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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 #11-116: Notification Regarding the Listing of European Hot Rolled Coil, Ex-Works Ruhr Germany (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 a European Hot Rolled Coil, Ex-Works Ruhr Germany (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>European Hot Rolled Coil, Ex-Works Ruhr Germany (Platts) Swap Future</b>
<b>Code</b>	NSF
<b>Contract Unit</b>	50 metric tons
<b>Price Quotation</b>	Euros 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>	871

**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 871

### European Hot Rolled Coil, Ex-Works Ruhr Germany (Platts) Swap Futures

**871.01 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.

**871.02 FLOATING PRICE**

The Floating Price for each contract month is equal to the average price calculated for all available price assessments published for "European hot rolled coil, Ex-works Ruhr Germany" for that given calendar month by Platts (Platts).

**871.03 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.

**871.04 CONTRACT MONTHS**

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

**871.05 PRICES AND FLUCTUATIONS**

Prices shall be quoted in Euros and Euro cents per metric ton. The minimum price fluctuation shall be €0.01 per metric ton. There shall be no maximum price fluctuation.

**871.06 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.

**871.07 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.

**871.08 EXCHANGE FOR RELATED POSITION**

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

**871.09 DISCLAIMER**

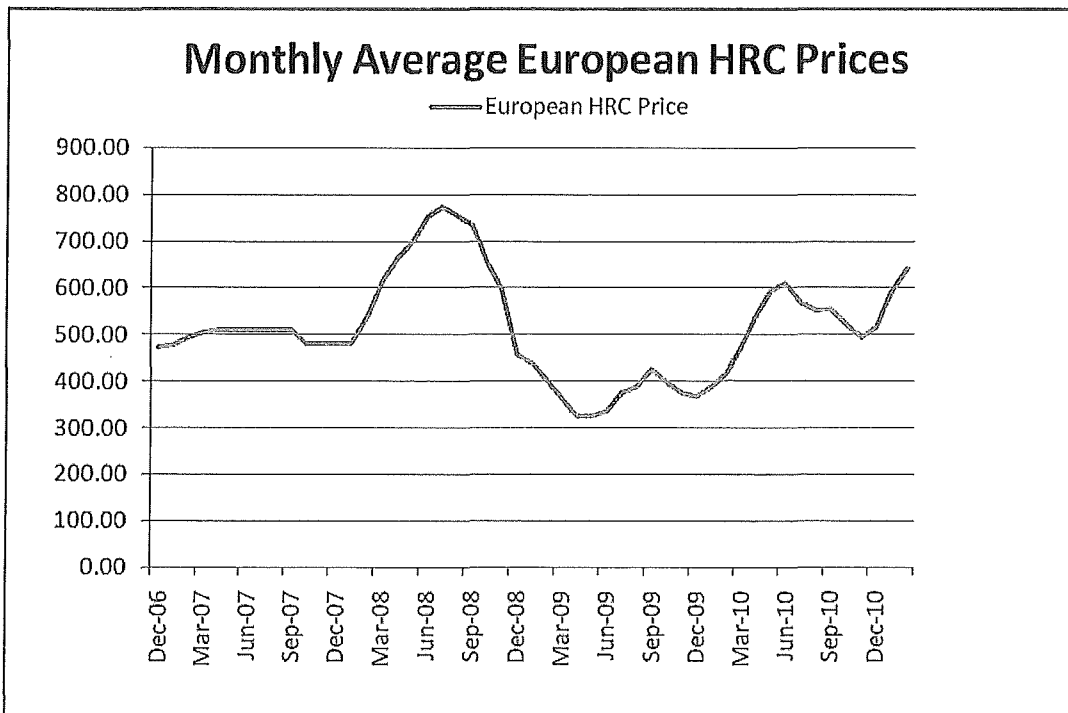
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## CASH MARKET OVERVIEW

By almost any measure, steel is one of the largest commodity markets in the world and represents 95% of all metal used each year<sup>1</sup>. Global steel prices had been relatively stable between 1982 and 2003. If measured in current dollars, the market experienced a steady decline over that period. However, with the growing prominence of Emerging Market Economies, particularly in Asia, steel prices have fluctuated a great deal. Since the global recession beginning in the fourth quarter of 2008, prices initially tumbled, but have since recovered well as illustrated in Chart 1 below for the European Hot Rolled Steel as indexed by Platts. Consequently, European steel producers went through an extremely difficult period when, in April 2009, prices tumbled at \$320 a metric ton (which is lower than the cost of production). This has, in turn, brought to the forefront the issue of managing price risk to the industry.

**Chart 1. European Hot Rolled Coil Steel Prices (\$ per metric ton)**



Source: Platts

The steel industry has been battered by the wide fluctuations and extreme volatility in prices for Hot Rolled Coil. The market rally, beginning in 2002 and the ensuing collapse in 2009 followed by price

<sup>1</sup> Financial Time article <http://www.ft.com/cms/s/b0580bf6>

increases subsequently to the present time, have led to two related changes in perspective among industry participants:

- The realization that steel and steel related products are commodities with pricing subject to market supply and demand fundamentals.
- The recognition that the use of hedging and price risk-management tools, enjoyed by peer industries, is something which will benefit the entire industry helping to mitigate the enormous price volatility which is becoming increasingly manageable.

In the aggregate, steel is an enormous commodity market. It does, however, have a long supply chain where finished steel goes through intermediate production phases dependent upon its final use. Typically, each of these production phases has their own unique risk management issues. Hot Rolled Steel is a finished product whose price is dependent upon both demand changes and input costs, including those of intermediate stages of steel production. These intermediate stages include the cost of iron ore, scrap steel, and pig iron.

The largest producers and consumers of Hot Rolled Coil Steel tend to be in Asia and the U.S., representing over 70% of the total world production and consumption as estimated in 2010 by CRU Strategies and illustrated in Tables 1 and 2 below. Germany lies at the center of European Hot Rolled Steel production and consumption; hence, prices determined there affect the price throughout the entire continent. Moreover, because transportation is such a large factor in the input cost of steel, the European region can be considered to be a separate market from North America and Asia with prices moving to their own independent dynamic. Consequently, the risk management issues relevant to European producers and consumers are different from those in other regions and thus require a bespoke solution. Anticipated market users of this contract include the steel mills, end product consumers represented by the automotive and white goods industries, merchant traders, stocklist, fabricators, the brokerage community, bankers/financiers, and the entire supply chain who are increasingly subject to extreme price volatility, yet who, until this point, have not had the benefit of the necessary tools to manage this business risk.

**Table 1. Production of Hot Rolled Coil Products (millions of metric tons)**

	2004	2005	2006	2007	2008	2009	2010p
China	70.043	102.113	138.045	175.753	184.741	218.344	269.264
Japan	59.110	56.229	57.401	59.933	58.878	43.498	59.541
USA	66.829	58.661	60.317	59.864	54.560	33.932	49.322
Korea (S.)	21.666	22.828	23.162	25.211	26.481	24.144	30.651
India	19.832	21.409	24.561	26.284	23.001	23.383	26.007
Russia	20.292	20.662	21.746	22.415	20.127	18.747	22.919
Germany	22.278	20.583	22.436	23.002	21.485	15.261	18.273
Brazil	12.780	12.729	12.882	14.088	12.769	10.971	14.278
Taiwan	12.394	11.306	11.045	11.079	10.034	8.534	10.452
Italy	9.792	10.824	11.237	10.776	10.285	5.758	5.100
North America	82.255	73.124	76.097	75.327	69.357	46.207	64.027
South America	17.957	17.904	18.560	19.697	18.213	15.125	18.175
Europe	94.539	92.708	98.669	97.541	90.853	67.119	78.000
CIS	33.295	33.097	32.778	34.227	29.936	27.016	32.886
Asia	190.059	220.975	262.009	306.352	310.052	324.136	400.752
Middle East	4.274	4.979	5.244	4.804	4.640	4.846	5.644
Africa	7.490	7.395	7.436	6.979	5.930	4.721	5.565
Oceania	5.170	4.946	5.211	6.577	6.455	4.664	6.248
<b>World Total</b>	<b>435.038</b>	<b>455.128</b>	<b>506.004</b>	<b>551.503</b>	<b>535.436</b>	<b>493.833</b>	<b>611.297</b>

Source: CRU Strategies

**Table 2. Consumption of Hot Rolled Coil Products (millions of metric tons)**

	2004	2005	2006	2007	2008	2009	2010p
China	72.507	101.887	131.079	165.709	174.370	217.902	261.325
USA	70.622	60.898	65.458	61.804	56.148	34.670	50.281
Japan	51.917	50.739	50.178	52.377	51.277	35.142	49.036
Korea (S.)	24.563	26.129	27.257	30.300	31.762	26.350	33.521
India	19.058	21.090	24.755	27.336	23.943	25.148	29.078
Germany	21.361	20.798	22.891	24.073	21.901	15.393	18.500
Russia	14.433	14.669	16.465	17.637	16.177	13.110	17.452
Brazil	11.290	11.295	11.317	13.214	12.582	10.152	14.431
Taiwan	12.323	10.808	9.899	9.636	8.760	6.543	9.164
Italy	13.448	13.541	15.692	14.181	14.210	7.468	8.173
North America	87.704	76.606	82.959	77.620	71.166	47.174	65.835
South America	17.444	17.421	18.450	19.754	19.535	15.139	20.435
Europe	97.326	95.212	105.250	106.259	98.312	68.434	82.090
CIS	21.333	21.387	22.077	24.183	21.584	17.363	23.745
Asia	192.453	223.333	254.697	299.751	304.370	324.125	396.588
Middle East	6.559	7.899	6.784	9.954	7.984	8.124	10.217
Africa	6.559	7.899	6.784	9.954	7.984	8.124	10.217
Oceania	4.671	4.678	4.515	5.755	5.040	3.918	4.930
<b>World Total</b>	<b>434.048</b>	<b>454.435</b>	<b>501.515</b>	<b>553.229</b>	<b>535.974</b>	<b>492.400</b>	<b>614.058</b>

Source: CRU Strategies

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

Platts<sup>2</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. Prime Hot Rolled Coils of new manufacture, chemical and mechanical tolerances will be based on European Norm EN10025-2:2004; Grade: S235JR or equivalent. Other specifications of HRC will be normalized back to this grade using current market extras typically applied in this industry.

### **Description of Data Source**

CRU Strategies ("CRU"), 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.

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<sup>2</sup> <http://www.platts.com/IM.Platts.Content/MethodologyReferences/MethodologySpecs/steel.pdf>

## **Market Participants**

### **MILLS**

Arcelormittal  
Gerdau  
Thyssen Krupp

### **MIDDLEMEN**

Worhzington  
Olympic  
Ryerson  
Schnitzer

In addition, the following companies are either already participating or have expressed intentions to participate in the steel futures market.

### **Broker**

FIS  
Barclays  
Calyon  
GRIL  
Clarksons  
Steel Business Briefing

### **Dealers**

Credit Suisse  
Deutsche Bank  
Barclays  
JP Morgan  
Morgan Stanley

## **Forward and Swap Markets**

The sharp price swings of the last decade have led the steel industry to slowly develop risk management tools in the form of derivatives contracts. While not solidly established, there is an incipient trend to develop forward and swap market has developed for European Hot Rolled steel contracts.



## ANALYSIS OF DELIVERABLE SUPPLY

The European Hot Rolled Coil, Ex-Works Ruhr Germany (Platts) Swap Futures contract is based on the production and consumption of Hot Rolled Flat products in the European Union. According to CRU Strategies in Table 1, above, the total German production was estimated to be 18.3 million metric tons in 2010. This is comparable with German consumption of 18.5 million metric tons as indicated in data collected by CRU in Table 2 above. While down from 2004, these figures have significantly increased in comparison to 2009. Overall, European production and consumption was 78 million metric tons and 82 million metric tons, respectively. Consequently, Germany represented about 23% of European production and 22% of European consumption. Based on the projected CRU figures for 2010, Germany represented 3% of the total world production of hot rolled flat products.

The Exchange has conservatively estimated deliverable supply based on German production. In 2010, CRU estimated German production at over 18 million metric tons or approximately 1.5 million metric tons per month. Monthly production of 1.5 million metric tons is equivalent to 30,000 contracts (contract size: 50 metric tons). Based on this figure, the Exchange proposes to set the spot month position limit for the European Hot Rolled Coil, Ex-Works Ruhr Germany (Platts) Swap Futures contract at 7,500 contracts, representing approximately 25% of deliverable supply based on German production.

Please note that had the Exchange based the deliverable supply on the total European production, the spot month position limit for the European Hot Rolled Coil, Ex-Works Ruhr Germany (Platts) Swap Futures contracts would represent less than 6% of the total European production.