

**SUBMISSION COVER SHEET**

**IMPORTANT:** Check box if Confidential Treatment is requested

**Registered Entity Identifier Code (optional):** 18-004

**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):** 01/19/2018 **Filing Description:** Amendments to the HMS 80/20 Ferrous Scrap, CFR Turkey (Platts) Futures Contract

**SPECIFY FILING TYPE**

**Please note only ONE choice allowed per Submission.**

**Organization Rules and Rule Amendments**

- |                          |                                     |            |
|--------------------------|-------------------------------------|------------|
| <input type="checkbox"/> | Certification                       | § 40.6(a)  |
| <input type="checkbox"/> | Approval                            | § 40.5(a)  |
| <input type="checkbox"/> | Notification                        | § 40.6(d)  |
| <input type="checkbox"/> | Advance Notice of SIDCO Rule Change | § 40.10(a) |
| <input type="checkbox"/> | SIDCO Emergency Rule Change         | § 40.10(h) |

**Rule Numbers:**

**New Product**

**Please note only ONE product per Submission.**

- |                          |                                       |            |
|--------------------------|---------------------------------------|------------|
| <input type="checkbox"/> | Certification                         | § 40.2(a)  |
| <input type="checkbox"/> | Certification Security Futures        | § 41.23(a) |
| <input type="checkbox"/> | Certification Swap Class              | § 40.2(d)  |
| <input type="checkbox"/> | Approval                              | § 40.3(a)  |
| <input type="checkbox"/> | Approval Security Futures             | § 41.23(b) |
| <input type="checkbox"/> | Novel Derivative Product Notification | § 40.12(a) |
| <input type="checkbox"/> | Swap Submission                       | § 39.5     |

**Official Product Name:**

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

- |                                     |   |                      |
|-------------------------------------|---|----------------------|
| <input checked="" type="checkbox"/> | Certification   | § 40.6(a)            |
| <input type="checkbox"/>            | Certification Made Available to Trade Determination     | § 40.6(a)            |
| <input type="checkbox"/>            | Certification Security Futures                          | § 41.24(a)           |
| <input type="checkbox"/>            | Delisting (No Open Interest)                            | § 40.6(a)            |
| <input type="checkbox"/>            | Approval  | § 40.5(a)            |
| <input type="checkbox"/>            | Approval Made Available to Trade Determination          | § 40.5(a)            |
| <input type="checkbox"/>            | Approval Security Futures                               | § 41.24(c)           |
| <input type="checkbox"/>            | Approval Amendments to enumerated agricultural products | § 40.4(a), § 40.5(a) |
| <input type="checkbox"/>            | “Non-Material Agricultural Rule Change”                 | § 40.4(b) (5)        |
| <input type="checkbox"/>            | Notification  | § 40.6(d)            |

**Official Name(s) of Product(s) Affected:** HMS 80/20 Ferrous Scrap, CFR Turkey (Platts TSI) Futures.

**Rule Numbers:** Rulebook Chapter 867.

January 19, 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, D.C. 20581

**Re: CFTC Regulation 40.6(a) Certification. Amendments to the HMS 80/20 Ferrous Scrap, CFR Turkey (Platts) Futures Contract.  
NYMEX Submission No. 18-004**

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 amendments to the HMS 80/20 Ferrous Scrap, CFR Turkey (Platts) Futures contract (Rulebook Chapter: 867; Commodity Code: FSF) ("Contract") effective on Sunday, February 4, 2018 for trade date Monday, February 5, 2018 and commencing with the February 2018 contract month and beyond.

In addition, effective immediately and until Sunday, February 4, 2018 for trade date Monday February 5, 2018, the Exchange will suspend trading of the Contract on CME Globex and submission for clearing via CME ClearPort of all contract months of the Contract. There is currently no open interest in the Contract.

Following an open market consultation period, effective September 1, 2017, S&P Global Platts merged the daily assessment of Turkish deepsea premium heavy melting scrap 1&2 (80:20) imports with The Steel Index's HMS 1&2 80:20 CFR Iskenderun port index. The S&P Global Platts market notification can be found [here](#).

The Exchange conducted market validation for the change is amending the existing Contract and not launching a new Contract because the Price Reporting Agency (PRA) S&P Global Platts, is merging its existing Platts and The Steel Index (TSI) price assessments as they have done across their broader metals prices.

The historical PRA audit data is not currently available.

Additionally, market participants have requested that the Exchange reduce the contract size to allow smaller commercial participants to engage in the market and allow participants to more precisely hedge the quantity of their physical exposure. As such, the contract size, minimum price fluctuation, and minimum block trade threshold level will be amended effective on trade date Monday, February 5, 2018 and commencing with the February contract month and beyond as described in Tables 1 and 2 below.

Exhibit A provides current Chapter 867 as well as amended Chapter 867. The aforementioned amendments are reflected in the amended Chapter 867. The Exchange is also implementing non-substantive amendments to the rulebook chapter for purposes of harmonization.

The Exchange based its analysis of deliverable supply of HMS 80/20 Ferrous Scrap, CFR Turkey (Platts TSI) Futures on data provided by the UN Comtrade Database. UN Comtrade Database provides free access to detailed global trade data including Turkish ferrous scrap imports, the basis of the futures contract.

The amended spot month position limit set at 30,000 lots (10 metric ton contract), equivalent to 300,000 metric tons is a reduction on the current limit of 8,000 lots, (50 metric ton contract) equivalent to 400,000 metric tons.

Tables 1 and 2 below reflect the current and amended contract specifications, respectively.

**Table 1 Current Contract Specifications**

<b>Contract Title</b>	HMS 80/20 Ferrous Scrap, CFR Turkey (Platts) Futures
<b>Commodity Code</b>	FSF
<b>Rulebook Chapter</b>	867
<b>Settlement Method</b>	Financial
<b>Contract Size</b>	50mt (metric tons)
<b>Listing Schedule</b>	Trading is conducted in 24 consecutive months
<b>Minimum Price Fluctuation</b>	\$0.01 per metric ton
<b>Value Per Tick</b>	\$0.50 per contract
<b>Block Trade Minimum Threshold</b>	5 contracts
<b>Floating Price</b>	The Floating Price for each contract month is equal to the average price calculated for all available price assessments published for “HMS 80/20 Ferrous Scrap – CFR Turkish Port” for that given calendar month by Platts.
<b>Termination of Trading</b>	Trading shall terminate on the last business day of the contract month. Business days are based on the U.K. Public Holiday calendar.
<b>Matching Algorithm</b>	FIFO

**Table 2 Contract Specifications as of trade date Monday February 5, 2018 commencing with the February 2018 contract month and beyond**

<b>Contract Title</b>	HMS 80/20 Ferrous Scrap, CFR Turkey (Platts TSI) Futures
<b>Commodity Code</b>	FSF
<b>Rulebook Chapter</b>	867
<b>Settlement Method</b>	Financial
<b>Contract Size</b>	10mt (metric tons)
<b>Listing Schedule</b>	Trading is conducted in 24 consecutive months
<b>Price Per Tick</b>	\$0.01 per metric ton
<b>Value Per Tick</b>	\$0.10 per contract
<b>Block Trade Minimum Threshold</b>	25 contracts

<b>Floating Price</b>	The Floating Price for each contract month is equal to the average price calculated for all available price assessments published for “Platts TSI HMS 1&2 (80:20) CFR Turkey” for that given calendar month by Platts.
<b>Termination of Trading</b>	Trading shall terminate on the last business day of the contract month. Business days are based on the U.K. Public Holiday calendar.
<b>Matching Algorithm</b>	FIFO

The Exchange fees have been amended to reflect the reduction in contract size. The Exchange fees have been prorated accordingly.

**Current Trading and Clearing Fees:**

	<b>Member</b>	<b>Non-Member</b>	<b>International Incentive Programs (IIP/IVIP)</b>
<b>Exchange Fees</b>			
CME Globex	\$4.00	\$6.00	\$5.00
EFP	\$4.00	\$6.00	
Block	\$4.00	\$6.00	
EFR/EOO	\$4.00	\$6.00	

<b>Processing Fees</b>	<b>Member</b>	<b>Non-Member</b>
Cash Settlement	\$1.00	\$1.00
<b>Other Fees</b>		
Facilitation Fee		\$0.50
Give-Up Surcharge		\$0.05
Position Adjustment/Transfer		\$0.10

**Trading and Clearing Fees effective trade date Monday, February 5, 2018:**

	<b>Member</b>	<b>Non-Member</b>	<b>International Incentive Programs (IIP/IVIP)</b>
<b>Exchange Fees</b>			
CME Globex	\$0.80	\$1.20	\$1.00
EFP	\$0.80	\$1.20	
Block	\$0.80	\$1.20	
EFR/EOO	\$0.80	\$1.20	

<b>Processing Fees</b>	<b>Member</b>	<b>Non-Member</b>
Cash Settlement	\$0.20	\$0.20
<b>Other Fees</b>		
Facilitation Fee		\$0.50

Give-Up Surcharge	\$0.05
Position Adjustment/Transfer	\$0.10

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 methodology changes may have some bearing on the following Core Principles:

- Availability of General Information: NYMEX will issue a Special Executive Report (“SER”) to the marketplace regarding the amendments to the Contract. The SER will also be posted on the CME Group website.
- Daily Publication of Trading Information: NYMEX 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 contracts. This will be accomplished by publishing this information daily on the Exchange’s website.
- 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 Contract 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.
- Execution of Transactions: The Contract is 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 the 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 the 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 Regulation 40.6(a), the Exchange hereby certifies the amendments to the Contract comply with the Act, including regulations under the Act. There were no substantive opposing views to this proposal.

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 [CMEGSubmissionInquiry@cmegroup.com](mailto:CMEGSubmissionInquiry@cmegroup.com).

Sincerely,

/s/Christopher Bowen  
Managing Director and Chief Regulatory Counsel

Attachments:      Exhibit A: NYMEX Rulebook Chapter 867 (current and amended)  
                         Exhibit B: Position Limits, Position Accountability and Reportable Level Table in  
                         Chapter 5 of the NYMEX Rulebook (attached under separate cover)  
                         Exhibit C: Cash Market Overview and Analysis of Deliverable Supply

## Exhibit A

(Deletions are ~~struckthrough~~; Additions are underscored)

### **Chapter 867**

#### **HMS 80/20 Ferrous Scrap, CFR Turkey (Platts) Futures**

##### **867.01 SCOPE**

The provisions of these Rules shall apply to all contracts bought or sold on the Exchange for cash settlement based on the Floating Price.

##### **867.02 FLOATING PRICE**

The Floating Price for each contract month is equal to the average price calculated for all available price assessments published for "HMS 80/20 Ferrous Scrap—CFR Turkish Port" for that given calendar month by Platts (Platts).

##### **867.03 CONTRACT QUANTITY AND VALUE**

The contract quantity shall be fifty (50) metric tons. Each contract shall be valued as the contract quantity multiplied by the settlement price.

##### **867.04 CONTRACT MONTHS**

Trading shall be conducted in the contract months as shall be determined by the Exchange.

##### **867.05 PRICES AND FLUCTUATIONS**

Prices shall be quoted in U.S. dollars and cents per metric ton. The minimum price fluctuation shall be \$0.01 per metric ton. There shall be no maximum price fluctuation.

##### **867.06 TERMINATION OF TRADING**

Trading shall terminate on the last business day of the contract month. Business days are based on the U.K. Public Holiday calendar.

##### **867.07 FINAL SETTLEMENT**

Delivery under the contract shall be by cash settlement. Final settlement, following termination of the 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.

##### **867.08 EXCHANGE FOR RELATED POSITION**

Any Exchange for Related Position (EFRP) shall be governed by the provision of Exchange Rule 538.

##### **867.09 DISCLAIMER**

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## Chapter 867

### HMS 80/20 Ferrous Scrap, CFR Turkey (Platts TSI) Futures

#### **867100. SCOPE OF CHAPTER**

The provisions of these rules shall apply to all 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.

#### **867101. CONTRACT SPECIFICATIONS**

The Floating Price for each contract month is equal to the average price calculated for all available price assessments published for "Platts TSI HMS 1&2 (80:20) CFR Turkey" for that given calendar month by Platts.

#### **867102. TRADING SPECIFICATIONS**

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

##### **867102.A. Trading Schedule**

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

##### **867102.B. Trading Unit**

The contract unit shall be ten (10) metric tons.

##### **867102.C. Price Increments**

Prices shall be quoted in U.S. dollars and cents per metric ton. The minimum price fluctuation shall be \$0.01 per metric ton. There shall be no maximum price fluctuation.

##### **867102.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.

##### **867102.E. Termination of Trading**

Trading shall terminate on the last business day of the contract month. Business days are based on the U.K. Public Holiday calendar.

##### **867102.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.

#### **867103. FINAL SETTLEMENT**

The contract will be cash settled and this will reflect the final settlement price. This will also be based on the floating price, which will be determined following the termination of trading of contract month.

#### **867104. DISCLAIMER**

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**Exhibit B**

**NYMEX Rulebook Chapter 5 Position Limit Table**

(Attached under separate cover)

## Exhibit C

### Cash Market Overview and Deliverable Supply Analysis

Contract Name	Contract Size	Commodity Code	Rulebook Chapter	Proposed Spot Month Position Limit
HMS 80/20 Ferrous Scrap, CFR Turkey (Platts TSI) Futures	10mt	FSF	867	30,000

#### SUPPLEMENTAL MARKET INFORMATION

##### Introduction

Exchange staff conducted a review of the underlying cash market of heavy melting steel scrap 1&2 (80:20) blend imports into Turkey, to determine the deliverable supply for HMS 80/20 Ferrous Scrap, CFR Turkey (Platts TSI) Futures (Commodity Code: FSF).

In its analysis of deliverable supply, the Exchange has determined to include imports into Turkey as the basis for the contract is on a CFR (Cost & Freight) as per Incoterms 2015 delivery basis, therefore reflecting import material. The Platts assessment used to settle the futures contracts measures HMS 1&2 (80:20) on a CFR Turkey basis.

HMS 1&2 is obsolete steel scrap metal collected or recovered from items that are demolished or demolished to the end of their life cycle. Steel scrap is used in the production of new steel through the Electric Arc Furnace (EAF) process.

There is an impact of seasonality whereby scrap collection increases in spring and the summer months and declines in the colder months between December and February.

##### Data Sources

The Exchange based its analysis of deliverable supply of HMS 80/20 Ferrous Scrap, CFR Turkey (Platts TSI) Futures on data provided by the UN Comtrade Database<sup>1</sup>.

The UN Comtrade Database provides free access to detailed global trade data. UN Comtrade is a repository of official trade statistics and relevant analytical tables. It contains annual trade statistics starting from 1962. The UN Comtrade data has been used for Turkey imports of ferrous scrap which is the underlying product of the Platts TSI index in the futures contract.

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<sup>1</sup> <http://comtrade.un.org/data/>

The Exchange has based its analysis of import deliverable supply on UN Comtrade data for only ferrous waste and scrap, using tariff code 720449<sup>2</sup> because the assessment measures ferrous scrap imported into Turkey.

Since 1909, Platts has provided information and insights that help customers make sound trading and business decisions and enable the markets to perform with greater transparency and efficiency.

Platts assessment Turkish deepsea premium heavy melting scrap 1&2 (80:20) imports and The Steel Index's HMS 1&2 80:20 CFR Iskenderun port index were merged effective September 1, 2017. The combined index was named Platts TSI HMS 1&2 (80:20) CFR Turkey.

The S&P Global Platts price specification and assessment methodology for Platts TSI HMS 1&2 (80:20) CFR Turkey is published daily in the Platts Metals Alert and Platts Metals Daily. The Platts assessment began in June 2008 and the TSI index began in April 2010 and represents spot transaction prices through an extensive survey of market participants including steel mills, recyclers, collectors and traders. The methodology is available at the following hyperlink

<https://www.platts.com/IM.Platts.Content/methodologyreferences/methodologyspecs/steel.pdf><sup>3</sup>

The assessment Platts TSI HMS 1&2 (80:20) CFR Turkey is published daily 4.30pm London time.

CME Group is licensed by S&P Global Platts to use their pricing data.

## **Turkey Ferrous Scrap Market**

### **Cash Market Overview**

The Exchange has taken the most recent 3 corresponding years of data available for ferrous scrap import into Turkey for the period 2014-2016. Based on data provided by UN Comtrade for imports of ferrous scrap into Turkey averaged approximately **17.322 million metric tons** per annum over the three-year period January 2014–December 2016 (see Table 1).

The Exchange, from discussions with the wider market has determined imports are traded on a spot basis not being supplied under long term supply. No haircut has been applied to the quality differences of scrap imported into Turkey because the index normalizes any shredded or bonus scrap back to a premium HMS 1&2 (80:20) standard.

### **Analysis of Deliverable Supply**

In its November 18, 2011, final position limit rulemaking, the Commission defined 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.”<sup>4</sup>

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<sup>2</sup> <https://www.trade-tariff.service.gov.uk/trade-tariff/headings/7204>

<sup>4</sup> <https://www.platts.com/IM.Platts.Content/methodologyreferences/methodologyspecs/steel.pdf>

<sup>4</sup> 17 CFR 1,150-51 (2011), <http://www.cftc.gov/ucm/groups/public/@lrfederalregister/documents/file/2011-28809a.pdf>

In its analysis, the Exchange has determined to base its deliverable supply on the imports into Turkey based on data provided by UN Comtrade Database. Domestic production has been excluded because the basis of the assessment is on CFR (Cost & Freight) basis as per Incoterms 2015.

Table 1. Turkey Spot Import Market

	metric tonnes (mt)
Year	Turkey Import
2014	18,379,699
2015	16,135,090
2016	17,451,120
3 year average	17,321,969

Source: UN Comtrade Database. See Appendix 1 for complete data and tables.

Based on the above analysis, it is estimated that the deliverable supply for the HMS 80/20 Ferrous Scrap, CFR Turkey (Platts TSI) Futures contract is **17.322 million metric tons per year** based on the most recent three-year average from 2014 to 2016. This equates, on a monthly basis, to 144,350 contract equivalents per month assuming a contract size of 10 metric tons per lot. Therefore, the spot month position limit for the HMS 80/20 Ferrous Scrap, CFR Turkey (Platts) Futures of 30,000 contracts reflects 20.8% of the estimated deliverable supply. The spot month limit remains below the 25% of deliverable supply threshold. The proposed limit of 30,000, lots equivalent to 300,000 metric tons is based on the amended contract size of 10 metric tons and is a reduction on the current limit of 8,000 lots, equivalent to 400,000 metric tons (contract size of 50 metric tons)

## Appendix 1

### Spot Market Estimate – Ferrous Scrap Turkey

(Yearly Totals in Metric Tonnes)

	Trade Flow	Reporter	Commodity Code	Commodity	Netweight (kg)	Netweight (mt)
2014	Import	Turkey	720449	Iron and steel // Ferrous waste and scrap; remelting scrap ingots of iron or steel. // - Other waste and scrap : // -- Other	18379698775	18,379,699
2015	Import	Turkey	720449	Iron and steel // Ferrous waste and scrap; remelting scrap ingots of iron or steel. // - Other waste and scrap : // -- Other	16135090081	16,135,090
2016	Import	Turkey	720449	Iron and steel // Ferrous waste and scrap; remelting scrap ingots of iron or steel. // - Other waste and scrap : // -- Other	17451119544	17,451,120

Source: UN Comtrade Database <sup>5</sup>

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<sup>5</sup> <http://comtrade.un.org/data/>