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SECRETARIAT

April 8, 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# 11-115:  
Notification Regarding the Listing of HMS 80/20 Ferrous Scrap, CFR Turkey (Platts)  
Swap Futures Contract 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 HMS 80/20 Ferrous Scrap, CFR Turkey (Platts) Swap Futures contract for trading on the NYMEX trading floor and for clearing through CME ClearPort. This new contract will be listed on the Exchange effective Sunday, April 17, 2011 for trade date Monday, April 18, 2011.

The product specifications are as follows:

|                                |   |
|--------------------------------|---|
| <b>Contract Name</b>           | <b>HMS 80/20 Ferrous Scrap, CFR Turkey (Platts) Swap Future</b>   |
| <b>Code</b>                    | FSF   |
| <b>Contract Unit</b>           | 50 metric tons  |
| <b>Price Quotation</b>         | U.S. dollars and cents per metric ton   |
| <b>Minimum Price Tick</b>      | \$0.01  |
| <b>Minimum Settlement Tick</b> | \$0.01  |
| <b>First Listed Month</b>      | May 2011  |
| <b>Listing Period</b>          | 24 consecutive months   |
| <b>Termination of Trading</b>  | 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 |
| <b>Settlement Index</b>        | Platts  |
| <b>Rule Chapter</b>            | 867   |

**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)

## Exchange Fees

| Exchange Fees |            |        |                |            |     |
|---------------|------------|--------|----------------|------------|-----|
|               | Member Day | Member | Cross Division | Non-Member | IIP |
| Pit           | \$4.00     | \$4.00 | \$5.00         | \$6.00     |     |
| Globex        | N/A        | N/A    | N/A            | N/A        | N/A |
| ClearPort     |            | \$4.00 |                | \$6.00     |     |

| 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   | n/a              | n/a               | n/a                   |

NYMEX will allow the exchange for related position (EFRP) transactions to be submitted through CME ClearPort. EFRP transactions in this futures contract 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 contract complies 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 April 18, 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 867**  
**HMS 80/20 Ferrous Scrap, CFR Turkey (Platts) Swap Futures**

**867.01 SCOPE**

The provisions of these Rules shall apply to all contracts bought or sold on the Exchange for cash settlement based on the Floating Price.

**867.02 FLOATING PRICE**

The Floating Price for each contract month is equal to the average price calculated for all available price assessments published for "HMS 80/20 Ferrous Scrap – CFR Turkish Port" for that given calendar month by Platts (Platts).

**867.03 CONTRACT QUANTITY AND VALUE**

The contract quantity shall be fifty (50) metric tons. Each contract shall be valued as the contract quantity multiplied by the settlement price.

**867.04 CONTRACT MONTHS**

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

**867.05 PRICES AND FLUCTUATIONS**

Prices shall be quoted in U.S. dollars and cents per metric ton. The minimum price fluctuation shall be \$0.01 per metric ton. There shall be no maximum price fluctuation.

**867.06 TERMINATION OF TRADING**

Trading shall terminate on the last business day of the contract month. Business days are based on the U.K. Public Holiday calendar.

**867.07 FINAL SETTLEMENT**

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

**867.08 EXCHANGE FOR RELATED POSITION**

Any Exchange for Related Position (EFRP) shall be governed by the provision of Exchange Rule 538.

**867.09 DISCLAIMER**

NEITHER NEW YORK MERCANTILE EXCHANGE, INC. ("NYMEX,") ITS AFFILIATES NOR PLATTS, A DIVISION OF THE MCGRAW-HILL COMPANIES, INC. ("PLATTS") GUARANTEES THE ACCURACY AND/OR COMPLETENESS OF THE ASSESSMENTS FROM PLATTS OR ANY OF THE DATA INCLUDED THEREIN. NYMEX, ITS AFFILIATES AND PLATTS MAKE NO WARRANTIES, EXPRESS OR IMPLIED, AS TO THE RESULTS TO BE OBTAINED BY ANY PERSON OR ENTITY FROM USE OF THE ASSESSMENTS FROM PLATTS, TRADING BASED ON THE ASSESSMENTS FROM PLATTS, OR ANY DATA INCLUDED THEREIN IN CONNECTION WITH THE TRADING OF THE CONTRACT, OR, FOR ANY OTHER USE. NYMEX, ITS AFFILIATES AND PLATTS MAKE NO WARRANTIES, EXPRESS OR IMPLIED, AND HEREBY DISCLAIM ALL WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE WITH RESPECT TO THE ASSESSMENTS FROM PLATTS OR ANY DATA INCLUDED THEREIN. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT SHALL NYMEX, ITS AFFILIATES OR PLATTS 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 DAMAGE.

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## CASH MARKET OVERVIEW

By almost any measure, steel is one of the largest commodity markets in the world. Steel is an essential material for modern life. The manufacture of steels delivers the goods and services that our societies need – residential and nonresidential structures, healthcare, telecommunications, improved agricultural practices, better transport networks, clean water and access to reliable and affordable energy.

The Turkish steel industry has seen considerable and consistently grew over the past twenty years, most especially in the last five-year period. This growth has been in response to strong world demand for quality steel products. With its long Mediterranean coastline, and proximity to Europe, Africa, and Asia, Turkey is well positioned to service European steel markets quickly and efficiently.

Ferrous scrap is an important link in the supply chain for the production of new steel and cast iron products: According to the Bureau of International Recycling<sup>1</sup>; due to its relative costs and other attributes, about 40% of world steel is manufactured using ferrous scrap. Recycling one ton of steel saves 1,100 kilograms of iron ore, 630 kilograms of coal, and 55 kilograms of limestone. CO<sub>2</sub> emissions are reduced by 58% through the use of ferrous scrap. Recycling one ton of steel saves 642 kWh of energy, 1.8 barrels (287 litres) of oil, 10.9 million British thermal units of energy and 2.3 cubic metres of landfill space. Recycling steel uses 75% less energy compared to creating steel from raw materials - enough to power 18 million homes. Steel recycling uses 74% less energy, 90% less virgin materials and 40% less water; it also produces 76% fewer water pollutants, 86% fewer air pollutants and 97% less mining waste. Steel automobile frames contain at least 25% recycled steel and a typical electrical appliance will usually be made of 75% recycled steel. Steel cans consist of at least 25% recycled steel.

Electric arc furnace (EAF) manufacturers utilize nearly 100% ferrous scrap as their feedstock material<sup>2</sup>. Ferrous scrap is comprised of iron and steel recovered from automobiles, farm equipment, household appliances, steel beams, bridges, railroad tracks, ships, and food. Nearly half of the ferrous scrap supply is generated from industrial and manufacturing sources. For example, when a piece of metal is cut or a hole is drilled, the metal that is left over is industrial scrap. Ferrous scrap recyclers purchase the scrap and process it into one of more than 100 globally recognized commercial grade specifications. It

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<sup>1</sup> Bureau of International Recycling <http://www.bir.org/industry/ferrous-metals/>

<sup>2</sup> [http://www.originalrecyclers.org/the\\_original\\_recyclers.pdf](http://www.originalrecyclers.org/the_original_recyclers.pdf)

is then sold to a steel mill, foundry, or other industrial consumer for manufacture into new products.

Turkey was the third fastest growing steel producer between 2001 and 2010 after China and India, rising from approximately 15 million metric tons produced in 2001 to 29.1 million metric tons produced in 2010 as illustrated in Table 1, below. Turkey produces the majority of its steel products from scrap metal. It is a champion in recycling North American and European scrap as well as a major importer of the metal. According to CRU Strategies, in 2010, Turkey consumed over 25 million metric tons of ferrous scrap to make 29.1 million metric tons of crude steel (Table 2). Of the 29.1 million metric tons of crude steel production, 72% of the metal is produced using the EAF process based on recycling scrap metal<sup>3</sup>. Turkey is also the largest importer of ferrous scrap in the world. In 2010, Turkey imported 19.2 million metric tons of ferrous scrap, worth approximately \$7.1 billion<sup>4</sup>.

**Table 1. Turkish Crude Steel Production (million metric tons)**

| Year | Production |
|------|------------|
| 2001 | 14.9       |
| 2002 | 16.5       |
| 2003 | 18.3       |
| 2004 | 20.5       |
| 2005 | 21         |
| 2006 | 23.3       |
| 2007 | 25.8       |
| 2008 | 26.8       |
| 2009 | 25.3       |
| 2010 | 29.1       |

Source: Steel Statistical Yearbook 2010 (World Steel Association)

Table 2 below provides apparent consumption of ferrous scrap in million metric tons as compiled by CRU Strategies. As noted above, Turkey consumed over 25 million metric tons of ferrous scrap in 2010.

<sup>3</sup> [http://www.turkishsteel.eu/index.php?option=com\\_content&view=article&id=4&Itemid=5](http://www.turkishsteel.eu/index.php?option=com_content&view=article&id=4&Itemid=5)

<sup>4</sup> [http://www.turkishsteel.eu/index.php?option=com\\_content&view=article&id=7&Itemid=7&lang=en](http://www.turkishsteel.eu/index.php?option=com_content&view=article&id=7&Itemid=7&lang=en)

**Table 2: Apparent Consumption of Ferrous Scrap (million metric tons)**

|                    | <b>2004</b>    | <b>2005</b>    | <b>2006</b>    | <b>2007</b>    | <b>2008</b>    | <b>2009</b>    | <b>2010p</b>   |
|--------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| China              | 48.953         | 52.703         | 61.835         | 68.789         | 70.058         | 74.871         | 86.999         |
| USA                | 64.476         | 64.482         | 67.339         | 67.870         | 63.018         | 41.522         | 57.064         |
| Japan              | 39.083         | 38.571         | 41.765         | 43.026         | 41.862         | 28.660         | 33.220         |
| Korea (S.)         | 21.926         | 22.649         | 23.330         | 25.840         | 25.729         | 23.266         | 27.657         |
| Russia             | 25.596         | 27.421         | 30.616         | 33.192         | 33.249         | 22.560         | 26.624         |
| India              | 18.780         | 17.451         | 16.886         | 16.224         | 17.516         | 22.212         | 25.680         |
| Turkey             | 17.288         | 17.665         | 20.823         | 23.276         | 23.954         | 21.855         | 25.045         |
| Germany            | 18.651         | 18.126         | 19.432         | 19.589         | 18.905         | 13.882         | 21.810         |
| Italy              | 19.746         | 19.472         | 21.685         | 22.078         | 21.720         | 14.936         | 20.585         |
| Spain              | 14.089         | 14.292         | 15.389         | 15.750         | 15.528         | 12.199         | 14.059         |
|                    |                |                |                |                |                |                |                |
| North America      | 80.853         | 80.868         | 84.178         | 84.725         | 79.135         | 54.243         | 73.340         |
| South America      | 12.836         | 12.889         | 14.327         | 14.495         | 16.013         | 13.525         | 17.473         |
| Europe             | 118.336        | 116.091        | 127.980        | 132.837        | 129.569        | 98.630         | 126.009        |
| CIS                | 43.309         | 44.970         | 46.596         | 49.914         | 48.276         | 35.659         | 39.935         |
| Asia               | 154.502        | 158.791        | 174.105        | 187.700        | 188.585        | 174.943        | 200.197        |
| Middle East        | 4.281          | 5.035          | 6.084          | 5.941          | 5.338          | 5.518          | 6.061          |
| Africa             | 4.281          | 5.035          | 6.084          | 5.941          | 5.338          | 5.518          | 6.061          |
| Oceania            | 2.630          | 2.613          | 2.521          | 2.882          | 3.047          | 2.117          | 2.904          |
|                    |                |                |                |                |                |                |                |
| <b>World Total</b> | <b>421.026</b> | <b>426.293</b> | <b>461.875</b> | <b>484.436</b> | <b>475.302</b> | <b>390.154</b> | <b>471.981</b> |

Source: CRU Strategies

Table 3 below provides production of ferrous scrap in million metric tons as compiled by CRU Strategies. According to CRU Strategies, the total production of ferrous scrap in 2010 was in excess of 473 million metric tons or 39.4 million metric tons per month.

**Table 3: Ferrous Scrap Production (million metric tons)**

|                    | 2004           | 2005           | 2006           | 2007           | 2008           | 2009           | 2010p          |
|--------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| China              | 38.870         | 42.770         | 56.703         | 65.805         | 66.979         | 61.558         | 81.772         |
| USA                | 71.417         | 73.156         | 76.056         | 79.929         | 80.149         | 59.967         | 72.680         |
| Japan              | 45.564         | 45.868         | 49.075         | 49.098         | 46.376         | 37.778         | 39.142         |
| Russia             | 37.959         | 39.343         | 39.932         | 40.753         | 38.200         | 23.726         | 29.128         |
| Germany            | 19.967         | 20.064         | 21.434         | 21.303         | 21.053         | 16.935         | 25.324         |
| India              | 16.136         | 12.745         | 13.862         | 13.600         | 13.300         | 17.357         | 20.714         |
| Italy              | 14.438         | 14.406         | 16.307         | 17.187         | 16.474         | 11.972         | 16.459         |
| Korea (S.)         | 14.969         | 16.354         | 18.390         | 19.437         | 18.921         | 15.982         | 20.184         |
| France             | 12.010         | 11.218         | 12.169         | 12.261         | 11.502         | 9.458          | 13.215         |
| UK                 | 10.996         | 9.853          | 11.402         | 10.398         | 10.697         | 8.630          | 10.493         |
| North America      | 87.027         | 89.380         | 94.132         | 98.545         | 98.219         | 75.948         | 92.140         |
| South America      | 13.245         | 13.495         | 15.009         | 15.293         | 17.459         | 14.294         | 18.345         |
| Europe             | 110.199        | 106.042        | 121.317        | 120.281        | 117.081        | 95.421         | 124.719        |
| CIS                | 60.102         | 60.292         | 57.336         | 58.781         | 54.111         | 37.067         | 42.433         |
| Asia               | 131.944        | 137.278        | 158.474        | 167.078        | 163.057        | 146.419        | 174.526        |
| Middle East        | 7.338          | 8.247          | 8.793          | 8.127          | 8.187          | 7.718          | 9.484          |
| Africa             | 6.282          | 7.459          | 6.724          | 8.424          | 9.047          | 6.685          | 7.132          |
| Oceania            | 3.726          | 3.612          | 4.007          | 4.547          | 4.671          | 3.929          | 4.650          |
| <b>World Total</b> | <b>419.864</b> | <b>425.804</b> | <b>465.791</b> | <b>481.076</b> | <b>471.833</b> | <b>387.481</b> | <b>473.430</b> |

Source: CRU Strategies

### Inventory

Please note that inventory of scrap is virtually impossible to track as there are thousands of scrap merchants and hundreds of processors. Scrap inventory turns over very quickly with many mills keeping a three-month supply in inventory and several months' supply in process. In 2009, the World Steel Association had, however, estimated that inventories were approximately 7.8 million tons<sup>5</sup>.

### Market History

Since the global recession in 2008, prices for Turkish Scrap Steel initially tumbled, but have since recovered as illustrated in Chart 1 below, provided by SteelOrbis. Table 4 below also provides the four-week average prices for Turkish Scrap Steel from April 2008 through March 2011 and adequately demonstrates price decrease during the global recession in 2008 and the ensuing rebound of the Turkish scarp market.

<sup>5</sup> <http://www.worldsteel.org/pictures/publicationfiles/WSIF2010.pdf>

**Chart 1. Turkish Scrap Steel Prices (\$ per metric ton)**



Source: SteelOrbis

**Table 4. SteelOrbis: Four Week Average Turkish Scrap Steel Price (\$/MT)**

|        |        |        |        |
|--------|--------|--------|--------|
| Apr-08 | 641.00 | Oct-09 | 230.63 |
| May-08 | 620.88 | Nov-09 | 270.00 |
| Jun-08 | 596.88 | Dec-09 | 293.75 |
| Jul-08 | 507.50 | Jan-10 | 310.63 |
| Aug-08 | 349.38 | Feb-10 | 319.13 |
| Sep-08 | 228.13 | Mar-10 | 384.75 |
| Oct-08 | 223.13 | Apr-10 | 407.13 |
| Nov-08 | 257.63 | May-10 | 360.63 |
| Dec-08 | 257.63 | Jun-10 | 292.50 |
| Jan-09 | 219.88 | Jul-10 | 301.25 |
| Feb-09 | 200.88 | Aug-10 | 348.38 |
| Mar-09 | 222.88 | Sep-10 | 364.88 |
| Apr-09 | 225.50 | Oct-10 | 346.25 |
| May-09 | 225.38 | Nov-10 | 348.50 |
| Jun-09 | 251.88 | Dec-10 | 370.13 |
| Jul-09 | 274.50 | Jan-11 | 438.75 |
| Aug-09 | 282.75 | Feb-11 | 451.13 |
| Sep-09 | 260.00 | Mar-11 | 425.00 |



## **Market Participants**

Trading Companies: Cargill, Stemcor

Turkish EAF Steel Mills

Target Market: Colakoglu, Icdas celik, Habas, Diler, Cebitas demir celik, Iskenderun demir celik, Promeks dis ticaret, Kaptan, Tesilyurt demir Cekme, Asil Celik,

Scrap merchants in Europe, Turkey, Russia and the Ukraine

Banks: BNP Paribas, Deutsche Bank, and Credit Suisse.

Brokers: GFI, ICAP, FIS, SSY and LDB.

## **Description of Data Sources**

CRU Strategies, the metals, mining and power consultants, is a core part of the CRU portfolio of services. CRU is an independent, British company, specializing in supporting the global metals and mining industries. CRU Strategies consultants provide independent management and strategic consultancy, delivering unrivalled knowledge and analysis to decision makers in metals, mining, minerals, and commodity markets. Through its consultancy, CRU Strategies delivers objectivity of research and analysis, integrity, independence, and competitive advantage to our clients. CRU Strategies' portfolio of research and experience encompasses over 80 different countries and all the major metals and related commodities, including alumina, aluminum, cobalt, coking coal, copper, ferroalloys, germanium, gold, lead, nickel, platinum, power, rare earths, silver, stainless steel, steel, tin, titanium, tungsten, vanadium and zinc.

SteelOrbis was first established in Turkey, which plays a very important role in the worldwide steel market as an exporter and importer. SteelOrbis is a unique e-marketplace and market intelligence provider that offers up-to-date news on the steel industry and steel trading from one single source. SteelOrbis' website, designed and developed by and for the needs of steel industry professionals, was first established in May 2002 with its market intelligence service. SteelOrbis' e-Commerce platform was launched in October 2002. Since 2005, SteelOrbis has expanded its global presence through local offices located in the major markets of the world. After launching its Americas office in June 2005, SteelOrbis' China office started its operations in August 2005 and most recently, SteelOrbis' Italy office opened in November 2008. SteelOrbis presents 160 weekly steel reference prices for 12 different steel indexes. These steel reference prices are derived from actual business transactions from North American,

Northern & Southern European, Turkey, and Asian steel markets. SteelOrbis steel reference prices feature the essential steel reference prices for end users, banks & financial institutions, consultants, producers and traders that are operating in the steel industry.

#### **Description of Settlement Index Source**

Platts<sup>6</sup>, a division of the McGraw-Hill Companies, is a leading global provider of energy and metals information. Platts assessments are based on actual transactions, and/or on specific and firm bids and offers in the market. Platts European assessments reflect the transactable value prevailing at 16:30:00 London time. The assessment methodology reflects values on a market-on-close basis. Trading activity, including bid/offers and transactions, is covered during the typical operating hours of the European markets with market values determined precisely at 16:30:00 London time. Heavy Melting Scrap are normalized to Grade I and II in mix 80/20. All other grades will be normalized back to this grade based on prevailing market extras.

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<sup>6</sup> <http://www.platts.com/IM.Platts.Content/MethodologyReferences/MethodologySpecs/steel.pdf>

## **ANALYSIS OF DELIVERABLE SUPPLY**

According to CRU Strategies, the total production of ferrous scrap in 2010 was in excess of 473 million metric tons or 39.4 million metric tons per month (Table 3 above). On a regional basis, Turkey's apparent consumption for ferrous scrap was approximately 25 million metric tons or approximately 2 million metric tons per month (Table 2 above). Turkey's monthly apparent consumption of ferrous scrap is equivalent to approximately 40,000 HMS 80/20 Ferrous Scrap, CFR Turkey (Platts) Swap Futures contracts (contract size: 50 metric tons). Based on apparent consumption by Turkey of ferrous scrap steel, the Exchange has determined to set the spot month position limits at 8,000 contracts which represents approximately 20% of the deliverable supply.