

**SUBMISSION COVER SHEET**

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

**Registered Entity Identifier Code (optional):** 20-079

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

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

**Please note - only ONE choice allowed.**

**Filing Date (mm/dd/yy):** 02/19/20 **Filing Description:** Initial Listing of the North European Hot-Rolled Coil Steel (Argus) 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:**

February 19, 2020

**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 North European Hot-Rolled Coil Steel (Argus) Futures Contract. COMEX Submission No. 20-079**

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 North European Hot-Rolled Coil Steel (Argus) Futures contract (the “Contract”) for trading on the CME Globex electronic trading platform and for submission for clearing via CME ClearPort effective Sunday March 8, 2020, for trade date Monday, March 9, 2020, as noted in the table below:

<b>Contract Title</b>	North European Hot-Rolled Coil Steel (Argus) Futures
<b>Commodity Code</b>	EHR
<b>Rulebook Chapter</b>	971
<b>Settlement method</b>	Financial
<b>Contract Size</b>	20 MT (metric tons)
<b>Listing Schedule</b>	Monthly contracts listed for twelve (12) consecutive months. Add a new contract month after the nearby expiry.
<b>First Listed Month</b>	March 2020
<b>Minimum Price Fluctuation</b>	€1.00 per MT (metric ton)
<b>Value per tick</b>	€20.00
<b>Block Trade Minimum Threshold</b>	5 contracts – subject to a minimum 15-minute reporting window
<b>Termination of Trading</b>	Trading in the contract shall terminate at the close of trading on the last UK business day of the contract month. If such day is not an Exchange business day, trading in the contract shall terminate on the Exchange business day that is immediately prior which is also a UK business day.
<b>CME Globex Matching Algorithm</b>	First in First Out (FIFO)

## Trading and Clearing Hours:

<b>CME Globex and CME ClearPort</b>	Sunday - Friday 5:00 p.m. - 4:00 p.m. (6:00 p.m. - 5:00 p.m. ET) with a 60-minute break each day beginning at 4:00 p.m. (5:00 p.m. ET)
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## Exchange Fees:

	<b>Member</b>	<b>Non-Member</b>
CME Globex	\$3.00	\$6.00
EFP	\$4.00	\$7.00
Block	\$4.00	\$7.00
EFR/EOO	\$4.00	\$7.00
<b>Processing Fees</b>	<b>Member</b>	<b>Non-Member</b>
Cash Settlement	\$4.00	\$7.00
<b>Other Processing Fees</b>	<b>Fee</b>	
Facilitation Fee	\$0.50	
Give-Up Surcharge	\$0.05	
Position Adjustment/Position Transfer	\$0.10	

The Exchange is also notifying the CFTC that it is self-certifying block trading on the Contract with a minimum block threshold of 5 contracts.

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 listing the Contract may have some bearing on the following Core Principles:

- **Availability of General Information:** The Exchange will publish information on the Contract’s specification on its website, together with daily trading volume, open interest and price information.
- **Contracts 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.
- **Compliance with Rules:** Trading in this Contract will be subject to Chapter 4 of the Exchange rules which includes prohibitions against fraudulent, non-competitive, unfair and abusive practices and will be subject to extensive monitoring and surveillance by CME Group’s Market Regulation Department. The Market Regulation Department may use its investigatory and enforcement power where potential rule violations are identified during its regular surveillance reviews.
- **Prevention of Market Disruption:** Trading in the Contract will be subject to the Rules of COMEX which include prohibitions on manipulation, price distortion, and disruption to the cash settlement process. As with any new product listed for trading on a CME Group designated contract market, trading activity in the Contract proposed herein will be subject to 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.

- **Financial Integrity of Contracts:** The Contract traded on the Exchange will be cleared by the CME Clearing House.
- **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 electronic trading venue provides for competitive and open execution of transactions. CME Globex affords the benefits of reliability and global connectivity.
- **Trade Information:** All requisite trade information for the Contract will be included in the audit trail and is sufficient for the Market Regulation Department to monitor for market abuse.
- **Protection of Market Participants:** Chapter 4 contains multiple prohibitions precluding intermediaries from disadvantaging their customers and which apply to trading on all of the Exchange's competitive trading venues.
- **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 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 this product 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. Chapter 6 allows all non-members 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 non-member 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.
- **Daily Publication of Trading Information:** Trading volume, open interest and price information will be published daily on the Exchange's website and via quote vendors.

Pursuant to Section 5c(c) of the Act and CFTC Regulations 40.2(a), the Exchange certifies that the listing of the Contract complies 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 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](mailto:CMEGSubmissionInquiry@cmegroup.com).

Sincerely,

/s/ Christopher Bowen  
 Managing Director and Chief Regulatory Counsel

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

## **Exhibit A**

### **Chapter 971 North European Hot-Rolled Coil Steel (Argus) Futures**

**971100. 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.

**971101. CONTRACT SPECIFICATIONS**

The Floating Price for each contract month is equal to the arithmetic average of all available price assessments published for "HRC ex-works northwest Europe €/t" by Argus Media during the contract month.

**971102. TRADING SPECIFICATIONS**

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

**971102.A. Trading Schedule**

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

**971102.B. Trading Unit**

The contract quantity shall be 20 metric tons. Each contract shall be valued as the contract quantity (20) multiplied by the settlement price.

**971102.C. Price Increments**

Prices shall be quoted in Euros per metric ton. The minimum price fluctuation shall be €1.00 per metric ton. The minimum final settlement price fluctuation shall be €0.01 per metric ton.

**971102.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.

**971102.E. Termination of Trading**

Trading in the contract shall terminate at the close of trading on the last UK business day of the contract month. If such day is not an Exchange business day, trading in the contract shall terminate on the Exchange business day that is immediately prior which is also a UK business day.

**971103. FINAL SETTLEMENT**

Delivery 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.

**971104. DISCLAIMER**

See [NYMEX/COMEX Chapter iv. \("DISCLAIMERS"\)](#) incorporated herein by reference.

**Exhibit B**

**COMEX Rulebook  
Chapter 5  
("Trading Qualifications and Practices")**

**Position Limits, Position Accountability and Reportable Level Table**

(attached under separate cover)

**Exhibit C**

**COMEX Rulebook  
Chapter 5  
("Trading Qualifications and Practices")  
COMEX Rule 588.H. – ("Globex Non-Reviewable Trading Ranges") Table  
(additions underscored)**

Outright					Spreads	
Instrument Name	Globex Symbol	Globex Non-Reviewable Ranges (NRR)	NRR: Globex Format	NRR: Ticks	NRR: Globex Format	NRR: Minimum Outright Ticks
<u>North European Hot-Rolled Coil Steel (Argus) Futures</u>	<u>EHR</u>	<u>€50.00 per metric ton</u>	<u>5000</u>	<u>50</u>	<u>1300</u>	<u>13</u>

## Exhibit D

### Cash Market Overview and Analysis of Deliverable Supply

Commodity Exchange, Inc. (“COMEX” or “Exchange”) is self-certifying the listing of the North European Hot-Rolled Coil Steel (Argus) Futures contract (the “Contract”).

The Contract will be listed for trading on the CME Globex electronic trading platform and for submission for clearing via CME ClearPort.

<b>Contract Title</b>	<b>Commodity Code</b>	<b>COMEX Rulebook Chapter</b>
North European Hot-Rolled Coil Steel (Argus) Futures	EHR	971

In its cash market and deliverable supply analysis, the Exchange has incorporated data from a range of sources as described below.

Argus Media is a leading global provider of energy, metals and agriculture information, and a premier source of benchmark price assessments for those commodity markets. Argus’ assessment methodologies for North European HRC is available on its website<sup>1</sup>. CME Group Inc. (parent company of COMEX) is a party to license agreements with Argus to utilize its pricing data for final settlement of the contract.

The World Steel Association (worldsteel) is a non-profit organization with headquarters in Brussels, Belgium. Worldsteel is an industry association that represents steel producers, national and regional steel industry associations, and steel research institutes. Members represent around 85% of global steel production.

EUROFER is the European steel association. It is headquartered in Brussels, Belgium and represents the interests of the European steel industry.

Final settlement of the futures contract is based on the monthly average of all daily price assessments for Argus “HRC ex-works Northwest Europe”. The methodology refers to HRC steel of the quality S235, with a minimum tonnage of 100 metric tons, dimensions of 1.2-1.6 meters width and 3-7 millimeters thickness. The assessment location basis is northwest Europe (including Germany, Belgium, the Netherlands, Luxemburg, France) excluding the UK and normalized to ex-works Ruhr basis. Transactions included in the assessment have a shipment timing of 2-8 weeks forward. The assessment is made in EUR/MT (Euro per metric ton) and is provided daily at 5pm London time.

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<sup>1</sup> <https://www.argusmedia.com/-/media/Files/methodology/argus-ferrous-markets.ashx>



## CASH MARKET OVERVIEW

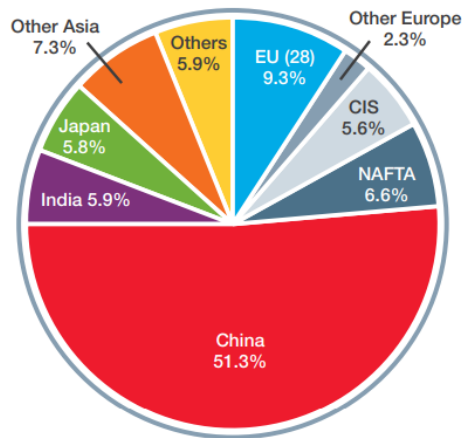
Steel is an alloy of iron and carbon. It can be considered one of the most important engineering and construction material of the global economy. It is used in many applications such as construction, infrastructure, household appliances, automotives, etc. According to worldsteel, the global steel industry sold USD\$2.5 trillion worth of products in 2017<sup>2</sup>. Hot-rolled coil (HRC) refers to a production process in which solidified crude steel in flat form is preheated to a high temperature and then rolled between rotating cylinders to reduce its thickness. HRC is one of the major finished flat steel forms in the global steel industry and the foundation for many steel-based industrial products. HRC can be further processed through a cold rolling mill or coated with zinc (galvanized) to prevent rusting of the material.

Global steel production is dominated by China, which accounts for more than half of total crude steel production. The EU accounts for 9.3% of global crude steel production, and northwest Europe for approx.4%.

Chart 1: Global crude steel production 2018

### Crude steel production

World total: 1 808 million tonnes



Others comprise:

Africa	1.0%	Central and South America	2.5%
Middle East	2.1%	Australia and New Zealand	0.4%

Source: [worldsteel Association, World Steel in Figures, 2019](https://www.worldsteel.org/en/dam/jcr:96d7a585-e6b2-4d63-b943-4cd9ab621a91/World%2520Steel%2520in%2520Figures%25202019.pdf)

<sup>2</sup> <https://www.worldsteel.org/en/dam/jcr:96d7a585-e6b2-4d63-b943-4cd9ab621a91/World%2520Steel%2520in%2520Figures%25202019.pdf>

According to latest available worldsteel annual report, northwest Europe accounted for an average production of 49.6m metric tons of hot-rolled flat products per year (for the period 2015-2017).

Table 1: Production of hot-rolled flat products

m MT	2015	2016	2017	Average (2015-2017)	Percent share
Belgium	8.1	8.1	8.9	8.4	1.1%
Germany	23.8	24.2	24.7	24.2	3.2%
France	10.6	10.2	11.0	10.6	1.4%
Netherlands	6.7	6.3	6.4	6.5	0.9%
Northwest Europe	49.1	48.8	51.0	49.6	6.6%
EU 28	93.3	92.8	96.2	94.1	12.4%
World total	734.7	755.7	782.5	757.6	

Source: [worldsteel Association, Steel Statistical Yearbook 2018](#) (table 13)

EUROFER provides data on the type of finished steel produced in the European union. According to its 2019 report, hot-rolled products represents on average 87% of total flat products produced in the region for the 2016-2018 period (with the remaining production being quarto plates and other flat products).

Table 2: EU total finished steel production by product

m MT	2016	2017	2018	Average (2016-2018)
Total hot-rolled flat products	92.3	95.3	94.7	94.1
of which hot-rolled wide strips	80.0	82.5	82.1	81.6
Percent HRC of total flat products	87%	87%	87%	87%

Source: [EUROFER, 2019 European Steel in Figures](#) (page 18)

Physical trade in steel takes place throughout a complex supply chain involving steel mills, service centers, distributors, merchants and end-users (such as the automotive sector and white goods producers). According to market participants, HRC procurement is either done on a spot basis, using floating index prices or on a fixed price basis for monthly, quarterly, or annual term volumes. The vast majority of term contracts allows buyers to freely re-trade procured volume.

## **ANALYSIS OF DELIVERABLE SUPPLY**

Appendix C to part 38 of the Commission's regulations defines deliverable supply as "the quantity of the commodity meeting the 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."

The Exchange is assessing spot month limits for the contract based on HRC flat steel production data in Germany, the Netherlands, Belgium and France as provided by the worldsteel association and EUROFER. Given that the overall HRC market in Europe is freely tradeable, no adjustment for term contracts is made.

Average annual production volume of flat steel in Northwest Europe amounts to 49.6 million metric tons, or 4.1 million metric tons per month. Because only 87% of flat steel production is HRC, HRC production volume in the region can be estimated at 3.6 million metric tons per month. This is equivalent to 180,000 contracts per month (contract size of 20 MT). The Exchange proposes a spot month position limit of 5,000 contracts, equivalent to 2.8% of deliverable supply.