CME Group

A CME/Chicago Board of Trade/NYMEX Company

July 6, 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 # 11-257: Notification Regarding the Listing of Four (4) Option Contracts on Strips of Coal Swap Futures 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 four (4) option contracts on strips of coal swap futures for trading on the NYMEX trading floor and for submission for clearing through CME ClearPort beginning at 6:00 p.m. on Sunday, July 10, 2011, for trade date Monday, July 11, 2011.

The specifications for the four option contracts are provided below for your convenience.

Contract Title	Commodity Code	Underlying Commodity Code	Rule Chapter	First Listed Contract	Listing Period
Coal (API 2) cif ARA (ARGUS-McCloskey) Option on Quarterly Futures Strip	CQA	MTF	909	Q4 2011	10 consecutive calendar quarters
Coal (API 2) cif ARA (ARGUS-McCloskey) Option on Calendar Futures Strip	CLA	MTF	910	Calendar 2012	the next calendar year, and the subsequent calendar year following the expiry of Q2 option on quarterly strip
Coal (API 4) fob Richards Bay (ARGUS-McCloskey) Option on Quarterly Futures Strip	RQA	MFF	917	Q4 2011	10 consecutive calendar quarters
Coal (API 4) fob Richards Bay (ARGUS-McCloskey) Option on Calendar Futures Strip	RLA	MFF	918	Calendar 2012	the next calendar year, and the subsequent calendar year following the expiry of Q2 option on quarterly strip

<u>Contract Unit</u>:
CQA, RQA: Strip of three futures contracts reflecting the underlying calendar quarter period, i.e. 1,000 metric tons per month, or 3,000 metric tons in total
CLA, RLA: Strip of twelve futures contracts reflecting the underlying calendar year period, i.e. 1,000 metric tons per month, or 12,000 metric tons in total

<u>Price Quotation</u>:
U.S. dollars and cents per metric ton

<u>Minimum Price Tick</u>:
CQA, RQA: $0.01 ($30 tick value)
CLA, RLA: $0.01 ($120 tick value)

Exercise Prices:
Available in $0.50 increments, i.e. $x.00 and $x.50 values.

Trading and Clearing Hours:
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).
Open Outcry: Monday – Friday 9:00 a.m. – 2:30 p.m. (8:00 a.m. – 1:30 p.m. CT).

Termination of Trading:
2:30p.m. London time, on the Expiration Day

Expiration Day:
Thirty days prior to the first calendar day of the contract period, if this day is not a UK business day, trading shall terminate on the preceding UK business day

Option Expiration:
Notice of Exercise must be received by the Clearing House no later than 3:00 p.m. London time on the Expiration Day

Settlement Methodology:
Delivery of futures at the option exercise price, as described in the relevant Rule Chapter

Automatic exercise of positions will not operate for these products. Customers must ensure that their clearing firm has provided the necessary exercise instructions to the Clearing House for all positions they consider to be in-the-money by the exercise deadline of 3:00pm London time (i.e. 9:00 a.m. Chicago time).

Trading and Clearing Fees:

	CME ClearPort Rates		NY Trading Floor Rates		Option Exercise	
CQA, RQA	**Member**	$3.00	**Member**	$3.00	**House**	$0.40
	Non-Member	$4.50	**Non-Member**	$4.50	**Customer**	$0.85
			Cross-Division Floor	$3.75		

	CME ClearPort Rates		NY Trading Floor Rates		Option Exercise	
CLA, RLA	**Member**	$12.00	**Member**	$12.00	**House**	$0.40
	Non-Member	$18.00	**Non-Member**	$18.00	**Customer**	$0.85
			Cross-Division Floor	$15.00		

The Exchange will allow the exchange for related position (EFRP) transactions to be submitted through CME ClearPort. EFRP transactions 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 shall be effective on trade date Monday, July 11, 2011.

Chapter 909
Coal (API 2) cif ARA (ARGUS-McCloskey) Option on Quarterly Futures Strip

909.01 SCOPE

The provisions of these Rules shall apply to all call and put option contracts bought or sold on the Exchange.

909.02 TRADING UNIT

The Coal (API 2) cif ARA (ARGUS-McCloskey) Option on Quarterly Futures Strip is an option on the Coal (API 2) cif ARA (ARGUS-McCloskey) Swap Futures contract. On expiration of a call option, the long position will be assigned three consecutive long futures months beginning with the underlying month of the Coal (API 2) cif ARA (ARGUS-McCloskey) Swap Futures contract at the strike price. On exercise of a put option, the long position will be assigned three consecutive short futures months beginning with the underlying month of the Coal (API 2) cif ARA (ARGUS-McCloskey) Swap Futures contract at the strike price.

909.03 EXPIRATION

The Expiration Day shall be 30 calendar days prior to the first calendar day of the first calendar month in the strip of deliverable futures. If such day is not a UK business day, the Expiration Day shall be the first preceding UK business day.

909.04 OPTION EXERCISE

Option contracts may be exercised on the Expiration Day only. Notice of exercise must be delivered by a Clearing Member to the Clearing House not later than 3:00 p.m. London time on the Expiration Day. The option shall not be automatically exercised by the Clearing House on the Expiration Day.

909.05 TRADING MONTHS

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

909.06 TERMINATION OF TRADING

Trading shall cease at 2.30 p.m. London time on the Expiration Day.

909.07 STRIKE PRICES

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

(B) 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 Coal (API 2) cif ARA (ARGUS-McCloskey) Swap Futures contracts in the first calendar month in the strip of deliverable futures (or implied previous day's settlement price if listing is concurrent) rounded off to the nearest \$0.50 strike price unless such settlement price is precisely midway between two strike prices in which case it shall be rounded off to the lower strike price and (ii) the ten \$0.50 increment strike prices which are ten \$0.50 increments higher than the strike price described in (i) of this Rule 909.07(B) and (iii) the ten \$0.50 increment strike prices which are ten \$0.50 increments lower than the strike price described in (i) of this Rule 909.07(B).

(C) Thereafter, on any business day prior to the expiration of the option, (i) new consecutive strike prices for both puts and calls will be added such that at all times there will be at least ten \$0.50 strike prices above and below the at-the-money strike price available for trading in all option contract months, provided that each such strike price shall be above zero. The at-the-money strike price will be determined in accordance with the procedures set forth in Subsection (B)(i) of this Rule 909.07.

(D) Notwithstanding the provisions of subsections (A) through (C) of this Rule, if the Exchange determines that trading in the option 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 option contract in which no new strike prices may be introduced.

909.08 PRICES AND FLUCTUATIONS

Prices and strike prices shall be quoted in U.S. dollars and cents per metric ton. The minimum price fluctuation shall be $0.01 per metric ton ($30.00 per contract).

909.09 ABSENCES OF PRICE FLUCTUATION LIMITATIONS

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

909.10 DISCLAIMER

The Coal (API 2) cif ARA (ARGUS-McCloskey) Option on Quarterly Futures Strip (the "Product") is not sponsored, endorsed, sold or promoted by Argus Media Inc. ("Argus") or IHS Global Ltd. ("IHS"). Argus and IHS make no representation or warranty, express or implied, to the owners of the Product or any member of the public regarding the advisability of trading in the Product. Argus' and IHS' only relationship to Chicago Mercantile Exchange Inc., CME Clearing Europe Ltd. and New York Mercantile Exchange, Inc. (together, "CME") is the licensing of certain trademarks and trade names of Argus and IHS, and of the API 2 and API 4 indexes (which are determined, composed and calculated by Argus and IHS without regard to CME or the Product), and Argus and IHS have no obligation to take the needs of CME or the owners of the Product into consideration in determining, composing or calculating the API 2 and API 4 indexes. Argus and IHS are not responsible for and have not participated in the determination of the timing of, prices at, or quantities of the Product to be listed or in the determination or calculation of the equation by which the Product is to be converted into cash. Argus and IHS have no obligation or liability in connection with the administration, marketing or trading of the Product.

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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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Chapter 910
Coal (API 2) cif ARA (ARGUS-McCloskey) Option on Calendar Futures Strip

910.01 SCOPE

The provisions of these Rules shall apply to all call and put option contracts bought or sold on the Exchange.

910.02 TRADING UNIT

The Coal (API 2) cif ARA (ARGUS-McCloskey) Option on Calendar Futures Strip is an option on the Coal (API 2) cif ARA (ARGUS-McCloskey) Swap Futures contract. On expiration of a call option, the long position will be assigned twelve consecutive long futures months beginning with the underlying month of the Coal (API 2) cif ARA (ARGUS-McCloskey) Swap Futures contract at the strike price. On exercise of a put option, the long position will be assigned twelve consecutive short futures months beginning with the underlying month of the Coal (API 2) cif ARA (ARGUS-McCloskey) Swap Futures contract at the strike price.

910.03 EXPIRATION

The Expiration Day shall be 30 calendar days prior to the first calendar day of the first calendar month in the strip of deliverable futures. If such day is not a UK business day, the Expiration Day shall be the first preceding UK business day.

910.04 OPTION EXERCISE

Option contracts may be exercised on the Expiration Day only. Notice of exercise must be delivered by a Clearing Member to the Clearing House not later than 3:00 p.m. London time on the Expiration Day. The option shall not be automatically exercised by the Clearing House on the Expiration Day.

910.05 TRADING MONTHS

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

910.06 TERMINATION OF TRADING

Trading shall cease at 2.30 p.m. London time on the Expiration Day.

910.07 STRIKE PRICES

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

(B) 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 Coal (API 2) cif ARA (ARGUS-McCloskey) Swap Futures contracts in the first calendar month in the strip of deliverable futures (or implied previous day's settlement price if listing is concurrent) rounded off to the nearest $0.50 strike price unless such settlement price is precisely midway between two strike prices in which case it shall be rounded off to the lower strike price and (ii) the ten $0.50 increment strike prices which are ten $0.50 increments higher than the strike price described in (i) of this Rule 910.07(B) and (iii) the ten $0.50 increment strike prices which are ten $0.50 increments lower than the strike price described in (i) of this Rule 910.07(B).

(C) Thereafter, on any business day prior to the expiration of the option, (i) new consecutive strike prices for both puts and calls will be added such that at all times there will be at least ten $0.50 strike prices above and below the at-the-money strike price available for trading in all option contract months, provided that each such strike price shall be above zero. The at-the-money strike price will be determined in accordance with the procedures set forth in Subsection (B)(i) of this Rule 910.07.

(D) Notwithstanding the provisions of subsections (A) through (C) of this Rule, if the Exchange determines that trading in the option contract 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 option contract in which no new strike prices may be introduced.

910.08 PRICES AND FLUCTUATIONS

Prices and strike prices shall be quoted in U.S. dollars and cents per metric ton. The minimum price fluctuation shall be $0.01 per metric ton ($120.00 per contract).

910.09 ABSENCES OF PRICE FLUCTUATION LIMITATIONS

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

910.12 DISCLAIMER

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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

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Chapter 917
Coal (API 4) fob Richards Bay (ARGUS-McCloskey) Option on Quarterly Futures Strip

917.01 SCOPE

The provisions of these Rules shall apply to all call and put option contracts bought or sold on the Exchange.

917.02 TRADING UNIT

The Coal (API 4) fob Richards Bay (ARGUS-McCloskey) Option on Quarterly Futures Strip is an option on the Coal (API 4) fob Richards Bay (ARGUS-McCloskey) Swap Futures contract. On expiration of a call option, the long position will be assigned three consecutive long futures months beginning with the underlying month of the Coal (API 4) fob Richards Bay (ARGUS-McCloskey) Swap Futures contract at the strike price. On exercise of a put option, the long position will be assigned three consecutive short futures months beginning with the underlying month of the Coal (API 4) fob Richards Bay (ARGUS-McCloskey) Swap Futures contract at the strike price.

917.03 EXPIRATION

The Expiration Day shall be 30 calendar days prior to the first calendar day of the first calendar month in the strip of deliverable futures. If such day is not a UK business day, the Expiration Day shall be the first preceding UK business day.

917.04 OPTION EXERCISE

Option contracts may be exercised on the Expiration Day only. Notice of exercise must be delivered by a Clearing Member to the Clearing House not later than 3:00 p.m. London time on the Expiration Day. The option contract shall not be automatically exercised by the Clearing House on the Expiration Day.

917.05 TRADING MONTHS

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

917.06 TERMINATION OF TRADING

Trading shall cease at 2.30 p.m. London time on the Expiration Day.

917.07 STRIKE PRICES

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

(B) 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 Coal (API 4) fob Richards Bay (ARGUS-McCloskey) Swap Futures contracts in the first calendar month in the strip of deliverable futures (or implied previous day's settlement price if listing is concurrent) rounded off to the nearest $0.50 strike price unless such settlement price is precisely midway between two strike prices in which case it shall be rounded off to the lower strike price and (ii) the ten $0.50 increment strike prices which are ten $0.50 increments higher than the strike price described in (i) of this Rule 917.07(B) and (iii) the ten $0.50 increment strike prices which are ten $0.50 increments lower than the strike price described in (i) of this Rule 917.07(B).

(C) Thereafter, on any business day prior to the expiration of the option, (i) new consecutive strike prices for both puts and calls will be added such that at all times there will be at least ten $0.50 strike prices above and below the at-the-money strike price available for trading in all options contract months, provided that each such strike price shall be above zero. The at-the-money strike price will be determined in accordance with the procedures set forth in Subsection (B)(i) of this Rule 917.07.

(D) Notwithstanding the provisions of subsections (A) through (C) of this Rule, if the Exchange determines that trading in the option contract 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 option contract in which no new strike prices may be introduced.

917.08 PRICES AND FLUCTUATIONS

Prices and strike prices shall be quoted in U.S. dollars and cents per metric ton. The minimum price fluctuation shall be $0.01 per metric ton ($30.00 per contract).

917.09 ABSENCES OF PRICE FLUCTUATION LIMITATIONS

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

917.10 DISCLAIMER

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Chapter 918
Coal (API 4) fob Richards Bay (ARGUS-McCloskey) Option on Calendar Futures Strip

918.01 SCOPE

The provisions of these Rules shall apply to all call and put option contracts bought or sold on the Exchange.

918.02 TRADING UNIT

The Coal (API 4) fob Richards Bay (ARGUS-McCloskey) Option on Calendar Futures Strip is an option on the Coal (API 4) fob Richards Bay (ARGUS-McCloskey) Swap Futures contract. On expiration of a call option, the long position will be assigned twelve consecutive long futures months beginning with the underlying month of the Coal (API 4) fob Richards Bay (ARGUS-McCloskey) Swap Futures contract at the strike price. On exercise of a put option, the long position will be assigned twelve consecutive short futures months beginning with the underlying month of the Coal (API 4) fob Richards Bay (ARGUS-McCloskey) Swap Futures contract at the strike price.

918.03 EXPIRATION

The Expiration Day shall be 30 calendar days prior to the first calendar day of the first calendar month in the strip of deliverable futures. If such day is not a UK business day, the Expiration Day shall be the first preceding UK business day.

918.04 OPTION EXERCISE

Option contracts may be exercised on the Expiration Day only. Notice of exercise must be delivered by a Clearing Member to the Clearing House not later than 3:00 p.m. London time on the Expiration Day. The option contract shall not be automatically exercised by the Clearing House on the Expiration Day.

918.05 TRADING MONTHS

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

918.06 TERMINATION OF TRADING

Trading shall cease at 2.30 p.m. London time on the Expiration Day.

918.07 STRIKE PRICES

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

(B) 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 Coal (API 4) fob Richards Bay (ARGUS-McCloskey) Swap Futures contracts in the first calendar month in the strip of deliverable futures (or implied previous day's settlement price if listing is concurrent) rounded off to the nearest $0.50 strike price unless such settlement price is precisely midway between two strike prices in which case it shall be rounded off to the lower strike price and (ii) the ten $0.50 increment strike prices which are ten $0.50 increments higher than the strike price described in (i) of this Rule 918.07(B) and (iii) the ten $0.50 increment strike prices which are ten $0.50 increments lower than the strike price described in (i) of this Rule 918.07(B).

(C) Thereafter, on any business day prior to the expiration of the option, (i) new consecutive strike prices for both puts and calls will be added such that at all times there will be at least ten $0.50 strike prices above and below the at-the-money strike price available for trading in all options contract months, provided that each such strike price shall be above zero. The at-the-money strike price will be determined in accordance with the procedures set forth in Subsection (B)(i) of this Rule 918.07.

(D) Notwithstanding the provisions of subsections (A) through (C) of this Rule, if the Exchange determines that trading in the option contract 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 option contract in which no new strike prices may be introduced.

918.08 PRICES AND FLUCTUATIONS

Prices and strike prices shall be quoted in U.S. dollars and cents per metric ton. The minimum price fluctuation shall be $0.01 per metric ton ($120.00 per contract).

918.09 ABSENCES OF PRICE FLUCTUATION LIMITATIONS

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

918.10 DISCLAIMER

The Coal (API 4) fob Richards Bay (Argus/McCloskey) Option on Calendar Futures Strip (the "Product") is not sponsored, endorsed, sold or promoted by Argus Media Inc. ("Argus") or IHS Global Ltd. ("IHS"). Argus and IHS make no representation or warranty, express or implied, to the owners of the Product or any member of the public regarding the advisability of trading in the Product. Argus' and IHS' only relationship to Chicago Mercantile Exchange Inc., CME Clearing Europe Ltd. and New York Mercantile Exchange, Inc. (together, "CME") is the licensing of certain trademarks and trade names of Argus and IHS, and of the API 2 and API 4 indexes (which are determined, composed and calculated by Argus and IHS without regard to CME or the Product), and Argus and IHS have no obligation to take the needs of CME or the owners of the Product into consideration in determining, composing or calculating the API 2 and API 4 indexes. Argus and IHS are not responsible for and have not participated in the determination of the timing of, prices at, or quantities of the Product to be listed or in the determination or calculation of the equation by which the Product is to be converted into cash. Argus and IHS have no obligation or liability in connection with the administration, marketing or trading of the Product.

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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

I. DESCRIPTION

Coal is a globally traded commodity. As a naturally occurring substance, coal is found with a range of qualities and levels of impurities, and is traded accordingly. There are two primary classifications of coal that are traded internationally. Coking coal, or metallurgical coal, is used in the production of steel. Steam coal, or thermal coal, is used in the production of electrical power. With its higher carbon content, and lower levels of impurities, coking coal can be considered the superior class, and typically trades at a premium to steam coal. The majority of coal is utilized in power generation. Coal is usually transported by truck over short distances. Trains and barges are used for relatively longer distances within the domestic markets. Ships are generally used for long distances, including international transportation of coal. Steam coal is traded in the international markets mainly through three types of vessels: handysize; panamax; and capesize vessels. Seaborne trade in steam coal has increased on average in recent years. The two major steam or thermal coal regional markets are the Atlantic and Pacific markets. Western European nations, mainly UK, Germany, and Spain, are the main importing countries of the Atlantic market. Import demand comes mainly from Japan, South Korea and Taiwan in the Pacific market. Tables 1 and 2 provide the top coal exporting and importing countries, respectively. According to the World Coal Institute, in 2009, Australia was the world's largest coal exporter, with total exports equaling approximately 259 million tons (steam coal at 134 million tons and coking coal at 125 million tons).

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

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

Source: World Coal Institute[1]

[1] http://www.worldcoal.org/coal/market-amp-transportation/

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

	Total, of which	Steam	Coking
Japan	165Mt	113Mt	52Mt
PR China	137Mt	102Mt	35Mt
South Korea	103Mt	82Mt	21Mt
India	67Mt	44Mt	23Mt
Chinese Taipei	60Mt	57Mt	3Mt
Germany	38Mt	32Mt	6Mt
UK	38Mt	33Mt	5Mt

Source: World Coal Institute[2]

The Exchange currently provides trading and clearing services for futures and option contracts based on the API 2 and API 4 indices, which are international benchmarks for steam coal. The new option contracts referenced in this submission are options on the futures on the API 2 and API 4 indices currently listed by the Exchange. These indices are owned and published jointly by Argus Media and IHS McCloskey, part of IHS. CME Group (parent company of NYMEX) has license arrangements in place to reference these indices for this purpose. Further details on these indices follow.

II. METHODOLOGY

About Argus Media

Argus Media is a leading provider of price assessments, business intelligence and market data on the global coal, electricity, oil, gas, emissions and transportation industries. It is headquartered in London, and has offices in Houston, New York, Washington, Dubai, Singapore, Tokyo, Beijing, Moscow, Astana, Kiev and other key centers of the energy industry. Argus was founded in 1970 and is a privately held UK registered company[3].

About IHS McCloskey

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

[2] http://www.worldcoal.org/coal/market-amp-transportation/
[3] http://www.argusmedia.com/coal

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. The group 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[4].

ARA (Rotterdam area) Prices

Argus Coal Daily International averages the buy sell ranges it has identified for cif ARA (Amsterdam-Rotterdam Antwerp). Argus compares the weighted transaction price daily for cargoes delivered to ARA with the consensus of the price estimates and publishes an average of these calculations. There has been a recent sustained increase in the number of deals traded on a discharge ex ship (des) ARA basis. For the purposes of the Argus assessment, des ARA deals are assumed to be equivalent to cif ARA. Argus constructs a volume-weighted average of transactions it records for delivery into the ARA region. This volume-weighted average is an element used in the Argus assessment of the coal price. Argus will eliminate information that appears to be "off the consensus" in its final assessment of the price.

Richards Bay Prices

For price assessments of the fob Richards Bay, South Africa physical market Argus Coal Daily International regularly contacts South African producers, lifters of South African coal and international traders. Argus makes separate averages for each type of these market participants to assist in making its final assessment. Argus also calculates a weighted average of reported transactions traded daily for coal specified in the International Coal Prices table. These averages serve as guides to the prevailing market levels. Argus will construct a separate weighted transaction average and a consensus of estimates from South African sellers and buyers of South African coal. The final assessment will take a comparison of these levels into account, and does not rely exclusively upon transactions to determine the index.

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[4] http://www.mccloskeycoal.com/

III. API INDICES

Since January 4, 2010, Argus has conducted daily physical assessments. The Argus CIF ARA and FOB Richards Bay prices are based 50% on deals done each day and 50% on a market survey of active participants. If no deals are conducted on a day, the price then will be based on the market survey and the best bid and best offer. If no best bid and best offer is available, the price then will be based on the market survey only. Deals must match current API specifications which are: a minimum cargo size of 50,000 tons; minimum calorific value of 5,850 kcal/kg; sulphur less than 1%, etc. Deals must be conducted between 8:30 a.m. and 5:30 p.m. London time. If deals are conducted after the 5:30 p.m. deadline, they will not be included in the daily assessment. Trades booked for delivery within the next 90 days are included in the daily assessment. The third month is included in the assessment from the 15th of each month. For example; from March 15, cargoes for delivery in April, May and June are included in the daily assessment. Argus will publish the Argus component of the price each day in "Coal Daily International". The Argus/McCloskey Price Index Report will be published as usual each Friday with an average of the week's prices.

API 2 and API 4 indices are published exclusively in the Argus/McCloskey Coal Price Index Report.

• API 2 (Rotterdam area) is an average of Argus cif ARA and McCloskey's NW European steam coal marker prices. The Argus component is the weekly average of daily assessments. The McCloskey component is a weekly price published on Friday.

• API 4 (fob Richards Bay) is an average of Argus fob Richards Bay assessment and McCloskey's fob Richards Bay marker prices. The Argus component is the weekly average of daily assessments. The McCloskey component is a weekly price published on Friday.

ARA (Rotterdam area) Imports and Exports

Amsterdam-Rotterdam-Antwerp (ARA) is Europe's largest coal import hub, with total coal stocking capacity around 8.7 million tons. Coal is shipped from stockpiles to utilities in Northwest Europe, mainly from the port of Rotterdam. The port of Rotterdam is a hub of international goods flows, while at the same time serving as an industrial complex of global stature. The port is the gateway to a European market of more than 350 million consumers. With an annual throughput of more than 400 million tons of goods, Rotterdam is by far the biggest seaport in Europe[5]. Rotterdam's entire port and industrial complex covers 10,500 hectares and stretches out 40 kilometers in length; from the city to the Maasvlakte along the Nieuwe Waterweg canal[6].

According to data from the Port of Rotterdam, for 2010, net imports of coal were over 23 million tons. Table 3, below, reflects the incoming and outgoing coal through the Port of Rotterdam for 2009 and 2010.

Table 3: Coal shipments through the Port of Rotterdam (thousand metric tons)

	2010	**2009**
Incoming	23,278	23,665
Outgoing	802	1,168

Source: Port of Rotterdam[7]

Richards Bay Imports and Exports

The Port of Richards Bay rests on the shores of a lagoon formed by the Mhlatuze River in the KawZuli-Natal Province of South Africa about 90 nautical miles northeast of the Port of Durban. The easternmost seaport in the nation, the Port of Richards Bay has the country's biggest harbor. The Port of Richards Bay's Coal Terminal is the world's biggest terminal, with capacity to handle 91 million tons per year. In addition to its busy seaport, the Port of Richards Bay is home to two aluminum smelters and a fertilizer plant. Mines in the nearby lagoon produce iron ore, zircon, and titanium oxide. The seaport exports a

[5] This information was obtained from the official website of the Port of Rotterdam http://www.portofrotterdam.com/en/Port/Pages/default.aspx
[6] This information was obtained from the official website of the Port of Rotterdam http://www.portofrotterdam.com/en/Port/Pages/default.aspx
[7] http://www.portofrotterdam.com/en/Port/port-statistics/Documents/throughput_2010.pdf

range of bulk cargoes that include coal, titanium, heavy minerals, ferrochrome, granite, aluminum, pulp, woodchips, and phosphoric acid.

The Richards Bay Coal Terminal (RBCT) handled 63.4 million tons of coal exports in 2010[8]. Each day, a non-stop 200-wagon train delivers coal to the RBCT carrying about 16.8 thousand tons, and the terminal can stockpile up to six million tons of coal. Since the terminal opened, it has handled more than one billion tons of coal exports[9].

IV. COAL PRODUCTION

According to the International Energy Agency (IEA), world anthracite coal production reached 69,416,000 tons in 2008[10]. The largest coal producing countries are not confined to one region – the top five producers are China, the USA, India, Australia and South Africa. Much of the global coal production is used in the country in which it was produced; only around 18% of hard coal production is destined for the international coal market. According to the U.S. Energy Information Administration (EIA) projection analysis, which is included in its International Energy Outlook 2010, coal production is projected to increase in China and the U.S. over the next ten years by 18.2 quadrillion Btu and 2.8 quadrillion Btu, respectively. Coal production is also projected to increase in Australia and New Zealand. Rising international trade is also expected to support production increases in Russia, Africa, and Central and South America[11]. Table 4 shows the coal production levels reported by EIA from 2005 through 2009.

Table 4: Coal Production Statistics (thousand short tons)

Index	Corresponding Countries	2005	2006	2007	2008	2009
API 2	France	0	0	0	0	0
	Germany	226,993	220,554	225,526	214,351	203,738
	Netherlands	0	0	0	0	0
	United Kingdom	22,055	19,929	18,232	19,405	19,703
	Total	249,048	240,483	243,758	233,756	223,431
API 4	South Africa	270,051	269,817	273,005	278,059	272,598

Source: EIA[12]

[8] http://www.rbct.co.za/default.asp
[9] http://www.worldportsource.com/ports/ZAF_Port_of_Richards_Bay_641.php
[10] http://www.iea.org/stats/coaldata.asp?COUNTRY_CODE=29
[11] The coal projections levels are available at http://www.eia.doe.gov/oiaf/ieo/pdf/coal.pdf
[12] http://tonto.eia.doe.gov/cfapps/ipdbproject/iedindex3.cfm?tid=1&pid=1&aid=24&cid=BE,FR,GM,NL,SF,UK,&syid=2002&eyid=2010&unit=TST

V. COAL CONSUMPTION

Coal plays a vital role in power generation and this role is set to continue. The biggest market for coal is Asia, which currently accounts for significant global coal consumption – although China is responsible for a significant proportion of this total. Many countries do not have natural energy resources sufficient to cover their energy needs, and therefore need to import energy to help meet their requirements. For example, Japan, Taiwan and Korea import significant quantities of steam coal for electricity generation and coking coal for steel production. It is not just a lack of domestic coal supplies that prompts countries to import coal but also the importance of obtaining specific types of coal. Major coal producers such as China, the USA and India, for example, also import quantities of coal for quality and logistical reasons. According to the EIA projection analysis, which is included in the International Energy Outlook 2010, OECD countries coal consumption is expected to decrease from 47.9 quadrillion Btu in 2007 to 43.1 quadrillion Btu in 2010 and remains virtually flat until after 2025. Table 5 shows coal production levels reported by EIA from 2005 through 2009.

Table 5: Coal Consumption Statistics (thousand short tons)

Index	Corresponding Countries	2005	2006	2007	2008	2009
API 2	Belgium	8,655	8,201	7,330	7,495	5,703
	France	23,324	21,562	22,427	21,119	16,760
	Germany	270,789	270,534	281,443	267,882	249,697
	Netherlands	14,210	13,682	14,858	14,061	13,316
	United Kingdom	68,262	74,440	69,668	64,506	53,827
	Total	385,240	388,419	395,726	375,063	339,303
API 4	South Africa	193,349	196,079	202,374	213,326	199,070

Source: EIA[13]

VI. COAL IMPORTS

Table 6 show coal imports levels reported by EIA from 2004 through 2009.

[13] http://tonto.eia.doe.gov/cfapps/ipdbproject/IEDIndex3.cfm?tid=1&pid=1&aid=2

Table 6: Coal Imports Statistics (thousand short tons)

Index	Corresponding Countries	2005	2006	2007	2008	2009
API 2	Belgium	10,099	9,274	8,762	9,445	8,921
	France	23,603	24,128	21,838	24,981	16,843
	Germany	45,092	50,565	56,226	54,897	45,915
	Netherlands	22,935	25,752	29,324	23,544	22,036
	United Kingdom	49,468	56,811	48,979	49,160	42,268
	Total	151,197	166,530	165,129	162,027	135,983
API 4	South Africa	2,049	2,043	1,975	1,402	239

Source: EIA[14]

VII. COAL RESERVES

Coal reserves are discovered through exploration activities. The process usually involves creating a geological map of the area, then carrying out geochemical and geophysical surveys, followed by exploration drilling. According to EIA, total recoverable reserves of coal around the world are estimated at 948 billion tons—reflecting a current reserves-to-production ratio of 126[15]. Table 7 shows the recoverable hard coal reserves based on EIA data for 2008[16].

Table 7: Total Recoverable Coal Reserves (Million Short Tons)

	2008
Belgium	--
France	--
Germany	44,863
Netherlands	--
UnitedKingdom	251
SouthAfrica	33,241

Source: EIA[17]

[14] http://tonto.eia.doe.gov/cfapps/ipdbproject/IEDIndex3.cfm?tid=1&pid=1&aid=3
[15] http://www.eia.doe.gov/oiaf/ieo/pdf/coal.pdf
[16] EIA only reports 2005 reserves
[17] http://tonto.eia.doe.gov/cfapps/ipdbproject/IEDIndex3.cfm?tid=1&pid=7&aid=6

VIII. MARKET ACTIVITY[18]

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 on average by about 7% each year, while seaborne coking coal trade has increased by 1.6% a year. 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 Japan, Korea and Taiwan. The Pacific market currently accounts for about 57% of world seaborne steam coal trade. Markets tend to overlap when coal prices are high and supplies plentiful. South Africa is a natural point of convergence between the two markets.

IX. MARKET PARTICIPANTS

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

Brokers	**Commercial**	**Banks**
ICAP	RWE	Morgan Stanley
GFI	Endesa	J Aron
Tullett	E.On	Deutsche
GlobalCOAL	ENEL	JPMorgan
LCB	EDF	Macquarie
Ginga	Gaselys	ML
	Vattenfall	Citi
	DONG	

[18] The statistics are available at www.worldcoal.org/coal/market-amp-transportation/

ANALYSIS OF DELIVERABLE SUPPLY

In its analysis of deliverable supply, the Exchange focused on the EIA production and imports data from the ARA region and the Richards Bay region to determine spot month position limits for the Coal (API 2) cif ARA (Argus/McCloskey) Swap Futures and Option and the Coal (API 4) fob Richards Bay (Argus/McCloskey) Swap Futures and Option, respectively. Specifically, the Exchange's analysis of deliverable supply is based on the total production and imports levels reported by EIA during 2009, as the agency has not yet published coal import levels for 2010.

The API 2 index is based on the ARA market. The main participant countries in the ARA region are Germany, UK, Netherlands, France, and Belgium. The API 4 index is based on the fob Richards Bay port, South Africa.

According to the EIA (Tables 4 and 6), coal production and imports data for 2009 for the ARA region was approximately 359,414,000 tons, or approximately 30,000,000 tons per month, or 30,000 futures contract equivalents (contract size for futures contracts: 1,000 tons). Therefore, 25% of the monthly contract equivalent for the ARA region would be approximately 7,500 contracts. The Exchange has determined to set the spot month position limits for the option contracts the same as those of the underlying Coal (API 2) cif ARA (ARGUS-McCloskey) Swap Futures contract at 3,500 contract units or 11.7% of the total deliverable supply.

According to the EIA (Tables 4 and 6), coal production and imports data for 2009 for the Richards Bay region was approximately 223,670,000 tons, or approximately 18,600,000 tons per month or 18,600 futures contract equivalents (contract size for futures contracts: 1,000 tons). Therefore, 25% of the monthly contract equivalent for the Richards Bay region would be approximately 4,650 contracts. The Exchange has determined to set the spot month position limits for the option contracts the same as those of the underlying Coal (API 4) fob Richards Bay (Argus/McCloskey) Swap Futures contract at 2,500 contract units or 13.4% of the total deliverable supply.