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OFFICE OF THE  
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# 11-117: Notification Regarding the Listing of Steel Billet, FOB Black Sea (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 Steel Billet, FOB Black Sea (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:

Contract Name	Steel Billet, FOB Black Sea (Platts) Swap Future
Code	SSF
Contract Unit	100 metric tons
Price Quotation	U.S. dollars and cents per metric ton
Minimum Price Tick	\$0.01
Minimum Settlement Tick	\$0.01
First Listed Month	May 2011
Listing Period	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
Settlement Index	Platts
Rule Chapter	869

**Trading and Clearing 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	

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

<b>Additional Fees and Surcharges</b>	
<b>EFS Surcharge</b>	N/A
<b>Block Surcharge</b>	N/A
<b>Facilitation Desk Fee</b>	\$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>	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 869**  
**Steel Billet, FOB Black Sea (Platts) Swap Futures**

**869.01 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.

**869.02 FLOATING PRICE**

The Floating Price for each contract month is equal to the average price calculated for all available price assessments published for "Steel Billet – FOB Black Sea" for that given calendar month by Platts (Platts).

**869.03 CONTRACT QUANTITY AND VALUE**

The contract quantity shall be one hundred (100) metric tons. Each contract shall be valued as the contract quantity multiplied by the settlement price.

**869.04 CONTRACT MONTHS**

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

**869.05 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.

**869.06 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.

**869.07 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.

**869.08 EXCHANGE FOR RELATED POSITION**

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

**869.09 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.

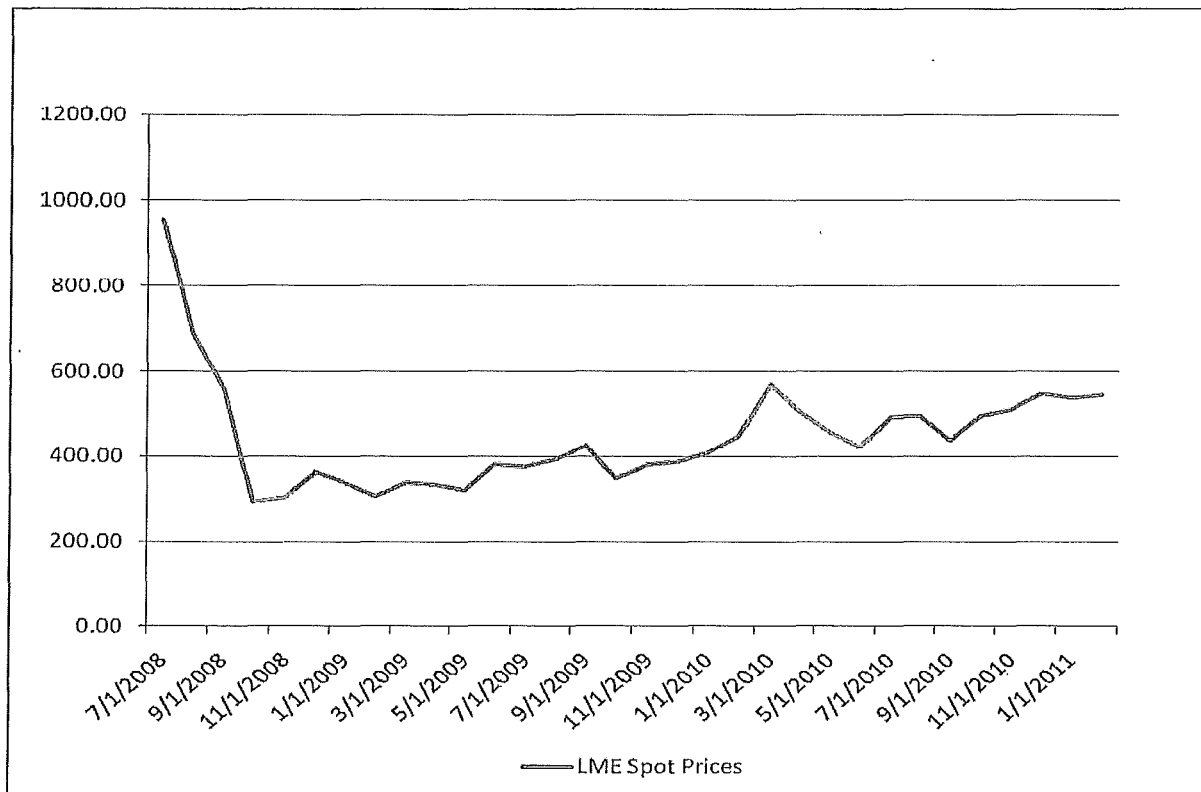
"Platts," is a trademark of The McGraw-Hill Companies, Inc. and has been licensed for use by New York Mercantile Exchange, Inc. Platts does not sponsor, endorse, sell or promote the NYMEX contract and Platts makes no recommendations concerning the advisability of investing in the NYMEX contract.

## CASH MARKET OVERVIEW

### Market Description

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 in 2008, prices initially tumbled, but have since recovered well as illustrated in Chart 1 below for the Steel Billet contract traded on the London Metals Exchange. Consequently, steel billet producers went through an extremely difficult period in 2009 when prices tumbled at \$291 a metric ton (or lower than the steel billet production cost). This has in turn brought to the forefront the issue of managing price risk to the industry.

Chart 1. LME Spot Prices (\$ per metric ton)



Source: London Metal Exchange

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

In the aggregate, steel is an enormous commodity market. However, it does have a long supply chain where finished steel goes through intermediate production phases that are dependent upon its final use. Typically, each of these production phases has their own unique risk management issues. Steel billet is an intermediate, semi-finished product that is typically measured by trade flows. According to CRU Strategies, the largest exporters are Russia and the Ukraine, which have collectively been estimated to export over 6 million metric tons in 2010, as illustrated in Table 2. The largest importers are Turkey and Thailand, which, when combined, imported about 3 million metric tons in 2009, according to CRU Strategies. Overall, according to CRU Strategies, trade flows for the entire global economy were estimated to be 16 million metric tons in exports and 14 million metric tons in imports for 2010.

**Table 1. Imports of Steel Billet (millions metric tons)**

	2004	2005	2006	2007	2008	2009	2010p
Turkey	0.267	0.429	0.888	1.650	2.167	2.660	1.932
Thailand	2.151	1.825	1.526	0.818	1.069	1.340	1.078
Vietnam	0.263	0.361	0.694	1.047	1.046	0.942	0.682
United Arab Emirates	0.856	0.699	0.588	0.604	0.936	0.930	0.916
Spain	1.067	0.908	0.996	1.247	1.202	0.925	0.840
Italy	1.359	1.317	2.207	2.038	1.356	0.726	0.614
China	1.072	0.270	0.144	0.093	0.101	0.683	0.107
Morocco	0.553	0.699	0.674	0.428	0.480	0.656	0.588
Egypt	0.273	0.324	0.273	0.035	0.267	0.629	0.320
Indonesia	0.489	0.465	0.280	0.309	0.355	0.520	0.327
North America	0.517	0.368	0.588	0.399	0.302	0.176	0.252
South America	0.314	0.295	0.322	0.266	0.467	0.239	0.317
Europe	6.264	5.540	7.383	8.100	8.087	5.694	5.279
CIS	0.007	0.061	0.050	0.083	0.030	0.007	0.003
Asia	7.495	6.502	5.781	4.498	4.434	5.007	3.829
Middle East	1.824	1.419	1.936	1.694	2.074	2.212	3.558
Africa	0.865	1.043	1.073	0.568	0.906	1.447	0.996
Oceania	0.000	0.016	0.020	0.000	0.065	0.000	0.051
<b>World Total</b>	<b>17.288</b>	<b>15.244</b>	<b>17.153</b>	<b>15.608</b>	<b>16.364</b>	<b>14.781</b>	<b>14.285</b>

Source: CRU Strategies

**Table 2. Exports of Steel Billet (millions metric tons)**

	2004	2005	2006	2007	2008	2009	2010p
Russia	3.587	3.280	2.446	2.268	3.348	3.840	3.087
Ukraine	3.342	3.071	4.456	4.608	4.198	3.761	3.502
Turkey	2.580	1.294	0.890	1.006	1.927	1.962	2.790
France	1.735	1.348	1.399	1.443	1.531	1.396	1.155
Japan	0.804	0.667	0.502	0.627	1.005	0.684	0.570
Belarus	0.213	0.260	0.509	0.447	0.502	0.519	0.550
Brazil	0.698	0.704	0.664	0.816	0.612	0.479	0.483
Germany	0.018	0.103	0.018	0.026	0.362	0.270	0.659
South Korea	0.802	0.830	0.489	0.322	0.600	0.258	0.232
Poland	0.020	0.005	0.003	0.154	0.331	0.250	0.385
North America	0.273	0.250	0.215	0.451	0.709	0.555	0.637
South America	1.249	1.263	1.205	1.044	0.948	0.659	0.564
Europe	8.163	5.756	4.731	5.412	6.407	5.167	6.034
CIS	7.171	6.637	7.485	7.366	8.093	8.149	7.181
Asia	3.370	3.401	4.472	3.927	2.669	1.704	1.833
Middle East	0.000	0.006	0.010	0.007	0.000	0.002	0.007
Africa	0.118	0.243	0.104	0.006	0.006	0.184	0.086
Oceania	0.007	0.004	0.006	0.011	0.013	0.007	0.006
<b>World Total</b>	<b>20.352</b>	<b>17.559</b>	<b>18.226</b>	<b>18.225</b>	<b>18.845</b>	<b>16.427</b>	<b>16.349</b>

Source: CRU Strategies

The steel industry has been battered by the wide fluctuations and extreme volatility in prices for steel billet. The market rally beginning in 2002 and the ensuing collapse in 2008 followed by price 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.

The commercial solution as proposed by the Exchange is to utilize a transparent index as the commodity reference price. The Platts FOB Black Sea Billet Index represents the pivot point for the global trade in steel billet as it captures the marginal price for imports and exports between Russia,

Ukraine, and Turkey, the largest exporters, and the Middle East, North Africa, and Europe, the largest importers of merchant steel. This helps mitigate differences in quality and also provides a common reference that each market participant can use for risk-management purposes. Anticipated market users of this contract include the steel mills, end product consumers represented by construction goods industry, merchant traders, stocklist, re-rollers, 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.

### **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, ferrous alloys, germanium, gold, lead, nickel, platinum, power, rare earths, silver, stainless steel, steel, tin, titanium, tungsten, vanadium and zinc.

### **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. The Platts assessments are based on actual transactions, and/or specific and firm bids and offers in the market. Platts European assessments reflect the prices of cash market transactions 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. Steel billet specifications are normalized to a base standard of 125x125 mm square, lengths 11,700 mm, grade

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

GOST 380-94, 5sp/ps. Assessment is FOB Black Sea port; pricing information from other locations including CFR where appropriate can be normalized back to this location.

### **Market Participants**

Major participants in the Black Sea Steel Billet market include, but, are not limited to, the following:

#### **MILLS**

US Steel  
Mittal  
Nucor  
AK Steel  
Esmak  
Severstal North America  
Gallatin Steel Dynamics  
Delta  
WCI Steel  
California Steel

#### **MIDDLEMEN**

Worhzington  
Olympic  
Ryerson  
Schnitzer

#### **END USERS**

GE  
Emerson  
Whirlpool  
Electolux  
GM  
Ford  
Chrysler  
Transplants (about 10 facilities)  
Maverick Tube

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

#### **Broker**

FIS  
Barclays  
Calyon  
GRII  
Clarksons  
Steel Business Briefing

#### **Dealers**

Credit Suisse  
Deutsche Bank  
Koch Trading  
JP Morgan  
Morgan Stanley

#### **Trading Companies**

Cargill International  
Stemcor  
Duferco  
Ferrostel



## Historical Price Data

Traded forward prices are available from the London Metals Exchange for Steel Billet. Average daily settlement prices for the past three years are listed in Table 3, below. The data in Table 3, below, demonstrates that the steel billet market is subject to large swings in volatility, and is subject to swings in the global economy. Prices have ranged \$1,204 to \$291 over the last three years, which is presenting the industry with unprecedented risk management issues.

**Table 3. LME Steel Billet Average Monthly Prices (in US Dollars and cents per metric ton)**

2008-Apr	1027.5	2009-Oct	374.6
2008-May	1116.1	2009-Nov	388.6
2008-Jun	1204.9	2009-Dec	404.6
2008-Jul	1115.3	2010-Jan	436.1
2008-Aug	850.0	2010-Feb	432.6
2008-Sep	586.7	2010-Mar	516.1
2008-Oct	347.4	2010-Apr	562.8
2008-Nov	338.5	2010-May	474.8
2008-Dec	355.7	2010-Jun	428.0
2009-Jan	351.8	2010-Jul	445.3
2009-Feb	309.4	2010-Aug	499.6
2009-Mar	291.2	2010-Sep	489.8
2009-Apr	320.9	2010-Oct	476.7
2009-May	331.6	2010-Nov	516.2
2009-Jun	365.7	2010-Dec	543.1
2009-Jul	376.1	2011-Jan	577.4
2009-Aug	406.9	2011-Feb	555.3
2009-Sep	408.9	2011-Mar	556.9

## Forward and Swap Markets

The sharp price swings of the last decade have led the steel industry to gradually develop risk management tools in the form of derivatives contracts. As a result, a growing forward and swap market has developed for steel billet, as illustrated by the growing volume for forward contracts on the London Metal Exchange in Table 4 below.

**Table 4. LME Steel Billet Monthly Volume**

<b>Month</b>	<b>Volume</b>
Jan-09	1,869
Feb-09	2,121
Mar-09	1,688
Apr-09	2,211
May-09	1,617
Jun-09	2,367
Jul-09	3,531
Aug-09	4,000
Sep-09	3,038
Oct-09	2,212
Nov-09	2,596
Dec-09	3,514
Jan-10	3,024
Feb-10	3,406
Mar-10	10,662
Apr-10	11,961
May-10	13,788
Jun-10	14,765
Jul-10	18,906
Aug-10	24,853
Sep-10	27,788
Oct-10	14,047
Nov-10	17,228
Dec-10	30,751
Jan-11	22,855
Feb-11	19,445

## **ANALYSIS OF DELIVERABLE SUPPLY**

The Steel Billet, FOB Black Sea (Platts) Swap Futures contract is based on the global merchant trade in billet which primarily flows through the Black Sea. According to CRU Strategies, in 2010, the total merchant trade for steel billet was estimated to be approximately 16 million metric tons.

CRU estimates the export market for steel billet, illustrated in Table 2 of the Cash Market Overview section above. Exports are an important gauge for deliverable supply. As per Table 2, above, 16 million metric tons are estimated to have been exported in 2010, or approximately 1.3 million metric tons per month. Based on exports of steel billet, deliverable supply is equivalent to 13,333 contract units (contract size: 100 metric tons). Based on this figure, it is proposed that the spot month position limit for the Steel Billet, FOB Black Sea (Platts) Swap Futures contract be set at 3,000 contracts, representing approximately 22% of the deliverable supply.