

# CME Group – Precious Metals Physical Delivery Process

2022

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# CME Group – Deliverable Precious Metals Products

Contract	Gold Futures (GC)	Gold (Enhanced Delivery) (4GC)	Gold Kilo Futures (GCK)	Silver Futures (SI)	Platinum Futures (PL)	Palladium Futures (PA)
Deliverable Product	100 oz. gold bar; 1 kg bar	100 oz. gold bars; 1 kg bar; 400 oz. bar	1 kg gold bar	1000 oz. silver bars	Cast plate and/or ingot	Cast plate and/or ingot
Number Required per Contract	1 x 100-oz bar or 3 x 1 kg bar	1 x 100-oz bar or 3 x 1 kg bar or 1 x Accumulated Certificate of Exchange (Each 400 oz. bar equivalent to 4 ACEs)	1 x 1 kg bar	5 x 1000-oz bars	1 x 50oz or multiple pieces of cast plates and/or ingots with no piece less than 10 oz.	1 x 100oz or multiple pieces of cast plates and/or ingots with no piece less than 10 oz.
Weight Tolerance	±5%	12.5% lower and 7.5% higher than contract size (±5% tolerance applies to 100 oz. gold bars)	N/A	±10%	±10%	±10%
Minimum Fineness	995	995	9999	999	9995	9995
Brands	Exchange Approved Brands	Exchange Approved Brands	Exchange Approved Brands	Exchange Approved Brands	Exchange Approved Brands	Exchange Approved Brands
Facilities Location	New York, Delaware	New York, Delaware	Hong Kong	New York, Delaware, Massachusetts	New York, Delaware, Massachusetts	New York, Delaware, Massachusetts

# Three-Day Delivery Cycle

## Three-Day Delivery Cycle

### 1. Delivery Intention Day

**First Intent/Position Day**

*2 business days prior to 1<sup>st</sup> business day of the contract month*

**Last Intent/Position Day**

*1 business day prior to last business day of the contract month*

### 2. Notice Day/Invoice Day

### 3. Delivery Day

# Delivery Intention Day

- The Short must submit a notice of intention to deliver in the Deliveries Plus application (a short position holder must have enough open short positions in order to tender).
- On the notice of intent there must be metal warrants selected to match the number of positions the seller wishes to deliver.
- The warrants will include the following information:
  - Allocation notices are sent.
  - Allocation notice indicates:
    - *Parties matched for delivery*
    - *Number of contracts to be delivered*



# The Next Step: Notice Day/Invoice Day

**Notice day is the day on which the invoices are issued by the Clearinghouse to the Buyer and the Seller.**

Invoices are issued:

- *On the morning of the business day following the intention date*
- *If issued on the next to last day of the delivery month, they are issued following assignment*

# Notice Day Continued....

Invoice specifies:

**Brand**

**Warrant number**

**Weight**

**Total cost of the warrants based on settlement price on Intention Date**

**Seller and buyer firm information**

**Approved depository where the metal is stored**

**Reimbursement of storage fees that were pre-paid by owner prior to delivery**

*The allocation notice and invoice are not transferable*

# Delivery Day

**Delivery day can occur on ANY business day during the delivery month.**

Seller receives:

**Electronic transfer of funds – banked through Clearing**

Buyer receives:

**Electronic warrant in their Inventory in Deliveries Plus**



# Gold Futures (GC) Delivery Cycle Example

**Client A: Short 1 Feb'20 GC**

**Client B: Long 1 Feb'20 GC**

**1 contract – 100 troy ounces**

**Assume bar has 9999 fineness**

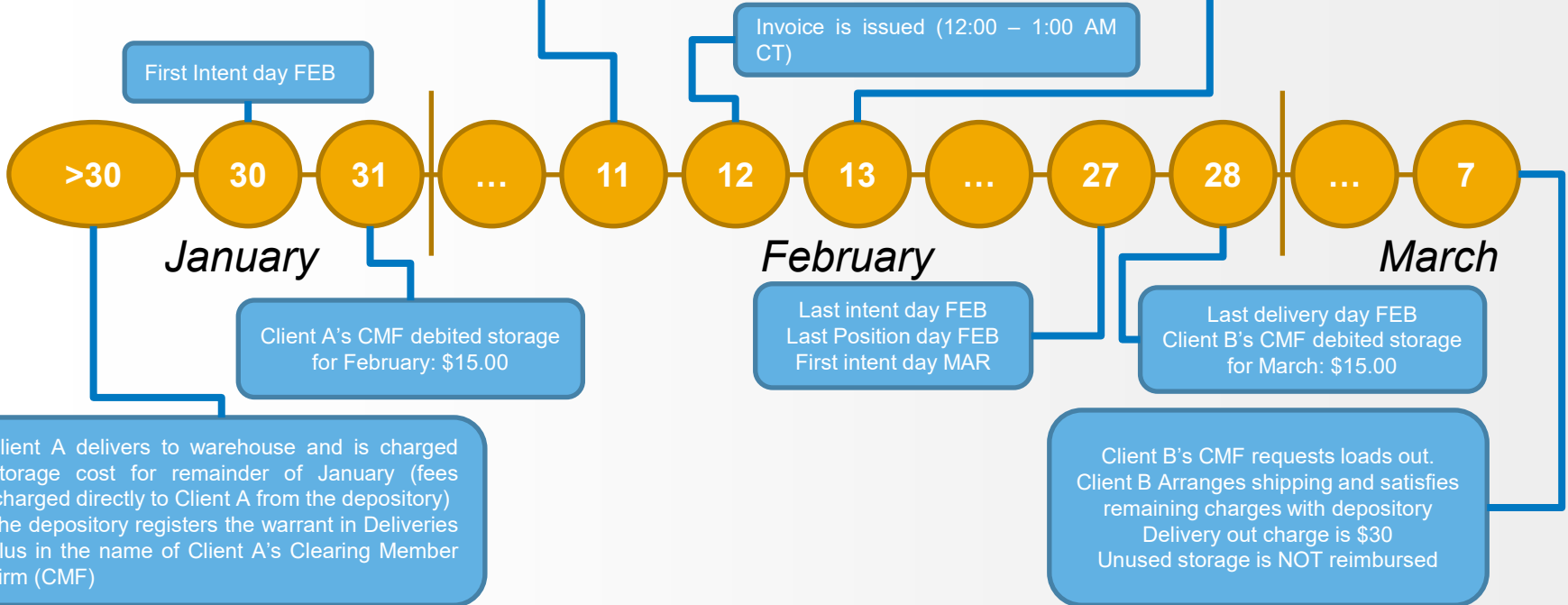
**Storage Rate: \$15.00 per contract**

**Delivery Out Charge: \$30.00**

Closing Price of \$1600.00 per troy ounce.  
 Client A's CMF issues notice of intent to deliver (6:00 pm CT)  
 Clearing assigns Client A's CMF to Client B's CMF. (8:15-8:30pm CT), Each receive assignment notification

In Deliveries Plus, the warrant transfers from Client A's CMF's inventory to Client B's CMF's inventory.  
 Fine weight of bar: 100 troy ounces x 0.9999; basis for invoice is 99.99  
 Through Clearing, Client B's CMF is debited and Client A's CMF is credited \$159,992.28 for delivery  
 Charges include

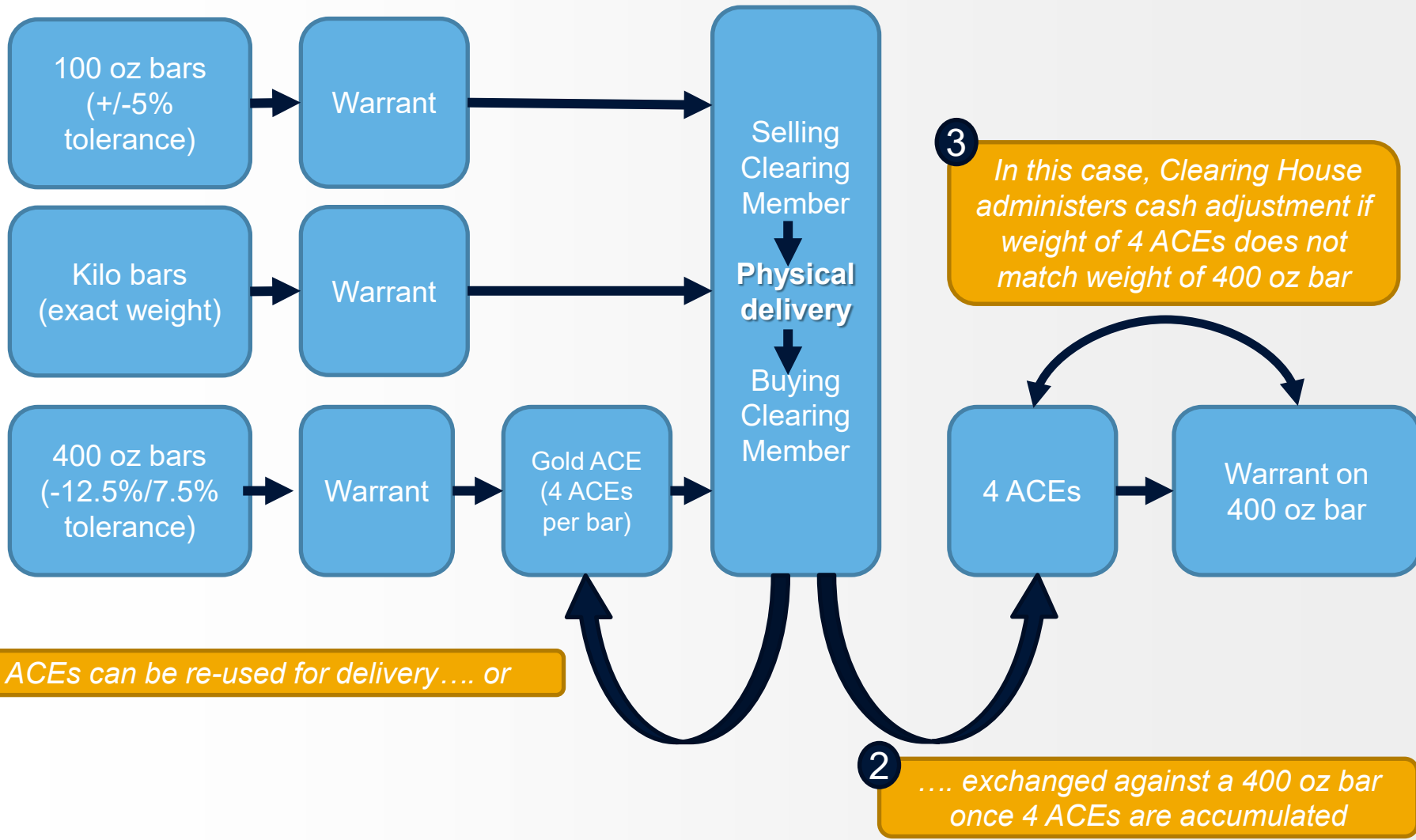
- futures cost \$159,984.00 (\$1600.00 x 99.99), and
- storage of \$8.28 for the remaining 16 days of February (\$15/29 days x 16 days)



# Gold (Enhanced Delivery) Futures Overview

- Delivery of the **Gold (Enhanced Delivery) Futures** can be effectuated either through 100 oz bars, kilogram bars or Accumulated Certificates of Exchanges (ACEs)
  - ACEs represent fractional ownership of 400 oz bars, with 4 ACEs issued against each 400 oz bar.
  - 400 oz bars must be eligible for settlement in the wholesale London bullion market, meaning that eligible 400 oz bars need to weigh a minimum of 350 oz and a maximum of 430 oz. ACEs.
  - Therefore, the weight assigned to an ACE ranges between 87.5 oz and 107.5 oz.
- Once a 400 oz bar is warranted, it can be converted into 4 ACEs.
- ACEs are used for delivery just like a regular warrant issued against 100 oz bars or kilogram bars
- A customer holding ACEs can choose to exchange 4 ACEs against a 400 oz bar warrant.
  - It is possible that the cumulative number of ounces represented by those 4 ACEs may not be equal to that of the 400 oz bar warrant received in exchange.
  - In this case, the Clearing House will administer a cash payment (either in favor of the Clearing House or in favor of the submitting Clearing Member) to cover the weight difference

# Gold (Enhanced Delivery) Futures – ACE Delivery Process



# Role of Clearing Firms

- Procedures for making and taking delivery on CME Group-listed precious metals futures are established by the Exchange.
- **The delivery process takes three business days** to accomplish. This provides adequate time for the participants – the seller, the buyer, their respective clearing firms and CME Clearing – to make necessary notifications and arrangements.
- **Clearing firms play a central role in the delivery process**, because deliveries occur between clearing firms, acting as agents for those who hold accounts with them. Contract deliveries do NOT occur directly between the account holders themselves.
- **Each clearing firm is responsible to the Exchange and to CME Clearing** for guaranteeing the performance of its account holders in meeting the obligations of delivery:
  - The **short clearing firm**, i.e., the clearing firm making delivery on a short futures position, is responsible for: (a) ascertaining that its account holders who are the ultimate owners of the short position have registered and furnished deliverable grade warrants on time and in sufficient quantity to meet contract requirements; and (b) distributing to those same account holders the funds it receives in payment for the warrants it delivers.
  - The **long clearing firm**, i.e., the clearing firm taking delivery on a long futures position, is responsible for: (a) distributing the warrants that it receives to its account holders who are the ultimate owners of the long contract position; and (b) collecting from those same account holders the funds required to pay the invoice amounts for the warrants delivered.

# Precious Metals Depositories

Precious Metals Depositories						
Location	Depository	Gold	Silver	Platinum	Palladium	Gold Kilo
New York	Brink's Inc.	X	X	X	X	
	HSBC Bank USA	X	X	X	X	
	JP Morgan Chase Back NA	X	X	X	X	
	Malca-Amit USA, LLC	X	X	X	X	
	Manfra, Tordella & Brookes, Inc.	X	X	X	X	
	Loomis International (US) Inc.	X	X	X	X	
New Jersey	Brink's Inc.	X	X	X	X	
Delaware	Delaware Depository	X	X	X	X	
	International Depository Services of Delaware	X	X	X	X	
Massachusetts	CNT Depository, Inc.		X	X	X	
	Loomis International (US) Inc.		X	X	X	
Hong Kong	Brink's Inc.					X
	Loomis International (HK) Ltd.					X

# Role of Market Regulation

The Market Regulation Department at CME Group ensures the integrity of the markets and the delivery process

CME Group's Market Regulation Department ensures that all four (CME, CBOT, NYMEX and COMEX) of our Designated Contract Markets (DCMs) fulfil their self-regulatory responsibilities.

## Key Responsibilities

- Approve and inspect facilities for physically settled metal products (and other CME Group products)
- Ensure facilities meet Exchange Rules and remain financially stable
- Publish inventory reports for metals products in Exchange approved facilities
- Issues notices to the market for any changes or new approvals with respect to the facilities
- Approve and monitor deliverable brands for precious metals





# Approved Brands

**Brands List:** <http://www.cmegroup.com/rulebook/files/service-providers.xls>

**Gold Brands List:** 100+ brands approved for deliveries. Only a partial list of approved brands has been shown here.

Gold (GC) Brands			
Producer	Refined At	Code	Brand Marks
Engelhard Corporation	Carteret, New Jersey	ENNE	*ENGELHARD (may also be * ENGELHARD NEW JERSEY-U.S.A. or ENGELHARD U.S.A.)
Engelhard Corporation	Carteret, New Jersey	BAKE	*BAKER (within circle atop triangle)
Engelhard Corporation	Chessington, England	ENCI	*ENGELHARD LONDON
Engelhard Corporation	Thomastown, Australia	ENTH	*ENGELHARD AUSTRALIA
Engelhard Corporation	Aurora, Ontario	ENAU	*ENGELHARD (with circle connected to 1/2 moon to left of name; may also be ENGELHARD INDUSTRIES OF CANADA LTD.)
Glencore Canada Corporation	Montreal East, Quebec	CCRL	*CANADIAN COPPER REFINERS LIMITED MONTREAL EAST, CANADA (within an oval)
Glencore Canada Corporation	Montreal East, Quebec	NORA	*NORANDA MINES LIMITED - CCR, MONTREAL EAST, CANADA (within an oval)
Glencore Canada Corporation	Montreal East, Quebec	NINC	NORANDA MINES Inc. - CCR, MONTREAL EAST, CANADA (within an oval)
Golden West Refining Corporation Limited, Handy & Harman Refining Group Inc.	Attleboro, Massachusetts	GWHH	*HH HANDY & HARMAN REFINING GROUP
Handy & Harman	Attleboro, Massachusetts	HAND	*HH HANDY & HARMAN
Heraeus Deutschland GmbH & Co. KG	Hanau, Germany	HERA	*HERAEUS FEINGOLD (with Heraeus Edelmetalle GmbH-Hanau encircling three roses)
Heraeus Metals New York LLC	Newark, New Jersey	HERI	HERAEUS FEINGOLD (hand holding three roses encircled with "Heraeus Edelmetalle GmbH Hanau")
Heraeus Ltd. Hong Kong	Kowloon, Hong Kong	HERH	HERAEUS FEINGOLD (hand holding three roses encircled with "Heraeus Edelmetalle Hanau")
Homestake Mining Company	Lead, South Dakota	HMCO	*HOMESTAKE MINING COMPANY (with HMC all within circle)
Istanbul Gold Refinery	Istanbul, Turkey	IGR	IGR (within a circle along with Istanbul Gold Refinery Melter & Assayer)
Johnson Matthey, Inc.	Winslow, New Jersey	MBUS	*MATTHEY BISHOP U.S.A. (within an oval)

# Responsible Sourcing for Precious Metals

Physical Gold and Silver contracts listed on COMEX are in compliance with LBMA Responsible Sourcing Guidelines. Physical Platinum and Palladium contracts listed on NYMEX are in compliance with LPPM Responsible Sourcing Guidelines.

- **In April 2015, Exchange rules went into effect that require a gold refiner/producer to comply with LBMA Responsible Gold Guidance.**
  - This is required for a gold producer to obtain and maintain Exchange approval for delivery against any of the Exchange's physically delivered gold futures contracts.
  - The rules on Responsible Gold are intended to render COMEX standards consistent with international standards for conflict-free gold.
  - The LBMA Responsible Gold Guidance is intended to assure investors and consumers that COMEX gold stocks are conflict-free due to compliance with an internationally accepted audit process.
  - The LBMA Guidance is based on the OECD Due Diligence Guidance as well as Swiss and US KYC, Anti-Money Laundering and Combating Terrorist Financing regulations.
  - The rule amendments in relation to Responsible Gold for COMEX gold contracts further adds to the existing requirements of approval for gold producers and refiners.
  - **In May 2021, compliance with responsible sourcing guidelines was implemented for Silver, Platinum and Palladium.**
  - Rules governing responsible sourcing guidelines for precious metals can be found [here](#).
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# NYMEX and COMEX Delivery Notices and Stocks

<http://www.cmegroup.com/trading/energy/nymex-delivery-notices.html>

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## NYMEX, COMEX Delivery Notices & Stocks



### COMEX & NYMEX Delivery Notices

#### COMEX & NYMEX Metal Delivery Notices

Daily  
Monthly  
Year-To-Date

Metals Delivery Notices

#### NYMEX Energy Delivery Notice

Daily  
Year-To-Date

#### Warehouse & Depository Stocks

Gold Stocks  
Gold Kilo Stocks  
Silver Stocks  
Copper Stocks  
Platinum and Palladium Stocks  
Aluminum Stocks

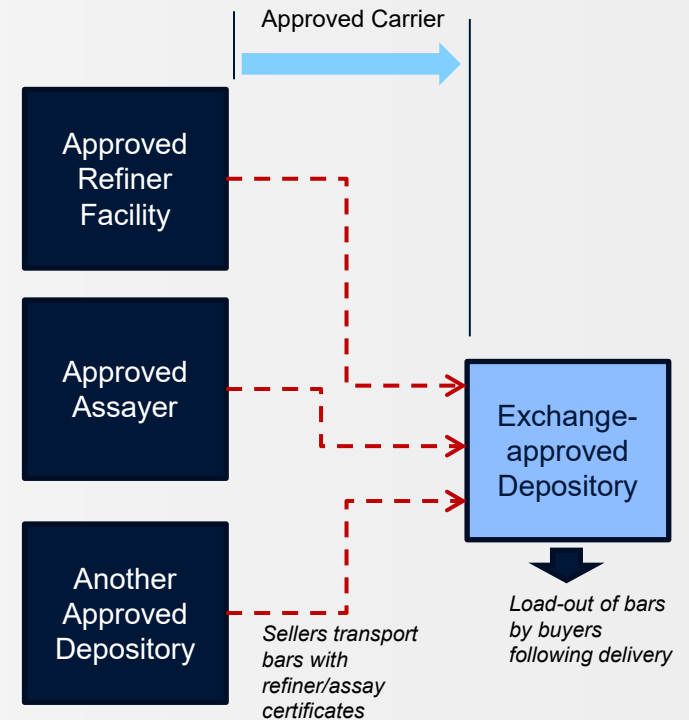
Daily Metals Inventory  
Reports

#### Most Requested

- Energy Market Commentary
- Energy Update - Archive
- Excessive Speculation and Position Limits in Energy Derivatives Markets
- Fee Schedule
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- Login to CME ClearPort
- Margins / Performance Bonds
- NYMEX Daily Reports
- NYMEX Rulebook
- Product Codes Listing
- Register for CME ClearPort
- Trading Hours
- View CME Clearport product slate

# Chain of Integrity

- Exchange rules ensure strict control on the delivery process and the chain of integrity.
- For Gold, Platinum and Palladium, the inventory may only be delivered to an Exchange approved depository using an approved carrier in one of the following ways:
  - Directly from an approved refiner along with the refiner certificates; or
  - Directly from an approved assayer with the assay certificates; or
  - Directly from another Exchange approved vault.
- Platinum and Palladium, additionally, can maintain chain of custody sourced from storage vaults located in Zurich, Switzerland or London, U.K. owned or controlled by the London Precious Metals Clearing Limited (LPMCL) or custodians offering vaulting services in the loco London market to be acceptable for delivery against the Exchange's Platinum Futures and Palladium Futures contracts.
- A complete list of approved Carriers and Assayers can be found here <http://www.cmegroup.com/rulebook/files/service-providers.xls>



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**for inquiries on physical delivery**