

**SUBMISSION COVER SHEET**

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

Registered Entity Identifier Code (optional): 14-470

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): November 20, 2014 Filing Description: Listing of the New Iron Ore 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

Official Product Name: Iron Ore 58% Fe, Low Alumina, CFR China (TSI) Futures

**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:

November 20, 2014

**VIA ELECTRONIC PORTAL**

Christopher J. Kirkpatrick  
Office of the Secretariat  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21st Street, N.W.  
Washington, D.C. 20581

**RE: CFTC Regulation 40.2(a) Certification. Notification Regarding the Initial Listing of Iron Ore Futures Contract. NYMEX Submission No. 14-470**

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 listing of a new iron ore futures contract (the “Contract”) described below for trading on CME Globex and the NYMEX trading floor, and for submission for clearing through CME ClearPort, effective on Sunday, December 7, 2014 for trade date Monday, December 8, 2014.

Product Name	Commodity Code	NYMEX Rule Chapter
Iron Ore 58% Fe, Low Alumina, CFR China (TSI) Futures	TIC	1107

Pursuant to Commission Regulation 40.6(a), NYMEX is separately self-certifying block trading on these contracts with a minimum threshold of 10 contracts as listed in NYMEX/COMEX Submission No. 14-482.

The Contract specifications are as follows:

<b>Contract Name</b>	Iron Ore 58% Fe, Low Alumina, CFR China (TSI) Futures
<b>Contract Size</b>	500 dry metric tons
<b>Termination of Trading</b>	Last business day of the contract month. Business days are based on the Singapore Public Holiday calendar.
<b>Minimum Price Fluctuation</b>	\$0.01 per dry metric ton
<b>Final Settlement Price Tick</b>	\$0.01 per dry metric ton
<b>Settlement Type</b>	Financial
<b>Value per Tick</b>	\$5.00
<b>First Listed Month</b>	January 2015
<b>Listing Convention</b>	CME Globex, CME ClearPort and Open Outcry: Current Year and next 2 years

- **Trading Hours:**

Open Outcry: Monday – Friday 9:00 a.m. – 2:30 p.m. (8:00 a.m. – 1:30 p.m. Chicago Time/CT).  
 CME Globex and CME ClearPort: Sunday – Friday 6:00 p.m. – 5:15 p.m. (5:00 p.m. – 4:15 p.m. Chicago Time/CT) with a 45-minute break each day beginning at 5:15 p.m. (4:15 p.m. CT).

- **Trading and Clearing Fees:**

Exchange Fees					
	Member Day	Member	Cross Division	Non-Member	IIP
<b>Pit</b>	\$9.00	\$9.00	\$4.50	\$10.00	
<b>Globex</b>	\$4.00	\$4.00	\$2.00	\$5.00	\$4.50
<b>ClearPort</b>		\$9.00		\$10.00	
<b>Agency Cross</b>		\$8.00		\$9.00	

Other Processing Fees		
	Member	Non-Member
<b>Cash Settlement</b>	\$1.00	\$1.00
<b>Facilitation Desk Fee</b>	\$0.20	

The Exchange is also notifying the CFTC that it is self-certifying the insertion of the terms and conditions for the new futures contract 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 Contract. These terms and conditions establish the all month/any one month accountability levels, expiration month position limit, reportable level, diminishing balance and aggregation allocation for the Contracts.

In addition, the Exchange is self-certifying the insertion of the non-reviewable ranges (“NRR”) for the Contracts into Rule 588.H. These amendments are described in Appendix C.

The Exchange reviewed the designated contract market core principles (“Core Principles”) as set forth in the Commodity Exchange Act (“Act” or “CEA”). During the review, NYMEX staff identified that the Contract 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 the futures 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 products 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.
- **Contracts not Readily Susceptible to Manipulation:** The new product is not readily subject to manipulation due to the deep liquidity and robustness in the underlying cash market, which provides diverse participation and sufficient spot transactions.
- **Prevention of Market Disruption:** Trading in the Contract will be subject to the Rules of NYMEX 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 spot-month speculative position limits for the Contract are set at less than the threshold of 25% of the deliverable supply in the respective underlying market.
- Availability of General Information: The Exchange will publish information on the Contract's specifications on its website, together with daily trading volume, open interest, and price information.
- 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.
- Financial Integrity of Contracts: 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.
- Execution of Transactions: The Contract will be listed for trading on CME Globex and the NYMEX trading floor and for clearing through the CME ClearPort platform. The CME ClearPort platform provides a competitive, open and efficient mechanism for novating transactions that are competitively executed by brokers. The CME Globex electronic trading platform provides for a competitive and open execution of transactions due to its advanced functionality, high reliability and global connectivity. Establishing non-reviewable trading ranges for Globex trades in the products facilitate price discovery in the products by encouraging narrow bid/ask spreads. In addition, the NYMEX trading floor continues to be available as a trading venue and provide for competitive and open execution of transactions.
- 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.
- 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 the subject contracts.
- 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 subject 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 this contract are identified.
- Dispute Resolution: Disputes with respect to trading in these Contracts will be subject to the arbitration provisions set forth in Chapter 6 of the Rulebook. Chapter 6 allows 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 Chapter 6. Additionally, the Exchange requires that members resolve all disputes concerning transactions on the Exchange via arbitration.

Pursuant to Section 5c(c) of the Act and CFTC Regulation 40.2(a), the Exchange hereby certifies that the attached contract complies with the Act, including regulations under the Act. A description of the cash market for these new products is attached in Appendix D.

The Exchange certifies that this submission has been concurrently posted on the Exchange's website at <http://www.cmegroup.com/market-regulation/rule-filings.html>.

Should you have any questions concerning the above, please contact the undersigned at (212) 299-2200 or via e-mail at [Christopher.Bowen@cmegroup.com](mailto:Christopher.Bowen@cmegroup.com).

Sincerely,

/s/ Christopher Bowen  
Managing Director and Chief Regulatory Counsel

Attachments: Appendix A: Rule Chapter  
Appendix B: Position Limit, Position Accountability, and Reportable Level Table in  
Chapter 5 of the NYMEX Rulebook (attached under separate cover)  
Appendix C: Rule 588.H – Globex Non-Reviewable Range Table  
Appendix D: Cash market overview and analysis of deliverable supply

## **Appendix A**

### **Chapter 1107**

#### **Iron Ore 58% Fe, Low Alumina, CFR China (TSI) Futures**

##### **1107100. 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.

##### **1107101. CONTRACT SPECIFICATIONS**

The Floating Price for each contract month is equal to the arithmetic average of all available price assessments published for “Iron ore fines 58% Fe, low alumina – CFR China” in the given calendar month by The Steel Index.

##### **1107102. TRADING SPECIFICATIONS**

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

###### **1107102.A. Trading Schedule**

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

###### **1107102.B. Trading Unit**

The contract quantity shall be five hundred (500) dry metric tons. Each contract shall be valued as the contract quantity multiplied by the settlement price.

###### **1107102.C. Price Increments**

Prices shall be quoted in U.S. Dollars and Cents per dry metric ton. The minimum price fluctuation shall be \$0.01 per dry metric ton.

###### **1107102.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.

###### **1107102.E. Termination of Trading**

Trading shall cease on the last business day of the contract month. Business days are based on the Singapore Public Holiday calendar.

##### **1107103. FINAL SETTLEMENT**

Final settlement under the contract shall be by cash settlement. Final settlement, following termination of trading for a contract month, will be based on the Floating Price. The final settlement price will be the Floating Price calculated for each contract month.

##### **1107104. DISCLAIMER**

NEITHER CME GROUP INC., NEW YORK MERCANTILE EXCHANGE, INC. NOR ANY OF THEIR AFFILIATES (COLLECTIVELY “CME”) NOR THE STEEL INDEX (“TSI”) GUARANTEES THE ACCURACY AND/OR COMPLETENESS OF THE INDEX OR ANY OF THE DATA INCLUDED THEREIN. NEITHER CME NOR TSI MAKE ANY WARRANTIES, EXPRESS OR IMPLIED, AS TO THE RESULTS TO BE OBTAINED BY ANY PERSON OR ENTITY FROM USE OF THE INDEX, TRADING BASED ON THE INDEX, OR ANY DATA INCLUDED THEREIN IN CONNECTION WITH THE TRADING OF THE CONTRACTS, OR, FOR ANY OTHER USE. NEITHER CME NOR TSI MAKE ANY WARRANTIES, EXPRESS OR IMPLIED, AND EACH HEREBY DISCLAIMS ALL WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE WITH RESPECT TO THE INDEX OR ANY DATA INCLUDED THEREIN. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT SHALL CME OR

TSI HAVE ANY LIABILITY FOR ANY LOST PROFITS OR INDIRECT, PUNITIVE, SPECIAL OR CONSEQUENTIAL DAMAGES (INCLUDING LOST PROFITS), EVEN IF NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES.

## **Appendix B**

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

(Attached under separate cover)



## Appendix C

### NYMEX Rule 588.H. Non-Reviewable Range Table

<b>Instrument</b>	<b>Non-Reviewable Range (NRR) in Globex format</b>	<b>NRR including Unit of Measure</b>	<b>NRR Ticks</b>
Iron Ore 58% Fe, Low Alumina, CFR North China (TSI) Futures	200	\$2.00 per dry metric ton	200

## Appendix D

### Cash Market Overview and Analysis of Deliverable Supply

#### Background on the Underlying Physical Markets

##### Price Sources: TSI

##### **TSI**

TSI is a leading price information provider for key steel, scrap, coking coal and iron ore products around the world. Having more than 500 registered companies as data provider, TSI's prices are based on actual spot market transaction data. Transaction price data is collected from companies involved throughout the steel, scrap and iron ore supply chains using secure web-based technology that allows them to input price data on a confidential basis. TSI's prices are used for market intelligence, index-linking and ferrous derivatives/futures. CME is a party to license agreements with TSI to utilize their pricing data.

##### Iron Ore Market

Steel making is vital to all industrial economies and its production requires access to iron units. Iron (Fe) is a relatively abundant mineral and easily extracted, but it is capital intensive to mine and freight constrained to transport due to its high shipping cost relative to price. Iron ore is produced, consumed, and exported by many nations, but primary ore exports are concentrated in Australia, Brazil, and India. In 2012, China accounted for about 46% of total global steel production and has been responsible for the majority of production growth for the entire industry in the last decade. Largely because of this, world iron ore production grew from 1.16 billion tons in 2003 to 1.86<sup>1</sup> billion tons in 2012.

China as the biggest consumer imports ore from many countries – predominately Australia, India and Brazil. The largest volume comes from Australia. As shown in table 1 below, the iron ore production of Australia, Brazil and India is presented. The data is provided by the World Steel Association and is available via Bloomberg terminal. For the period of year 2010 to 2012, the three countries together produced an average of 1 billion metric tons of iron ore per year.

Table 1: Iron Ore Production (1,000 Metric Tons)<sup>2</sup>

<b>Year</b>	<b>Australia Iron Ore Production</b>	<b>Brazil Iron Ore Production</b>	<b>India Iron Ore Production</b>
2008	555,100	346,000	223,000
2009	460,800	305,000	218,600
2010	575,000	372,000	212,000
2011	526,200	397,000	169,700
2012	469,400	367,000	155,000
2010-2012 Average	525,533	378,667	178,900

<sup>1</sup> The Iron Ore Market, United Nations Conference on Trade and Development, Table A1, p.118.

<sup>2</sup> Bloomberg code for Australia iron ore production provided by The World Steel Association: PNIOHAUS Index  
Bloomberg code for Australia iron ore production provided by The World Steel Association: PNIOHBRZ Index  
Bloomberg code for Australia iron ore production provided by The World Steel Association: PNIOHIND Index

From the same data source, Table 2 below shows the annual China imports of iron ore from 2008 to 2012. The imports has been growing rapidly and for the three-year period of 2010-2012, the average annual imports was approximately 683,609 thousand metric ton. This equals to 56,967 thousand metric tons of import per month.

Table 2: China Imports of Iron Ore (1,000 Metric Tons)<sup>3</sup>

<b>Year</b>	<b>China Iron Ore Imports</b>
2008	443,588
2009	627,779
2010	618,645
2011	686,747
2012	745,434
2010-2012 Average	683,609

---

<sup>3</sup> Bloomberg code for China Imports of Iron Ore provided by The World Steel Association: IMIOHCHN Index

## **ANALYSIS OF DELIVERABLE SUPPLY**

The proposed new futures contract is based off TSI assessments for 58% Fe iron ore with low alumina content. The contract size of the proposed Iron Ore 58% Fe, Low Alumina, CFR China (TSI) Futures is 500 metric tons.

In table 2, the China imports of iron ore was presented. As stated above, the average import during the last three years was 683,609 thousand metric tons per year, or 56,967 thousand metric tons per month. This equals to 113,934 contract equivalents, for the contract size of 500 metric tons per lot. Note that the World Steel Association data does not provide the granularity on the different grade of iron ore. However, based on the feedbacks acquired from multiple market participants, a market share of 30% for 58% Fe content ore is suggested. The Staff hence proposes the spot month limits to be 7,500 contract equivalents, which is approximately 21.9% of the monthly deliverable supply of iron ore in the market.