

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 18-042

Organization: New York Mercantile Exchange, Inc. ("NYMEX")

Filing as a: **DCM** **SEF** **DCO** **SDR**

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 01/18/18 **Filing Description:** Initial Listing of the Coal (ICI 4) Indonesian Coal Index (Argus/Coalindo) Futures Contract

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

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:

January 18, 2018

VIA ELECTRONIC PORTAL

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

RE: CFTC Regulation 40.2(a) Certification. Notification Regarding the Initial Listing of the Coal (ICI 4) Indonesian Coal Index (Argus/Coalindo) Futures Contract. NYMEX Submission No. 18-042

Dear Mr. Kirkpatrick:

New York Mercantile Exchange, Inc. (“NYMEX” or “Exchange”) is notifying the Commodity Futures Trading Commission (“CFTC” or “Commission”) that it is self-certifying the initial listing of the Coal (ICI 4) Indonesian Coal Index (Argus/Coalindo) Futures contract (the “Contract”) for trading on the CME Globex electronic trading platform and for submission for clearing via CME ClearPort, effective Sunday, February 4, 2018 for trade date Monday, February 5, 2018, as set forth below.

Contract Title	Coal (ICI 4) Indonesian Coal Index (Argus/Coalindo) Futures
Commodity Code	ICI
Rulebook Chapter	1125
Settlement method	Financial
Contract Size	1,000 MT (metric tons)
Listing Schedule	Monthly contracts listed for the current year and the next two (2) calendar years. Monthly contracts for a new calendar year will be added following the termination of trading in the December contract of the current year.
Minimum Price Fluctuation	\$0.05 per MT (metric ton)
Value per tick	\$50.00
First Listed Month	February 2018
Block Trade Minimum Threshold	5 contracts
Termination of Trading	Trading shall terminate at the close of trading on the last Friday of the contract month. If such Friday is a Singapore holiday, the contract will terminate on the Singapore business day immediately prior to the last Friday of the contract month unless such day is not an Exchange business day, in which case the contract shall terminate on the Exchange business day immediately prior. Notwithstanding the above, if New Year’s Day is a Friday, the immediately preceding December contract month shall terminate on the last business day of the contract month.
CME Globex Matching Algorithm	FIFO

Trading and Clearing Hours:

CME Globex and CME ClearPort	Sunday - Friday 6:00 p.m. - 5:00 p.m. (5:00 p.m. - 4:00 p.m. Central Time/CT) with a 60-minute break each day beginning at 5:00 p.m. (4:00 p.m. CT)
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Exchange Fees:

Exchange Fees	Member	Non-Member	International Incentive Programs (IIP/IVIP)
CME Globex	\$5.00	\$7.00	\$6.00
EFP	\$5.00	\$7.00	
Block	\$5.00	\$7.00	
EFR/EOO	\$5.00	\$7.00	
Agency Cross	\$5.00	\$7.00	

Processing Fees	Member	Non-Member
Cash Settlement	\$1.00	\$1.00

Other Processing Fees	Fee
Facilitation	\$0.60
Give-Up Surcharge	\$0.05
Position Adjustment/Position Transfer	\$0.10

The Exchange is also notifying the CFTC that it is self-certifying the insertion of the terms and conditions for the contract 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 NYMEX Rulebook in relation to the listing of the Contract. The terms and conditions establish the all month/any one-month accountability levels, expiration month position limit, reportable level, and aggregation allocation for the new contract. Please see Exhibit B, attached under separate cover.

NYMEX is also notifying the CFTC that it is self-certifying block trading on the contract with a minimum block threshold of 5 contracts. The block level is consistent with the Exchange's similar existing products.

The Exchange reviewed the designated contracts market core principles ("Core Principles") as set forth in the Commodity Exchange Act ("CEA" or "Act") and identified that the Contract may have some bearing on the following Core Principles:

Compliance with Rules: Trading in the Contract will be subject to the rules in Rulebook Chapter 4 which includes prohibitions against fraudulent, noncompetitive, unfair and abusive practices. Additionally, trading in this contract will also be subject to the full panoply of trade practice rules, the majority of which are contained in Chapter 5 and Chapter 8 of the Rulebook. As with all products listed for trading on one of CME Group's designated contract markets, activity in the new product will be subject to extensive

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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.

Contract Not Readily Subject to Manipulation: The Contract is based on a cash price series that is reflective of the underlying cash market and is commonly relied on and used as a reference price by cash market brokers and commercial market participants.

Prevention of Market Disruption: Trading in the Contract will be subject to 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.

Position Limitations or Accountability: The speculative position limits for the Contract as demonstrated in this submission are consistent with the Commission's guidance.

Availability of General Information: The Exchange will publish information on the contract's specifications on its website, together with daily trading volume, open interest and price information.

Daily Publication of Trading Information: The Exchange will publish information on the contract's specifications on its website, together with daily trading volume, open interest and price information.

Execution of Transactions: The Contract will be listed for trading on the CME Globex electronic trading and for clearing through CME ClearPort. The CME Globex trading venue provides for competitive and open execution of transactions. CME Globex affords the benefits of reliability and global connectivity.

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.

Financial Integrity of Contract: All contracts traded on the Exchange will be cleared by the CME Clearing House which is a registered derivatives clearing organization with the Commission and is subject to all Commission regulations related thereto.

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 rules. Trading in this contract 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 these products are identified.

Dispute Resolution: Disputes with respect to trading in this contract will be subject to the arbitration provisions set forth in Chapter 6 of the Rulebook. The rules in Chapter 6 allow 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 the rules in Chapter 6. Additionally, the Exchange requires that members resolve all disputes concerning transactions on the Exchange via arbitration.

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

The Exchange certifies that this submission has been concurrently posted on the CME Group 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 via e-mail at CMEGSubmissionInquiry@cmegroup.com.

Sincerely,

/s/ Christopher Bowen
Managing Director and Chief Regulatory Counsel

Attachments: Exhibit A: NYMEX Rulebook Chapter 1125
Exhibit B: Position Limits, Position Accountability and Reportable Level Table in Chapter 5 of the NYMEX Rulebook (attached under separate cover)
Exhibit C: NYMEX Rule 588.H. – (“Globex Non-Reviewable Trading Ranges”) Table
Exhibit D: Cash Market Overview and Analysis of Deliverable Supply

Exhibit A

NYMEX Rulebook Chapter 1125 Coal (ICI 4) Indonesian Coal Index (Argus/Coalindo) Futures

1125100. SCOPE OF CHAPTER

The provisions of these rules shall apply to all futures contracts bought or sold on the Exchange for cash settlement based on the Floating Price. The procedures for trading, clearing and cash settlement of this contract, and any other matters not specifically covered herein shall be governed by the general rules of the Exchange.

1125101. CONTRACT SPECIFICATIONS

The Floating Price for each contract month shall be equal to the monthly average price for Indonesian Coal Index 4 (ICI 4) published in the Argus/Coalindo Indonesian Coal Index Report during the contract month (i.e. being the average of weekly prices during the contract month).

1125102. TRADING SPECIFICATIONS

The number of months open for trading at a given time shall be determined by the Exchange.

1125102.A. Trading Schedule

The hours of trading for this contract shall be determined by the Exchange.

1125102.B. Trading Unit

The contract quantity shall be thousand (1,000) metric tons. Each contract shall be valued as the contract quantity (1,000) multiplied by the settlement price.

1125102.C. Price Increments

Prices shall be quoted in U.S. dollars and cents per ton. The minimum price fluctuation shall be \$0.05 (5¢) per metric ton. The minimum final settlement price fluctuation is \$0.01 per metric ton.

1125102.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.

1125102.E. Termination of Trading

The contract shall terminate at the close of trading on the last Friday of the contract month. If such Friday is a Singapore holiday, the contract will terminate on the Singapore business day immediately prior to the last Friday of the contract month unless such day is not an Exchange business day, in which case the contract shall terminate on the Exchange business day immediately prior. Notwithstanding the above, if New Year's Day is a Friday, the immediately preceding December contract month shall terminate on the last business day of the contract month.

1125103. FINAL SETTLEMENT

Final settlement under the contract shall be by cash settlement. Final settlement, following termination of trading for a contract month, will be based on the Floating Price. The final settlement price will be the Floating Price calculated for each contract month.

1125104. DISCLAIMER

ARGUS, ARGUS MEDIA, the ARGUS Logo, and ICI 4 are trademarks and are used under license from Argus Media Limited. All copyrights and database rights in the ICI 4 Index belong to or are exclusively licensed by the Argus Media group. Licensee is solely responsible for the Coal (ICI 4) Indonesian Coal

Index (Argus/Coalindo) Futures. Argus takes no position on the purchase or sale of CME Group products which reference Argus or the ICI 4 Index and excludes all liability in relation thereto.

Exhibit B

**Position Limits, Position Accountability and Reportable Level Table
in Chapter 5 of the NYMEX Rulebook**

(attached under separate cover)

Exhibit C

NYMEX 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>Coal (ICI 4) Indonesian Coal Index (Argus/Coalindo) Futures</u>	<u>ICI</u>	<u>\$0.60 per metric ton</u>	<u>60</u>	<u>12</u>

Exhibit D

The Commission defines deliverable supply as the quantity of the commodity meeting a derivative contract's delivery specifications that can reasonably be expected to be readily available to short traders and saleable by long traders at its market value in normal cash marketing channels at the derivative contract's delivery points during the specified delivery period, barring abnormal movement in interstate commerce. (See Appendix C to 17 CFR Part 38.)

Cash Market Overview and Deliverable Supply

CASH MARKET OVERVIEW

Index Calculation

The ICI 4 (Indonesian Coal Index 4) reflects the spot price of a key grade of Indonesian coal – the 4,200 (ICI 4) kcal/kg GAR calorific value.

According to Argus¹, The ICI is used as the leading coal price reference by buyers and sellers of Indonesian coal for spot trade, tax calculations, financial and investment analysis, strategic reporting and production planning. The ICI is also used in the computation of the Indonesian domestic coal price and serves as a planning tool for producing companies required to fulfil domestic sales quotas. The ICI 4 is published weekly and is the average of the Argus fob Indonesia prices as reported in the Argus Coal Daily International report and the PT Coalindo Energy weekly panel system. According to market participants, the last 18 months have seen a rapid migration towards ICI 4 index-linked physical contracts in the Indonesian coal markets.

About Argus

Argus is a provider of price information, market data and business intelligence for global energy markets. Argus is headquartered in London and has 21 offices in the world's principal commodity trading and production centers. Argus was founded in 1970 and is a privately held UK-registered company. It is owned by staff shareholders and global growth equity firm General Atlantic.

Argus' methodology for producing coal prices is available online under

- http://www.argusmedia.com/~media/files/pdfs/meth/argus_coal_dailyint.pdf?la=en and
- http://www.argusmedia.com/~media/files/pdfs/meth/argus_coalindo_ici.pdf?la=en

Assessments are based 50% on a volume-weighted average of deals done and 50% on a survey of active market participants. Any transaction data is verified by Argus reporters. In the absence of transactions, the assessment will be based on the market survey and the highest bids and lowest offers received and verified. Bids and offers must be deemed to be representative of the market price for the full delivery or loading period being assessed. In the absence of both transactions and representative bids and offers, the assessment will be based on the market survey. To merit inclusion in the Argus assessment process, transactions and survey responses must meet standard specification guidelines as documented in the methodology document. All prices are assessed in US dollars per metric ton. The Argus fob Indonesia 4,200 kcal/kg assessment, used to calculate the ICI 4 benchmark, is assessed weekly.

About Coalindo

¹ <http://www.argusmedia.com/methodology-and-reference/key-prices/ici/>

Coalindo is headquartered in Jakarta, Indonesia and was founded in 2006 to develop specialist pricing services for the Indonesian coal markets. Shareholders in Coalindo include mining firms, regional power utilities, trading companies and prominent individuals from the coal markets². According to the Coalindo website, subscribers to the Coalindo price reporting services are located in 21 countries across APAC, Europe, Africa and the Americas³. Coalindo is supported by the Indonesia Coal Mining Association and approved by the Indonesian government, which uses its reference price in the formulation of the government's Indonesian Coal Price reference (ICPR)⁴.

Coalindo's methodology for assessing coal prices can be found under:

- <http://coalindoenergy.com/wp-content/uploads/2017/03/Coalindo-methodology.pdf>.

Coalindo's ICI assessments are derived from prices supplied by its panelists on a weekly basis. Participants to the panels include representatives from the coal supply chain, including coal producers, consumers and intermediaries (traders and brokers). Coalindo seeks to ensure that no element of the market is overrepresented in the panels. According to the methodology document, prices supplied must represent the value of actual deals recorded or the value at which a deal could be done in the open market for delivery within the next 60 days. Those submissions shall represent the panel members' view of the market price of Indonesian coal. Panelists are also encouraged to submit an addendum recording transactions they have made over the past week indicating coal specifications involved, volume and loading month for the seaborne export market. All prices are assessed in US dollars per metric ton.

ICI price submissions are subject to various reliability tests. The reliability tests include

- Excluding any submissions that are more than 20% higher or lower than inputs that were used in previous weeks if regional market movements do not justify this.
- Eliminating the top 10% and bottom 10% of submissions.
- Other tests determined by Coalindo to be appropriate and proper to ensure accuracy. These can include consideration of transactions reported.

Furthermore, Coalindo staff regularly reviews historical submission data from panel members'.

Price History

According to Argus, time series data for the ICI benchmarks is available from 2006 onwards⁵.

² A full list of shareholders is publicly available under <http://coalindoenergy.com/arguscoalindo-indonesia-coal-index-report/pt-coalindo-energy-shareholder/>. Individual shareholding is limited to 3% per person/company to avoid domination and to maintain the independent position of ICI

³ <http://coalindoenergy.com/arguscoalindo-indonesia-coal-index-report/indonesian-coal-index-ici-subscriber-growth/>

⁴ source: FAQ Coalindo, <http://coalindoenergy.com/faq/>

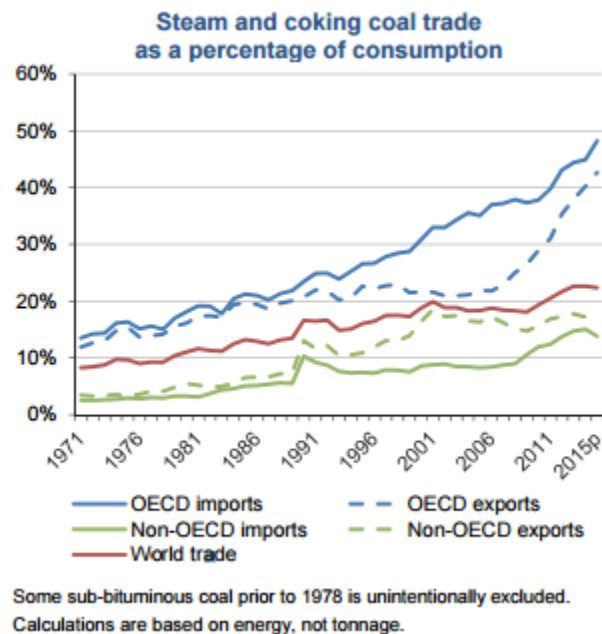
⁵ <http://www.argusmedia.com/methodology-and-reference/key-prices/ici>

Coal as a Traded Commodity

Coal is a combustible sedimentary rock mainly composed of carbon along with a range of other elements such as hydrogen, sulfur, oxygen and nitrogen. Coal has been used as an energy source throughout history. Coal is naturally occurring in rock strata and is extracted from the ground by mining.

There are two primary classifications of coal that are traded internationally. Coking coal, or metallurgical coal, is used in the production of steel. Steam coal, or thermal coal, is used in the production of electrical power. With its higher carbon content, and lower levels of impurities, coking coal can be considered the superior class, and typically trades at a premium to steam coal.

Thermal coal, also known as steam coal, is a globally traded commodity. Thermal coal is burned to generate electricity. Coal is usually transported by truck, train or barge within the domestic markets, but for international trade, dry-bulk seaborne vessels are used, primarily Handysize, Panamax, and Capsize vessels. International trade has played an increasing role to meet local coal demand, as may be seen from below chart⁶:



The two major thermal coal markets are the Atlantic and Pacific markets. In the Atlantic, the main importers are Western European countries, such as the UK, Germany and Spain. In the Pacific market, import demand comes mainly from Japan, China, South Korea and Taiwan. India is also a major importer drawing supply from both the Atlantic basin and the Pacific region.

Indonesia's Role in the World Coal Market

Indonesia is one of the world's largest coal producing and exporting nations. It ranks below China (3,210m MT), India (708), the United States (683) and Australia (509) as the world's fifth largest coal producing

⁶ Source: International Energy Agency, <https://www.iea.org/publications/freepublications/publication/KeyCoalTrends.pdf>

nation⁷. The country is well-supplied with medium and low-quality thermal coal. Total proved reserves stand at 25bn MT, amounting to 2.2% of total world reserves⁸. At current production rates, reserves are sufficient to sustain more than 50 years of coal mining. The local coal mining industry is relatively fragmented, with the top 6 producers amounting to approximately 50% of production⁹. Table 1 shows Indonesian production and exports of steam coal.

Table 1: Indonesian steam coal production and exports

(m tons)	2008	2009	2010	2011	2012	2013	2014	2015	2016	Average 2014-2016
Production	240	256	275	353	386	474	458	462	456	459
Export	191	198	208	273	304	356	382	366	331	360

Source: Ministry of Energy and Mineral Resources Republic of Indonesia, 2017 Handbook of Energy & Economic Statistics of Indonesia¹⁰

Since the early 2000's, Indonesian coal exports have grown significantly, making Indonesia the largest steam coal exporter in the world. The increase in exports was helped by its ideal geographic location between China and India, as it benefited from the increase in coal demand driven by economic growth and electrification in these countries. Beyond India and China, other Asian nations such as South Korea, Vietnam, Thailand and the Philippines also built new coal-fired power plants to benefit from Indonesian coal¹¹. Indonesian coal is competitively priced in the international markets, as local extraction costs are low¹². In addition, the coal, being of relatively lower quality, is typically traded at a discount to other international benchmark prices (such as Richard Bay/ API 4 and Australian API5 coal).

Chart 1 shows the Indonesian share of global steam coal exports

Chart1: Global steam coal exports, million tons

⁷ <https://yearbook.enerdata.net/coal-lignite/coal-production-data.html>

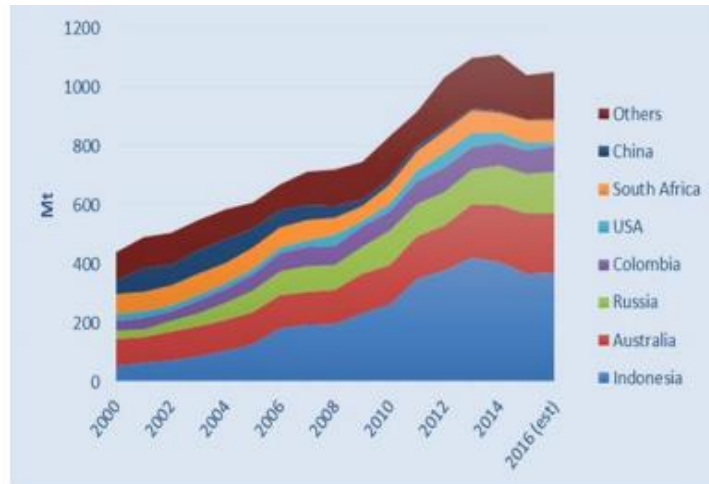
⁸ <http://www.bp.com/content/dam/bp/en/corporate/pdf/energy-economics/statistical-review-2017/bp-statistical-review-of-world-energy-2017-coal.pdf>, page 36

⁹ <https://www.oxfordenergy.org/wpcms/wp-content/uploads/2017/03/Indonesias-Electricity-Demand-and-the-Coal-Sector-Export-or-meet-domestic-demand-CL-5.pdf>, page 13

¹⁰ <https://www.esdm.go.id/assets/media/content/content-handbook-of-energy-economic-statistics-of-indonesia-2017-.pdf>, page 62

¹¹ <https://www.oxfordenergy.org/wpcms/wp-content/uploads/2017/03/Indonesias-Electricity-Demand-and-the-Coal-Sector-Export-or-meet-domestic-demand-CL-5.pdf>, page 15

¹² The main reason for low extraction costs are local logistics: because the country consists of many islands, coal mines are located very close to the sea or to rivers. Transportation by coal barges is much more cost efficient than transport by truck or by rail.



Source: Oxford Institute for Energy Studies¹³

Table 2 shows the main export destinations of Indonesian Steam coal

Table 2: Indonesia Coal exports by destination, 2016

2016 Coal exports by destination	million MT	% of total
India	56	17%
China	53	16%
Japan	29	9%
Taiwan	12	4%
Malaysia	11	3%
Philippines	11	3%
Thailand	9	3%
South Korea	8	2%
Hong Kong	6	2%
Spain	4	1%
Others	131	40%
Total	330	

Source: Ministry of Energy and Mineral Resources Republic of Indonesia, 2017 Handbook of Energy & Economic Statistics of Indonesia¹⁴

¹³ <https://www.oxfordenergy.org/wpcms/wp-content/uploads/2017/03/Indonesias-Electricity-Demand-and-the-Coal-Sector-Export-or-meet-domestic-demand-CL-5.pdf>, page 16

¹⁴ <https://www.esdm.go.id/assets/media/content/content-handbook-of-energy-economic-statistics-of-indonesia-2017-.pdf>, 64 page

Indonesian coal comes in many different qualities across a wide range of calorific values. The Exchange communicated with market sources and understands that 80-100m MT of annual coal exports volume matches the ICI 4 specification. Assuming 90m MT p.a., this amounts to 25% of annual steam coal exports (25% of average exports of 360m MT). Because ICI 4 grade coal is also used for the domestic market, we assume that the 25% ratio may be applied to total production volume to determine overall coal production that matches the ICI 4 specification.

ANALYSIS OF DELIVERABLE SUPPLY

In estimating deliverable supply for the futures contract, the Exchange relied on long-standing precedent, which provides that the key component in estimating deliverable supply is the portion of typical production and supply stocks that could reasonably be considered to be readily available for delivery. In its guidance on estimating deliverable supply, the Commodity Futures Trading Commission (“CFTC” or “Commission”) states:

In general, the term “deliverable supply” means the quantity of the commodity meeting a derivative contract’s delivery specifications that can reasonably be expected to be readily available to short traders and saleable by long traders at its market value in normal cash marketing channels at the derivative contract’s delivery points during the specified delivery period, barring abnormal movement in interstate commerce. Typically, deliverable supply reflects the quantity of the commodity that potentially could be made available for sale on a spot basis at current prices at the contract’s delivery points. For a non-financial physical-delivery commodity contract, this estimate might represent product which is in storage at the delivery point(s) specified in the futures contract or can be moved economically into or through such points consistent with the delivery procedures set forth in the contract and which is available for sale on a spot basis within the marketing channels that normally are tributary to the delivery point(s).¹⁵

The Exchange is assessing spot month position limits for the Coal (ICI 4) Indonesian Coal Index (Argus/Coalindo) Futures contract based on data provided by the Ministry of Energy and Mineral Resources of the Republic of Indonesia. The Exchange’s analysis of deliverable supply is based on the steam coal production amount reported by the Ministry of Energy and Mineral Resources. We have excluded the coal import volumes as they are relatively insignificant compared to the total volume of production: according to the latest data available, imports were 4 million tons per year compared to 456 million tons of production in 2016 (a percent share of just 0.88%).

Average yearly production of Indonesian steam coal across the last 3 years for which data was available (2014 to 2016) was equal to 459m MT. Indonesian steam coal produces and exports steam coal of different qualities. Based on the analysis above, we estimate that 25% of local steam coal production conforms to the ICI 4 specifications and could reasonably be considered readily available for delivery¹⁶. The annual deliverable supply can therefore be assessed as 25% of production volumes, which is 114.75m MT annually (25% of 459m MT), or 9.5625m MT per calendar month¹⁷. The contract size of the Coal (ICI 4) Indonesian Coal Index (Argus/Coalindo) Futures contract (ICI) is 1,000 metric tons. We propose to set the spot month limit at 2,000 lots, the equivalent of 2m MT per calendar month, which is equal to 20.9% of the deliverable supply (20.9% of 9.5625m MT) and below the threshold value of 25%.

¹⁵ http://www.ecfr.gov/cgi-bin/text-idx?SID=74959c3dbae469e2efe0a42b45b8dfae&mc=true&node=ap17.1.38_11201.c&rqn=div9

¹⁶ After consultation with market participants, the Exchange understands that the typical term agreements for Indonesian coal are short in maturity (most likely 3-6 months and maximum one year) and allows flexible re-trading of contracted volume in the spot market. Term agreements do not restrict the potential deliverable supply.

¹⁷ The Exchange does not make any adjustment for seasonality and assume that production and availability of coal is equal each calendar month.