, are subject to a post-haircut collateral limit of \$750 million per clearing member (and affiliates).

What haircut is applied to gold warrants pledged as collateral?

Similar to London gold bullion, CME Clearing will apply a 15% haircut to COMEX gold warrants.

Who pays for storage costs?

The clearing member pledging the warrant is responsible for storage costs. As per current practice, CME debits the clearing member for storage costs, and the payment is credited to the depositories.

Are there collateral fees associated with warrants as collateral?

Collateral fees for gold warrants are consistent with other collateral types, more information can be found in the Advisory Notice below:

<https://www.cmegroup.com/content/dam/cmegroup/notices/clearing/2019/03/Chadv19-077.pdf>

Contacts:

For further information related to collateral, please contact CME Credit Risk at CreditRisk@cmegroup.com

For further information related to processing and testing in Deliveries Plus, please contact Deliveries at ClearingHouseDelivTeam@cmegroup.com

For further information related to processing and testing in Clearing 21, please contact Financial Operations at ClearingHouseFinancial@cmegroup.com

For further information related to the Gold Stock Reporting, please contact the Office of the Registrar at Registrar@cmegroup.com

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