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OFFICE OF THE  
SECRETARIAT

March 10, 2011

**VIA E-MAIL**

Mr. David Stawick  
Office of the Secretariat  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21st Street, N.W.  
Washington, D.C. 20581

**Re: Rule Certification. New York Mercantile Exchange, Inc. Submission# 11-085: Notification Regarding the Listing of Two (2) Iron Ore Average Price Option Contracts for Trading on the NYMEX Trading Floor and for Clearing through CME ClearPort®**

Dear Mr. Stawick:

The New York Mercantile Exchange, Inc. ("NYMEX" or the "Exchange") is notifying the Commodity Futures Trading Commission ("CFTC" or "Commission") that it is self-certifying the listing of two (2) iron ore average price option contracts for trading on the NYMEX trading floor and for clearing through CME ClearPort. These new option contracts will be listed on the Exchange effective Sunday, March 13, 2011 for trade date Monday, March 14, 2011.

The product specifications are as follows:

Contract Name	Iron Ore 62% Fe, CFR China (TSI) Average Price Option	Iron Ore 62% Fe, CFR North China (Platts) Average Price Option
Code	ICT	ICP
Contract Unit	500 dry metric tons	1,000 dry metric tons
Underlying Futures	Iron Ore 62% Fe, CFR China (TSI) Swap Futures (TIO) (500 Dry Metric Tons)	Iron Ore 62% Fe, CFR North China (Platts) Swap Futures (PIO) (1,000 Dry Metric Tons)
Price Quotation	U.S. dollars and cents per dry metric ton	U.S. dollars and cents per dry metric ton
Minimum Price Tick	\$0.01	\$0.01
Settlement Tick	\$0.01	\$0.01
First Listed Month	April 2011	April 2011
Listing Period	24 consecutive months	24 consecutive months
Termination of Trading	Trading terminates on the last business day of the contract month. If the last business day of the contract month is a UK banking holiday, the last trade date will be the business day immediately preceding the holiday	Trading terminates on the last business day of the contract month. If the last business day of the contract month is a UK banking holiday, the last trade date will be the business day immediately preceding the holiday
Strike Prices	three (3) fifty-cent increment strike prices above and below the at-the-money strike price available for trading in all option contract months	three (3) fifty-cent increment strike prices above and below the at-the-money strike price available for trading in all option contract months
Settlement Index	TSI	Platts
Rule Chapter	644	645

### Trading Hours

- Open Outcry: Monday – Friday 9:00 AM to 2:30 PM (8:00 AM to 1:30 PM CT)
- 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)

### Fees

#### Iron Ore 62% Fe, CFR China (TSI) Average Price Option (ICT)

Exchange Fees					
	Member Day	Member	Cross Division	Non-Member	IIP
Pit	N/A	\$9.00	\$9.50	\$10.00	
Globex	N/A	N/A	N/A	N/A	N/A
ClearPort		\$9.00		\$10.00	

Processing Fees		
	Member	Non-Member
Cash Settlement	\$1.00	\$1.00
Futures from E/A	N/A	N/A
	House Account	Customer Account
Options E/A Notice	N/A	N/A
Delivery Notice	N/A	N/A

Additional Fees and Surcharges	
EFS Surcharge	N/A
Block Surcharge	N/A
Facilitation Desk Fee	\$1.00

ClearPort Volume Discount Program - Exchange Fees			
	Volume Threshold	Disc. Member Rate	Disc. Non-Member Rate
ClearPort	1,000	\$8.00	\$9.00

Note: Clearing Processing Fees (e.g. Give Up Surcharge, Position Adjustment, Position Transfer) will be applied when fee waiver is lifted for all products.

#### Iron Ore 62% Fe, CFR North China (Platts) Average Price Option (ICP)

Exchange Fees					
	Member Day	Member	Cross Division	Non-Member	IIP
Pit	N/A	\$18.00	\$19.00	\$20.00	
Globex	N/A	N/A	N/A	N/A	N/A
ClearPort		\$18.00		\$20.00	

Processing Fees		
	Member	Non-Member
Cash Settlement	\$1.00	\$1.00
Futures from E/A	N/A	N/A
	House Account	Customer Account
Options E/A Notice	N/A	N/A
Delivery Notice	N/A	N/A

Additional Fees and Surcharges	
EFS Surcharge	N/A
Block Surcharge	N/A
Facilitation Desk Fee	\$1.00

<b>ClearPort Volume Discount Program - Exchange Fees</b>			
	<b>Volume Threshold</b>	<b>Disc. Member Rate</b>	<b>Disc. Non-Member Rate</b>
<b>ClearPort</b>	500	\$16.00	\$18.00

*Note: Clearing Processing Fees (e.g. Give Up Surcharge, Position Adjustment, Position Transfer) will be applied when fee waiver is lifted for all products.*

The Exchange will allow the exchange for related position (EFRP) transactions to be submitted through CME ClearPort. EFRP transactions in these futures contracts will be governed by the provisions of Exchange Rule 538.

Pursuant to Section 5c(c) of the Commodity Exchange Act ("Act") and CFTC Rules 40.2 and 40.6, the Exchange hereby certifies that the attached contracts comply with the Act, including regulations under the Act. There were no substantive opposing views to this proposal. This submission will be made effective on trade date March 14, 2011.

Should you have any questions concerning the above, please contact Robert Biolsi at (212) 299-2610 or the undersigned at (212) 299-2207.

Sincerely,

---

/s/ Felix Khalatnikov  
Dir & Assoc General Counsel

Attachments: Contract terms and conditions  
Cash Market Overview and Analysis of Deliverable Supply

## Chapter 644

### Iron Ore 62% Fe, CFR China (TSI) Average Price Option

#### 644.01 TYPE OF OPTION

An Iron Ore 62% Fe, CFR China (TSI) Average Price Option is a European-style average price option cash settled on expiration day.

#### 644.02 TRADING UNIT

An Iron Ore 62% Fe, CFR China (TSI) Average Price Option is a cash settled option. On expiration of a call option, the value will be the difference between the final settlement price of the contract month of the underlying Iron Ore 62% Fe, CFR China (TSI) Swap Futures contract and the strike price multiplied by 500 tons, or zero, whichever is greater. On expiration of a put option, the value will be the difference between the strike price and the final settlement price of the contract month of the underlying Iron Ore 62% Fe, CFR China (TSI) Swap Futures contract multiplied by 500 tons, or zero, whichever is greater.

#### 644.03 PRICES

Prices shall be quoted in dollars and cents per dry metric ton. The minimum price increment will be \$.01. A cabinet trade may occur at the price of \$.002 per dry metric ton or \$1.00.

#### 644.04 EXPIRATION

An Iron Ore 62% Fe, CFR China (TSI) Average Price Option shall expire on the last business day of the contract month. If the last business day of the contract month is a UK banking holiday, the last-trade date shall be the business day immediately preceding the holiday.

#### 644.05 STRIKE PRICES

Trading shall be conducted for options with strike prices in increments as set forth below.

(A) On the first business day of trading in an option contract month, trading shall be at the following strike prices: (i) the previous day's settlement price for the Iron Ore 62% Fe, CFR China (TSI) Swap Futures contract in the corresponding contract month rounded off to the nearest fifty-cent increment strike price unless such settlement price is precisely midway between two (2) fifty-cent increment strike prices, in which case it shall be rounded off to the lower fifty-cent increment strike price and (ii) the three (3) fifty-cent increment strike prices which are three (3) fifty-cent increments higher than the strike price described in section (i) of this Rule 644.05 (A); and (iii) the three (3) fifty-cent increment strike prices which are three (3) fifty-cent increments lower than the strike price described in section (i) of this Rule 644.05 (A).

(B) Thereafter, on any business day prior to the expiration of the option (i) new consecutive fifty-cent increment strike prices for both puts and calls will be added such that at all times there will be at least three (3) fifty-cent increment strike prices above and below the at-the-money strike price available for trading in all options contract months.

(C) Notwithstanding, the provisions of subsections (A) and (B) of this Rule, if the Exchange determines that trading in Iron Ore 62% Fe, CFR China (TSI) Average Price Options will be facilitated thereby, the Exchange may, by resolution, change the increments between strike prices, the number of strike prices which shall be traded on the first day in any new option contract month, the number of new strike prices which will be introduced on each business day or the period preceding the expiration of an Iron Ore 62% Fe, CFR China (TSI) Average Price Option in which no new strike prices may be introduced.

#### 644.06 TRADING MONTHS

Trading in the contract shall be conducted in the months determined by the Exchange.

#### 644.07 ABSENCE OF PRICE FLUCTUATION

Trading in the contract shall not be subject to price fluctuation limitations.

## Chapter 645

### Iron Ore 62% Fe, CFR North China (Platts) Average Price Option

#### 645.01 TYPE OF OPTION

An Iron Ore 62% Fe, CFR North China (Platts) Average Price Option is a European-style average price option cash settled on expiration day.

#### 645.02 TRADING UNIT

An Iron Ore 62% Fe, CFR North China (Platts) Average Price Option is a cash settled option. On expiration of a call option, the value will be the difference between the final settlement price of the contract month of the underlying Iron Ore 62% Fe, CFR North China (Platts) Swap Futures contract and the strike price multiplied by 1,000 tons, or zero, whichever is greater. On expiration of a put option, the value will be the difference between the strike price and the final settlement price of the contract month of the underlying Iron Ore 62% Fe, CFR North China (Platts) Swap Futures contract multiplied by 1,000 tons, or zero, whichever is greater.

#### 645.03 PRICES

Prices shall be quoted in dollars and cents per dry metric ton. The minimum price increment will be \$.01. A cabinet trade may occur at the price of \$.001 per dry metric ton or \$1.00.

#### 645.04 EXPIRATION

An Iron Ore 62% Fe, CFR North China (Platts) Average Price Option shall expire on the last business day of the contract month. If the last business day of the contract month is a UK banking holiday, the last trade date shall be the business day immediately preceding the holiday.

#### 645.05 STRIKE PRICES

Trading shall be conducted for options with strike prices in increments as set forth below.

(A) On the first business day of trading in an option contract month, trading shall be at the following strike prices: (i) the previous day's settlement price for Iron Ore 62% Fe, CFR North China (Platts) Swap Futures contract in the corresponding contract month rounded off to the nearest fifty-cent increment strike price unless such settlement price is precisely midway between two (2) fifty-cent increment strike prices in which case it shall be rounded off to the lower fifty-cent increment strike price and (ii) the three (3) fifty-cent increment strike prices which are three (3) fifty-cent increments higher than the strike price described in section (i) of this Rule 645.05 (A); and (iii) the three (3) fifty-cent increment strike prices which are three (3) fifty-cent increments lower than the strike price described in section (i) of this Rule 645.05 (A).

(B) Thereafter, on any business day prior to the expiration of the option (i) new consecutive fifty-cent increment strike prices for both puts and calls will be added such that at all times there will be at least three (3) fifty-cent increment strike prices above and below the at-the-money strike price available for trading in all options contract months.

(C) Notwithstanding, the provisions of subsections (A) and (B) of this Rule, if the Exchange determines that trading in Iron Ore 62% Fe, CFR North China (Platts) Average Price Options will be facilitated thereby, the Exchange may, by resolution, change the increments between strike prices, the number of strike prices which shall be traded on the first day in any new option contract month, the number of new strike prices which will be introduced on each business day or the period preceding the expiration of an Iron Ore 62% Fe, CFR North China (Platts) Average Price Option in which no new strike prices may be introduced.

#### 645.06 TRADING MONTHS

Trading in the contract shall be conducted in the months determined by the Exchange.

#### 645.07 ABSENCE OF PRICE FLUCTUATION

Trading in the contract shall not be subject to price fluctuation limitations.

## CASH MARKET OVERVIEW

### Iron Ore Cash Market

Iron ore production and consumption is a global industry consisting of hundreds of counterparts, inclusive of miners, steel mills and physical and financial traders. The primary use for iron ore is as an input in steel production. World crude steel production topped 1.4 billion metric tons in 2010 according to World Steel<sup>1</sup>, representing almost a 17% increase compared to 2009 and setting a new world production record.

Steel making is vital to all industrial economies and its production requires access to iron ore. Iron is a relatively abundant mineral and easily extracted, but it is capital intensive to mine and transport is constrained due to its high shipping cost relative to price. Iron ore is produced, consumed, and exported by many nations, but primary iron ore exports are concentrated in Australia, Brazil, and India.

According to data provided by the Iron and Steel Statistics Bureau in Table 1 below, in 2010, China accounted for approximately 44% of the total global crude steel production<sup>2</sup>. China has been responsible for the majority of production growth for the entire industry in the last decade.

**Table 1. Top Steel Producing Countries (millions metric tonnes)**

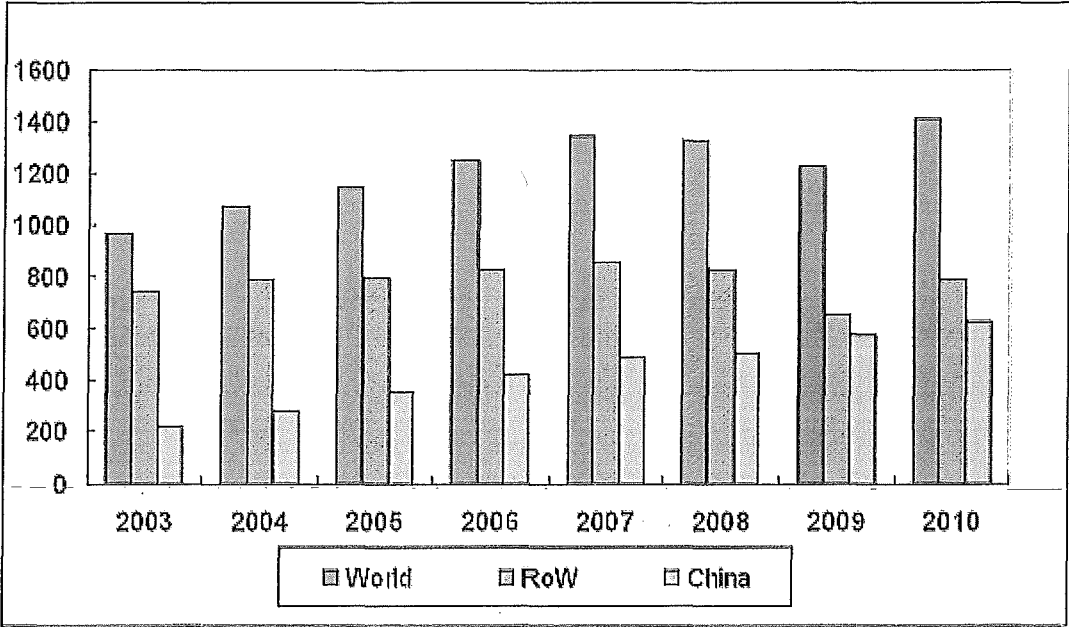
	2009	2010	% Chg.
China	537.6	626.7	9.3
EU 27	138.8	172.9	24.6
Japan	87.5	109.6	25.2
United States	58.2	80.6	38.5
Russia	60	67.0	11.7
India	62.8	66.8	6.4
South Korea	48.6	58.5	20.3
Ukraine	29.9	33.6	12.4
Brazil	26.5	32.8	23.8
Turkey	25.3	29.0	14.6
Taiwan	15.9	19.6	23.7
Mexico	14.0	17.0	22.1
Canada	9.3	13.0	39.9
Iran	10.9	12.0	10.0
South Africa	7.5	8.5	13.3
Other	60.7	66.0	8.7
Total	1229.4	1413.6	15.0

<sup>1</sup> <http://www.worldsteel.org/?action=stats&type=steel&period=latest&month=13&year=2010>

<sup>2</sup> <http://www.worldsteel.org/?action=newsdetail&id=319>

Furthermore, Chart A below, published by the World Steel Association, illustrates that China is the largest steel producing nation.

**Chart A. Annual Crude Steel Production (million metric tonnes)<sup>3</sup>**



Developing economies, of which China is the most notable, have become the largest contributors to the demand growth of iron ore. Along with China, other emerging nations are building up their domestic industrial sectors and thus causing an increase in demand. Rapid changes in the market have transformed the sector from a processor of low cost, stable and abundant raw material, into a cyclical, margin driven business. As a result, the growth in the Chinese economy and steel production has dramatically increased its need for imported iron ore. According to United Nations Conference on Trade and Development ("UNCTAD"), in 2009, China was not only the top ranking country in iron ore imports, but also imported approximately 67% of the total world imports of iron ore (see Table 2 below).

<sup>3</sup> World Steel Association

**Table 2. World Imports of Iron Ore (million metric tons)**

Country rank:		2006	2007	2008	2009
1	China	326.3	383.1	444.0	628.2
2	Japan	134.4	138.9	140.4	105.4
3	Korea R	43.9	46.2	49.5	42.1
4	Germany	44.9	46.2	45.4	28.8
5	Taiwan PoC	15.5	16.0	15.6	11.9
6	France	19.9	20.1	18.2	10.0
7	Russia	10.6	13.5	11.2	8.9
8	Italy	17.8	17.0	16.3	8.1
9	United Kingdom	16.4	17.4	15.3	7.7
10	Saudi Arabia	5.5	6.0	6.8	7.4
11	Turkey	5.6	6.2	6.8	6.2
12	Netherlands	11.3	12.1	10.8	5.6
13	Czech R	7.6	5.3	6.8	4.8
14	Egypt	4.0	4.3	3.6	4.6
15	Austria	7.7	9.0	8.0	4.6
	All others	101.2	95.6	99.1	53.2
	Total World	772.5	837.0	897.8	937.4

### Iron Ore Production

Iron ore production is dominated by three major mining companies - BHP Billiton Ltd, Rio Tinto, and Vale, which together provide approximately two-thirds of the world's seaborne iron ore (seaborne iron ore is defined in greater detail below). Given that most steel-making countries do not have sufficient domestic supplies, the seaborne iron ore market became the marginal supplier. The seaborne iron ore market determines price and takes on special importance for the entire industry. China imports iron ore from many countries – predominately Australia, Brazil and India.

According to data provided by UNCTAD in Table 3 below, world production of iron ore in 2009 was approximately 1.6 billion metric tons.



**Table 3. Major Iron Ore Producing Countries (million metric tons)**

Country rank:		2006	2007	2008	2009
1	Australia	275.1	299.0	349.8	393.9
2	Brazil	318.6	336.5	346.0	305.0
3	India	180.9	206.9	223.0	257.4
4	China <sup>4</sup>	356.1	399.7	321.1	233.7
5	Russia	102.5	105.0	99.9	90.9
6	Ukraine	73.1	77.4	71.7	65.8
7	South Africa	41.3	41.6	49.0	55.4
8	Canada <sup>5</sup>	35.0	34.1	32.1	33.0
9	USA	52.9	52.4	53.6	26.5
10	Iran	18.1	22.0	22.0	24.0
11	Kazakhstan	18.6	19.7	18.8	19.7
12	Sweden	23.3	24.7	23.8	17.7
13	Venezuela	22.1	20.7	21.5	14.9
14	Mexico	9.6	10.9	11.7	10.3
15	Mauritania	11.1	11.9	11.2	10.2
	All others	33.4	36.5	39.2	36.9
	Total World	1,571.8	1,699.1	1,694.4	1,595.3

### Evolution of Pricing

For the past 40 years, iron ore prices were set between miners and mills through a process of annual negotiations - the "benchmark price". This industry practice of "setting price" was endemic throughout the steel industry for not only raw materials, but also for finished product. This superseded the more traditional practice of "open market price discovery" that transpired in other commodity markets via recognized commodity market mechanisms. The pricing of iron ore and steel has been the anomaly, and sets it apart from other major commodities. However, the miners and mills annual negotiation pricing mechanism has evolved in recent years to include the practice of entering into one of more short term agreements which led to the development of derivatives to hedge the inherent fluctuations in short term price movements. The Exchange believes that average price options are ideally suited for both producers and consumers of iron ore. Specifically, average price options enable both producers and consumers of

<sup>4</sup> Shipments not production

<sup>5</sup> Converted so that its iron content is about equal to that on average in the rest of the world

iron ore to adapt to this new environment by allowing them to participate in favorable short term price movements while at the same time providing them with protection from adverse price movements.

The two key factors for pricing ore are the iron content and location of the deposit. Iron ore mines never produce uniformed grades of ore. Some ore deposits are more naturally endowed with higher iron content than others, and even then, iron content within deposits will vary amongst the different parts of the mine itself. Additional formal characteristics, such as moisture, Alumina, Silica, Phosphorus, and Sulphur are considered pollutants and generally become determinants of value.

Classifications include *pellet, fines & lump*, which carry their own unique pricing terms. A notable point is that a difference in price valuation of iron ore content is not straight forward, and will be subject to variation between mines, mills and traders. Of note, these differentials are not linear interpolations, e.g., a 1% up or down iron content does not result in equal but opposite pricing differentials. This can lead to substantial pricing variations between various iron ore grades. Location of mines and requirements to transport ore to the steel mills are important aspects in determining price. Distances, logistics and costs for transport remove nearly 50% of the global iron ore production from the market. What is left is commonly called the "seaborne iron ore market".

The issue is crucial for price. Iron ore shipments are logistically cumbersome and involve the movement of large quantities of materials by rail, barge and or ship. Ore deposits are lightly processed at the mine site and then transported as pellets, fines or lumps to the steel mills. Iron ore is a "freight dependent" commodity, due to the high ratio of freight costs to the underlying commodity price. Steel mills that are vertically integrated with their own raw material supply, or which are strategically close to the iron ore deposits, have a freight advantage which displaces the competitiveness of far away resources from entering their supply chain. Freight costs can be substantial and represent a large and variable percentage of the seaborne iron ore price.

Availability of iron ore supply can be severely disrupted since it is heavily and directly dependent on freight transportation. For example, supply disruption can occur at the port due to freight congestion, lack of suitable vessels or, even, weather. Brazil and India typically experience seasonal rains that cause havoc to the loading schedules and monsoons can shut down facilities for extended periods. Additionally, iron ore prices are negatively impacted by high moisture content which can prevent loading and transport. A majority of the global fleet of capsize vessels are exclusively chartered for the seaborne iron ore

market. Fluctuations in demand for seaborne iron ore will impact the entire dry bulk freight market. As freight costs can vary substantially, seaborne transportation costs can be managed by using derivative instruments based on several industry benchmarks for routes and time charters. Forward freight agreements (FFAs) are used in association with the transport of iron ore as well as other bulk commodities such as coal and grains. Therefore, iron ore prices are impacted not only by the supply/demand balance, but also the quality of grades, location and availability of transport.

Table 4 below illustrates the iron ore supply and demand balance for the 2007 – 2009 period and estimated 2010, as provided by Macquarie Research in their January 2011 report.

**Table 4. Iron Ore Supply and Demand Balance (million tonnes)**

<b>Iron Ore Supply and Demand Balance (million tonnes)</b>				
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010 (est.)</b>
<b>Total Seaborne Demand</b>	779	842	926	1035
<b>% Chg. YoY</b>	9.3%	8.2%	9.9%	11.8%
<b>Total Seaborne Supply</b>	851	851	944	1046

#### **Production and Exports**

According to UNCTAD, both production and exports of iron ore have steadily risen since 2000, as illustrated in Table 5 below, and only interrupted by the global recession of 2008-2009. While 2010 data has yet to be compiled, the existing data attests to growth in production at a compounded annual rate of 5.8% during the 2000 – 2009 period, while exports represented approximately 7.2% annual growth. Since seaborne exports represent the marginal source of deliverable supply, the need to hedge by both commercial buyers and sellers has grown through the past decade.

**Table 5: World Production and Exports (million metric tons)**

	<b>Production</b>	<b>Exports</b>
<b>2000</b>	959.4	507.1
<b>2001</b>	930.3	503.5
<b>2002</b>	986.5	544.2
<b>2003</b>	1,159.7	594.8
<b>2004</b>	1,250.2	646.3
<b>2005</b>	1,393.5	716.9
<b>2006</b>	1,571.8	763.3
<b>2007</b>	1,699.1	823.8
<b>2008</b>	1,694.4	889.4
<b>2009</b>	1,595.3	954.0

## **Description of Data Source**

UNCTAD was established in 1964 as an intergovernmental institution whose goal is to maximize trade, investment, and growth opportunities for developing countries in an effort to integrate these countries into the world economy on an equitable basis. UNCTAD functions as a forum for intergovernmental deliberations, undertakes research, policy analysis, and data collection, and provides technical assistance tailored to specific requirements of developing countries. UNCTAD releases statistics that are relevant for the analysis of international trade, foreign direct investment and commodities, and more explicitly for understanding the economic trends of developing countries over the past decades, particularly in the context of globalization. The statistics are based on national and international data sources are presented in a consistent framework and in an analytical structure.

## **Description of Settlement Index Sources**

TSI<sup>6</sup> is a pricing service operated by Steel Business Briefing (SBB) and has been reporting iron ore data since 2008. TSI collects industry sourced spot transactions. Developing accepted methodologies, and minimizing basis risk associated with varying iron ore contents, impurities, and delivery points is the objective of TSI. The proposed average price option contract will be based upon the standard 62% iron ore content. The index is based on spot price transactions of iron ore sinter fines delivered to China from any origin. The TSI index collects transaction data 7 days per week and 24 hours a day. These transactions include iron ore content ranging from 60.01% to 68%. The index is a volume weighted average of prices. Typically transaction prices of grades other than 62% are priced at a differential to the standardized 62% grade. All transactions must be of a size equal to for at least 20,000 metric tons. The pricing point for the Iron Ore Index is CFR Tianjin port, China.

Platts<sup>7</sup>, a division of the McGraw-Hill Companies, is a leading global provider of energy and metals information. Platts has been reporting iron ore data since 2008 and bases its assessments on transparent deals, bids and offers in the market, and reflects the traded or tradable value at the market close. Platts does not reflect an average of the deals during the day in its assessment. Platts IODEX 62% Fe iron ore price assessments reflect fines of 60.0% to 63.5% Fe content to be normalized to the 62% standard using an assessed market value for each 1% of Fe content. The unit of assessment is US

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<sup>6</sup> <http://www.thesteelindex.com/en/procedures-methodology/>

<sup>7</sup> <http://www.platts.com/IM.Platts.Content/MethodologyReferences/MethodologySpecs/ironore.pdf>

Dollars per dry metric ton (\$/dmt). The location for CFR Main Chinese Ports is normalized to Qingdao in North China.

It is important to note that each of the index compilers are collecting and reporting price information for a common underlying marketplace. While each uses slightly different calculation methods, each is seeking to assess a similar price, that which is delivered into China. This being said, the indices will report independent prices that differ on a daily basis.

### **Market Participants**

The market participation in iron ore is diverse – both in numbers and geographical regions. Around the world, hundreds of companies in total are involved in the production, trading and consumption of physical iron ore. The number of market participants increases when accounting for companies involved with the domestic production of iron ore in China. Excluding, companies involved in production of domestic Chinese iron ore, the spot market and OTC market participants include:

#### **Iron Ore Miners**

Rio Tinto, BHP Billiton Ltd, Vale, NMDC Ltd., Anglo, SAIL, Fortescue, BC Iron, Anshan Iron and Steel, Atlas Iron Ltd., Cliffs Natural Resources, Essar, Evraz.

#### **Commodity Traders/Steel Mills**

Baosteel, JFE Holdings, Arcelor Mittal, ThyssenKrupp, Bluescope Steel, POSCO, US Steel, Cargill, Minmetals, Mercuria, Trafigura, Noble, Sino Metals, Glencore, Carbofer, Duferco, Stemcor.

#### **Brokers**

ICAP, Freight Investor Services, London Dry Bulk, DBS Vickers (Singapore).

#### **Financial (Swaps)**

Deutsche Bank, Credit Suisse, Macquarie Bank, Citibank, Morgan Stanley, Barclays, Goldman Sachs, JP Morgan, NewEdge.

## Historical Price Data

Table 6 below provides a price history of the Iron Ore 62% Fe, CFR China (TSI) Swap Futures contract (TIO) listed on the Exchange.

**Table 6. TIO Settlement**

Date	TIO Settlement	Date	TIO Settlement	Date	TIO Settlement
10/21/2010	139.65	12/2/2010	160.43	1/14/2011	175.50
10/22/2010	139.69	12/3/2010	163.00	1/18/2011	179.00
10/25/2010	140.00	12/6/2010	166.25	1/19/2011	177.00
10/26/2010	141.63	12/7/2010	166.39	1/20/2011	175.00
10/27/2010	141.00	12/8/2010	166.94	1/21/2011	174.00
10/28/2010	140.00	12/9/2010	166.00	1/24/2011	171.50
10/29/2010	143.30	12/10/2010	166.00	1/25/2011	168.00
11/1/2010	142.00	12/13/2010	168.00	1/26/2011	171.00
11/2/2010	147.25	12/14/2010	170.00	1/27/2011	173.50
11/3/2010	150.35	12/15/2010	168.50	1/28/2011	173.50
11/4/2010	153.13	12/16/2010	166.63	1/31/2011	175.00
11/5/2010	156.00	12/17/2010	167.50	2/1/2011	174.00
11/8/2010	158.50	12/20/2010	167.50	2/2/2011	174.00
11/9/2010	161.50	12/21/2010	168.00	2/3/2011	174.50
11/10/2010	157.03	12/22/2010	167.00	2/4/2011	174.50
11/11/2010	157.00	12/27/2010	167.00	2/7/2011	176.00
11/12/2010	154.25	12/28/2010	167.00	2/8/2011	175.00
11/15/2010	155.00	12/29/2010	168.00	2/9/2011	178.00
11/16/2010	158.59	12/30/2010	168.00	2/10/2011	181.50
11/17/2010	154.00	12/31/2010	168.00	2/11/2011	182.00
11/18/2010	154.60	1/3/2011	168.00	2/14/2011	181.50
11/19/2010	155.00	1/4/2011	169.50	2/15/2011	184.63
11/22/2010	156.00	1/5/2011	170.50	2/16/2011	181.00
11/23/2010	156.62	1/6/2011	171.00	2/17/2011	174.25
11/24/2010	156.81	1/7/2011	169.00	2/18/2011	173.50
11/26/2010	155.00	1/10/2011	170.00	2/22/2011	174.38
11/29/2010	156.25	1/11/2011	169.00	2/23/2011	166.70
11/30/2010	157.25	1/12/2011	171.50	2/24/2011	166.10
12/1/2010	158.46	1/13/2011	171.00		

## ANALYSIS OF DELIVERABLE SUPPLY

In its analysis of deliverable supply, the Exchange was cognizant of the fact that individual sources of iron ore data differ in their absolute volume weighting due to the disparity in iron ore content.

Iron ore volume reporting varies as sources do not use a harmonized methodology to calculate iron ore content. Certain sources harmonize data reporting to standard Fe content while others report data based on gross tonnage. According to UNCTAD, the total world production of iron ore during 2009 was approximately 1.6 billion metric tons, or approximately 132.5 million metric tons per month (Table 3). The total export of iron ore during 2009 was approximately 954 million metric tons or approximately 80 million metric tons per month (Table 5). In 2009, total world imports of iron ore was 937 million metric tons of which 628 million metric tons were imported into China (Table 2). This is equivalent to approximately 37 million metric tons per month which is equivalent to 52,000 Iron Ore 62% Fe, CFR North China (Platts) Average Price Option contract (contract size: 1,000 dry metric tons) and equivalent to 104,000 Iron Ore 62% Fe, CFR China (TSI) Average Price Option (contract size: 500 dry metric tons) each month. Based on imports into China, the Exchange has set the position limits to 7,500 contracts (contract size: 1,000 dry metric tons) for each of the Iron Ore 62% Fe, CFR China (TSI) Average Price Option and the Iron Ore 62% Fe, CFR North China (Platts) Average Price Options which represents less than 25% of deliverable supply. These position limits will be aggregated into the Iron Ore 62% Fe, CFR North China (Platts) Swap Futures contract (Code: PIO) (contract size: 1,000 dry metric tons).