



NYSE LIFFE US NOTICE No. 12/2014

ISSUE DATE: April 29, 2014
EFFECTIVE DATES: May 14, 2014
May 29, 2014

Operational Changes to Mini-sized Silver Futures.

Summary

This Notice informs Members and market participants that NYSE Liffe US (“the Exchange”) has determined to discontinue the warehouse depository receipts for Mini-sized Silver Futures effective trade date May 29, 2014, delist Scotia Mocatta as a licensed depository for 1,000 oz. Mini-sized Silver Futures Contracts as of May 14, 2014, and lift the requirement that silver warehouse depository receipts must be cancelled in multiples of five effective trade date May 14, 2014.

1. Background

- 1.1 When the Exchange launched trading in 1,000 oz. Mini-sized Silver Futures (“YI Futures”) in 2008, warehouse depository receipts (“WDRs”) permitted market participants to use for delivery silver represented by 5,000 oz. vault receipts in satisfaction of their delivery obligations under the 1,000 oz. “YI Futures”. See [Notice 8/2008](#) Section 5.
- 1.2 Scotia Mocatta does not have record keeping systems which currently support the issuance of 1,000 oz. receipts.
- 1.3 Eliminating the existing silver WDR program will reduce the administrative burden imposed on market participants who either want to load-out single 1,000 oz. silver bars, or the sale of metal in a cash market transaction, obtained through the delivery of a YI Futures contract.

2. Delisting of Scotia Mocatta as a Licensed Depository for YI Futures

- 2.1 Effective April 17, 2014, the Exchange added CNT Depository as a regular YI Futures delivery location. See [Notice 11/2014](#). The net effect of the addition of CNT and removal of Scotia Mocatta will result in an increase in the available deliverable supply in silver for YI Futures.
- 2.2 The Exchange has completed the move of the silver represented by all current WDRs previously held at Scotia Mocatta to another licensed depository for YI Futures.

2.3 Effective May 14, 2014, Scotia Mocatta will no longer be an Exchange licensed depository for YI Futures.

3. Lifting the Requirement that Silver WDRs be Cancelled in Multiples of Five

3.1 Because a Silver WDR could represent a portion of the silver included in a 5,000 oz. vault receipt issued by a vault that did not have the operational capability of issuing individual 1,000 oz. receipts, Section 5.2 of Notice 8/2008 required market participants wishing to cancel Silver WDRs to cancel them in multiples of five. See also Rule 1708(b)(iii).

3.2 With the delisting of Scotia Mocatta as licensed depository for YI Futures, the Exchange will no longer need to have the requirement that Silver WDRs be cancelled in groups of five. Accordingly, effective trade date May 14, 2014, the requirement set forth in Section 5.2 of Notice 8/2008 and Rule 1708(b)(iii) that Silver WDRs be cancelled in multiples of five will no longer be in effect. Market participants wishing to cancel a single WDR may do so and receive in return a single 1,000 oz. silver vault receipt. See attached amendments to Rule 1708(b)(iii).

4. Discontinuation of the Silver WDR Program

4.1 Effective trade date May 29, 2014, the option set forth in Rule 1708 to satisfy the delivery of a YI Futures contract by nominating a WDR for delivery will no longer be valid. (See attached associated rule amendments). As of that date, only 1,000 oz. vault receipts issued by an Exchange licensed depository will be valid for delivery in YI Futures.

4.2 As set forth above, as of May 14, 2014, market participants, via their Clearing Member, may request to have any WDRs held by them to be cancelled in return for 1,000 oz. vault receipts on a one-for-one basis.

4.3 The Exchange Registrar will use its best efforts to automatically cancel any remaining WDRs held in the Guardian Delivery System as of May 28, 2014, and issue in replacement for such WDRs an equivalent number of 1,000 oz. vault receipts along with any cash adjustments necessary for weight differentials as quickly as possible. However, those market participants who wish to have one or more of their WDRs canceled and replaced with one or more 1,000 oz. vault receipts in time to go to delivery on the first delivery date for the June 2014 YI Futures contract should consider requesting the cancellation of their WDRs well in advance of May 29, 2014.

Members who have questions or seek additional information in respect of this Notice should contact:

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Appendix to Notice 12/2014

Rule Amendments to Chapter 17
(Effective May 14, 2014)

Chapter 17
MINI-SIZED SILVER FUTURES

1701 through 1707

[No change]

1708. Deliveries

(a) Deliveries by Vault Receipts

[No Change]

(b) Timing of Delivery and Issuance of WDRs

(i) – (ii) [No Change]

(iii) WDRs may not be cancelled for load-out. Upon the return of ~~five (5) one~~ WDRs to the Exchange, and payment of all storage charges pertaining to the silver represented, for which the Exchange claims a lien, an electronic vault receipt will be delivered by the Exchange to the holder of the ~~five~~ ~~(5)~~ one WDRs. Prior to the expiration of the Transition Period (as defined in Chapter 1), either a paper vault receipt or an electronic vault receipt will be delivered. Delivery of a vault receipt to the holder of the WDRs shall not constitute a guaranty by the Exchange of performance by the vault.

(c) – (d)

[No Change]

1709 – 1714

[No Change]

Rule Amendments to Chapter 17
(Effective May 29, 2014)

Chapter 17
MINI-SIZED SILVER FUTURES

1701 through 1707

[No changes]

1708. Deliveries

~~(a) Deliveries by Vault Receipts~~

~~Except as set forth in Rule 1708(b),~~ Deliveries of mini-sized silver may be made by vault receipts in accordance with Rule 1508, which vault receipts relate to silver that satisfies the requirements and contract specifications set forth in this Chapter.

~~(b) Timing of Delivery and Issuance of WDRs~~

~~(i) Deliveries of mini-sized silver may be made by delivery of WDRs.* Where mini-sized silver is sold for delivery in a specified month, delivery of the WDR with respect to such mini-sized silver may be made by the seller upon such day of the specified month as the seller may select. If the seller has not previously specified a day upon which to deliver, upon the third to the last business day of the delivery month a Notice of Intent shall be deemed to have been made by the seller and delivery must be made as set forth in paragraph (ii) of this Rule 1708(b).~~

~~(ii) In order for a WDR to be valid for delivery against a Futures, such WDR must satisfy the requirements and contract specifications set forth in this Chapter. Such WDR must have been issued and entered in the NYSE Liffe Guardian Delivery System before 12:00 p.m. New York time on the Seller's Notice Day; however, in the case of delivery on the last delivery day of the delivery month, such WDR must be issued and entered on the NYSE Liffe Guardian Delivery System before 11:00 a.m. New York time on the last Seller's Notice Day of such delivery month. If no WDR shall have been issued and entered by 11:00 a.m. New York time on the last Seller's Notice Day of the delivery month, the seller shall be deemed to be in violation of a Rule of the Exchange and subject to possible disciplinary proceedings under Chapter 7 of the Rules. Deliveries on silver mini-sized Futures shall, subject to Rule 1708(e), be made by electronic book entry in the NYSE Liffe Guardian Delivery System, reflecting the change in ownership interests in WDRs.~~

~~(iii) WDRs may not be cancelled for load-out. Upon the return of one WDR to the Exchange, and payment of all storage charges pertaining~~

~~to the silver represented, for which the Exchange claims a lien, an electronic vault receipt will be delivered by the Exchange to the holder of the one WDR. Prior to the expiration of the Transition Period (as defined in Chapter 1), either a paper vault receipt or an electronic vault receipt will be delivered. Delivery of a vault receipt to the holder of the WDR shall not constitute a guaranty by the Exchange of performance by the vault.~~

~~(c) — **Endorsement of WDRs**~~

~~(i) — In order to effect a valid delivery with respect to a WDR, the person receiving delivery must be established in the NYSE Liffe Guardian Delivery System as the person to whom such WDR is transferred. Subject to the provisions of Rule 1708(d) hereof, which provides for the control in favor of the Clearing Service Provider, the person to whom such WDR is so delivered shall be deemed to have control of such WDR for purposes of these Rules and the UCC. Upon any such delivery, the transferor shall be deemed to warrant, to its transferee and each subsequent transferee of the WDR for delivery on Futures, and their respective immediate principals, the genuineness, validity, and worth of such WDR, the rightfulness and effectiveness of its transfer thereof. Such delivery shall also constitute a representation that all storage charges have been paid up to and including the business day following the day of delivery. Prepaid storage charges shall be charged to the buyer by the seller for a period extending beyond the business day following the day of delivery (but not in excess of one year) pro rata for the unexpired term and adjustments shall be made upon the invoice thereof. The intent of this Rule 1708(c)(i) is to comply with the requirements for a negotiable electronic document of title as set forth in Section 7-501(b) of the UCC.~~

~~(ii) — Notwithstanding the foregoing, in no event shall the Exchange be deemed to have endorsed or made any representation or warranty with respect to any WDRs or Underlying Vault Receipts, and, in the event the Exchange shall be deemed for any reason to have endorsed or made any representation or warranty with respect to any WDRs or Underlying Vault Receipts, the Exchange shall have no liability to any person with respect thereto. In addition, each of the Exchange and each Clearing Member holding one or more WDRs at the time the Exchange requested a conversion of a paper vault receipt to an electronic vault receipt held in connection with the issuance of WDRs acknowledges that upon any such conversion so requested by the Exchange, pursuant to Section 7-105 of the UCC, the Exchange represents and warrants to all subsequent persons entitled under the electronic vault receipt created in substitution for such paper vault receipt held in connection with the issuance of WDRs that the Exchange is a person entitled under such paper vault receipt at the time the Exchange requested that such paper vault receipt be substituted for an electronic vault receipt in the NYSE Liffe Guardian Delivery System. Each Clearing Member holding WDRs at the time of any conversion requested by the Exchange of a paper vault receipt to an electronic vault~~

~~receipt and the making by the Exchange of the representation and warranty in Section 7-105 of the UCC, agrees, regardless of whether such paper vault receipt is traceable to such WDR(s) held by such Clearing Member, that the Exchange is making such representation and warranty for its benefit and that such Clearing Member shall indemnify and hold harmless the Exchange and each other Exchange Party from and against any Losses (as defined in Rule 415) incurred by or asserted against any Exchange Party arising out of, in connection with such representation or warranty.~~

~~(d) — **Security Interest in WDRs**¹~~

~~(i) — Each Clearing Member that has an interest in a WDR hereby grants a valid and enforceable security interest (the “Exchange Lien”) to the Exchange in all of such Clearing Member’s WDRs (and related Proportional Interest (as defined below) in Underlying Vault Receipts (as defined below)) to secure all charges or fees associated with the custody and maintenance of such WDRs and the silver underlying such WDRs. The Exchange Lien shall, in addition to being the security interest in such WDR, also constitute a security interest in a Proportional Interest of each Underlying Vault Receipt. “Proportional Interest” shall mean, with respect to any WDR and any time of calculation of the related Proportional Interest, the weight of silver specified on such WDR divided by the total weight of silver specified on all WDRs for mini-sized silver Futures recorded at such time in the books and records of the Exchange. Each Clearing Member represents to the Exchange with respect to each such WDR that it is fully authorized by the holder on whose behalf the Clearing Member is acting, if any, to grant a security interest to the Exchange pursuant to this Rule 1708(d) in such WDR.~~

~~(ii) — Each Clearing Member, by entering into the delivery process, understands that, pursuant to Clearing Service Agreement, the Exchange has agreed to maintain on behalf of the Clearing Service Provider, as the Clearing Service Provider and as secured party, any WDR (and related Proportional Interest in Underlying Vault Receipts) with respect to which a selling Clearing Member has delivered to the Exchange a Notice of Intent (or is deemed to have delivered a Notice of Intent under Rule 1708(b)), from the time of delivery of such Notice of Intent (or deemed receipt of such Notice of Intent, if applicable) until 11:00 a.m., New York time (the “Cut Off Time”), on the date of settlement for such WDR, except that, if the Exchange has received notice from the Clearing Service Provider prior to the Cut Off Time of a default by the selling or purchasing Clearing Member (a “Default Notice”), the Exchange shall continue to maintain such WDR (and, in respect of such WDR, a Proportional Interest in the Underlying Vault Receipts) for the benefit of the Clearing Service Provider as secured party until notified otherwise by the Clearing Service Provider and, subject to applicable law, shall deliver such WDR to the Clearing Service Provider or its agent upon the instructions of the Clearing Service Provider and otherwise in accordance~~

~~with the Rules of the Exchange (the foregoing responsibilities in this clause (ii), and any related actions and obligations of the Exchange, the “Exchange Services”). From the time of delivery of a Notice of Intent (or deemed receipt of the Notice of Intent, if applicable) with respect to a WDR until the Cut-Off Time therefor (assuming no Default Notice has been delivered with respect thereto) or, if a Default Notice has been delivered, until such time as the Clearing Service Provider or its agent may transfer in the NYSE Liffe Guardian Delivery System the applicable WDR in accordance with the Rules of the Exchange and the Rules of the Clearing Service Provider, the Exchange shall have no obligation to any Clearing Member or any other person other than the Clearing Service Provider to comply with instructions with respect to such WDR (or related Proportional Interest in Underlying Vault Receipts) from such Clearing Member or person. Each Clearing Member hereby agrees to the provisions relating to the Clearing Service Provider as set forth in this Rule 1708(d) and grants a valid and enforceable security interest to the Clearing Service Provider in all of such Clearing Member’s WDRs to the extent provided in this Rule 1708(d). Each Clearing Member represents to the Exchange with respect to each such WDR that it is fully authorized by the holder on whose behalf the Clearing Member is acting, if any, to grant a security interest to the Clearing Service Provider pursuant to this Rule 1708(d) in such WDR.~~

~~(iii) — To reflect the Clearing Service Provider’s security interest during the delivery process, the Exchange shall include a notation in the electronic record relating to the WDR that it is “Pledged, Transferred and Held for OCC”² or other Clearing Service Provider. This notation shall mean that such WDR is held by the Exchange for, pledged by the purchasing and selling Clearing Member to, and transferred to the Clearing Service Provider. This notation shall be removed upon completion of the delivery process assuming that the Exchange has not received a Default Notice. The Clearing Service Provider’s security interest in a WDR shall represent a Proportional Interest in each Underlying Vault Receipt held by the Exchange in respect of all WDRs for 5,000 oz. silver Futures. With respect to the Underlying Vault Receipts relating to WDRs, the Exchange shall be established in the NYSE Liffe Guardian Delivery System as the person to whom such vault receipt is issued or transferred and with respect to electronic vault receipts, shall be deemed to have control of such electronic vault receipt for purposes of these Rules and the UCC. In the case of a default by a purchasing or selling Clearing Member in respect of a WDR, the Clearing Service Provider may only recover an Underlying Vault Receipt by delivering to the Exchange for exchange a number of WDRs corresponding to a full vault receipt, in accordance with the procedures set forth in the Rules of the Exchange.~~

~~(iv) — Each Clearing Member hereby agrees to the Exchange performing the Exchange Services. Each Clearing Member further~~

~~understands that the security interest granted by the selling Clearing Member and the purchasing Clearing Member to the Clearing Service Provider in any WDR (and related Proportional Interest in the Underlying Vault Receipts) shall commence from the date the Exchange receives a Notice of Intent (or such Notice of Intent is deemed to have been delivered to and received by the Exchange) and shall continue until settlement of the relevant Futures (unless a Default Notice has been delivered with respect to such Futures, in which case such security interest shall continue until satisfaction of obligations owed to the Clearing Service Provider by the selling and purchasing Clearing Members with respect to such Futures), notwithstanding the electronic book entry in the NYSE Liffe Guardian Delivery System in favor of the selling Clearing Member.~~

~~(v) — Each Clearing Member also understands that the Exchange has subordinated its Exchange Lien in respect of WDRs (and related Proportional Interest in Underlying Vault Receipts) going to delivery from the date the Exchange provides the Clearing Service Provider notice that a Notice of Intent has been delivered (or is deemed to have been delivered), until and including the Cut Off Time on the date that settlement is supposed to occur (regardless of whether or not settlement does in fact occur) (such period, the “Vault Receipt Subordination Period”). Each Clearing Member hereby agrees that the Exchange Lien shall be immediately reinstated as first priority without further action after the Vault Receipt Subordination Period; provided that, in the event that the Exchange has received notice from the Clearing Service Provider of a default as described above, the Clearing Service Provider shall have no responsibility for, and the Exchange Lien shall not be reinstated as first priority with respect to, any obligations of any person to the Exchange accruing prior to the Cut Off Time, and the Clearing Service Provider shall be responsible to the Exchange, and the Exchange Lien shall have a first priority security status, only with respect to storage charges accruing after the Clearing Service Provider gives notice of a default as described above and only with respect to such particular WDR.~~

~~(vi) — By going to delivery, each Clearing Member further represents and warrants that there are no liens, encumbrances on or defense to the relevant WDRs other than that of the Exchange and the Clearing Service Provider specified in this Rule 1708.~~

1709. Storage Charges and Transfer Fees

Storage charges, withdrawal fees, maximum storage rates, handling charges and any penalties, shall be set by each depository vault and the schedule of such charges shall be posted with the Exchange, which shall be notified by the depository vault at least 60 days in advance of any changes in the rate schedule. Except as otherwise provided, all such charges and fees shall at all times be the responsibility of the Clearing Member in whose name ~~the WDR~~ a vault receipt is maintained in the records of the NYSE Guardian Delivery System, including, for the avoidance of doubt, after a Notice of Intent has been delivered, the applicable selling Clearing Member, until payment is made.

1710. Cost of Inspection, Weighing, Storage and Delivery

All charges associated with the delivery of silver and all costs associated with inspections, weighing, and Exchange documentation, through the day of delivery, shall be paid by the delivering party. The delivering party shall pay storage charges through the business day following the day of delivery. The receivers shall pay all charges including storage charges incurred after the business day following the day of delivery.

A holder of a vault receipt for silver may request recertification at its expense at any time while the unit represented by such receipt is in the Exchange approved vault. Such recertification shall be made by an Exchange approved certifying authority or assayer, selected by such holder.

1711. Deposit of Silver with Vaults

Silver in bars shall be placed into a regular vault accompanied by the following information:

- (a) Brand or markings;
- (b) Identification (serial number) of each bar;
- (c) Weight of each bar; and
- (d) Fineness.

1712. Issuance of WDRs

~~The Exchange and the Clearing Service Provider shall determine the electronic fields that are required to be completed in connection with the issuance of a WDR that is deliverable in satisfaction of mini-sized silver Futures. [Reserved]~~

1713. Payment

Payment shall be made utilizing the electronic delivery system via the Clearing Service Provider's online system. Payment shall be made at the Clearing Service Provider's settlement time as defined in its rules for exchange transactions. The cost of the delivery shall be debited or credited to a Clearing Member's settlement account. Buyers obligated to accept delivery must take delivery and make payment and sellers obligated to make delivery must make delivery during the Clearing Service Provider's settlement process as defined in its rules for exchange transactions, on the day of delivery, except on banking holidays when delivery must be taken or made and payment made during the Clearing Service Provider's settlement process as defined in its rules for exchange transactions, or such other time designated by the Exchange, on the next banking business day.

1714. Regularity of Vaults

Vaults under this Chapter 17 shall be governed by Rule 1514.