

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 20-093

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

Filing as a: DCM SEF DCO SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 03/06/20 Filing Description: Initial Listing of the U.S. Midwest Domestic Steel Premium (CRU) 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:



Christopher Bowen
Managing Director and Chief Regulatory Counsel
Legal Department

March 6, 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 U.S. Midwest Domestic Steel Premium (CRU) Futures Contract. COMEX Submission No. 20-093

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 U.S. Midwest Domestic Steel Premium (CRU) Futures contract (the “Contract”) for trading on the CME Globex electronic trading platform and for submission for clearing via CME ClearPort effective Sunday March 22, 2020, for trade date Monday, March 23, 2020, as noted in the table below:

Contract Title	U.S. Midwest Domestic Steel Premium (CRU) Futures
CME Globex/CME ClearPort Commodity Code	HDG
Rulebook Chapter	969
Settlement method	Financial
Floating Price	The Floating Price for each contract month is equal to the average price calculated for all available price assessments published for that given month by CRU Group for U.S. Midwest Hot-Dipped Galvanized Coil (Base) Steel minus the average price calculated for all available price assessments published for that given month by CRU Group for U.S. Midwest Domestic Hot-Rolled Coil Steel.
Contract Size	20 short tons
Listing Schedule	Monthly contracts listed for the current year and the next 3 calendar years. List monthly contracts for a new calendar year following the termination of trading in the December contract of the current year.
First Listed Month	April 2020
Minimum Price Fluctuation	\$1.00 U.S. dollars per short ton
Value per tick	\$20.00
Block Trade Minimum Threshold	5 contracts – subject to a minimum 15-minute reporting window
Termination of Trading	Trading terminates on the business day prior to the last Wednesday of the contract month.
CME Globex Matching Algorithm	First in First Out (FIFO)

Trading and Clearing Hours:

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

	Member	Non-Member
CME Globex	\$1.50	\$3.00
EFP	\$2.00	\$3.50
Block	\$2.00	\$3.50
EFR/EOO	\$2.00	\$3.50
Processing Fees	Member	Non-Member
Cash Settlement	\$2.00	\$3.50
Other Processing Fees	Fee	
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.

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: COMEX Rule 589. (“Special Price Fluctuation Limits and Price Limits”) Table
Exhibit E: Cash Market Overview and Analysis of Deliverable Supply

Exhibit A

COMEX Rulebook

Chapter 969

U.S. Midwest Domestic Steel Premium (CRU) Futures

969100. 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.

969101. CONTRACT SPECIFICATIONS

The Floating Price for each contract month is equal to the average price calculated for all available price assessments published for that given month by CRU Group for U.S. Midwest Hot-Dipped Galvanized Coil (Base) Steel minus the average price calculated for all available price assessments published for that given month by CRU Group for U.S. Midwest Domestic Hot-Rolled Coil Steel.

969102. TRADING SPECIFICATIONS

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

969102.A. Trading Schedule

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

969102.B. Trading Unit

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

969102.C. Price Increments

Prices shall be quoted in multiples of \$1.00 per short ton.

969102.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.

969102.E. Termination of Trading

Trading shall cease on the last business day immediately preceding the last Wednesday of the contract month.

969102.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.

969103. 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 rounded to the nearest \$1.00/short ton.

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>U.S. Midwest Domestic Steel Premium (CRU) Futures</u>	<u>HDG</u>	<u>\$20.00 per ton</u>	<u>2000</u>	<u>20</u>	<u>500</u>	<u>5</u>

Exhibit D

**COMEX Rulebook
Chapter 5
("Trading Qualifications and Practices")
COMEX Rule 589 – ("Special Price Fluctuation Limits and Price Limits") Table
(additions underscored)**

Product	Rulebook Chapter	Commodity Code	Primary/Associated	Associated With	Base in Real Economic Value	Level 1	Level 2	Level 3	Level 4	Level 5
<u>U.S. Midwest Domestic Steel Premium (CRU) Futures</u>	<u>969</u>	<u>HDG</u>	<u>Primary</u>	<u>Primary</u>	<u>\$35</u>	<u>3500</u>	<u>7000</u>	<u>10500</u>	<u>14000</u>	<u>No Limit</u>

Exhibit E

Cash Market Overview and Analysis of Deliverable Supply

Commodity Exchange, Inc. (“COMEX” or “Exchange”) is self-certifying the listing of the U.S. Midwest Domestic Steel Premium (CRU) Futures contract (the “Contract”). The Contract is based on the price of hot-dipped galvanized coil steel (HDG) minus hot-rolled coil steel (HRC) in the U.S. Midwest region. It will be cash settled based on a cash market assessment published by CRU Group, a Price Reporting Agency active in the global ferrous markets. The final settlement price is equal to the assessment for Hot-Dipped Galvanized (Base) minus Hot-Rolled Coil steel. The Contract will be listed for trading on the CME Globex electronic trading platform and for submission for clearing via CME ClearPort.

Contract Title	Commodity Code	Rulebook Chapter
U.S. Midwest Domestic Steel Premium (CRU) Futures	HDG	969

METHODOLOGY & DATA SOURCES

For the **U.S. Midwest Domestic Steel Premium (CRU) Futures** contract, the Exchange considered four components in evaluating deliverable supply:

1. Hot-rolled coil steel production;
2. Hot-rolled coil steel stock data;
3. Hot-rolled coil steel import data
4. Hot-dipped galvanized production.

The Exchange determined to use data collected by the American Iron and Steel Institute, World Steel Association, the U.S. Department of Commerce, and the U.N. Comtrade for its analysis and evaluation of deliverable supply estimates for hot-rolled coil steel (“HRC”) and hot-dipped galvanized coil steel (“HDG”). The World Steel Association publishes annual statistics on HRC production, but does not provide regional granularity. HRC production data is only available until Calendar Year 2017. In order to estimate Midwest HRC production, the ratio of Midwest raw steel production to aggregate U.S. raw steel production will be applied to aggregate U.S. HRC production. To arrive at Midwest HRC inventories, the Exchange applied the same ratio to U.S. HRC inventories published by the U.S. Department of Commerce. The U.N. Comtrade provides global trade statistics and was used to determine U.S. import statistics for HRC. Market participants indicated that approximately 50% of total U.S. HRC imports are destined for the Midwest region over the course of a month, which is consistent with the Midwest share of overall production. Through conversations with market participants the Exchange has learned that approximately 55% of HRC deliverable supply is tied to long-term contractual agreements. Therefore, the Exchange has implemented a 55% haircut to HRC deliverable supply. Data for hot-dipped galvanized (“HDG”) steel production was obtained by the World Steel Association. There was no data for HDG imports and HDG stocks.

American Iron and Steel Institute

AISI serves as the voice of the North American steel industry in the public policy arena and advances the case for steel in the marketplace as the preferred material of choice. AISI also plays a lead role in the development and application of new steels and steelmaking technology. AISI is comprised of 21 member companies, including integrated and electric furnace steelmakers, and approximately 120 associate members who are suppliers to or customers of the steel industry.

The World Steel Association

The World Steel Association (Worldsteel) represents over 160 steel producers (including 9 of the world's 10 largest steel companies), national and regional steel industry associations, and steel research institutes. Worldsteel members cover around 85% of world steel production.¹

U.S. Department of Commerce

The Department of Commerce promotes job creation and economic growth by ensuring fair and reciprocal trade, providing the data necessary to support commerce and constitutional democracy, and fostering innovation by setting standards and conducting foundational research and development².

UN Comtrade

The UN Comtrade provides free access to detailed global trade data. UN Comtrade is a repository of official international trade statistics and relevant analytical tables. It contains annual trade statistics starting from 1962 and monthly trade statistics since 2010.³

PRICE SOURCES⁴

CRU Group⁵

CRU Group is a privately-owned business intelligence company focusing on the global mining, metals and fertilizer markets. It provides benchmark price assessments for those commodity markets as well as consultancy services. CRU Group uses market appropriate methodology to assess prices in the markets it covers. Each methodology is reviewed regularly to ensure that it always meets the needs of market participants and is in line with industry practice.⁶

U.S. STEEL MARKET BACKGROUND

Hot-rolled steel involves rolling crude steel at high temperatures so that it can be shaped and formed easily. HRC is applied to a wide range of uses such as, automobiles, electrical appliances, construction materials, containers, and steel pipes. Typically requiring much less processing than cold rolled steel, HRC is a cheaper option that is ideal where dimensional tolerances aren't as important as overall material strength. Due to the cooling process, the size of the final HRC product can fluctuate⁷. HDG steel is based on HRC steel that is further processed and to which a zinc coating is applied (in the galvanization process). The zinc coating protects the steel from corrosion. "HDG Base" refers to the base price of HDG prior to the application of the zinc coating.

The U.S. Census Bureau defines four census regions and identifies each one with a single-digit census code – Northeast (1), Midwest (2), South (3), and West (4). The Midwest is comprised of twelve states including the Great Lakes states of Illinois, Indiana, Michigan, Minnesota, Ohio and Wisconsin.⁸

¹ <https://www.worldsteel.org/about-us/who-we-are.html>

² <https://www.commerce.gov/about>

³ <https://comtrade.un.org/data/>

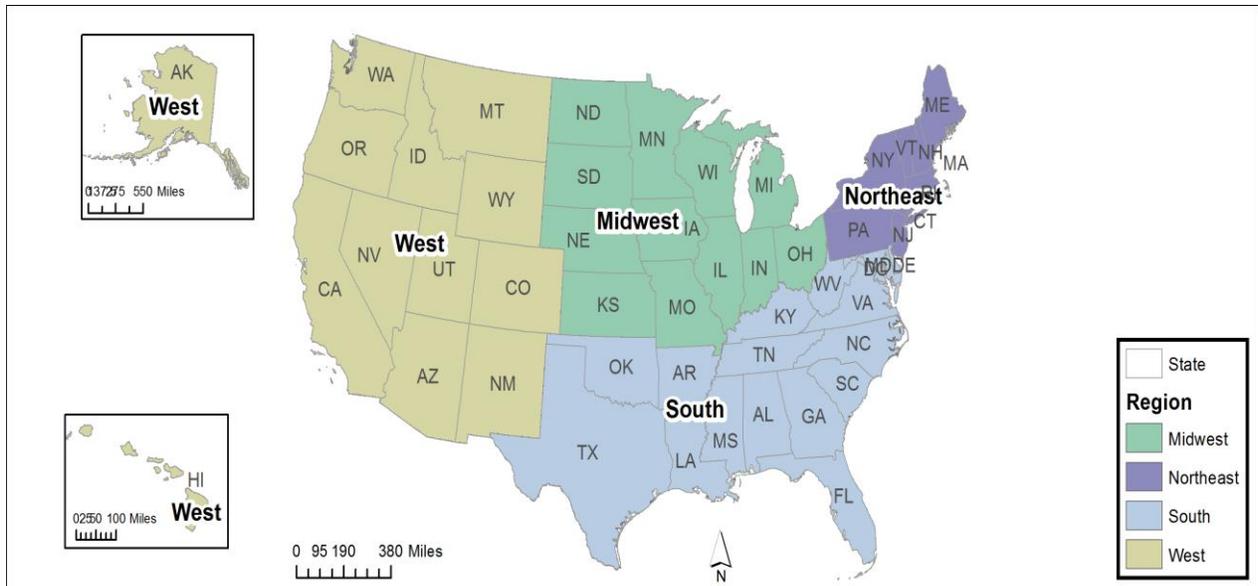
⁴ The Exchange has a license agreement with CRU

⁵ See <https://cruindices.com/>

⁶ The CRU methodology for HRC and HDG may be found under <https://cruprod.blob.core.windows.net/media/3633/cru-prices-methodology-and-definitions-carbon-steel.pdf>

⁷ <https://www.worldsteel.org/>

⁸ <https://www.census.gov/geo/reference/webatlas/regions.html>. Midwest includes North Dakota, South Dakota, Nebraska, Kansas Missouri, Iowa, Minnesota, Wisconsin, Illinois, Michigan, Indiana, Ohio



Source: U.S. Census Bureau

Globally, Asia continues to be the driving source of steel demand as it develops its industrial sector and leads the world in steel consumption. China accounts for 48% of global steel consumption while the U.S. accounts for 6%.⁹ In 2017, the U.S. held approximately 5% market share in the production of hot rolled steel products while China dominated world production with a market share of 66%.¹⁰

PRODUCTION

Steel production and consumption is a global industry consisting of hundreds of counterparts, inclusive of miners, steel mills and physical and financial traders. U.S. Midwest Domestic Hot-Rolled Coil Steel and Hot-Dipped Galvanized Coil Steel is a component of the Hot-Rolled flat steel slate of products.

In 2018, the world produced 1.817 billion tons of crude steel which represented a 5% increase from 2017. This production increase comes predominantly from China which accounted for 51% of global steel production in 2018 and 68% of the global steel production increase from 2017 to 2018.¹¹

On average, the U.S. produced 94.052 million tons of raw steel per year from 2017 to 2019. Raw steel production in the Midwest, including the Great Lakes region, accounted for approximately 47% of total U.S. production in the same time frame¹². As illustrated in Table 1, over the past three years the U.S. has produced an average 20.876 million tons of hot-rolled coil steel. Applying the 47% ratio of overall steel production for the Midwest to hot-rolled coil indicates that 9.895 million tons of aggregate U.S. HRC production, seen in Table 2, was produced in the Midwest.

Table 3 shows an average production volume of HDG steel of 16.374 million tons per year from 2015 to 2017, representing 84% of HRC production.

STOCKS

⁹ <https://www.worldsteel.org/en/dam/jcr:7aa2a95d-448d-4c56-b62b-b2457f067cd9/SSY19%2520concise%2520version.pdf>, Apparent Steel Use, Crude Steel Equivalent, page 15

¹⁰ <https://www.worldsteel.org/en/dam/jcr:7aa2a95d-448d-4c56-b62b-b2457f067cd9/SSY19%2520concise%2520version.pdf>, Production of Hot Rolled Products, page 7

¹¹ <https://www.worldsteel.org/en/dam/jcr:7aa2a95d-448d-4c56-b62b-b2457f067cd9/SSY19%2520concise%2520version.pdf>, Total Production of Crude Steel, page 2

¹² <https://www.steel.org/industry-data> (Bloomberg Codes: AISISPTO; AISISPGL; AISISPMW)

HRC inventories in the U.S have seen drawdowns over the past five years according to the U.S. Department of Commerce. Across 2017-2019, average U.S. inventories stood at 740,667 tons. Table 2 below includes average annual HRC stocks across mills throughout the U.S. for the past three full years. The Exchange applied the 47% ratio to account for Midwest inventories only. Stock data for HDG was not available.

IMPORTS

The Exchange has included imports in its analysis of deliverable supply based on UN Comtrade data for hot-rolled iron or non-alloy steel in coils using HS code 7208¹³. A 50% haircut has been applied to reflect only import material destined for the Midwest. Imports are included as they provide a source of material that is available to suppliers in the Midwest. Across 2017-2019, average U.S. imports stood at 3,222,116 tons per year.

Table 1. Aggregate U.S. Hot-rolled Coil Steel Production¹⁴

Thousand metric tons (MT)					
Year	Aggregate Raw Steel Production - U.S.	Raw Steel Production - Midwest	Midwest Market Share of Aggregate U.S. Steel Production	U.S. HRC Production	U.S. HRC as a percentage of aggregate raw steel production
2015	82,422	40,487	49%	18,702	22.7%
2016	88,328	43,267	49%	19,236	21.8%
2017	90,106	42,795	47%	20,378	22.6%
2018	94,415	44,480	47%	20,771 (e)	22.0% (e)
2019	97,635	46,458	48%	21,480 (e)	22.0% (e)
3-year average	94,052	44,578	47%	20,876	

¹³ <https://comtrade.un.org/data/>

¹⁴ <https://www.steel.org/industry-data> (Bloomberg Codes: AISISPTO; AISISPGL; AISISPMW). US HRC production data was taken from the 2018 Worldsteel annual report https://www.worldsteel.org/en/dam/jcr:e5a8eda5-4b46-4892-856b-00908b5ab492/SSY_2018.pdf. Because HRC production data was not available for 2018 and 2019, exchange staff estimated that HRC production was equal to 22% of raw steel production for 2018 and 2019 based on the ratio in prior years.

Table 2. Midwest Hot-rolled Coil Steel Production, Stocks, and Imports

*1 short ton (U.S. ton) is equivalent to 2,000 pounds and is equal to 0.907 metric tons.

metric tons (MT)								Short tons (ST)*
Year	Midwest HRC Production ¹⁵	Aggregate U.S. Inventories ¹⁶	Estimated Midwest Inventories ¹⁷	Aggregate U.S. Imports ¹⁸	Estimated Midwest Imports ¹⁹	Total Midwest Production, Inventories, & Imports	Total Midwest Production Inventories & Imports – Post 55% Haircut	Deliverable Supply
2017	9,658,395	1,042,250	489,858	3,096,784	1,548,392	11,696,645	5,263,490	5,803,187
2018	9,844,805	629,833	296,022	3,475,960	1,737,980	11,878,806	5,345,463	5,893,564
2019	10,180,559	549,917	258,461	3,093,605	1,546,802	11,985,822	5,393,620	5,946,659
3-year average	9,894,586	740,667	348,113	3,222,116	1,611,058	11,853,758	5,334,191	5,881,137

Table 3. Aggregate U.S. galvanized steel Production²⁰

metric tons (MT)			
Year	U.S. HRC Production	U.S. HDG Production	Ratio HDG/HRC
2015	18,702,000	16,033,000	86%
2016	19,236,000	16,616,000	86%
2017	20,378,000	16,473,000	81%
3-year average	19,438,667	16,374,000	84%

¹⁵ Midwest HRC production estimated at 47% of total U.S. HRC production

¹⁶ U.S. Department of Commerce; Bloomberg Code: USSISPSH Index

¹⁷ Midwest HRC inventories estimated at 47% of total U.S. inventories

¹⁸ <https://comtrade.un.org/data/> (HS code 7208). Note that 2019 import data was not available and was approximated at 11% below 2018 data. According to the latest steel import report from the International Trade Administration published in September 2019, US YTD 2019 steel imports are 11% below YTD 2018 values: <https://www.trade.gov/steel/countries/pdfs/imports-us.pdf>

¹⁹ Midwest HRC imports estimated at 50% of total U.S. imports

²⁰ https://www.worldsteel.org/en/dam/jcr:e5a8eda5-4b46-4892-856b-00908b5ab492/SSY_2018.pdf, table 21 and 24

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."

Deliverable Supply HRC and HDG

In estimating deliverable supply and calculating position limits, the Exchange relied on HRC production, stocks, and imports in the U.S. with aforementioned applicable haircuts. The deliverable supply is calculated as the sum of these three figures. Based on the above analysis, it is estimated that the deliverable supply of HRC is 5,881,137 short tons based on the most recent three-year average from 2017-2019 which equates to 24,505 monthly contract equivalents based on a contract size of 20 short tons per lot. Therefore, the proposed spot month position limit for the U.S. Midwest Hot-rolled Coil Steel is 3,000 contracts which represents 12.24% of the estimated deliverable supply.

Deliverable Supply HRC (ST)	Monthly Contract Equivalent	Spot Month Position Limit Contract Equivalent	% of Deliverable Supply
5,881,137	24,505	3,000	12.24%

Applying the ratio of HDG to HRC production of 84%, the Exchange estimates that the deliverable supply of HDG is equivalent to 84% of the one estimated for HRC.

Deliverable Supply HDG (ST)	Monthly Contract Equivalent	Spot Month Position Limit Contract Equivalent	% of Deliverable Supply
4,940,155	20,584	3,000	14.57%