

# COMEX Aluminum Auction

## Auctions for Spot Aluminum Transactions

---

### 1. What is the COMEX Aluminum Auction?

The COMEX Aluminum Auction is a sales facilitation process that:

- (a) uses an anonymous electronic auction platform; and
- (b) leverages the standing relationship between COMEX warehouses, clearing members, and futures customers to facilitate the purchase and sale of physical aluminum on a spot basis.

### 2. What transactions result from an auction?

Transactions resulting from aluminum auctions are not futures contracts, but rather spot transactions that are intended to be settled via unregulated delivery typically within two business days.

### 3. What is the role of the Exchange with respect to auctions?

The Exchange provides an anonymous electronic auction platform to match bids with offers. The Exchange also delineates in its rules the spot trade responsibilities of auction participants and the relevant COMEX warehouses and clearing members in connection with an auction.

### 4. Is there a minimum/maximum inventory quantity required to sell through an auction?

The minimum quantity allowable for auction is 100 metric tons. The maximum quantity allowable for auction is 3,000 metric tons. Quantities are only allowable in 10 metric ton increments. This is subject to periodic review.

### 5. How many auctions can be held at a given time?

While parameters and auction frequency can be variable and adjusted, the initial maximum auction frequency is limited to no more than one auction per day. This is subject to periodic review.

### 6. What time will auctions be held?

Auctions will be held between 12 p.m. and 2 p.m. Eastern Time at the seller's discretion. This is subject to periodic review.

### 7. How long will an auction run?

The auction will run for up to 10 minutes with potential successive extensions depending on incoming bids. If a better bid comes in within the last 15 seconds of the initial auction term, the auction will automatically be extended to 15 seconds. The time will continue to reset and extend by 15 seconds if new bids are entered. This is subject to periodic review.

### 8. What aluminum is eligible for sale through an auction?

To be eligible for auction, aluminum must:

- (a) Be stored at a COMEX warehouse approved for storing aluminum;
- (b) Meet the specifications of aluminum deliverable under a COMEX Aluminum futures contract;
- (c) NOT be on COMEX-warrant (i.e. although the aluminum qualifies for delivery against a COMEX Aluminum futures contract, the metal has not been placed on Exchange warrant).

### 9. What is an Inventory ID?

The Inventory ID identifies the aluminum that is being brought to auction. Aluminum covered by an Inventory ID is earmarked per COMEX Rules for an auction and cannot be sold or removed from the COMEX warehouse without first being cancelled. The Inventory ID facilitates the transfer of the aluminum's ownership.

### 10. Is an Inventory ID a warrant?

No. An Inventory ID is designed specifically and only for use in connection with aluminum auctions and is not a document of title like a warehouse receipt or COMEX warrant.

### 11. Is the Inventory ID a public document?

No. The Inventory ID is treated as a highly confidential document. The Inventory ID will only be disclosed to the relevant COMEX warehouse, the seller's clearing member, and the buyer's clearing member.

## 12. How is the Inventory ID used?

A seller that elects to offer aluminum through an auction will first work with the COMEX warehouse that is storing the seller's aluminum to generate an Inventory ID. Once generated, that Inventory ID will be transferred to CME for verification and, then, to the seller's clearing member in anticipation of the auction. The seller's clearing member will hold the Inventory ID in the clearing member's name on behalf of the seller.

## 13. What price will the auction reference to set the floor price?

The auction references the spot COMEX Aluminum futures contract's settlement price as a floor. This reference price is used to set the floor price of the auction and will impact where bidding begins.

## 14. What attributes of the aluminum are disclosed?

Prior to the aluminum auction, the attributes of the aluminum can be disclosed. This could include weight, grade, shape, quality, warehouse, location, duty status, and brand.

## 15. Can the seller set a floor price above or below the reference price?

Yes, the seller can set a floor price above or below the reference price (which is the spot COMEX Aluminum futures contract settlement price). The floor price will be used to open bidding, and no bids will be accepted below the seller's floor price.

Example:

- Reference price = COMEX Spot ALI Settlement Price on day of auction (\$1800.00 per MT)
- Seller floor price: + 07.000 cents/lb., equivalent to \$1,954.32 per MT
- Minimum acceptable bid: 07.000 cents/lb.
- Winning bid: 08.500 cents/lb.
- Winning price = \$1800.00/MT + 08.500c/lb. = \$1,987.39 per MT

## 16. Do COMEX rules govern payment and delivery?

Yes, the rules governing the aluminum auction are prescribed in the COMEX rulebook. However, the auction and resulting spot transactions are unregulated activities that do not involve futures transactions.

## 17. What responsibility do participants and clearing members have with respect to settlement including delivery?

Participants and clearing members are directly and completely responsible for settling any spot transaction that results from an auction, including through delivery. Although clearing members guarantee the performance of their customers' settlement obligation, the Exchange and CME Clearing do not guarantee the performance of any party's obligations to settle and deliver against the spot transaction.

## 18. How are the auction results made available?

Participants in the auction can view the winning bid in real time. Furthermore, the results of the auction are posted to the Exchange's Aluminum Auction webpage.

---

[cmegroup.com](http://cmegroup.com)

Neither futures trading nor swaps trading are suitable for all investors, and each involves the risk of loss. Swaps trading should only be undertaken by investors who are Eligible Contract Participants (ECPs) within the meaning of Section 1a(18) of the Commodity Exchange Act. Futures and swaps each are leveraged investments and, because only a percentage of a contract's value is required to trade, it is possible to lose more than the amount of money deposited for either a futures or swaps position. Therefore, traders should only use funds that they can afford to lose without affecting their lifestyles and only a portion of those funds should be devoted to any one trade because traders cannot expect to profit on every trade.

CME Group, the Globe Logo, CME, Globex, E-Mini, CME Direct, CME DataMine and Chicago Mercantile Exchange are trademarks of Chicago Mercantile Exchange Inc. CBOT is a trademark of the Board of Trade of the City of Chicago, Inc. NYMEX is a trademark of New York Mercantile Exchange, Inc. COMEX is a trademark of Commodity Exchange, Inc. All other trademarks are the property of their respective owners.

The information within this communication has been compiled by CME Group for general purposes only. CME Group assumes no responsibility for any errors or omissions. Additionally, all examples in this communication are hypothetical situations, used for explanation purposes only, and should not be considered investment advice or the results of actual market experience. All matters pertaining to rules and specifications herein are made subject to and superseded by official CME, CBOT, NYMEX and COMEX rules. Current rules should be consulted in all cases concerning contract specifications.