

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 16-429 (1 of 2)

Organization: Commodity Exchange, Inc. ("COMEX")

Filing as a: DCM SEF DCO SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 12/16/2016 **Filing Description:** Notification Regarding the Initial Listing of the London Spot Gold Futures and London Spot Silver Futures Contracts

SPECIFY FILING TYPE

Please note only ONE choice allowed per Submission.

Organization Rules and Rule Amendments

- Certification § 40.6(a)
- Approval § 40.5(a)
- Notification § 40.6(d)
- Advance Notice of SIDCO Rule Change § 40.10(a)
- SIDCO Emergency Rule Change § 40.10(h)

Rule Numbers:

New Product

Please note only ONE product per Submission.

- Certification § 40.2(a)
- Certification Security Futures § 41.23(a)
- Certification Swap Class § 40.2(d)
- Approval § 40.3(a)
- Approval Security Futures § 41.23(b)
- Novel Derivative Product Notification § 40.12(a)
- Swap Submission § 39.5

Official Product Name: London Spot Gold Futures and London Spot Silver Futures

Product Terms and Conditions (product related Rules and Rule Amendments)

- Certification § 40.6(a)
- Certification Made Available to Trade Determination § 40.6(a)
- Certification Security Futures § 41.24(a)
- Delisting (No Open Interest) § 40.6(a)
- Approval § 40.5(a)
- Approval Made Available to Trade Determination § 40.5(a)
- Approval Security Futures § 41.24(c)
- Approval Amendments to enumerated agricultural products § 40.4(a), § 40.5(a)
- "Non-Material Agricultural Rule Change" § 40.4(b) (5)
- Notification § 40.6(d)

Official Name(s) of Product(s) Affected: _____

Rule Numbers: _____

December 16, 2016

VIA ELECTRONIC PORTAL

Mr. Christopher J. Kirkpatrick
 Office of the Secretariat
 Commodity Futures Trading Commission
 Three Lafayette Centre
 1155 21st Street, N.W.
 Washington, D.C. 20581

**Re: CFTC Regulation 40.2(a) Certification. Notification Regarding the Initial Listing of the London Spot Gold Futures and London Spot Silver Futures Contracts.
 COMEX Submission No. 16-429 (1 of 2)**

Dear Mr. Kirkpatrick:

Commodity Exchange, Inc. (“COMEX” or “Exchange”) is notifying the Commodity Futures Trading Commission (“CFTC” or “Commission”) that it is self-certifying the initial listing of the London Spot Gold Futures (Rulebook Chapter: 129; Commodity Code: GSP) and the London Spot Silver Futures (Rulebook Chapter: 130; Commodity Code: SSP) (the “Contracts”) for trading on CME Globex and for submission for clearing through CME ClearPort effective on Sunday, January 8, 2017 for trade date Monday, January 9, 2017.

Contract Title	London Spot Gold Futures
Rulebook Chapter	129
Commodity Code	GSP
Contract Size	100 troy ounces
First Listed Contract	January 9, 2017
Listing Schedule (CME Globex and CME ClearPort)	One daily contract
Termination of Trading	Daily
Business Days	Business days are based on US and UK public holiday calendar
Minimum Price Fluctuation (Outrights)	\$0.10 per troy ounce
Minimum Price Fluctuation (Settlement and Inter-Commodity Spread)	\$0.01 per troy ounce
Value per Tick	\$10.00
Block Trade Minimum Threshold	25 contracts
CME Globex Match Algorithm	First in first out (FIFO)

Contract Title	London Spot Silver Futures
Rulebook Chapter	130
Commodity Code	SSP
Contract Size	5,000 troy ounces
First Listed Contract	January 9, 2017
Listing Schedule (CME Globex and CME ClearPort)	One daily contract
Termination of Trading	Daily
Business Days	Business days are based on US and UK public holiday calendar
Minimum Price Fluctuation (Outrights)	\$0.005 per troy ounce
Minimum Price Fluctuation (Settlement and Inter-Commodity Spread)	\$0.001 per troy ounce
Value per Tick	\$25.00
Block Trade Minimum Threshold	25 contracts
CME Globex Match Algorithm	First in first out (FIFO)

Trading and Clearing Hours:

Sunday – Friday 6:00 p.m. – 5:00 p.m. (5:00 p.m. – 4:00 p.m. Central Time/CT) with an hour break each day beginning at 5:00 p.m. (4:00 p.m. CT).

Trading and Clearing Fees:

	Member	Non-Member	International Incentive Programs (IIP/IVIP)
Exchange Fees			
CME Globex	\$0.25	\$0.75	\$0.50
EFP	\$0.25	\$0.75	
Block	\$0.25	\$0.75	
EFR/EOO	\$0.25	\$0.75	
Agency Cross	\$0.25	\$0.75	
	House Account	Customer Account	
Delivery Notice Fee	\$1.00	\$1.00	
Other Fees			
Facilitation Fee	\$0.50		
Give-Up Surcharge	\$0.05		
Position Adjustment/Transfer	\$0.10		

The Exchange is also notifying the CFTC that it is self-certifying the insertion of the terms and conditions for the Contracts into the Position Limit, Position Accountability and Reportable Level Table and Header

Notes located in the Interpretations and Special Notices Section of Chapter 5 of the COMEX Rulebook in relation to the listing of the Contracts. The terms and conditions establish the all month/any one-month accountability levels, expiration month position limit, reportable level and aggregation allocation for the Contracts. (See Appendix B, attached under separate cover).

COMEX is self-certifying block trading on the Contracts with a minimum block threshold of 25 contracts. These block levels align with comparable metals contracts listed on the Exchange.

The Exchange reviewed the designated contract market core principles (“Core Principles”) as set forth in the Commodity Exchange Act (“Act” or “CEA”) and identified that the listing of the Contracts may have some bearing on the following Core Principles:

- Contract Not Readily Subject to Manipulation: The Contracts are not readily subject to manipulation as a result of the deep liquidity and robustness of the underlying cash market.
- Prevention of Market Disruption: Trading in the Contracts will be subject to the COMEX rules (“Rulebook”) Chapters 4 and 7 which include prohibitions on manipulation, price distortion and disruptions of the delivery or cash-settlement process. As with all products listed for trading on one of CME Group’s designated contract markets, activity in the new products will be subject to extensive monitoring and surveillance by CME Group’s Market Regulation Department.
- Compliance with Rules: Trading in the Contracts will be subject to the rules in Rulebook Chapter 4 which includes prohibitions against fraudulent, noncompetitive, unfair and abusive practices. Additionally, trading in the Contracts will also be subject to the full panoply of trade practice rules, the majority of which are contained in Chapter 5 of the Rulebook. As with all products listed for trading on one of CME Group’s designated contract markets, activity in these new products will be subject to extensive monitoring and surveillance by CME Group’s Market Regulation Department. The Market Regulation Department has the authority to exercise its investigatory and enforcement power where potential rule violations are identified.
- Position Limitations or Accountability: The speculative position limits for the Contracts as demonstrated in this submission are consistent with the Commission’s guidance.
- Financial Integrity of Contracts: All contracts traded on the Exchange will be cleared by the Clearing House of the Chicago Mercantile Exchange Inc. which is a registered derivatives clearing organization with the Commission and is subject to all Commission regulations related thereto.
- Execution of Transactions: The Contracts will be listed for trading on CME Globex. The CME Globex platform provides a transparent, open, and efficient mechanism to electronically execute trades on screen.
- Trade Information: All required trade information is included in the audit trail and is sufficient for the Market Regulation Department to monitor for market abuse.
- Protection of Market Participants: Rulebook Chapters 4 and 5 contain multiple prohibitions precluding intermediaries from disadvantaging their customers. These rules apply to trading on all of the Exchange’s competitive trading venues and will be applicable to transactions in this product.
- Disciplinary Procedures: Chapter 4 of the Rulebook contains provisions that allow the Exchange to discipline, suspend or expel members or market participants that violate the Rulebook. Trading in these contracts will be subject to Chapter 4, and the Market

Regulation Department has the authority to exercise its enforcement power in the event rule violations in this product are identified.

- Dispute Resolution: Disputes with respect to trading in the Contracts will be subject to the arbitration provisions set forth in Chapter 6 of the Rulebook. Chapter 6 allows all nonmembers to submit a claim for financial losses resulting from transactions on the Exchange to arbitration. A member named as a respondent in a claim submitted by a nonmember is required to participate in the arbitration pursuant to Chapter 6. Additionally, the Exchange requires that members resolve all disputes concerning transactions on the Exchange via arbitration.
- Availability of General Information: COMEX will issue a Special Executive Report (“SER”) to the marketplace regarding the initial listing of the Contracts. The SER will also be posted on the CME Group website.
- Daily Publication of Trading Information: COMEX will continue to comply with this Core Principle by making public daily information on settlement prices, volume, open interest, and opening and closing ranges for the contract. This will be accomplished by publishing this information on a daily basis on the Exchange’s website.

Pursuant to Section 5c(c) of the Act and CFTC Regulation 40.2(a), the Exchange hereby certifies that the Contracts comply with the Act, including regulations under the Act. There were no substantive opposing views to the listing of the Contracts.

The Exchange certifies that this submission has been concurrently posted on the Exchange’s website at <http://www.cmegroup.com/market-regulation/rule-filings.html>.

Should you have any questions concerning the above, please contact the undersigned at (212) 299-2200 or CMESubmissionInquiry@cmegroup.com.

Sincerely,

/s/Christopher Bowen
Managing Director and Chief Regulatory Counsel

Attachments: Appendix A: COMEX Rulebook Chapters
Appendix B: Position Limit, Position Accountability, and Reportable Level Table in Chapter 5 of the COMEX Rulebook (attached under separate cover)
Appendix C: COMEX Rule 588.H. – (“Globex Non-Reviewable Trading Ranges”) Table
Appendix D: Amendments to COMEX Rule 589. (“Special Price Fluctuation Limits and Daily Limits”) Table
Appendix E: Cash Market Overview and Analysis of Deliverable Supply
Appendix F: Settlement Procedure Documents

APPENDIX A

COMEX Rulebook

Chapter 129

London Spot Gold Futures

129100. SCOPE OF CHAPTER

This chapter is limited in application to London Spot Gold futures. The procedures for trading, clearing, delivery and settlement not specifically covered herein or in Chapter 7 shall be governed by the general rules of the Exchange.

The provision of these rules shall apply to all gold bought or sold for future delivery on the Exchange as London Spot Gold Futures.

The terms “seller” and “buyer” shall mean the seller of the physical product and the buyer of the physical product, respectively. The seller’s Clearing Member and buyer’s Clearing Member may utilize a designee to perform their respective and necessary obligations with regard to transferring and accepting gold delivery. Notwithstanding the use of a designee, all Clearing Members will remain ultimately responsible for performance of all applicable contract terms specific to the sellers’ Clearing Members and buyers’ Clearing Members. Terms not specifically defined herein shall be defined in Chapter 7.

For purposes of these rules, unless otherwise specified, times referred to herein shall refer to and indicate New York time.

129101. CONTRACT SPECIFICATIONS

The gold for delivery on the futures contract shall be gold in ‘unallocated’ form held in an account denominated in gold operated by a member of London Precious Metals Clearing Limited. Such gold shall represent metal which meets or exceeds the standards of the London Bullion Market Association within its Good Delivery Rules and Good Delivery Specifications for ‘Loco London’ delivery.

129102. TRADING SPECIFICATIONS

Trading in London Spot Gold futures is regularly conducted in contract days. Unless otherwise determined by the Exchange, one contract day is made available for trading on any given trading day. The contract day shall be referred to using the date of the trading day (or the last trading day in the event that multiple contract days are made available for trading). Transactions in respect of each contract day shall be for the delivery of gold on the delivery day.

129102.A. Trading Schedule

The hours for trading shall be determined by the Exchange.

129102.B. Trading Unit

The contract unit shall be one hundred (100) troy ounces of unallocated gold held in an account denominated in gold operated by a member of London Precious Metals Clearing limited.

129102.C. Price Increments

The minimum price fluctuation shall be \$0.10 per troy ounce. Trades may also occur in multiples of \$0.01 per troy ounce for London Spot Gold Futures inter-commodity spreads. Prices shall be quoted in dollars and cents per troy ounce.

129102.D. Position Limits, Exemptions, Position Accountability and Reportable Levels

The applicable position limits and/or accountability levels, in addition to the reportable levels, are set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5.

A Person seeking an exemption from position limits for bona fide commercial purposes shall apply to the Market Regulation Department on forms provided by the Exchange, and the Market Regulation Department may grant qualified exemptions in its sole discretion. Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.

129102.E. Termination of Trading

No trades in London Spot Gold futures shall be made after the end of the contract day. Any contracts remaining open after the last trade date must be settled by delivery which shall take place on the Delivery Day.

129102.F. Special Price Fluctuation Limits

At the commencement of each trading day, the contract shall be subject to special fluctuation limits as set forth in Rule 589 and in the Special Price Fluctuation Limits Table in the Interpretations & Special Notices Section of Chapter 5.

129103. DELIVERY PROCEDURES

129103.A. Notice of Intention to Deliver

By the time prescribed by the Clearing House on the contract day, Clearing Members having open short positions shall notify the Clearing House of the following information: Clearing Members having open short positions (sellers) shall provide, in respect of each open position, in a manner prescribed by the Clearing House, clearing member firm, trading member firm, origin (customer/house), quantity, contract day, and any other information required by the Clearing House. Notices for intent to deliver must be submitted to the Clearing House no later than 6:00 p.m. on the contract day.

129103.B. Notice of Intention to Accept

By the time prescribed by the Clearing House on the contract day, Clearing Members having open long positions shall notify the Clearing House of the following information: Clearing Members having open long positions (buyers) shall provide, in respect of each open position, in a manner prescribed by the Clearing House, clearing member firm, trading member firm, origin (customer/house), quantity, contract day, and any other information required by the Clearing House. Notices for intent to accept must be submitted to the Clearing House no later than 6:00 p.m. on the contract day.

129103.C. Delivery Day

Delivery day shall be two London business days following the contract day, unless such day is not also a banking day in New York, in which case the delivery day shall be the next banking day in both London and New York.

129103.D. Invoicing and Payment

(1) Clearing Members having open short positions (sellers) shall deliver gold to the account of the Clearing House, by 2:30 p.m. London time on the delivery day. Sellers shall provide to the Clearing House banking instructions for payment no later than the business day prior to the delivery day;

(2) Clearing Members having open long positions (buyers) shall make delivery payment in USD only. Buyers shall submit payment directly to a Clearing House designated account. These funds shall be submitted no later than 10:00 a.m. on the delivery day. Buyers shall provide to the Clearing House unallocated metal delivery instructions no later than the business day prior to the delivery day.

(3) Subject to the notification of the Clearing House of account information and the completion of the delivery payment by the buyer, the Clearing House shall deliver gold to the account specified by the buyer;

(4) Subject to the notification of the Clearing House of account information and the completion of delivery by the seller, the Clearing House shall transfer delivery payment to the seller.

If the Clearing House is unable to transfer gold or delivery payment as a result of circumstances beyond its control, it will do so as soon as practicable after the condition of impossibility has ceased to exist.

129103.E. Amendments to Timings

The Exchange may amend the timings of notifications deliveries, and transfers under this Rule 129103. to reflect the adoption of daylight savings time in New York and London.

129103.F. Settlement Price

The settlement price on the contract day shall be the basis for delivery. The settlement price will be established at 1:30 p.m.

Chapter 130 London Spot Silver Futures

130100. SCOPE OF CHAPTER

This chapter is limited in application to London Spot Silver futures. The procedures for trading, clearing, delivery and settlement not specifically covered herein or in Chapter 7 shall be governed by the general rules of the Exchange.

The provision of these rules shall apply to all silver bought or sold for future delivery on the Exchange as London Spot Silver Futures.

The terms “seller” and “buyer” shall mean the seller of the physical product and the buyer of the physical product, respectively. The seller’s Clearing Member and buyer’s Clearing Member may utilize a designee to perform their respective and necessary obligations with regard to transferring and accepting silver delivery. Notwithstanding the use of a designee, all Clearing Members will remain ultimately responsible for performance of all applicable contract terms specific to the sellers’ Clearing Members and buyers’ Clearing Members. Terms not specifically defined herein shall be defined in Chapter 7.

For purposes of these rules, unless otherwise specified, times referred to herein shall refer to and indicate New York time.

130101. CONTRACT SPECIFICATIONS

The silver for delivery on the futures contract shall be silver in ‘unallocated’ form held in an account denominated in silver operated by a member of London Precious Metals Clearing Limited. Such silver shall represent metal which meets or exceeds the standards of the London Bullion Market Association within its Good Delivery Rules and Good Delivery Specifications for ‘Loco London’ delivery.

130102. TRADING SPECIFICATIONS

Trading in London Spot Silver futures is regularly conducted in contract days. Unless otherwise determined by the Exchange, one contract day is made available for trading on any given trading day. The contract day shall be referred to using the date of the trading day (or the last trading day in the event that multiple contract days are made available for trading). Transactions in respect of each contract day shall be for the delivery of silver on the delivery day

130102.A. Trading Schedule

The hours for trading shall be determined by the Exchange.

130102.B. Trading Unit

The contract unit shall be five thousand (5,000) troy ounces of unallocated silver held in an account denominated in silver operated by a member of London Precious Metals Clearing Limited.

130102.C. Price Increments

The minimum price fluctuation shall be \$0.005 per troy ounce. Trades may also occur in multiples of \$0.001 per troy ounce for London Spot Silver Futures inter-commodity spreads. Prices shall be quoted in dollars and cents per troy ounce.

130102.D. Position Limits, Exemptions, Position Accountability and Reportable Levels

The applicable position limits and/or accountability levels, in addition to the reportable levels, are set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5.

A Person seeking an exemption from position limits for bona fide commercial purposes shall apply to the Market Regulation Department on forms provided by the Exchange, and the Market Regulation Department may grant qualified exemptions in its sole discretion.

Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.

130102.E. Termination of Trading

No trades in London Spot Silver futures shall be made after the end of the contract day. Any contracts remaining open after the last trade date must be settled by delivery which shall take place on the delivery day.

130102.F. Special Price Fluctuation Limits

At the commencement of each trading day, the contract shall be subject to special fluctuation limits as set forth in Rule 589 and in the Special Price Fluctuation Limits Table in the Interpretations & Special Notices Section of Chapter 5.

130103. DELIVERY PROCEDURES

130103.A. Notice of Intention to Deliver

By the time prescribed by the Clearing House on the contract day, Clearing Members having open short positions shall notify the Clearing House of the following information: Clearing Members having open short positions (sellers) shall provide, in respect of each open position, in a manner prescribed by the Clearing House, clearing member firm, trading member firm, origin (customer/house), quantity, contract day, and any other information required by the Clearing House.

Notices for intent to deliver must be submitted to the Clearing House no later than 6:00 p.m. on the contract day.

130103.B. Notice of Intention to Accept

By the time prescribed by the Clearing House on the contract day, Clearing Members having open long positions shall notify the Clearing House of the following information: Clearing Members having open long positions (buyers) shall provide, in respect of each open position, in a manner prescribed by the Clearing House, clearing member firm, trading member firm, origin (customer/house), quantity, contract day, and any other information required by the Clearing House.

Notices for intent to accept must be submitted to the Clearing House no later than 6:00 p.m. on the contract day.

130103.C. Delivery Day

Delivery day shall be two London business days following the contract day, unless such day is not also a banking day in New York, in which case the delivery day shall be the next banking day in both London and New York.

130103.D. Invoicing and Payment

(1) Clearing Members having open short positions (sellers) shall deliver silver to the account of the Clearing House, by 2:30 p.m. London time on the delivery day. Sellers shall provide to the Clearing House banking instructions for payment no later than the business day prior to the delivery day;

(2) Clearing Members having open long positions (buyers) shall make delivery payment in USD only. Buyers shall submit payment directly to a Clearing House designated account. These funds shall be submitted no later than 10:00 a.m. on the delivery day. Buyers shall provide to the Clearing House unallocated metal delivery instructions no later than the business day prior to the delivery day.

(3) Subject to the notification of the Clearing House of account and the completion of the delivery payment by the buyer, the Clearing House shall deliver silver to the account specified by the buyer.

(4) Subject to the notification of the Clearing House of account information and the completion of delivery by the seller, the Clearing House shall transfer delivery payment to the seller.

If the Clearing House is unable to transfer silver or delivery payment as a result of circumstances beyond its control, it will do so as soon as practicable after the condition of impossibility has ceased to exist.

130103.D. Amendments to Timings

The Exchange may amend the timings of notifications deliveries, and transfers under this Rule 130103. to reflect the adoption of daylight savings time in New York and London.

130103.E. Settlement Price

The settlement price on the contract day shall be the basis for delivery. The settlement price will be established at 1:25 p.m.

APPENDIX B

**Position Limit, Position Accountability, and Reportable Level Table in Chapter 5
of the COMEX Rulebook**

(Attached under separate cover.)

APPENDIX C

COMEX Rule 588.H. (“Globex Non-Reviewable Trading Ranges”) Table
(additions are underscored)

Instrument Name	Globex Symbol	Globex Non-Reviewable Ranges (NRR)	NRR: Globex Format	NRR: Ticks
<u>London Spot Gold Futures</u>	<u>GSP</u>	<u>\$10.00 per ounce</u>	<u>100</u>	<u>100</u>
<u>London Spot Silver Futures</u>	<u>SSP</u>	<u>\$0.30 per ounce</u>	<u>300</u>	<u>60</u>

APPENDIX D

Amendments to COMEX Rule 589. (“Special Price Fluctuation Limits and Daily Limits”) Table

(additions are underlined.)

Instrument	Rulebook Chapter	Commodity Code	Primary/Associated	Associated With	Level 1	Level 2	Level 3	Level 4	Level 5
<u>London Spot Gold Futures</u>	<u>129</u>	<u>GSP</u>	<u>Associated</u>	<u>GC</u>	<u>1000</u>	<u>2000</u>	<u>3000</u>	<u>4000</u>	<u>No Limit</u>
<u>London Spot Silver Futures</u>	<u>130</u>	<u>SSP</u>	<u>Associated</u>	<u>SI</u>	<u>3000</u>	<u>6000</u>	<u>9000</u>	<u>12000</u>	<u>No Limit</u>

APPENDIX E

London Spot Gold Futures Contract and Settlement Methodology

Cash Market Overview

Background

A trade in the London Spot Gold Futures contract provides exposure to the London spot market. This will be accomplished by creating a two day futures contract that will result in delivery of unallocated London gold.

Listing Convention

Contracts are listed in contract days. As proposed, one contract day will be listed at a time – the spot loco London futures is equivalent to a standard spot transaction, for delivery on T+2.

Intra-Day Behavior

The contract is listed for normal trading on CME Globex and for submission of block trades and EFRPs via CME ClearPort.

Bids, offers and trades will be made at an outright price. In addition, an inter-commodity spread trade market will be established on CME Globex between the London Spot Gold Future and the active month of the COMEX Gold Future (GC).

Trading in these markets will cease at the end of the CME Globex trading day.

Available Transaction Types

Block trades will be allowed for this product, with the proposed minimum size level being the same as the underlying COMEX Gold Futures contract (25 lots).

Settlement Price

The settlement price of the two-day futures may be derived from prices posted in either the outright market, of the London Spot Gold Futures contract or from the inter-commodity spread market between the London Spot Gold Futures contract and the COMEX Gold Futures contract where the settlement price would reflect the pricing relationship between the inter-commodity spread pricing and the pricing of the active COMEX Gold Futures contract. The active months for COMEX Gold Futures are February, April, June, August and December. Settlement prices will be established at 1:30pm New York time, to coincide with the timing of daily settlement of the COMEX Gold Futures contract. Trading in the London Spot Gold Futures contract will continue until the end of the trading session at 5:00pm New York time. Delivery for all open positions will occur at the settlement price.

Delivery

Following the close of trading on the contract's trading day (and after an appropriate time to allow for clearing member position maintenance) the product will go into a delivery phase.

Using the London Spot Gold Futures contract as the example, the following would illustrate the delivery mechanism.

Delivery Mechanism

- A holder of a short position in the London Spot Gold Futures contract will take on a short position in loco London unallocated spot metal
- A one lot position of the London Spot Gold Futures contract will result in a 100 oz. Gold delivery in loco London spot metal
- The delivery will take place on T+2 London business days (provided that is also a banking day in New York, otherwise the next common London and New York business day)
- Delivery will take place at the settlement price of the London Spot Gold Futures contract. Delivery occurs through the unallocated delivery of metal – i.e. through bank account transfer
 - o Firms with short delivery requirement transfer metal to the account of CME Clearing

- CME Clearing transfers metal to firms with a long delivery requirement
 - Instructions to be submitted to delivery agents on T+1 (i.e. D-1)
 - Cash payments to be made via clearing firms, as with other deliveries
- Customers must have an unallocated account at one of the five clearing LBMA members of the London Precious Metal Clearing Limited (LPMCL) – which is owned and operated by those five clearing LBMA members: HSBC, ICBC Standard Bank, JPMorgan, Scotiabank and UBS. An unallocated account is an account where the customer does not own specific bars, but has a general entitlement to an amount of metal. Most traded and settled bullion in London is on an unallocated account basis. This is similar to the way that a bank account operates. Allocated accounts mean that the customer has entitlement to specific bars.

ANALYSIS OF DELIVERABLE SUPPLY

An enormous gold cash and forward market has developed Over-the-Counter (OTC) in various global financial centers, but is centered in London. The preeminent cash market is organized by the London Bullion Market Association (LBMA) which was formed in 1987. As market activity in gold grew in the 1980s, an influx of global market participants were drawn to the London market creating the predominant center of OTC gold trading. The concept of “loco London” refers to the London bullion market as the global center for international gold trading. Members of the London bullion market trade with each other and with their clients on a principal-to-principal basis unlike Exchange traded futures. Some OTC gold trading is cleared through the London bullion market clearing system.

As noted above, there are five member firms that offer clearing services to the LBMA. These firms form a company called the London Precious Metals Clearing Limited (LPMCL) and its members include ICBC Standard Bank, the Bank of Nova Scotia-ScotiaMocatta, HSBC Bank USA National Association – London Branch, JP Morgan Chase Bank, and UBS AG. The unit of delivery in the loco London gold market is a bar of .995 fineness with a typical weight of 400 fine troy ounces and which meets the LBMA’s good delivery standards¹. Market transactions are most commonly settled with an ‘unallocated’ delivery which refers to the process of account transfer between the LPMCL members. Unallocated holdings can be converted into ‘allocated’ holdings of specified gold bars upon request. Unallocated transfer is favored as it provides for a more efficient and cost effective delivery process for the wholesale market.

As evidenced in Table 1 below, the loco London gold market is very active. The LBMA has 81 active members, but the markets are used by a much wider range of participants, including central banks, investment firms, commodity trading firms, merchants, and miners.

The LBMA is not an exchange and, therefore, is not required to report turnover volume. The only statistics reported on a regular basis are through the surveys of the members of the LPMCL. In Table 1 below, the clearing statistics represent average daily values for each month during the past three years.

Table 1: LBMA Gold Clearing Statistics²

Month	Average Ounces Transferred per Day (millions)	Average Value Transferred per Day (\$bn)	Average Number of Transfers per Day
2013-08	22.2	29.9	5172
2013-09	18.5	25.0	5034
2013-10	17.4	22.9	4815
2013-11	17.5	22.3	3721
2013-12	20.0	24.5	4741
2014-01	16.8	20.9	3770
2014-02	17.8	23.2	4503
2014-03	18.9	25.3	4738

¹ Bar weights range from 350 fine troy ounces to 430 fine troy ounces

<http://www.lbma.org.uk/good-delivery-rules>

² <http://www.lbma.org.uk/clearing-statistics>

Month	Average Ounces Transferred per Day (millions)	Average Value Transferred per Day (\$bn)	Average Number of Transfers per Day
2014-04	19.6	25.4	4728
2014-05	19.0	24.4	4744
2014-06	17.9	22.9	4049
2014-07	17.9	23.5	4184
2014-08	18.0	23.3	5198
2014-09	16.2	20.0	4407
2014-10	17.4	21.3	3148
2014-11	20.7	24.3	3494
2014-12	19.4	23.4	3515
2015-01	20.3	25.4	3406
2015-02	17.8	21.8	2965
2015-03	18.7	22.1	3061
2015-04	16.9	20.2	2701
2015-05	17.3	20.7	2646
2015-06	16.5	19.5	2324
2015-07	16.6	18.8	2602
2015-08	17.7	19.7	2798
2015-09	15.6	17.5	2352
2015-10	15.9	18.4	2351
2015-11	17.3	18.7	2706
2015-12	23.6	25.2	2702
2016-01	18.7	20.5	2643
2016-02	21.1	25.3	3077
2016-03	19.4	24.2	3297
2016-04	16.5	20.5	2798
2016-05	18.6	23.5	3306
2016-06	19.6	25.0	3086
2016-07	19.5	26.1	2990
Average	18.4	22.7	3549

Source: London Bullion Market Association

In August 2011, the LBMA conducted a survey of its members' trading volume in the loco London market for the first quarter of 2011. As a result of this study, it was shown that there is a ten to one ratio between the turnover figures and the regularly reported clearing statistics for gold trading. For the purposes of this study, all members of the LBMA were requested to report turnover volume that included spot and forward transactions between members and with other counterparties as well as transactions covering options and bullion related commodity swaps. The average daily trading volume of gold during this period in the London market was 173,713,000 ounces per day, with 90% of this

activity being spot trading³. The size of the loco London gold market based on the clearing statistics published by the LBMA as shown in Table 1, shows an average amount of gold transferred of 18.4 million ounces per day over the most current three-year period. Using the same ratio resulting from the LBMA survey in August 2011, this is a good indicator that the London market trades approximately 184 million ounces per day across all contract styles, and of which it can be estimated that approximately 165.6 million ounces per day is spot trading.

There are no published statistics on the amount of gold held in loco London vaults. The LBMA estimates that London vaults hold approximately 6,500 tons of gold, equivalent to 203 million ounces, or over 500,000 good delivery (400 oz.) bars. This includes gold held in the Bank of England's vault, which the LBMA estimates represents three quarters of the gold held in London.

The Exchange proposes to use the data on amount of gold transferred each day from the LBMA clearing statistics as the basis for deliverable supply. This data represents the amount of metal actually transferred on a daily basis between participants in the London market, and therefore is a conservative assessment of the amount of volume that is available in that market. Based on the data in Table 1, the average amount of gold transferred each day is 18.4 million ounces. The Exchange proposes to set the position limits to 6,000 contracts. This represents volume of 600,000 ounces (contract size: 100 troy ounces) or 3.3% of the underlying market transfer volumes.

³ http://www.lbma.org.uk/assets/blog/alchemy_articles/Alch63.pdf

London Spot Silver Futures Contract and Settlement Methodology Cash Market Overview

Background

A trade in the London Spot Silver Futures contract provides exposure to the London spot market. This will be accomplished by creating a two day futures contract that will result in delivery of unallocated London Silver

Listing Convention

Contracts are listed in contract days. As proposed, one contract day will be listed at a time – the spot loco London future is equivalent to a standard spot transaction, for delivery on T+2.

Intra-Day Behavior

The contract is listed for normal trading on CME Globex and for submission of block trades and EFRPs via CME ClearPort.

Bids, offers and trades will be made at an outright price. In addition, an inter-commodity spread trade market will be established on CME Globex between the London Spot Silver Future and the active month of the COMEX Silver Future (SI).

Trading in these spreads will cease at the time end of the CME Globex trading day.

Available Transaction Types

Block trades will be allowed for this product with the proposed minimum size level being the same as the underlying COMEX Silver Futures contract (25 lots).

Settlement Price

The settlement price of the two day future may be derived from prices posted in either the outright market of the London Spot Silver Futures contract, or from the inter-commodity spread market between the London Spot Silver Futures contract and the COMEX Silver Futures contract where the settlement price would reflect the pricing relationship between the inter-commodity spread pricing and the pricing of the active COMEX Silver Futures contract. The active months for COMEX Silver Futures are March, May, July, September, and December. Settlement prices will be established at 1:25pm New York time, to coincide with the timing of daily settlement of the COMEX Silver Futures contract. Trading in the London Spot Silver Futures contract will continue until the end of the trading session at 5:00pm New York time. Delivery for all open positions will occur at the settlement price.

Delivery

Following the close of trading on the contract's trading day (and after an appropriate time to allow for clearing member position maintenance) the product will go into a delivery phase.

Using the London Spot Silver Futures contract as the example, the following would illustrate the delivery mechanism.

Delivery Mechanism

- A holder of a short position in the London Spot Silver Futures contract will take on a short position in loco London unallocated spot metal
- A one lot position of the London Spot Silver Futures contract will result in a 5000 troy oz. Silver delivery in loco London spot metal
- The delivery will take place on T+2 London business days (provided that is also a banking day in New York, otherwise the next common London and New York business day)
- Delivery will take place at the settlement price of the London Spot Silver Futures contract. Delivery occurs through the unallocated delivery of metal – i.e. through bank account transfer
 - o Firms with short delivery requirement transfer metal to the account of CME Clearing
 - o CME Clearing transfers metal to firms with a long delivery requirement
 - o Instructions to be submitted to delivery agents on T+1 (i.e. D-1)

- Cash payments to be made via clearing firms, as with other deliveries
- Customers must have an unallocated account at one of the five clearing LBMA members of the London Precious Metal Clearing Limited (LPMCL) – which is owned and operated by those five clearing LBMA members: HSBC, ICBC Standard Bank, JPMorgan, Scotiabank and UBS. An unallocated account is an account where the customer does not own specific bars, but has a general entitlement to an amount of metal. Most traded and settled bullion in London is on an unallocated account basis. This is similar to the way that a bank account operates. Allocated accounts mean that the customer has entitlement to specific bars.

ANALYSIS OF DELIVERABLE SUPPLY

A cash and forward silver market has developed Over-the-Counter (OTC) in various global centers, but is centered in London. The preeminent cash market is organized by the London Bullion Market Association (LBMA) which was formed in 1987. As market activity in silver grew in the 1980s, an influx of global market participants were drawn to the London market creating the predominant center of OTC silver trading. The concept of “loco London” refers to the London bullion market as the global center for international silver trading. Members of the London bullion market trade with each other and with their clients on a principal-to-principal basis unlike Exchange traded futures. Some OTC silver trading is cleared through the London bullion market clearing system. There are five member firms that offer clearing services to the LBMA. These firms comprise an entity called the London Precious Metals Clearing Limited (LPMCL) and its members include ICBC Standard Bank, the Bank of Nova Scotia-ScotiaMocatta, HSBC Bank USA National Association – London Branch, JP Morgan Chase Bank, and UBS AG. The unit of delivery in the loco London silver market is a bar of .999 fineness with a typical weight of 1,000 ounces and which meets the LBMA’s good delivery standards⁴. Market transactions are most commonly settled with an ‘unallocated’ delivery which refers to the process of account transfer between the LPMCL members. Unallocated holdings can be converted into ‘allocated’ holdings of specified silver bars upon request. Unallocated transfer is favored as it provides for a more efficient and cost effective delivery process for the wholesale market.

As evidenced in Table 2 below, the loco London silver market is very active. The LBMA has 81 active members, but the markets are used by a much wider range of participants, including central banks, investment firms, commodity trading firms, merchants, and miners.

The LBMA is not an exchange and, therefore, is not required to report turnover volume. The only statistics reported on a regular basis are the surveys of the members of the LPMCL. In Table 2 below, the clearing statistics represent average daily values for each month during the past three years.

Table 2: LBMA Silver Clearing Statistics⁵

Month	Average Ounces Transferred per Day (millions)	Average Value Transferred per Day (\$bn)	Average Number of Transfers per Day
2013-08	122.4	2.67	1096
2013-09	137.4	3.10	902
2013-10	110.1	2.41	769
2013-11	110.5	2.29	764
2013-12	168.0	3.29	828
2014-01	144.7	2.88	733
2014-02	185.7	3.87	907
2014-03	134.0	2.78	779
2014-04	122.1	2.41	732
2014-05	136.9	2.65	898
2014-06	163.4	3.23	843
2014-07	121.7	2.55	719

⁴ Bar weights range from 750 troy ounces to 1,100 troy ounces <http://www.lbma.org.uk/good-delivery-rules>

⁵ <http://www.lbma.org.uk/clearing-statistics>

2014-08	121.0	2.40	709
2014-09	142.2	2.63	775
2014-10	135.8	2.33	669
2014-11	172.3	2.75	772
2014-12	152.8	2.48	795
2015-01	145.5	2.49	710
2015-02	142.6	2.40	663
2015-03	149.7	2.43	697
2015-04	112.9	1.84	620
2015-05	148.3	2.49	684
2015-06	134.3	2.16	623
2015-07	155.2	2.34	644
2015-08	142.2	2.12	712
2015-09	163.4	2.41	691
2015-10	136.4	2.14	686
2015-11	154.6	2.24	714
2015-12	166.1	2.33	732
2016-01	156.0	2.19	676
2016-02	140.9	2.12	674
2016-03	135.1	2.08	695
2016-04	175.4	2.85	798
2016-05	182.2	3.08	690
2016-06	165.5	2.84	672
2016-07	178.5	3.56	881
Average	146.3	2.58	748.7

Source: London Bullion Market Association

The size of the loco London silver market based on the clearing statistics as published by the LBMA, as shown in Table 2, shows an average amount of silver transferred of 146.3 million ounces per day over the most current three-year period. These volume amounts are substantially less than the amount of volume traded in the London market. Netting of trading and delivery positions results in a lower amount transferred compared to the amount traded. There is no published analysis of the amount of this multiple, but it is believed to be lower than the ten times multiple that has been observed to apply to the London gold market.

The Exchange proposes to use the data on amount of silver transferred each day from the LBMA clearing statistics as the basis for deliverable supply. This data represents the amount of metal actually transferred on a daily basis between participants in the London market, and therefore is a conservative assessment of the amount of volume that is available in that market. Based on the data in Table 2, the average amount of silver transferred each day is 146.3 million ounces. The Exchange proposes to set the position limits to 6,000 contracts. This represents volume of 30,000,000 ounces (contract size: 5,000 troy ounces), which is 20.5% of the underlying market transfer volumes.

APPENDIX F

Settlement Procedure Documents

London Spot Gold Futures Daily Settlement Procedure

Normal Daily Settlement Procedure

London Spot Gold Futures settlement is derived from the COMEX Gold Active Month settlement minus the Inter-Commodity Spread [COMEX (Active Month) Gold vs. London Spot Gold] settlement. The settlement methodology of these components is as follows:

The COMEX Gold Active Month futures (GC) is settled by CME Group staff based on trading activity on CME Globex between 13:29:00 and 13:30:00 Eastern Time (ET), the settlement period. The active month is the nearest base contract month that is not the current delivery month. The base months for Gold futures are February, April, June, August and December (Active month futures roll schedule below).

Tier 1: If a trade(s) occurs on Globex between 13:29:00 and 13:30:00 ET, the settlement period, then the active month settles to the volume-weighted average price (VWAP), rounded to the nearest tradable tick.

Tier 2: In the absence of outright trades during the settlement window, the active month settles to the midpoint of the market at 13:30:00 ET – provided that there is a two-sided market (both a bid and ask).

Tier 3: In the absence of a two-sided market at 13:30:00 ET, the last trade price (or prior settlement) in the active month is checked against any one-sided markets.

- a. If the last trade price (or prior settlement in the case of no trades during the trade date) is below an active bid at 13:30:00 ET, then the contract settles to that respective bid price. If the last trade price (or prior settlement in the case of no trades during the trade date) is above an active ask at 13:30:00 ET, then the contract settles to that respective ask price.
- b. If there are no active bids or asks at 13:30:00 ET, then the contract settles to the last trade price (or prior settlement in the case of no trades during the trade date).

The Inter-Commodity Spread [COMEX (Active Month) vs. London Spot Gold] is settled by CME Group staff based on trading activity on CME Globex between 13:29:00 and 13:30:00 Eastern Time (ET), the settlement period.

Tier 1: If a trade(s) occurs on Globex between 13:29:00 and 13:30:00 ET, the settlement period, then the Inter-Commodity spread settles to the volume-weighted average price (VWAP), rounded to the nearest tradable tick.

Tier 2: In the absence of outright trades during the settlement window, the Inter-Commodity spread settles to the midpoint of the market at 13:30:00 ET – provided that there is a two-sided market (both a bid and ask).

Tier 3: In the absence of a two-sided market at 13:30:00 ET, the last trade price (or prior settlement) in the Inter-Commodity spread is checked against any one-sided markets.

- a. If the last trade price (or prior settlement in the case of no trades during the trade date) is below an active bid at 13:30:00 ET, then the contract settles to that respective bid price. If the last trade price (or prior settlement in the case of no trades during the trade date) is above an active ask at 13:30:00 ET, then the contract settles to that respective ask price.
- b. If there are no active bids or asks at 13:30:00 ET, then the contract settles to the last trade price (or prior settlement in the case of no trades during the trade date).

COMEX Gold futures active month roll schedule

Last notice day for:	New spot month:	New active month:
January (F)	February (G)	April (J)
March (H)	April (J)	June (M)
May (K)	June (M)	August (Q)
July (N)	August (Q)	December (Z)
November (X)	December (Z)	February (G)

If you have any questions, please call the CME Global Command Center at 800.438.8616, in Europe at 44.800.898.013, or in Asia at 65.6532.5010.

Note: In the event the aforementioned calculations described in this advisory cannot be made or if staff, in its sole discretion, determines that anomalous activity yields results that are not representative of the fair value of the contract, the staff may determine an alternative settlement price.

London Spot Silver Futures Daily Settlement Procedure

Normal Daily Settlement Procedure

London Spot Silver Futures settlement is derived from the COMEX Silver Active Month settlement minus the Inter-Commodity Spread [COMEX (Active Month) Silver vs. London Spot Silver] settlement. The settlement methodology of these components is as follows:

The COMEX Silver Active Month futures (SI) is settled by CME Group staff based on trading activity on CME Globex between 13:24:00 and 13:25:00 Eastern Time (ET), the settlement period. The active month is the nearest base contract month that is not the current delivery month. The base months for Silver futures are March, May, July, September and December (Active month futures roll schedule below).

Tier 1: If a trade occurs on Globex between 13:24:00 and 13:25:00 ET, the settlement period, then the active month settles to the volume-weighted average price (VWAP), rounded to the nearest \$0.001 per troy ounce.

Tier 2: In the absence of outright trades during the settlement window, the active month settles to the midpoint of the market at 13:25:00 ET – provided that there is a two-sided market (both a bid and ask).

Tier 3: In the absence of a two-sided market at 13:25:00 ET, the last trade price (or prior settlement) in the active month is checked against any one-sided markets.

c. If the last trade price (or prior settlement in the case of no trades during the trade date) is below an active bid at 13:25:00 ET, then the contract settles to that respective bid price. If the last trade price (or prior settlement in the case of no trades during the trade date) is above an active ask at 13:25:00 ET, then the contract settles to that respective ask price.

d. If there are no active bids or asks at 13:25:00 ET, then the contract settles to the last trade price (or prior settlement in the case of no trades during the trade date).

The Inter-Commodity Spread [COMEX (Active Month) vs. London Spot Silver] is settled by CME Group staff based on trading activity on CME Globex between 13:24:00 and 13:25:00 Eastern Time (ET), the settlement period.

Tier 4: If a trade(s) occurs on Globex between 13:24:00 and 13:25:00 ET, the settlement period, then the Inter-Commodity spread settles to the volume-weighted average price (VWAP), rounded to the nearest tradable tick.

Tier 5: In the absence of outright trades during the settlement window, the Inter-Commodity spread settles to the midpoint of the market at 13:25:00 ET – provided that there is a two-sided market (both a bid and ask).

Tier 6: In the absence of a two-sided market at 13:25:00 ET, the last trade price (or prior settlement) in the Inter-Commodity spread is checked against any one-sided markets.

a. If the last trade price (or prior settlement in the case of no trades during the trade date) is below an active bid at 13:25:00 ET, then the contract settles to that respective bid price. If the last trade price (or prior settlement in the case of no trades during the trade date) is above an active ask at 13:25:00 ET, then the contract settles to that respective ask price.

- b. If there are no active bids or asks at 13:25:00 ET, then the contract settles to the last trade price (or prior settlement in the case of no trades during the trade date).

Silver futures active month roll schedule

Last notice day for:	New spot month:	New active month:
February (G)	March (H)	May (K)
April (J)	May (K)	July (N)
June (M)	July (N)	September (U)
August (Q)	September (U)	December (Z)
November (X)	December (Z)	March (H)

If you have any questions, please call the CME Global Command Center at 800.438.8616, in Europe at 44.800.898.013, or in Asia at 65.6532.5010.

Note: In the event the aforementioned calculations described in this advisory cannot be made or if staff, in its sole discretion, determines that anomalous activity yields results that are not representative of the fair value of the contract, the staff may determine an alternative settlement price.