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SECRETARIAT

April 20, 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 11-156: Notification Regarding the Listing of Indonesian Coal (McCloskey sub-bituminous 6,000 kcal basis) Swap Futures Contract for Open Outcry Trading and for Clearing through CME ClearPort®

Dear Mr. Stawick:

The 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 Indonesian Coal (McCloskey sub-bituminous 6,000 kcal basis) Swap Futures contract (Chapter 554) for open outcry trading and for submission for clearing through CME ClearPort beginning at 6:00 p.m. on Sunday, May 1, 2011 for trade date Monday, May 2, 2011.

The product specifications are as follows:

- **Commodity Code:** MC6
- **Settlement Type:** Financial
- **First Listed Month:** June 2011
- **Listing Period:** Current year plus next full calendar year - up to 24 months. A new calendar year will be added following the termination of trading in the December contract month of the current year.
- **Contract Size:** 1,000 metric tons
- **Termination of Trading:** The contract shall terminate at the close of trading on the last Friday of the contract month. If such Friday is a UK holiday, the contract will terminate on the UK business day immediately prior to the last Friday of the contract month.
- **Minimum Price Fluctuation:** \$0.05 (5¢) per metric ton
- **Final Settlement Price:** Settlement tick = \$0.01
- **EFRP:** 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.
- **Fee Schedule:**

Exchange Fees					
	Member Day	Member	Cross Division	Non-Member	IIP
Pit	n/a	\$5.00	\$6.00	\$7.00	
Globex	n/a	n/a	n/a	n/a	n/a
ClearPort		\$5.00		\$7.00	

Processing Fees		
	Member	Non-Member
Cash Settlement	\$1.00	\$1.00
Futures from E/A	n/a	n/a
	House Acct	Cust Acct
Options E/A Notice	n/a	n/a
Delivery Notice	n/a	n/a

Additional Fees and Surcharges	
EFS Surcharge	\$0.00
Block Surcharge	\$0.00
Facilitation Desk Fee	\$0.20

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 contract will become effective on trade date May 2, 2011.

Should you have any questions concerning the above, please contact Owain Johnson, +65 6593 5568, or owain.johnson@cmegroup.com.

Sincerely,

/s/ Felix Khalatnikov
Dir & Assoc General Counsel

Attachments: Contract terms and conditions

Chapter 554
Indonesian Coal (McCloskey sub-bituminous 6,000 kcal basis) Swap Futures

554.01 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.

554.02 FLOATING PRICE

The floating price for each contract month is based on the arithmetic mean of the Indonesian sub-bituminous FOB Marker (4,900 kcal/metric ton net as received, maximum 1% sulfur) indexes for the corresponding month as published each Friday in the McCloskey Coalfax in the table entitled "McCloskey Key Market Prices", pro-rated to a 6,000 kcal/metric ton basis.

554.03 CONTRACT QUANTITY AND VALUE

The contract quantity shall be one thousand (1,000) metric tons. Each contract shall be valued as the contract quantity multiplied by the settlement price.

554.04 CONTRACT MONTHS

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

554.05 PRICES AND FLUCTUATIONS

Prices shall be quoted in U.S. Dollars and Cents per ton. The minimum price fluctuation shall be \$0.05 (5¢) per metric ton. The minimum final settlement is \$0.01 per metric ton.

554.06 TERMINATION OF TRADING

The contract shall terminate at the close of trading on the last Friday of the contract month. If such Friday is a UK holiday, the contract will terminate on the UK business day immediately prior to the last Friday of the contract month unless such day is not an Exchange business day, in which case the contract shall terminate on the Exchange business day immediately prior.

554.07 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.

554.08 EXCHANGE FOR RELATED POSITION

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

554.09 DISCLAIMER

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quantities of the Indonesian Coal (McCloskey sub-bituminous) Swap Futures to be listed or in the determination or calculation of the equation by which the Indonesian Coal (McCloskey sub-bituminous) Swap Futures are to be converted into cash. IHS has no obligation or liability in connection with the administration, marketing or trading of the Indonesian Coal (McCloskey sub-bituminous) Swap Futures.

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Without prejudice to any of the above provisions and in addition to them, each and every third party should and must note that, insofar as New York Mercantile Exchange, Inc. ("NYMEX") may list any index for trading in or in connection with or by reference therewith, none of:

- a. NYMEX;
- b. its directors or officers; or
- c. any relevant party that NYMEX may contract with for the supply of the index or information in relation thereto;

(each of the foregoing, a "Relevant Party") assume any obligation or liability in connection with the trading of any contract based on such index. Accordingly, no Relevant Party shall be in any way responsible for any losses, expenses or damages (in all cases direct or indirect) arising in connection with or referable to the trading of any contract linked or referable to the said index, provided that nothing herein shall affect either the obligations of NYMEX or its Members as Parties trading in any contract so linked or referable. None of the Relevant Parties guarantee or warrant or undertake in any manner the accuracy or completeness of any such index or any information or data included in or referable to it.

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CASH MARKET OVERVIEW

a) Coal as a traded commodity

Thermal coal, also known as steam coal, is a globally traded commodity. Thermal coal is burned to generate electricity. Coal is usually transported by truck, trains or barges within the domestic markets, but for international trade, dry-bulk vessels are used, primarily handysize, panamax, and capesize vessels. Seaborne trade in steam coal has increased by an average of around 7% per year over the last 10 years¹.

The two major thermal coal markets are the Atlantic and Pacific markets. In the Atlantic, the main importers are Western European countries, such as the UK, Germany and Spain. In the Pacific market, import demand comes mainly from Japan, China, South Korea and Taiwan. India is also a major importer from both Atlantic and Pacific suppliers.

According to the World Coal Institute, Indonesia is the world's largest thermal coal exporter with total exports equaling 200 million tons in 2009.

Tables 1 and 2 show the world's most significant coal exporting and importing countries:

Table 1: Top Coal Exporters (2009e) (million tons)

	Total	Thermal	Coking
Australia	259	134	125
Indonesia	230	200	30
Russia	116	105	11
Colombia	69	69	-
South Africa	67	66	1
USA	53	20	33
Canada	28	7	21

Source: World Coal Institute²

¹ Data from the International Energy agency.

² The World Coal Institute is a global industry association comprising the major international coal producers and stakeholders (<http://www.worldcoal.org/resources/coal-statistics/>).

Table 2: Top Coal Importers (2009e) (million tons)

	Total	Thermal	Coking
Japan	165	113	52
PR China	137	102	35
South Korea	103	82	21
India	67	44	23
Taiwan	60	57	3
Germany	38	32	6
UK	38	33	5

Source: *World Coal Institute*³

b) Indonesia's role in the world coal market

Indonesian exports have grown strongly in recent years and Indonesia is currently the world's largest exporter of thermal coal.

Indonesian coal currently accounts for around a third of all seaborne trade in thermal coal, according to recent estimates by the Australian Bureau of Agricultural and Resource Economics (ABARE)⁴.

Indonesia's principal export destinations are the north Asian market (China, Japan, South Korea and Taiwan) and India, but Indonesian coal is also imported on a semi-regular basis by countries in Europe and the Americas.

Indonesian exports are expected to continue to grow in the near term in response to strong Asian demand (see Table 3).

Table 3: Thermal coal exports from Indonesia (million tons)

	2009	2010*	2011*
Indonesian exports	233.5	250.0	254.0

*Estimates

Source: *Australian Bureau of Agricultural and Resource Economics (ABARE)*

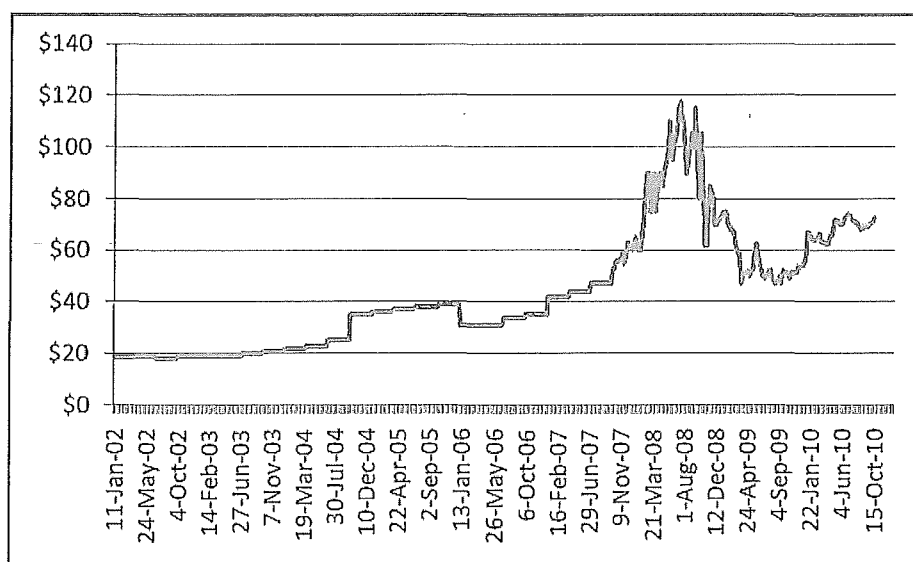
³ <http://www.worldcoal.org/resources/coal-statistics/>

⁴ http://www.abare-brs.gov.au/publications_remote_content/publication_series/australian_commodities

c) Indonesian coal export pricing

The majority of Indonesian coal has traditionally been sold on a long-term basis with contracts ranging from one year in duration to multi-year arrangements. But the surge in coal prices seen in late 2007 and 2008 and the subsequent sharp contraction experienced during the global financial crisis (see table 4 below) created significant economic difficulties for buyers and sellers committed to long-term fixed-price contracts.

Table 4: Historic prices for the McCloskey Indonesian Sub-Bituminous FOB Marker (US\$ per ton)



The negative experiences associated with long-term pricing arrangements have led participants to move towards shorter term and index-linked contracts that correspond more closely with market conditions at the time of delivery.

The impact of the sharp rises and falls in coal prices in recent years has also led to a sharp upturn in interest in risk management from participants in the Asian coal markets. In early 2010 regular swaps trade began based on the Indonesian Sub-Bituminous FOB Marker, which is an international benchmark for steam coal mined in Indonesia that is published by the McCloskey Group.

The Exchange intends to provide trading and clearing services for futures contracts based on this benchmark. CME Group has license arrangements in place with The McCloskey Group to reference this index for this purpose. Further details on the index follow.

d) Indonesian use of Australia as a hedge

Until the development of an over-the-counter swaps market based on the McCloskey Indonesian Sub-Bituminous FOB Marker early in 2010, those participants in the Indonesian coal markets that wanted to protect themselves against price movements typically used the over-the-counter swaps market based on the Australian fob Newcastle coal benchmark.

This has proved to be an inadequate hedge as the two markets have different specifications and different fundamental drivers.

Newcastle coal is higher quality (6,000 kcal) than Indonesian sub-bituminous coal (4,900 kcal) and so attracts a different range of buyers. The port of Newcastle is also subject to infrastructure bottlenecks, such as loading delays, which can affect availability and hence the price, leading Australian prices to rise at times when Indonesian prices are falling.

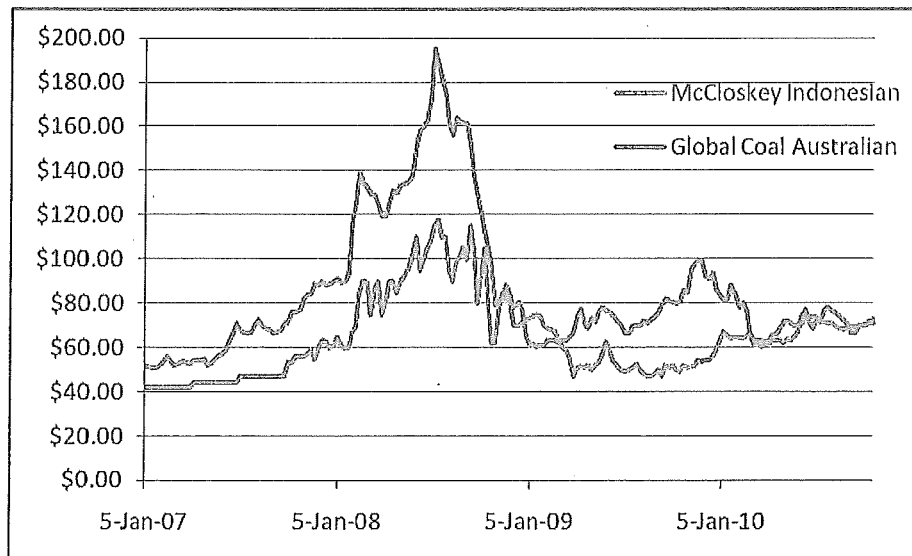
Export availability from both countries is also subject to the weather, as heavy rainfall can severely impede mine operations and transport logistics. Similarly, drought conditions can reduce river levels in Indonesia, limiting the operational capacity of barge transport. The distance between Indonesia and Australia is sufficient to ensure that one country may be suffering export difficulties at a time when operations are running perfectly in the other. This, again, leads to differing availabilities and hence different prices, reducing the utility of an Australian swaps hedge to Indonesian market participants.

Table 5 below shows the frequent disconnects between Indonesian and Australian prices, where the relationship often does not reflect the simple quality differential between the two markets⁵.

These frequent disconnects have undermined the usefulness of Australia as a hedging proxy for the Indonesian market and have promoted the development of a standalone Indonesian swaps market.

⁵ Shows Global Coal's fob Newcastle benchmark versus the McCloskey Indonesian Sub-Bituminous FOB Marker.

Table 5: Global Coal's fob Newcastle benchmark versus the McCloskey Indonesian Sub-Bituminous FOB Marker



e) About the McCloskey Group

IHS McCloskey is a leading source of news and analysis on the international coal industry. Known for providing valuable market information and insights, the group's suite of publications, including the McCloskey Coal Report, is recognized globally for accurate and reliable price reporting. Every day, many of the major deals in the international market are executed using McCloskey prices as a reference.

McCloskey prices account for half of the API 2 (cif ARA) and API 4 (fob Richards Bay) international coal price benchmarks, which are the two most widely referenced coal benchmarks for global derivative trade.

McCloskey also hosts a number of highly regarded coal conferences throughout the world, and the consultancy practice continues to advise many of the world's leading producers and consumers on a wide range of issues.

The methodology method described below is based on The McCloskey Group's Coal Index Methodology Guide⁶.

⁶ <http://cr.mccloskeycoal.com/hybrid.asp?typeCode=21&pubCode=7&navcode=204>

f) **Specifications for the McCloskey Indonesian Sub-Bituminous FOB Marker**

Table 6: Indonesian sub-bituminous coal specifications

			Typical	Reject	Price base
Calorific value	NAR	kcal/kg	4,800 to 5,100	4,600 min, 5,350 max	4,900
Total moisture	GAR	%	22 to 26	28 max	-
Volatile matter	GAD	%	40	-	-
Ash	GAD	%	3 to 6	10 max	-
Sulfur	GAD	%	0.1 to 0.6	1.0* max	-
AFT (IDT)	-	C	1,200	-	-
Loading	-	-	-	15kt/day min	20kt/day

*Note: Maximum sulfur level rose from 0.8% to 1.0% as of week ending September 03 2010.

The loading points are constrained to those that have a minimum loading rate of 15,000t/day and can load panamax vessels or bigger. However, the minimum cargo size is 50,000t. There are no premiums or discounts for any of the loading points.

The index is evaluated weekly, through a combination of deals done and a market survey. All deals within the c.v. spec range will be prorated to a c.v. of 4,900 kcal NAR.

g) McCloskey Indonesian pricing methodology

The McCloskey Group investigates the international coal markets daily - talking to all the main brokers and players - seeking to identify and evaluate prices in the prompt window based on confirmed trades and firm bids and offers.

The prices for physical deals for McCloskey markers are averaged over the course of the day on a volume/tonnage weighted basis.

To be included in the index, a trade must be completed and confirmed before 17:30 UK time each day. All deals completed or notified after this time will be excluded from the index, and will not be included in the following day's index.

Trades take precedence but in the absence of any trades McCloskey will revert to using bid/offer mid-points as the 'next best fit' to evaluate the months within the window, as long as the best bid and offer are no greater than \$1 apart in the same month.

There are instances where premiums or discounts may apply to these bids and offers depending on tonnage, destination(s) and coal origin. So the 'evidential' bid/offer spread is what is judged to be the best standard bids and offers in each month that are \$1 or less apart.

In addition to tracking physical business throughout the day, McCloskey surveys market participants at the end of each trading day. McCloskey emails participants with details of any confirmed trades and the best bids and offers seen in the market that day in the three month window, and McCloskey's 'view' of the market based on the information for the three month window. This 'view' is for guidance purposes only.

The use of bids and offers to inform the 'view' can be subjective: a bid/offer range can be many dollars apart and there are instances where premiums or discounts may apply to these bids and offers depending on tonnage, destination(s) and coal origin. McCloskey will use judgment when using bids and offers to evaluate its 'view' of the market.

The results of the market evaluation survey are then topped and tailed discarding the highest and lowest prices. An arithmetic average is then applied to the results.

Every effort will be made to identify trades before McCloskey polls the market, to give participants the most accurate reflection of the market. However, in the event that a new trade comes to light during the polling process, and that trade can be verified before 17:30 UK time, McCloskey will include it in its index assessment.

The combination of use of confirmed trades and best bids and offers, ensures that it would be extremely difficult under normal circumstances for any one participant to exert undue influence on the benchmark.

h) Conversion to 6,000 kcal basis

CME Group currently lists Indonesian Coal (McCloskey sub-bituminous) Swap Futures (MCC), which are based on a calorific value of 4,900 kcal.

The new Indonesian Coal (McCloskey sub-bituminous 6,000 kcal basis) Swap Futures pro-rate this 4,900 kcal settlement price to a 6,000 kcal basis in order to enable market participants to more easily hedge basis risk with other international coal contracts that are typically traded on a 6,000 kcal basis, such as API 4 (Richards Bay, South Africa) and Global Coal's Newcastle, Australia contract.

The settlement methodology for the 6,000 kcal basis will be to divide the settlement index provided by McCloskey by 4,900 (the current heat basis) and then multiply the resulting figure by 6,000 (in line with other benchmark coals' heat content).

i) Market Participants

There is a wide range of participants in the market place. The following table highlights some of the more active participants.

Brokers	Commercial	Banks
Ginga Petroleum	RWE	JP Morgan
ICAP	Cargill	Deutsche Bank
Tradition	EDF Trading	Morgan Stanley
	Noble Group	Societe Generale
	Peabody	Goldman Sachs
	Trafigura	
	Vitol	

ANALYSIS OF DELIVERABLE SUPPLY

1. OTC market⁷:

Coal is traded all over the world, with coal shipped huge distances by sea to reach markets. Over the last twenty years, seaborne trade in steam coal has increased significantly in line with the decline in coal production in Europe and the growth of demand in the Asian economies.

Overall international trade in coal reached 941 million tons in 2009; while this is a significant amount of coal, it still only accounts for about 16% of total coal consumed. Transportation costs account for a large share of the total delivered price of coal, therefore international trade in steam coal is effectively divided into two regional markets – the Atlantic and the Pacific. The Atlantic market is made up of importing countries in Western Europe, notably the UK, Germany and Spain. The Pacific market consists of developing and OECD Asian importers, notably China, Japan, India, South Korea and Taiwan. The Pacific market currently accounts for about 70% of world steam coal trade. Markets tend to overlap when coal prices are high and supplies plentiful.

2. Proposed Position Limits:

The following points explain the analysis applied to develop the spot limits:

- Deliverable supply is based on the total export output for Indonesia as estimated by the World Coal Institute for 2009.

The proposed spot month limit for the Indonesian Coal (McCloskey sub-bituminous) Swap Futures contracts are listed below and approximately 25% of the monthly deliverable supply for the underlying markets.

	Total Exports in 2009	Monthly Adjustment	Contract Equivalent	25% of Deliverable Supply	Proposed Position Limits
Indonesia	230,000,000	230,000	23,000	5,750	1,500

⁷ The statistics are available at <http://www.worldcoal.org/resources/coal-statistics/>