

**SUBMISSION COVER SHEET**

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

Registered Entity Identifier Code (optional): 17-215 (2 of 4)

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): June 22, 2017 Filing Description: Initial Listing of Four (4) Coal Option Contracts with Future-Style Margining

**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:**

June 22, 2017

**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 Initial Listing of Four (4) Coal Option Contracts with Future-Style Margining. NYMEX Submission No. 17-215 (2 of 4)**

Dear Mr. Kirkpatrick:

New York Mercantile Exchange, Inc. (“NYMEX” or “Exchange”) is notifying the Commodity Futures Trading Commission (“CFTC” or “Commission”) that it is self-certifying the initial listing of four (4) coal option contracts (the “Contracts”) for trading on CME Globex electronic trading platform and for submission for clearing via CME ClearPort, effective Sunday, July 9, 2017 for trade date Monday, July 10, 2017, as set forth below.

<b>Contract Title</b>	Coal (API 2) cif ARA (Argus/McCloskey) Future-Style Margined Option on Calendar Futures Strip
<b>Commodity Code</b>	F2C
<b>Rulebook Chapter</b>	1116
<b>Settlement Method</b>	Exercise into futures
<b>Contract Size</b>	1,000 MT (metric tons) per month
<b>Listing Schedule</b>	Annual contracts listed for 2 consecutive years
<b>Minimum Price Fluctuation</b>	\$0.01 per metric ton
<b>Value per Tick</b>	\$120.00
<b>First Listed Months</b>	Calendar year 2018
<b>Block Trade Minimum Threshold</b>	5 contracts
<b>Termination of Trading</b>	Trading terminates 30 calendar days prior to the first calendar day of the first month in the strip at 12:30 pm London Time. If such day is not a UK business day, trading terminates on the preceding UK business day.
<b>Exercise Style</b>	European
<b>Strike Increment</b>	\$0.50
<b>Strike Price Listing Rule</b>	Dynamic strikes only at \$0.50 per metric ton strike increment
<b>Underlying Futures Contract</b>	Coal (API 2) cif ARA (Argus/McCloskey) Futures
<b>CME Globex Matching Algorithm</b>	FIFO

<b>Contract Title</b>	Coal (API 2) cif ARA (Argus/McCloskey) Future-Style Margined Option on Quarterly Futures Strip
<b>Commodity Code</b>	F2Q

<b>Rulebook Chapter</b>	1117
<b>Settlement Method</b>	Exercise into futures
<b>Contract Size</b>	1,000 MT (metric tons) per month
<b>Listing Schedule</b>	Quarterly contracts listed for 10 consecutive quarters
<b>Minimum Price Fluctuation</b>	\$0.01 per metric ton
<b>Value per Tick</b>	\$30.00
<b>First Listed Months</b>	Fourth Quarter 2017
<b>Block Trade Minimum Threshold</b>	5 contracts
<b>Termination of Trading</b>	Trading terminates 30 calendar days prior to the first calendar day of the first month in the strip at 12:30 pm London Time. If such day is not a UK business day, trading terminates on the preceding UK business day.
<b>Exercise Style</b>	European
<b>Strike Increment</b>	\$0.50
<b>Strike Price Listing Rule</b>	Dynamic strikes only at \$0.50 per metric ton strike increment
<b>Underlying Futures Contract</b>	Coal (API2) cif ARA (Argus/McCloskey) Futures
<b>CME Globex Matching Algorithm</b>	FIFO

<b>Contract Title</b>	Coal (API 4) fob Richards Bay (Argus/McCloskey) Future-Style Margined Option on Calendar Futures Strip
<b>Commodity Code</b>	F4C
<b>Rulebook Chapter</b>	1118
<b>Settlement Method</b>	Exercise into futures
<b>Contract Size</b>	1,000 MT (metric tons) per month
<b>Listing Schedule</b>	Annual contracts listed for 2 consecutive years
<b>Minimum Price Fluctuation</b>	\$0.01 per metric ton
<b>Value per Tick</b>	\$120.00
<b>First Listed Months</b>	Calendar year 2018
<b>Block Trade Minimum Threshold</b>	5 contracts
<b>Termination of Trading</b>	Trading terminates 30 calendar days prior to the first calendar day of the first month in the strip at 12:30 pm London Time. If such day is not a UK business day, trading terminates on the preceding UK business day.
<b>Exercise Style</b>	European
<b>Strike Increment</b>	\$0.50
<b>Strike Price Listing Rule</b>	Dynamic strikes only at \$0.50 per metric ton strike increment
<b>Underlying Futures Contract</b>	Coal (API4) FOB Richards Bay (Argus/McCloskey) Futures
<b>CME Globex Matching Algorithm</b>	FIFO

<b>Contract Title</b>	Coal (API 4) fob Richards Bay (Argus/McCloskey) Future-Style Margined Option on Quarterly Futures Strip
<b>Commodity Code</b>	F4Q
<b>Rulebook Chapter</b>	1119
<b>Settlement Method</b>	Exercise into futures
<b>Contract Size</b>	1,000 MT (metric tons) per month
<b>Listing Schedule</b>	Quarterly contracts listed for 10 consecutive quarters
<b>Minimum Price Fluctuation</b>	\$0.01 per metric ton
<b>Value per Tick</b>	\$30.00
<b>First Listed Months</b>	Fourth Quarter 2017

<b>Block Trade Minimum Threshold</b>	5 contracts
<b>Termination of Trading</b>	Trading terminates 30 calendar days prior to the first calendar day of the first month in the strip at 12:30 pm London Time. If such day is not a UK business day, trading terminates on the preceding UK business day.
<b>Exercise Style</b>	European
<b>Strike Increment</b>	\$0.50
<b>Strike Price Listing Rule</b>	Dynamic strikes only at \$0.50 per metric ton strike increment
<b>Underlying Futures Contract</b>	Coal (API4) FOB Richards Bay (Argus/McCloskey) Futures
<b>CME Globex Matching Algorithm</b>	FIFO

**Trading and Clearing Hours:**

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

Coal (API 2) cif ARA (Argus/McCloskey) Future-Style Margined Option on Calendar Futures Strip  
Coal (API 4) fob Richards Bay (Argus/McCloskey) Future-Style Margined Option on Calendar Futures Strip

<b>Exchange Fees</b>	<b>Member</b>	<b>Non-Member</b>	<b>International Incentive Programs (IIP/IVIP)</b>
CME Globex	\$12.00	\$18.00	\$15.00
EFP	\$12.00	\$18.00	
Block	\$12.00	\$18.00	
EFR/EOO	\$12.00	\$18.00	

<b>Processing Fees</b>	<b>Member</b>	<b>Non-Member</b>
Futures from Exercise/Assignment	\$5.00	\$7.00
	<b>House Account</b>	<b>Customer Account</b>
Option Exercise/Assignment Notice	\$0.40	\$0.85

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

Coal (API 2) cif ARA (Argus/McCloskey) Future-Style Margined Option on Quarterly Futures Strip  
Coal (API 4) fob Richards Bay (Argus/McCloskey) Future-Style Margined Option on Quarterly Futures Strip

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<b>Exchange Fees</b>	<b>Member</b>	<b>Non-Member</b>	<b>International Incentive Programs (IIP/IVIP)</b>
CME Globex	\$3.00	\$4.50	\$3.75
EFP	\$3.00	\$4.50	
Block	\$3.00	\$4.50	
EFR/EOO	\$3.00	\$4.50	

<b>Processing Fees</b>	<b>Member</b>	<b>Non-Member</b>
Futures from Exercise/Assignment	\$5.00	\$7.00
	<b>House Account</b>	<b>Customer Account</b>
Option Exercise/Assignment Notice	\$0.40	\$0.85

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

The Contracts are margined “future-style” and have an earlier exercise time on the expiration day than the existing “equity-style” margined coal options. On expiration day, the options will cease trading at 12:30 p.m. London time. The Exchange will auto-exercise the options with reference to the intraday price assessments for coal markets provided by the London Energy Brokers’ Association (“LEBA”). Participants will have the possibility to submit contra-instructions in accordance with the Exchange rules up to 2:30 p.m. London time on expiration day.

The Exchange is also notifying the CFTC that it is self-certifying the insertion of the terms and conditions for the contracts into the Position Limit, Position Accountability and Reportable Level Table and Header Notes located in the Interpretations and Special Notices Section of Chapter 5 of the NYMEX Rulebook in relation to the listing of the new contracts. The terms and conditions establish the all month/any one-month accountability levels, expiration month position limit, reportable level, and aggregation allocation for the new contract. Please see Appendix B, attached under separate cover.

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

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

**Compliance with Rules:** Trading in the Contracts will be subject to the rules in Rulebook Chapter 4 which includes prohibitions against fraudulent, noncompetitive, unfair and abusive practices. Additionally, trading in these contracts 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 products will be subject to extensive monitoring and surveillance by CME Group’s Market Regulation Department. The Market Regulation

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Department has the authority to exercise its investigatory and enforcement power where potential rule violations are identified.

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

**Prevention of Market Disruption:** Trading in the Contracts will be subject to Rulebook Chapters 4 and 7 which include prohibitions on manipulation, price distortion and disruptions of the delivery or cash-settlement process. As with all products listed for trading on one of CME Group's designated contract markets, activity in the new products will be subject to extensive monitoring and surveillance by CME Group's Market Regulation Department.

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

**Availability of General Information:** The Exchange will publish information on the Contracts' specifications on its website, together with daily trading volume, open interest and price information. In addition, the Exchange will advise the marketplace of the launch of the Contracts by releasing a Special Executive Report ("SER"). The SER will also be posted on CME Group's website.

**Daily Publication of Trading Information:** The Exchange shall make public daily information on settlement prices, volume, open interest, and opening and closing ranges for actively traded contracts on the contract market.

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

**Trade Information:** All required trade information is included in the audit trail and is sufficient for the Market Regulation Department to monitor for market abuse.

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

**Protection of Market Participants:** Rulebook Chapters 4 and 5 contain multiple prohibitions precluding intermediaries from disadvantaging their customers. These rules apply to trading on all of the Exchange's competitive trading venues and will be applicable to transactions in these products.

**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 these contracts 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 Contracts 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 Contracts 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](mailto:CMEGSubmissionInquiry@cmegroup.com).

Sincerely,

/s/ Christopher Bowen  
Managing Director and Chief Regulatory Counsel

Attachments: Appendix A: NYMEX Rulebook Chapters 1116,1117,1118,1119  
Appendix B: Position Limits, Position Accountability and Reportable Level Table in Chapter 5 of the NYMEX Rulebook (attached under separate cover)  
Appendix C: NYMEX Rule 588.H. – (“Globex Non-Reviewable Trading Ranges”) Table  
Appendix D: Cash Market Overview and Analysis of Deliverable Supply

## Appendix A

### **NYMEX Rulebook**

#### **Chapter 1116**

### **Coal (API 2) cif ARA (Argus/McCloskey) Future-Style Margined Option on Calendar Futures Strip**

#### **1116100. SCOPE OF CHAPTER**

This chapter is limited in application to put and call Coal (API 2) cif ARA (Argus/McCloskey) Future-Style Margined Options on Calendar Futures Strip on the Coal (API 2) cif ARA (Argus/McCloskey) Futures contract. In addition to the rules of this chapter, transactions in the Coal (API 2) cif ARA (Argus/McCloskey) Future-Style Margined Option on Calendar Futures Strip shall be subject to the general rules of the Exchange insofar as applicable.

#### **1116101. OPTION CHARACTERISTICS**

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

##### **1116101.A. Trading Schedule**

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

##### **1116101.B. Trading Unit**

The Coal (API 2) cif ARA (Argus/McCloskey) Future-Style Margined Option on Calendar Futures Strip is an option on the Coal (API 2) cif ARA (Argus/McCloskey) Futures contract. On expiration of a call option, the long position will be assigned twelve consecutive long futures months beginning with the underlying month of the Coal (API 2) cif ARA (Argus/McCloskey) Futures contract at the strike price. On exercise of a put option, the long position will be assigned twelve consecutive short futures months beginning with the underlying month of the Coal (API 2) cif ARA (Argus/McCloskey) Futures contract at the strike price.

##### **1116101.C. Price Increments**

Prices and strike prices shall be quoted in U.S. dollars and cents per metric ton. The minimum price fluctuation shall be \$0.01 per metric ton (\$120.00 per contract). Trading in the option contract shall not be subject to price fluctuation limitations.

##### **1116101.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.

##### **1116101.E. Termination of Trading**

The Expiration Day shall be 30 calendar days prior to the first calendar day of the first calendar month in the strip of deliverable futures. If such day is not a London business day, the Expiration Day shall be the first preceding London business day. Trading shall cease at 12:30 p.m. London time on the Expiration Day.

##### **1116101.F. Type Option**

Option contracts may be exercised on the Expiration Day only. Notice of exercise must be delivered by a Clearing Member to the Clearing House not later than 2:30 p.m. London time on the Expiration Day. The option shall be available for automatic exercise. The in-the-money value of the option shall be based on a methodology to be published by the Exchange that reflects markets prices at the termination of trading of a contract.

##### **1116101.G. Settlement Variation and Option Value**

This contract is a future-style margin option. Settlement variation rules for futures-style margin options conform to those set forth for non-options stipulated in NYMEX Rule 814. As such, when a clearing member or its customers is long or short any amount of any commodity for a settlement cycle, as indicated by Clearing House records, settlement for any outstanding exposure shall be made with the Clearing House based on the settlement price for that settlement cycle. For futures-style margin options, each clearing member and its customers shall pay to, or collect from, the



Clearing House any loss or profit, as the case may be, represented by the difference between (x) the settlement price of the futures-style margin option for such settlement cycle and (y) the settlement price of the futures-style margin option for the prior settlement cycle (or, for the first settlement cycle after the purchase/sale of such option, the price at which the option was purchased or sold).

**1116102. EXERCISE PRICES**

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

**1116103. DISCLAIMER**

The Coal (API 2) cif ARA (Argus/McCloskey) Future-Style Margined Option on Calendar Futures Strip (the "Product") is not sponsored, endorsed, sold or promoted by Argus Media Inc. ("Argus") or IHS Global Ltd. ("IHS"). Argus and IHS make no representation or warranty, express or implied, to the owners of the Product or any member of the public regarding the advisability of trading in the Product. Argus' and IHS' only relationship to Chicago Mercantile Exchange Inc., CME Clearing Europe Ltd. and New York Mercantile Exchange, Inc. (together, "CME") is the licensing of certain trademarks and trade names of Argus and IHS, and of the API 2 and API 4 indexes (which are determined, composed and calculated by Argus and IHS without regard to CME or the Product), and Argus and IHS have no obligation to take the needs of CME or the owners of the Product into consideration in determining, composing or calculating the API 2 and API 4 indexes. Argus and IHS are not responsible for and have not participated in the determination of the timing of, prices at, or quantities of the Product to be listed or in the determination or calculation of the equation by which the Product is to be converted into cash. Argus and IHS have no obligation or liability in connection with the administration, marketing or trading of the Product.

ARGUS, IHS AND CME DO NOT GUARANTEE THE ACCURACY AND/OR THE COMPLETENESS OF THE API 2 AND API 4 INDEXES OR ANY DATA RELATED THERETO AND NEITHER ARGUS, IHS, NOR CME SHALL HAVE ANY LIABILITY FOR ANY ERRORS, OMISSIONS, OR INTERRUPTIONS THEREIN. ARGUS, IHS AND CME MAKE NO WARRANTY, EXPRESS OR IMPLIED, AS TO RESULTS TO BE OBTAINED BY CME, OWNERS OF THE PRODUCT, OR ANY OTHER PERSON OR ENTITY FROM THE USE OF THE API 2 AND API 4 INDEXES OR ANY DATA RELATED THERETO. ARGUS, IHS, AND CME MAKE NO EXPRESS OR IMPLIED WARRANTIES, AND EXPRESSLY DISCLAIM ALL WARRANTIES, OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE WITH RESPECT TO THE API 2 AND API 4 INDEXES OR ANY DATA RELATED THERETO. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT SHALL ARGUS, IHS, OR CME HAVE ANY LIABILITY FOR ANY DAMAGES WHATSOEVER, WHETHER DIRECT OR INDIRECT, INCLUDING WITHOUT LIMITATION, LOST PROFITS OR INDIRECT, PUNITIVE, SPECIAL OR CONSEQUENTIAL DAMAGES (INCLUDING LOST PROFITS), EVEN IF NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES. THERE ARE NO THIRD PARTY BENEFICIARIES OF ANY AGREEMENTS OR ARRANGEMENTS BETWEEN ARGUS, IHS, AND CME.

Without prejudice to any of the above provisions and in addition to them, each and every third party should and must note that, insofar as New York Mercantile Exchange, Inc. ("NYMEX") may list any index for trading in or in connection or by reference therewith, none of:

- a. NYMEX;
- b. its directors or officers; or
- c. any relevant party that NYMEX may contract with for the supply of the index or information in relation thereto;

(each of the foregoing, a "Relevant Party") assume any obligation or liability in connection with the trading of any contract based on such index. Accordingly, no Relevant Party shall be in any way responsible for any losses, expenses or damages (in all cases direct or indirect) arising in connection with or referable to the trading of any contract linked or referable to the said index, provided that nothing herein shall affect either the obligations of NYMEX or its Members as Parties trading in any contract so linked or referable. None of the Relevant Parties guarantee or warrant or undertake in any manner the accuracy or completeness of any such index or any information or data included in or referable to it.

NONE OF THE RELEVANT PARTIES MAKE ANY WARRANTY OR GIVES ANY GUARANTEE OR UNDERTAKING, EXPRESS OR IMPLIED, AS TO THE ACCURACY OR COMPLETENESS OF, OR THE RESULTS TO BE OBTAINED BY ANY PERSON OR ENTITY FROM THE USE OF ANY SUCH INDEX, AND PROXY RELATED OR REFERABLE THERETO OR ANY INFORMATION OR DATA INCLUDED IN OR REFERABLE TO IT IN CONNECTION WITH ANY TRADING OR ANY CONTRACTS OR FOR ANY OTHER USE. NONE OF THE RELEVANT PARTIES MAKE ANY

EXPRESS OR IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE WITH RESPECT TO ANY SUCH INDEX, ANY RELATED OR REFERABLE THERETO OR ANY INFORMATION OR DATA INCLUDED IN OR REFERABLE TO ANY SUCH INDEX.

## Chapter 1117

### Coal (API 2) cif ARA (Argus/McCloskey) Future-Style Margined Option on Quarterly Futures Strip

#### 1117100. SCOPE OF CHAPTER

This chapter is limited in application to put and call Coal (API 2) cif ARA (Argus/McCloskey) Future-Style Margined Options on Quarterly Futures Strip on the Coal (API 2) cif ARA (Argus/McCloskey) Futures contract. In addition to the rules of this chapter, transactions in the Coal (API 2) cif ARA (Argus/McCloskey) Future-Style Margined Option on Quarterly Futures Strip shall be subject to the general rules of the Exchange insofar as applicable.

#### 1117101. OPTION CHARACTERISTICS

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

##### 1117101.A. Trading Schedule

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

##### 1117101.B. Trading Unit

The Coal (API 2) cif ARA (Argus/McCloskey) Future-Style Margined Option on quarterly Futures Strip is an option on the Coal (API 2) cif ARA (Argus/McCloskey) Futures contract. On expiration of a call option, the long position will be assigned three consecutive long futures months beginning with the underlying month of the Coal (API 2) cif ARA (Argus/McCloskey) Futures contract at the strike price. On exercise of a put option, the long position will be assigned three consecutive short futures months beginning with the underlying month of the Coal (API 2) cif ARA (Argus/McCloskey) Futures contract at the strike price.

##### 1117101.C. Price Increments

Prices and strike prices shall be quoted in U.S. dollars and cents per metric ton. The minimum price fluctuation shall be \$0.01 per metric ton (\$30.00 per contract). Trading in the option contract shall not be subject to price fluctuation limitations.

##### 1117101.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.

##### 1117101.E. Termination of Trading

The Expiration Day shall be 30 calendar days prior to the first calendar day of the first calendar month in the strip of deliverable futures. If such day is not a London business day, the Expiration Day shall be the first preceding London business day. Trading shall cease at 12:30 p.m. London time on the Expiration Day.

##### 1117101.F. Type Option

Option contracts may be exercised on the Expiration Day only. Notice of exercise must be delivered by a Clearing Member to the Clearing House not later than 2:30 p.m. London time on the Expiration Day. The option shall be available for automatic exercise. The in-the-money value of the option shall be based on a methodology to be published by the Exchange that reflects markets prices at the termination of trading of a contract.

##### 1117101.G. Settlement Variation and Option Value

This contract is a future-style margin option. Settlement variation rules for futures-style margin options conform to those set forth for non-options stipulated in NYMEX Rule 814. As such, when a clearing member or its customers is long or short any amount of any commodity for a settlement cycle, as indicated by Clearing House records, settlement for any outstanding exposure shall be made with the Clearing House based on the settlement price for that settlement cycle. For futures-style margin options, each clearing member and its customers shall pay to, or collect from, the Clearing House any loss or profit, as the case may be, represented by the difference between (x) the settlement price of the futures-style margin option for such settlement cycle and (y) the settlement price of the futures-style margin option for the prior settlement cycle (or, for the first settlement cycle after the purchase/sale of such option, the price at which the option was purchased or sold).

**1117102. EXERCISE PRICES**

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

**1117103. DISCLAIMER**

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## Chapter 1118

### Coal (API 4) fob Richards Bay (Argus/McCloskey) Future-Style Margined Option on Calendar Futures Strip

#### 1118100. SCOPE OF CHAPTER

This chapter is limited in application to put and call Coal (API 4) fob Richards Bay (Argus/McCloskey) Future-Style Margined Options on Calendar Futures Strip on the Coal (API 4) fob Richards Bay (Argus/McCloskey) Futures contract. In addition to the rules of this chapter, transactions in the Coal (API 4) fob Richards Bay (Argus/McCloskey) Future-Style Margined Option on Calendar Futures Strip shall be subject to the general rules of the Exchange insofar as applicable.

#### 1118101. OPTION CHARACTERISTICS

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

##### 1118101.A. Trading Schedule

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

##### 1118101.B. Trading Unit

The Coal (API 4) fob Richards Bay (Argus/McCloskey) Future-Style Margined Option on Calendar Futures Strip is an option on the Coal (API 4) fob Richards Bay (Argus/McCloskey) Futures contract. On expiration of a call option, the long position will be assigned twelve consecutive long futures months beginning with the underlying month of the Coal (API 4) fob Richards Bay (Argus/McCloskey) Futures contract at the strike price. On exercise of a put option, the long position will be assigned twelve consecutive short futures months beginning with the underlying month of the Coal (API 4) fob Richards Bay (Argus/McCloskey) Futures contract at the strike price.

##### 1118101.C. Price Increments

Prices and strike prices shall be quoted in U.S. dollars and cents per metric ton. The minimum price fluctuation shall be \$0.01 per metric ton (\$120.00 per contract). Trading in the option contract shall not be subject to price fluctuation limitations.

##### 1118101.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.

##### 1118101.E. Termination of Trading

The Expiration Day shall be 30 calendar days prior to the first calendar day of the first calendar month in the strip of deliverable futures. If such day is not a London business day, the Expiration Day shall be the first preceding London business day. Trading shall cease at 12:30 p.m. London time on the Expiration Day.

##### 1118101.F. Type Option

Option contracts may be exercised on the Expiration Day only. Notice of exercise must be delivered by a Clearing Member to the Clearing House not later than 2:30 p.m. London time on the Expiration Day. The option shall be available for automatic exercise. The in-the-money value of the option shall be based on a methodology to be published by the Exchange that reflects markets prices at the termination of trading of a contract.

##### 1118101.G. Settlement Variation and Option Value

This contract is a future-style margin option. Settlement variation rules for futures-style margin options conform to those set forth for non-options stipulated in NYMEX Rule 814. As such, when a clearing member or its customers is long or short any amount of any commodity for a settlement cycle, as indicated by Clearing House records, settlement for any outstanding exposure shall be made with the Clearing House based on the settlement price for that settlement cycle. For futures-style margin options, each clearing member and its customers shall pay to, or collect from, the Clearing House any loss or profit, as the case may be, represented by the difference between (x) the settlement price of the futures-style margin option for such settlement cycle and (y) the settlement price of the futures-style margin option for the prior settlement cycle (or, for the first settlement cycle after the purchase/sale of such option, the price at which the option was purchased or sold).

**1118102. EXERCISE PRICES**

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

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## Chapter 1119

### Coal (API 4) fob Richards Bay (Argus/McCloskey) Future-Style Margined Option on Quarterly Futures Strip

#### 1119100. SCOPE OF CHAPTER

This chapter is limited in application to put and call Coal (API 4) fob Richards Bay (Argus/McCloskey) Future-Style Margined Options on Quarterly Futures Strip on the Coal (API4) FOB Richards Bay (Argus/McCloskey) Futures contract. In addition to the rules of this chapter, transactions in the Coal (API 4) fob Richards Bay (Argus/McCloskey) Future-Style Margined Option on Quarterly Futures Strip shall be subject to the general rules of the Exchange insofar as applicable.

#### 1119101. OPTION CHARACTERISTICS

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

##### 1119101.A. Trading Schedule

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

##### 1119101.B. Trading Unit

The Coal (API 4) fob Richards Bay (Argus/McCloskey) Future-Style Margined Option on Quarterly Futures Strip is an option on the Coal (API4) FOB Richards Bay (Argus/McCloskey) Futures contract. On expiration of a call option, the long position will be assigned three consecutive long futures months beginning with the underlying month of the Coal (API4) FOB Richards Bay (Argus/McCloskey) Futures contract at the strike price. On exercise of a put option, the long position will be assigned three consecutive short futures months beginning with the underlying month of the Coal (API4) FOB Richards Bay (Argus/McCloskey) Futures contract at the strike price.

##### 1119101.C. Price Increments

Prices and strike prices shall be quoted in U.S. dollars and cents per metric ton. The minimum price fluctuation shall be \$0.01 per metric ton (\$30.00 per contract). Trading in the option contract shall not be subject to price fluctuation limitations.

##### 1119101.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.

##### 1119101.E. Termination of Trading

The Expiration Day shall be 30 calendar days prior to the first calendar day of the first calendar month in the strip of deliverable futures. If such day is not a London business day, the Expiration Day shall be the first preceding London business day. Trading shall cease at 12:30 p.m. London time on the Expiration Day.

##### 1119101.F. Type Option

Option contracts may be exercised on the Expiration Day only. Notice of exercise must be delivered by a Clearing Member to the Clearing House not later than 2:30 p.m. London time on the Expiration Day. The option shall be available for automatic exercise. The in-the-money value of the option shall be based on a methodology to be published by the Exchange that reflects markets prices at the termination of trading of a contract.

##### 1119101.G. Settlement Variation and Option Value

This contract is a future-style margin option. Settlement variation rules for futures-style margin options conform to those set forth for non-options stipulated in NYMEX Rule 814. As such, when a clearing member or its customers is long or short any amount of any commodity for a settlement cycle, as indicated by Clearing House records, settlement for any outstanding exposure shall be made with the Clearing House based on the settlement price for that settlement cycle. For futures-style margin options, each clearing member and its customers shall pay to, or collect from, the Clearing House any loss or profit, as the case may be, represented by the difference between (x) the settlement price of the futures-style margin option for such settlement cycle and (y) the settlement price of the futures-style margin option for the prior settlement cycle (or, for the first settlement cycle after the purchase/sale of such option, the price at which the option was purchased or sold).

**1119102. EXERCISE PRICES**

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

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**Appendix B**

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

(attached under separate cover)

## Appendix C

### NYMEX Rule 588.H. – (“Globex Non-Reviewable Trading Ranges”) Table

(additions are underscored)

Instrument	Bid/Ask Reasonability	Non-Reviewable Range (NRR)
<u>Coal (API 2) cif ARA (Argus/McCloskey) Future-Style Margined Option on Calendar Futures Strip</u>	<u>The greater of the delta times the underlying futures' non-reviewable range or 20% of the fair value premium up to the underlying futures' non-reviewable range with a minimum reasonability of \$0.30</u>	<u>The greater of delta times the underlying futures non-reviewable range or 20% of premium up to 1/4 of the underlying futures' non- reviewable range with a minimum of 1 tick</u>
<u>Coal (API 2) cif ARA (Argus/McCloskey) Future-Style Margined Option on Quarterly Futures Strip</u>	<u>The greater of the delta times the underlying futures' non-reviewable range or 20% of the fair value premium up to the underlying futures' non-reviewable range with a minimum reasonability of \$0.30</u>	<u>The greater of delta times the underlying futures non-reviewable range or 20% of premium up to 1/4 of the underlying futures' non- reviewable range with a minimum of 1 tick</u>
<u>Coal (API 4) fob Richards Bay (Argus/McCloskey) Future-Style Margined Option on Calendar Futures Strip</u>	<u>The greater of the delta times the underlying futures' non-reviewable range or 20% of the fair value premium up to the underlying futures' non-reviewable range with a minimum reasonability of \$0.30</u>	<u>The greater of delta times the underlying futures non-reviewable range or 20% of premium up to 1/4 of the underlying futures' non- reviewable range with a minimum of 1 tick</u>
<u>Coal (API 4) fob Richards Bay (Argus/McCloskey) Future-Style Margined Option on Quarterly Futures Strip</u>	<u>The greater of the delta times the underlying futures' non-reviewable range or 20% of the fair value premium up to the underlying futures' non-reviewable range with a minimum reasonability of \$0.30</u>	<u>The greater of delta times the underlying futures non-reviewable range or 20% of premium up to 1/4 of the underlying futures' non- reviewable range with a minimum of 1 tick</u>

## Appendix D

### Cash Market Overview and Analysis of Deliverable Supply

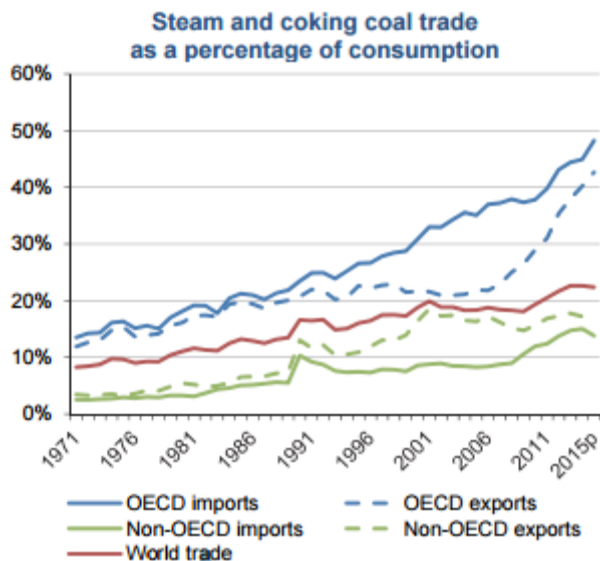
#### CASH MARKET OVERVIEW

##### Coal as a Traded Commodity

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

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

Thermal coal, also known as steam coal, is a globally traded commodity. Thermal coal is burned to generate electricity. Coal is usually transported by truck, train or barge within the domestic markets, but for international trade, dry-bulk seaborne vessels are used, primarily handysize, panamax, and capesize vessels. International trade has played an increasing role to meet local coal demand, as may be seen from below chart<sup>1</sup>:



Some sub-bituminous coal prior to 1978 is unintentionally excluded.  
Calculations are based on energy, not tonnage.

<sup>1</sup> Source: International Energy Agency, <https://www.iea.org/publications/freepublications/publication/KeyCoalTrends.pdf>

The two major thermal coal markets are the Atlantic and Pacific markets. In the Atlantic, the main importers are Western European countries, such as the UK, Germany and Spain. In the Pacific market, import demand comes mainly from Japan, China, South Korea and Taiwan. India is also a major importer from both Atlantic and Pacific suppliers. Tables 1,2 and 3 show the world's most important coal producing, exporting and importing countries:

**Table 1: Top Steam Coal Producers (2014e) (million tons)**

Source: World Coal Association<sup>2</sup>

Country	Production
PR China	3,180
USA	769
India	570
South Africa	251
Australia	246
Russia	190
Kazakhstan	94
Colombia	84
Poland	61
Vietnam	36

**Table 2: Top Coal Exporters (2014) (million tons)**

Source: World Coal Association<sup>3</sup>

Country	Total	of which	
		Steam	Coking
Indonesia	410	408	2
Australia	375	195	180
Russia	155	133	22
USA	88	31	57
Colombia	80	79	1
South Africa	76	76	0
Canada	35	4	31

<sup>2</sup> [http://www.worldcoal.org/file\\_validate.php?file=Coal%20Facts%202015.pdf](http://www.worldcoal.org/file_validate.php?file=Coal%20Facts%202015.pdf)

<sup>3</sup> <https://www.worldcoal.org/coal/coal-market-pricing>

**Table 3: Top Coal Importers (2013E) (million tons)**Source: World Coal Association<sup>4</sup>

Country	Total	of which	
		Steam	Coking
PR China	292	229	63
India	239	189	50
Japan	188	137	51
South Korea	131	97	34
Chinese Taipei	67	60	7
Germany	57	47	10
UK	41	35	6

**North West Europe Coal Market**

The API 2 coal index is a price assessment for steam coal in North West Europe. North West Europe is an active market for coal, with the ports of Amsterdam, Rotterdam and Antwerp (“ARA”) being the major pricing reference point and Europe’s largest coal import hub. The European Sea Ports Organisation collates port throughput data for European ports. Import data for coal at these ports is shown in Table 4.

**Table 4: ARA Ports Coal imports**Source: European Sea Ports Organisation<sup>5</sup>, million metric tons

	2013	2014	2015
<b>Amsterdam</b>	20.3	23.1	n/a
<b>Antwerp</b>	2.1	1.2	1.6
<b>Rotterdam</b>	30.4	29.9	30.4

The main participant countries in the ARA region are Germany, UK, Netherlands, France, and Belgium. The US Energy Information Administration compiles data for coal production, consumption, imports, exports

<sup>4</sup> <https://www.worldcoal.org/coal/coal-market-pricing>

<sup>5</sup> [http://www.espo.be/media/pages/ESPO%20-%20Seaports%20Traffic%20Data%20up%20to%20Q4-2015%20\(update%20of%202016-04-21\).xlsx](http://www.espo.be/media/pages/ESPO%20-%20Seaports%20Traffic%20Data%20up%20to%20Q4-2015%20(update%20of%202016-04-21).xlsx) or <http://www.espo.be/index.php/fact-and-figures>

and stocks for these countries, as shown in the tables below. At the date of writing, this data is only available up to calendar year 2014.

**Table 5: Production, Consumption, Imports and Exports of Primary Coal from Belgium, France, Germany, Netherlands and the UK**

Source: EIA, 1,000 short tons<sup>6</sup>

	(in 1,000 ST)	2012	2013	2014	2012-2014 average
Production	Belgium	0	0	0	
	France	0	0	0	
	Germany	217,144	210,493	205,597	211,078
	<i>of which Bituminous<sup>7</sup></i>	<i>10,527</i>	<i>1,623</i>	<i>1,731</i>	<i>4,627</i>
	Netherlands	0	0	0	
	United Kingdom	18,703	13,969	12,839	15,170
	<i>of which Bituminous</i>	<i>16,620</i>	<i>12,212</i>	<i>11,200</i>	<i>13,344</i>
Consumption	Belgium	5,738	5,578	4,982	
	France	17,569	19,511	14,441	
	Germany	271,234	272,161	264,633	
	Netherlands	14,143	14,325	16,140	
	United Kingdom	70,580	66,608	53,462	
Imports	Belgium	5,924	5,825	5,665	5,805
	France	17,562	18,855	14,634	17,017
	Germany	54,051	59,896	62,859	58,935
	Netherlands	26,892	46,088	52,142	41,707
	United Kingdom	49,401	54,456	46,038	49,965

<sup>6</sup> <https://www.eia.gov/beta/international/data/browser/#/?vs=INTL.44-1-AFRC-QBTU.A&vo=0&v=H&start=1980&end=2014>

<sup>7</sup> For the years 2010-2012, bituminous coal production data was not available directly via the EIA website – we refer to <https://knoema.com/atlas/Germany/topics/Energy/Coal/Production-of-Bituminous-Coal> and <https://knoema.com/atlas/United-Kingdom/topics/Energy/Coal/Production-of-Bituminous-Coal> which also uses EIA data

	Total	153,830	185,120	181,338	173,429
Exports	Belgium	691	659	614	
	France	195	211		
	Germany	687	474	1,521	
	Netherlands	15,126	29,772	34,453	
	United Kingdom	538	654	469	

Eurostat, the European Union's statistic agency, publishes coal import data broken down by coal type. This data is summarized in Table 6.

**Table 6: North West Europe Coal Imports by Type of Coal**

Source: Eurostat, Terajoules<sup>8</sup>

TJ	2011	2012	2013	2014	2015	Average 2012-2014	Average 2013-2015
Other Bituminous Coal	2,466,275	2,911,491	3,526,285	3,324,606	3,248,598	3,254,127	3,366,496
Coking Coal	758,073	767,295	775,956	829,426	654,514	790,892	753,299
Other Coal <sup>9</sup>	93,114	102,499	117,890	135,316	162,924	118,568	138,710
Total	3,317,462	3,781,285	4,420,131	4,289,348	4,066,036	4,163,588	4,258,505
million MT <sup>10</sup>	2011	2012	2013	2014	2015	Average 2012-2014	Average 2013-2015
Other Bituminous Coal	84	99	120	113	111	111	115
Coking Coal	26	26	26	28	22	27	25
Other Coal	3	3	4	5	6	4	5
Total	113	129	151	146	139	142	145
Bituminous as % of total	74%	77%	79%	77%	80%	78%	79%

<sup>8</sup> [http://ec.europa.eu/eurostat/en/web/products-datasets/-/NRG\\_110A](http://ec.europa.eu/eurostat/en/web/products-datasets/-/NRG_110A). North West Europe includes France, Germany, UK, the Netherlands and Belgium

<sup>9</sup> Other coal comprises brown coal briquettes, charcoal, coal tar, lignite/brown coal, solid biofuels and sub-bituminous coal.

<sup>10</sup> TJ was converted into million MT using a ratio of 1,000 MT of coal equivalent = 29.3076 TJ as per <https://unstats.un.org/unsd/energy/balance/conversion.htm>

## South African Coal Market

The API 4 coal index is a price assessment for steam coal exported from South Africa. As shown in Table 1 and 2 above, South Africa is major coal producing and exporting country. US Energy Information Administration data for South Africa is shown in the following table.

**Table 7: Production, Consumption, Imports and Exports of Primary Coal in South Africa**

Source: EIA, 1,000 short tons<sup>11</sup>

(in 1,000 ST)	2010	2011	2012	2013	2014	Average 2012- 2014
Production	283,521	278,616	285,031	282,812	288,142	285,328
<i>of which bituminous</i> <sup>12</sup>	278,276	275,802	282,921	275,098	280,286	279,435
Consumption	201,418	194,735	204,801	203,601	201,202	203,201
Imports	419	882	891	2,164	2,376	1,810
Exports	78,035	77,881	84,540	83,527	86,055	84,707

The port of Richards Bay is the primary export port for coal in South Africa. Volume of coal exported from Richards Bay in recent years is as follows.

**Table 8: Richards Bay Coal Exports**

(million metric tons)

Source: Richards Bay Coal Terminal Proprietary Limited<sup>13</sup>

	2009	2010	2011	2012	2013	2014
Exports tonnage	61.1	63.4	65.5	68.3	70.2	71.3

<sup>11</sup> <https://www.eia.gov/beta/international/data/browser/#/?vs=INTL.44-1-AFRC-QBTU.A&vo=0&v=H&start=1980&end=2014>

<sup>12</sup> Pre 2013, bituminous coal production data was extracted from <https://knoema.com/atlas/South-Africa/topics/Energy/Coal/Production-of-Bituminous-Coal>, which also uses EIA data

<sup>13</sup> <http://www.rbct.co.za/wp-content/uploads/2014/12/2015-IHS-Energy-South-African-Coal-Exports-Conference.pdf>



## ANALYSIS OF DELIVERABLE SUPPLY

The Exchange is planning to launch four new options contracts. For the purposes of assessing position limits, the existing spot month position limits for the API2 and API4 futures contracts, into which these new options shall aggregate for position limit/position accountability level purposes, remain below 25% of estimated deliverable supply as indicated below. Positions in the new API 2 option contracts (F2C and F2Q) will be aggregated into positions for the corresponding underlying futures contract, i.e. the Coal (API2) CIF ARA (ARGUS-McCloskey) Futures (commodity code MTF, NYMEX rule chapter 926). Positions in the new API 4 option contracts (F4C and F4Q) will be aggregated into positions in the Coal (API4) FOB Richards Bay (ARGUS-McCloskey) Futures (commodity code MFF, NYMEX rule chapter 928). Please note that the options herein are set to expire 30 calendar days prior to the first calendar day of the first calendar month in the strip of deliverable futures.

The API 2 coal price assessment is for steam coal available in the North West Europe region. The Exchange's analysis of deliverable supply is based on the production and imports amounts reported by EIA. Table 5 shows total coal production in the North West Europe region, with bituminous coal shown separately where relevant. Out of the region, coal is only mined in Germany and the UK. Table 5 above shows that production of bituminous coal in the region was on average 17.9 million short tons per annum for the period 2012-2014 (4.6m ST produced in Germany and 13.3m ST produced in the UK). One short ton is the equivalent of 0.9072 metric tons, therefore this production figure is the equivalent of 16.3 million metric tons. Table 5 also shows that North West Europe coal imports were on average 173.4 million short tons per annum across the region in the time period 2012-2014. This figure represents all types of coal. The data in Table 6 shows that of these imports, steam coal – represented as 'Other Bituminous Coal' - is 78% of the total during the period 2012-2014 and 79% during the period 2013-2015. We calculate steam coal imports as 78% of 173.4 million short tons, or 134.9 million short tons. In metric tons, this is equivalent to 122.4 million metric tons. The deliverable supply can therefore be assessed as the sum of production and import volumes, which is 138.7 million metric tons per annum for the period 2012-2014 (122.4m MT import plus 16.3m MT production). This is equivalent to 11.6 million metric tons per calendar month. The contract size of the Coal (API2) CIF ARA (ARGUS-McCloskey) Futures contract is 1,000 metric tons. The spot month position limit for the futures contract, which is set at 2,000 lots, or the equivalent of 2.0 million metric tons per calendar month, represents 17.2% of the estimated deliverable supply.

The API 4 coal price assessment is for steam coal exported from South Africa. The Exchange's analysis of deliverable supply is based on the South African production amounts reported by EIA. Whilst South Africa has a substantial internal consumption of steam coal, there is also a substantial export market, and all domestic supply can be considered available to be deliverable into an export contract. Table 7 above shows that production of bituminous coal in South Africa was on average 279.4 million short tons per annum

for the period 2012-2014. One short ton is the equivalent of 0.9072 metric tons, therefore this production figure is the equivalent of 253.5 million metric tons.

Given the relatively large domestic supply for coal, it is anticipated that South African imports are for specific purposes, and therefore unlikely to be available for re-export. The deliverable supply can therefore be assessed as the production volumes, which is 253.5 million metric tons per annum for the period 2012-2014. This is the equivalent of 21.1 million metric tons per calendar month. The contract size of the Coal (API4) FOB Richards Bay (ARGUS-McCloskey) Futures contract is 1,000 metric tons. The spot month position limit for the futures contract, which is set at 2,500 lots, or the equivalent of 2.5 million metric tons per calendar month, represents 11.8% of the estimated deliverable supply.