

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 22-090

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

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

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 04/11/22 **Filing Description:** Initial Listing of the North European Hot-Rolled Coil Steel (Argus) Average Price Option 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:

April 11, 2022

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. Initial Listing of the North European Hot-Rolled Coil Steel (Argus) Average Price Option Contract
 COMEX Submission No. 22-090**

Dear Mr. Kirkpatrick:

Commodity Exchange, Inc. (“COMEX” or “Exchange”) is certifying to the Commodity Futures Trading Commission (“CFTC” or “Commission”) the initial listing of the North European Hot-Rolled Coil Steel (Argus) Average Price Option contract (the “Contract”) for trading on the CME Globex electronic trading platform (“CME Globex”) and for submission for clearing via CME ClearPort, effective Sunday, May 1, 2022 for trade date Monday, May 2, 2022, as more specifically described below.

Contract Title	North European Hot-Rolled Coil Steel (Argus) Average Price Option
Commodity Code	EHO
Rulebook Chapter	979
Underlying Futures Contract/Commodity Code	North European Hot-Rolled Coil Steel (Argus) Steel Futures / EHR
Trading Unit	A North European Hot-Rolled Coil Steel (Argus) Average Price put option traded on the Exchange represents the cash difference between the exercise price and the settlement price of the North European Hot-Rolled Coil Steel (Argus) Futures multiplied by 20, or zero, whichever is greater. A North European Hot-Rolled Coil Steel (Argus) Average Price call option traded on the Exchange represents the cash difference between the settlement price of the North European Hot-Rolled Coil Steel (Argus) Futures and the exercise price multiplied by 20, or zero, whichever is greater.
Settlement Method	Financial
Contract Size	20 metric tons/MT
Price Quotation	Euros per metric ton (EUR/MT)
Minimum Price Fluctuation	1.00 EUR/MT
Value per Tick	20 EUR/MT
Option Exercise Style	European
Listing Schedule	Monthly contracts listed for 18 consecutive months

Initial Listed Contract Month	July 2022
Strike Price Listing Schedule	Minimum 15 strikes at €5.00 per metric ton strike increment above and below the at-the-money strike plus dynamic strikes at €5.00 per metric ton strike increment above and below the highest and lowest pre-listed strikes for the nearest 12 months.
Block Trade Minimum Threshold	5 contracts - subject to a 15-minute reporting window
Termination of Trading	Trading terminates on the last London business day of the contract month. If this is not an U.S. business day, trading terminates on the prior London and U.S. business day.
CME Globex Match Algorithm	F: First-In, First-Out (FIFO)
Trading and Clearing Hours	<p>CME Globex Pre-open: Sunday 4:00 p.m. - 5:00 p.m. Central Time/CT Monday - Thursday 4:45 p.m. - 5:00 p.m. CT</p> <p>CME Globex Open: Sunday 5:00 p.m. - Friday 4:00 p.m. CT with a daily maintenance period from 4:00 p.m. - 5:00 p.m. CT</p> <p>CME ClearPort: Sunday 5:00 p.m. - Friday 4:00 p.m. CT with no reporting Monday - Thursday from 4:00 p.m. - 5:00 p.m. CT</p>

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 the 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 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 not readily susceptible to manipulation and are based on the deep liquidity of the underlying index.
- **Prevention of Market Disruption:** Trading in the Contract will be subject to the Rules of COMEX 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 product 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 on its website information regarding contract specifications, terms and conditions, as well as daily trading volume, open interest and price information for the Contract.
- **Daily Publication of Trading Information:** The Exchange will publish information contract trading volumes, open interest levels, and price information daily on its website and through quote vendors for the Contract.

- **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 for the Contract will be included in the audit trail and is sufficient for the Market Regulation Department to monitor for market abuse.
- **Financial Integrity of Contract:** The Contract 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:** COMEX 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 Contract.
- **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 this Contract 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 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: COMEX Rulebook Chapter 979
Exhibit B: Position Limits, Position Accountability and Reportable Level Table in Chapter 5 of the COMEX Rulebook (attached under separate cover)
Exhibit C: Exchange Fees
Exhibit D: COMEX Rule 588.H. – (“Globex Non-Reviewable Trading Ranges”) Table (blackline format)
Exhibit E: COMEX Rule 300.20 (“Strike Price Listing and Exercise Procedures”) Table
Exhibit F: Cash Market Overview and Analysis of Deliverable Supply

Exhibit A

COMEX Rulebook

Chapter 979

North European Hot-Rolled Coil Steel (Argus) Average Price Option

979100. SCOPE OF CHAPTER

This chapter is limited in application to put and call average price options on North European Hot-Rolled Coil Steel (Argus) futures contracts. In addition to the rules of this chapter, transactions in options on North European Hot-Rolled Coil Steel (Argus) Futures shall be subject to the general rules of the Exchange insofar as applicable

979101. OPTION CHARACTERISTICS

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

979101.A. Trading Schedule

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

979101.B. Trading Units

A North European Hot-Rolled Coil Steel (Argus) Average Price put option traded on the Exchange represents the cash difference between the exercise price and the settlement price of the North European Hot-Rolled Coil Steel (Argus) Futures multiplied by 20, or zero, whichever is greater. A North European Hot-Rolled Coil Steel (Argus) Average Price call option traded on the Exchange represents the cash difference between the settlement price of the North European Hot-Rolled Coil Steel (Argus) Futures and the exercise price multiplied by 20, or zero, whichever is greater.

979101.C. Price Increments

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

979101D. 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.

979101.E. Termination of Trading

The option shall expire at the close of trading on the last day of trading of the underlying North European Hot-Rolled Coil Steel (Argus) Futures contract.

979101.F. Type of Option

The option is a European-style option cash settled on expiration day.

979103. EXERCISE PRICES AND CHARACTERISTICS

Transactions shall be conducted for option contracts as set forth in Rule 300.20.

979104. 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
Exchange Fees

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

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

Rule 588.H. – ("Globex Non-Reviewable Trading Ranges") Table

Instrument	Globex Symbol	Globex Non-Reviewable Ranges (NRR)
<u>North European Hot-Rolled Coil Steel (Argus) Average Price Option</u>	<u>EHO</u>	<u>The greater of the following:</u> <u>•Delta multiplied by the underlying futures non-reviewable range</u> <u>•20% of premium up to ¼ of the underlying futures non-reviewable range</u> <u>•5 ticks</u>

Exhibit E
COMEX Rulebook
Chapter 300
(“Options Contracts”)

Rule 300.20 – (“Strike Price Listing and Exercise Procedures”) Table

Commodity Code	CME Globex Code	Product Name	Product Group	Product Subgroup	Exchange	Rulebook Chapter	Strike Price Listing Rule	Option Style	Contrary Instructions	Exact At-The-Money Characteristics	Underlying Commodity Code	Underlying Product Name
EHO	EHO	North European Hot-Rolled Coil Steel (Argus) Average Price Option	Metals	Ferrous	COMEX	979	Minimum 30 strikes at €5.00 per metric ton strike increment above and below the at-the-money strike plus dynamic strikes at €5.00 per metric ton strike increment above and below the highest and lowest pre-listed strikes for the nearest 12 months. Dynamic strikes only for months 12+ at €5.00 per metric ton strike increment.	European	No	Abandon Calls - Abandon Puts	EHR	North European Hot-Rolled Coil Steel (Argus) Futures

Exhibit F

Cash Market Overview and Analysis of Deliverable Supply

In its cash market and deliverable supply analysis of the North European Hot-Rolled Coil Steel (Argus) Average Price Option contract (the “Contract”), the Exchange has incorporated data from a range of sources as described below.

Argus Media Inc. (“Argus”) 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 are available on its website.¹ 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 hot-rolled coil (“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, Luxembourg, 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.

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 2017.² 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 7.4% of global crude steel production.

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

² <https://worldsteel.org/media-centre/press-releases/2019/world-steel-in-figures-2019-now-available/>

Chart 1: Global crude steel production 2020

Crude steel production
World total: 1 878 million tonnes



Source: [worldsteel association, World Steel in Figures 2021](#)

EUROFER provides data on the type of finished steel produced in the European union. According to its 2021 annual report, hot-rolled coil production amounted to 75.6m MT in the EU over the 2018-2020 period. This represents 86% of total flat steel products, with the remaining portion being quarto plates and other flat products).

Table 1: EU total finished steel production by product

m MT	2018	2019	2020	Average (2018-2020)
Total hot-rolled flat products	95.3	88.8	78.6	87.6
of which hot-rolled wide strips	82.2	76.8	67.7	75.6
Percent HRC of total flat products	86%	86%	86%	86%

Source: [Eurofer, 2021 European Steel in Figures](#)(page 19)

EUROFER also tracks crude steel production by country in the EU. The countries encompassing North-West Europe (Germany, France, the Netherlands, Belgium, Luxembourg) accounted for 44% of the total EU crude steel production.

Table 2: Crude steel production by country

Crude steel production EU	m MT	% of total
Total EU	139.3	100.0%
Germany	35.7	25.6%

France	11.6	8.3%
Belgium	6.1	4.4%
Netherlands	6.1	4.4%
Luxembourg	1.9	1.4%
NW Europe	61.4	44%

Source: [Eurofer, 2021 European Steel in Figures](#)(page 15)

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). Exchange sources have advised that 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 production in Europe during 2018-2020. To account for North West Europe only, the Exchange is adjusting this data based on the share of North West Europe of overall EU production. Based on market participant feedback, the overall HRC market in Europe is freely tradeable and, therefore, no adjustment for term contracts is made.

Average annual production volume of HRC steel in the EU amounts to 75.6 million metric tons, or 6.3 million metric tons per month. Based on its share of crude steel production, Northwest Europe can be estimated at 44% thereof, or 2,772,000 metric tons per month. This is equivalent to 138,600 contracts per month. The Exchange has set the spot month position limit of 5,000 contracts, equivalent to 3.6% of deliverable supply. The Contract will aggregate into the North European HRC futures contract for spot month position limits.