

August 23, 2012

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 40.2(a) Certification. Regarding the Listing of U.S. Midwest #1 Busheling Ferrous Scrap (AMM) Futures Contract for Trading on the CME Globex and for Submission for Clearing through CME ClearPort
NYMEX Submission #12-255**

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 U.S. Midwest #1 Busheling Ferrous Scrap (AMM) futures contract for trading on the CME Globex and for submission for clearing through CME ClearPort on Sunday, September 9, 2012, for trade date Monday, September 10, 2012.

The contract specifications are as follows:

Contract Title	U.S. Midwest #1 Busheling Ferrous Scrap (AMM) Futures
Commodity Code	BUS
Contract Size	20 Gross tons
First Listed Month	October 2012
Listing Period	24 consecutive months
Termination of Trading	Trading shall cease on the 10 th calendar day of the contract month. If 10 th calendar day falls into a holiday or weekend, the price will settle on the immediately following business day. Business days are based on the U.S. Public Holiday calendar.
Minimum Price Intervals	\$ 0.01 per gross tons
Value per Tick	\$0.20 per gross tons
Settlement Tick	\$0.01 per gross tons
Rule Chapter	601

The Exchange will allow the exchange for related position (EFRP) transactions to be submitted through CME ClearPort. EFRP transactions in these contracts will be governed by the provisions of Exchange Rule 538.

Trading and Clearing Hours:

CME Globex: 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)

CME ClearPort: Sunday – Friday 6:00 p.m. – 5:15 p.m. (5:00 p.m. – 4:15 p.m. CT) with a 45-minute break each day beginning at 5:15 p.m. (4:15 p.m. CT).

Trading and Clearing Fees:

Exchange Fees					
	Member Day	Member	Cross Division	Non-Member	IIP
Pit	NA	NA	NA	NA	
Globex	\$2.00	\$3.00	\$1.00	\$5.00	\$3.30
ClearPort		\$4.00		\$5.00	

Processing Fees		
	Member	Non-Member
Cash Settlement	\$4.00	\$5.00
Futures from E/A	NA	NA
	House Acct	Cust Acct
Options E/A Notice	NA	NA
Delivery Notice	NA	NA

Additional Fees and Surcharges	
EFS Surcharge	NA
Block Surcharge	\$0.10
Facilitation Desk Fee	\$0.20

The Exchange is also notifying the CFTC that it is self-certifying the insertion of the terms and conditions for the contract into the Position Limit, Position Accountability and Reportable Level Table and Header Notes located in the Interpretations and Special Notices Section of Chapter 5 of the NYMEX Rulebook in relation to the listing of the new contract. The terms and conditions establish the all month/any one month accountability levels, expiration month position limit, reportable level and aggregation allocation for the new contract. In addition, the Exchange is self-certifying the insertion of the non-reviewable range (“NRR”) for the futures contract into Rule 588.G

Exchange business staff responsible for the new product and the Exchange legal department collectively reviewed the designated contract market core principles (“Core Principles”) as set forth in the Commodity Exchange Act (the “Act” or “CEA”). During the review, Exchange staff identified that the new product may have some bearing on the following Core Principles:

- **Prevention of Market Disruption:** Trading in this contract will be subject to the NYMEX rules (“Rulebook”) Chapters 4 and 7 which include prohibitions on manipulation, price distortion and disruptions of the delivery or cash-settlement process. As with all products listed for trading on one of CME Group’s designated contract markets, activity in the new product will be subject to extensive monitoring and surveillance by CME Group’s Market Regulation Department.
- **Contracts not Readily Subject to Manipulation:** The new product is not readily subject to manipulation due to the deep liquidity and robustness in the underlying physical market, which provides diverse participation and sufficient spot transactions to support the final settlement index assessed by AMM (methodology provided in submission).
- **Compliance with Rules:** Trading in this contract will be subject to the rules in Rulebook Chapter 4 which includes prohibitions against fraudulent, noncompetitive, unfair and abusive practices. Additionally, trading in this contract will also be subject to the full panoply of trade practice rules, the majority of which are contained in Chapter 5 and Chapter 8 of the Rulebook. As with all products listed for trading on one of CME Group’s designated contract markets, activity in the new product will be subject to extensive monitoring and surveillance by CME Group’s Market Regulation Department.

The Market Regulation Department has the authority to exercise its investigatory and enforcement power where potential rule violations are identified.

- Position Limitations or Accountability: The spot month position limits for the contract is set at less than the threshold of 25% of the deliverable supply in the underlying market.
- Availability of General Information: The Exchange will publish information on the contract's specifications on its website, together with daily trading volume, open interest and price information.
- Daily Publication of Trading Information: Trading volume, open interest and price information will be published daily on the Exchange's website and via quote vendors.
- Financial Integrity of Contracts: All contracts traded on the Exchange will be cleared by the Clearing House of the Chicago Mercantile Exchange Inc. which is a registered derivatives clearing organization with the Commission and is subject to all Commission regulations related thereto.
- Execution of Transactions: The new contract is dually listed for trading on CME Globex and for clearing through the CME ClearPort platform. The CME Globex platform provides a transparent, open and efficient mechanism to electronically execute trades on screen. The CME ClearPort platform provides a competitive and open execution of transactions by brokers.
- Trade Information: All required trade information is included in the audit trail and is sufficient for the Market Regulation Department to monitor for market abuse.
- Protection of Market Participants: Rulebook Chapters 4 and 5 contain multiple prohibitions precluding intermediaries from disadvantaging their customers. These rules apply to trading on all of the Exchange's competitive trading venues and will be applicable to transactions in this product.
- Disciplinary Procedures: Chapter 4 of the Rulebook contains provisions that allow the Exchange to discipline, suspend or expel members or market participants that violate the Rulebook. Trading in this contract will be subject to Chapter 4, and the Market Regulation Department has the authority to exercise its enforcement power in the event rule violations in this product are identified.
- Dispute Resolution: Disputes with respect to trading in this contract will be subject to the arbitration provisions set forth in Chapter 6 of the Rulebook. Chapter 6 allows all nonmembers to submit a claim for financial losses resulting from transactions on the Exchange to arbitration. A member named as a respondent in a claim submitted by a nonmember is required to participate in the arbitration pursuant to Chapter 6. Additionally, the Exchange requires that members resolve all disputes concerning transactions on the Exchange via arbitration.

Pursuant to Section 5c(c) of the Act and CFTC Regulation 40.2, 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. A description of the cash market for this new product is attached.

The Exchange certifies that this submission has been concurrently posted on the Exchange's website at <http://www.cmegroup.com/market-regulation/rule-filings.html>.

Should you have any questions concerning the above, please contact the undersigned at (312) 930-8167 or Sean.Downey@cmegroup.com.

Sincerely,

/s/Sean M. Downey
Director and Assistant General Counsel

Attachments: Appendix A: Rule Chapter
Appendix B: Chapter 5 Table
Appendix C: Rule 588.G. No Bust Ranges
Appendix D: Cash Market Overview and Analysis of Deliverable Supply

Chapter 601

U.S. Midwest #1 Busheling Ferrous Scrap (AMM) Futures

601100. SCOPE OF CHAPTER

The provisions of these rules shall apply to all futures contracts bought or sold on the Exchange for cash settlement based on the Floating Price. The procedures for trading, clearing and cash settlement of this contract, and any other matters not specifically covered herein shall be governed by the general rules of the Exchange.

601101. CONTRACT SPECIFICATIONS

The Floating Price for each contract month is equal to the price assessment published on the 10th of that given calendar month for the U.S. Midwest Shredded Ferrous Scrap by AMM. If 10th falls into a holiday or weekend, the price will settle on the immediately following business day.

601102. TRADING SPECIFICATIONS

The number of months open for trading at a given time shall be determined by the Exchange.

601102.A. Trading Schedule

The hours of trading for this contract shall be determined by the Exchange.

601102.B. Trading Unit

The contract quantity shall be 20 gross tons ("GT"). Each contract shall be valued as the contract quantity multiplied by the settlement price.

601102.C. Price Increments

Prices shall be quoted in U.S. dollars and cents per gross ton. The minimum price fluctuation shall be \$0.01 per gross ton.

601102.D. Position Limits and Position Accountability

In accordance with Rule 559, no person shall own or control positions in excess of 17,000 contracts net long or net short in the spot month.

In accordance with Rule 560:

1. the all-months accountability level shall be 68,000 contracts net long or net short in all months combined;
2. the any-one month accountability level shall be 68,000 contracts net long or net short in any single contract month excluding the spot month.

Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.

601102.E. Termination of Trading

Trading shall terminate on the 10th calendar day of the contract month. If 10th calendar day falls into a holiday or weekend, the price will settle on the immediately following business day. Business days are based on the U.S. Public Holiday calendar.

601103. FINAL SETTLEMENT

Final settlement under the contract shall be by cash settlement. Final settlement, following termination of 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.

601104. DISCLAIMER

NEITHER NEW YORK MERCANTILE EXCHANGE, INC. ("NYMEX") ITS AFFILIATES NOR AMERICAN METAL MARKET ("AMM") GUARANTEES THE ACCURACY NOR COMPLETENESS OF THE INDEX OR ANY OF THE DATA INCLUDED THEREIN. NYMEX, ITS AFFILIATES OR AMM MAKE NO WARRANTIES, EXPRESS OR IMPLIED, AS TO THE RESULTS TO BE OBTAINED BY ANY PERSON OR ENTITY FROM USE OF THE INDEX, TRADING AND/OR CLEARING BASED ON THE INDEX, OR ANY DATA INCLUDED THEREIN IN CONNECTION WITH THE TRADING AND/OR CLEARING 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 INDEX OR ANY DATA INCLUDED THEREIN. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT SHALL NYMEX, ITS AFFILIATES OR AMM 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 DAMAGES.

NYMEX Rulebook Chapter 5 Position Limit Table
 (Bold/underline indicates additions)

<u>Contract Name</u>	<u>Rule Chapter</u>	<u>Commodity Code</u>	<u>All Month Accountability Level</u>	<u>Any One Month Accountability Level</u>	<u>Expiration Month Limit</u>	<u>Reporting Level</u>	<u>Aggregate Into (1)</u>
			<u>Rule 560</u>	<u>Rule 560</u>	<u>Rule 559</u>	<u>Rule 561</u>	
<i>Metals</i>							
<u>U.S. Midwest #1 Busheling Ferrous Scrap (AMM) Futures</u>	<u>601</u>	<u>BUS</u>	<u>68,000</u>	<u>68,000</u>	<u>17,000</u>	<u>25</u>	<u>BUS</u>

RULE 588.G.

(Bold/underline Indicates Additions)

NAME	NON-REVIEWABLE RANGE	NRR INCLUDING UNIT OF MEASURE	NRR TICKS
<u>U.S. Midwest #1 Busheling Ferrous Scrap (AMM) Futures</u>	5,000	\$50.00/ton	5,000

CASH MARKET OVERVIEW

New York Mercantile Exchange, Inc. (“NYMEX” or “Exchange”) is self-certifying the listing of the U.S. Midwest #1 Busheling Ferrous Scrap (AMM) futures for trading on the CME Globex and for clearing through CME ClearPort.

Contract	Code	Rule Chapter
U.S. Midwest #1 Busheling Ferrous Scrap (AMM) Futures	BUS	601

Recycled iron and steel scrap is a vital raw material for the production of new steel and cast iron products. About half of the steel and foundry industries in the U.S. have been using recycled ferrous scrap as a main resource for steel making. This is especially true for the low cost steel producers such as Electric Arc Furnace (“EAF”) steel mills. For EAF mills, ferrous scrap makes up 45-85% of the production cost. As a result, EAF mills are highly sensitive to the ferrous scrap price fluctuation. Steel scrap used to be a regional product with relatively stable prices until 2000, before many emerging countries came into the market to secure raw materials for building their infrastructure. The U.S. is a net surplus processor of the ferrous scrap and it has been one of the biggest ferrous scrap exporters in the world. Growing economies of developing countries, such as China and Turkey, have increased demand and prices of ferrous scrap and steel. The U.S. ferrous scrap price soon became one of the most volatile commodities in the steel industry and the major factor in the world steel price instability.

Consumption and Production

According to the Institute of Scrap Recycling Industries (“ISRI”), the U.S. processed 73 million metric tons of ferrous scrap in 2011. During that time, total value of domestic purchases (receipts of ferrous scrap by all domestic consumers from brokers, dealers, and other outside sources) and exports were estimated to be \$35.2 billion in 2011, up by 42% from that of 2010.¹ There are two different ways to distinguish ferrous scrap grades and quality - prime and obsolete. Prime ferrous scrap is recovered from industrial and manufacturing sources. Prime scrap tends to have more pure iron content and priced at a

¹ <http://minerals.usgs.gov/minerals/pubs/commodity/iron %26 steel scrap/mcs-2012-fescr.pdf>

premium to obsolete grade. Busheling and #1 bundle are considered as Prime scrap. Obsolete ferrous scrap is recovered from steel structures, railroad tracks, ships, farm equipment and other sources. Shredded, HMS 1 and HMS 2 are considered as obsolete grade. The U.S. Geological Survey estimates that the U.S. recycled ferrous scrap consisted of 59% obsolete, 20% prime, 21% home scrap². Home scrap includes metal generated at a refinery, mill or foundry that is re-melted and reused at the same facility and grades vary depending on melting specifications. Both obsolete and prompt scrap are processed by the scrap recycling industry into commodity grade material that is used to produce more than 60% of total raw steel produced in the U.S., predominantly at EAFs.³

According to the Bureau of International Recycling's ferrous division, global scrap consumption for world steel production was around 530 million tons in 2010⁴. The steel scrap supply in many parts of the world has not kept up with the respective growth in steel production causing high price volatility in the market. Developments in China in particular have contributed substantially to a reduction in the world steel scrap reserve. This trend continued and in 2011, the U.S. ferrous scrap exports increased 21% by volume to nearly 23.7 million metric ton while, by value, it surged by 40% to \$10.4 billion. Turkey was the largest overseas buyer of U.S. ferrous scrap in 2011 at \$2.4 billion, followed by China at \$2.08 billion, Taiwan at \$1.4 billion, South Korea at \$1.3 billion and India at \$493 million.⁵

The U.S. ferrous scrap is exported to approximately 90 countries worldwide and it accounted for over 20% of global ferrous scrap consumption in 2010.⁶ As a result, the U.S. is the largest ferrous scrap exporter in the world. Since the U.S. domestic market has to consistently compete with the export market to secure ferrous scrap, price volatility has become an increasing issue for the industry in the past 10 years. Domestic and foreign steel mills, foundries and other industrial consumers rely on ferrous scrap as a vital, environmentally friendly and cost efficient raw material for the production of new steel and cast iron products. Depending on the life cycle of these finished products, the ferrous scrap once again becomes available for recycling in the months and years ahead.

² http://minerals.usgs.gov/minerals/pubs/commodity/iron_%26_steel_scrap/mcs-2012-fescr.pdf

³ Institute of Scrap Recycling Industry presentation at the TSI scrap conference, March, 2012

⁴ <http://www.bir.org/industry/ferrous-metals/>

⁵ http://www.isri.org/iMIS15_Prod/ISRI/About/Scrap_Recycling_Industry/ISRI/About/Scrap_Recycling_Industry.aspx?hkey=1c15f9cb-6f70-4130-a053-ceba7a327c7f

⁶ http://www.isri.org/iMIS15_Prod/ISRI/About/Scrap_Recycling_Industry/ISRI/About/Scrap_Recycling_Industry.aspx?hkey=1c15f9cb-6f70-4130-a053-ceba7a327c7f

Appendix D

Manufacturers of pig iron, raw steel, and steel castings accounted for majority of scrap consumption by the domestic steel industry, using scrap together with pig iron and direct-reduced iron to produce steel products for the appliance, construction, container, machinery, oil and gas, transportation, and various other consumer industries. The ferrous casting industries make up 10% of the U.S. ferrous scrap consumption to produce cast iron and steel products, such as motor blocks, pipe, and machinery parts. Relatively small quantities of scrap were used for producing ferroalloys, for the precipitation of copper, and by the chemical industry. Since ferrous scrap demand mainly stems from the industrial manufacturers, specifically steel producers, steel demand is highly correlated to the health of the general economy. During 2011, raw steel production was estimated to be 95 million tons, up approximately 18% from that of 2010; annual steel mill capability utilization was about 75% compared with 70% for 2010.⁷ Net shipments of steel mill products were estimated to have been approximately 89 million tons compared with 76 million tons for 2010.⁸

Based on the information given by ISRI, about 41% of the total scrap processed in the U.S. is a prime scrap, and busheling scrap is the main driver leading the prime scrap prices. The prices among the prime scraps and substitute material such as pig iron are highly correlated. The Midwest is a location often used as the U.S. benchmark for the scrap pricing. During the past five years, the average yearly prime ferrous scrap processing level in the U.S. was 28,372,000 metric tons. This equates to a monthly average of 116,349 busheling ferrous scrap contracts. In comparison, during the past three years, the ferrous scrap processing level slightly increased to an average of 28,563,333 metric tons or a monthly average of 117,134 contract equivalents. The majority of ferrous scrap processed in the U.S. is consumed in the U.S. within the calendar year and when necessary, the ferrous scrap can be transferable to different regions within the U.S. via truck or rail on prompt delivery basis. The Exchange believes that the U.S. domestic processing level of the ferrous prime scrap represents a reliable measure of the busheling ferrous scrap deliverable supply for the U.S. Midwest #1 Busheling ferrous scrap (AMM) futures contract.

⁷ http://minerals.usgs.gov/minerals/pubs/commodity/iron_%26_steel_scrap/mcs-2012-fescr.pdf

⁸ http://minerals.usgs.gov/minerals/pubs/commodity/iron_%26_steel_scrap/mcs-2012-fescr.pdf

Table 1: U.S. Ferrous Scrap Production

Year	Total Yearly U.S. Ferrous Scrap Production (MT)	Total Yearly U.S. Prime Scrap including Home Scrap Production (MT)	Total Yearly U.S. Prime Scrap including Home Scrap Production (GT)	Total Yearly Production in Contract Equivalent (20 GT)	Average Monthly Production in Contract Equivalent (20 GT)
2007	64,000,000	26,240,000	25,825,408	1,291,270	107,606
2008	73,000,000	29,930,000	29,457,106	1,472,855	122,738
2009	70,000,000	28,700,000	28,246,540	1,412,327	117,694
2010	66,000,000	27,060,000	26,632,452	1,331,623	110,969
2011	73,000,000	29,930,000	29,457,106	1,472,855	122,738
Average	69,200,000	28,372,000	27,923,722	1,396,186	116,349

Source: USGS and ISRI, 1MT=0.9842 GT

Pricing in North America

In 2010, the world produced 1.41 billion tons of steel which was a 15% increase from 2009. This production increase has predominantly come from Asia, especially China which made up 44.3% of the world steel production in 2010 according to the world steel production.⁹ Steel used to be produced largely by integrated steel mills (producing steel mainly using iron ore) while now EAF mills make up approximately 60% of the U.S. steel production.¹⁰ For these EAF mills, ferrous scrap costs represent 45%-85% of their production costs. Ferrous scrap is a single best leading indicator of the steel market price forecast as it is an early indicator of steel demand as well as its price.

Ferrous scrap used to be a regional product with relatively stable prices until 2002, before China and many other emerging countries entered the market. As demand from the developing economy surged, increasing amounts of the U.S. ferrous scrap went to the export market. Soon, the U.S. became an important benchmark for the world's ferrous scrap pricing. Increase in consumption created much more price volatility in the U.S. domestic scrap market. Since then, ferrous scrap has become a global commodity and one of the major factors in the world steel price instability.

The ferrous scrap market in the United States is quite different from many other commodity markets. The vast majority of business is done on a monthly contract basis, with the bulk of the negotiations typically taking place during the first week of the month and typically completed in the first 10 calendar days of the month. The Midwest has been recognized as the undoubted benchmark used for establishing contract prices and surcharges.

⁹ <http://www.heat treat.net/news/world-steel-production-topped-1-4-billion-tons-last-year-2/>

¹⁰ Institute of Scrap Recycling Industry presentation at the TSI scrap conference, March, 2012

Physical trade in ferrous scrap takes place throughout the supply chain, and includes steel scrap yard, processors, distributors, merchants, traders and end-users. The price negotiated during the first week of a month becomes an average monthly price. The U.S. Midwest #1 Busheling Ferrous Scrap (AMM) futures contract will offer price protection beyond the spot month. The contract will assist the North American industry commercials to better manage volatility and long term budget planning. The U.S. ferrous scrap market is robust and has deep liquidity due to the diverse market participation.

Index Provider

American Metal Market, a division of the Euromoney Institutional Investors, Inc. (“AMM”) is the leading independent supplier of market intelligence and pricing to the North American metals industries and publisher of the widely-used reference prices for scrap. AMM’s U.S. Midwest Busheling Ferrous Scrap Index builds upon the publication’s extensive experience in reporting scrap prices in a wide range of grades and locations and utilizes an established and leading index methodology. AMM is a subscription only index targeted for the American metals market participants. The AMM U.S. Midwest Busheling Ferrous Scrap Index was developed to provide a fair, transparent and objective representation of the market.

AMM launched the new, transaction-based, U.S. Midwest Busheling Ferrous Scrap Index in order to create a more robust pricing assessment in the ferrous scrap market due to, among other things, the greater number of market participants in this new index. The AMM U.S. Midwest Busheling Ferrous Scrap Index aims to reflect scrap prices for the entire Midwest region, which is the industry’s preferred way of pricing, rather than AMM’s previous index which was based on one city (Chicago). The AMM index methodology is a tonnage weighted calculation of transactions that have been normalized to base specification using value-in-use (VIU) curves as defined by the market. The VIU of individual scrap grades refers to the value to the client of each grade in the furnace melt. Typically, each grade of material has a different VIU which is related to its chemistry (for example, iron units), its physical properties (such as ease of handling, density, and melting performance in the furnace), and any contaminant materials that need to be removed at the melting or secondary metallurgy stages which have an associated cost. Steel mills will use a menu of different scrap grades in each melt, based on the different chemistries and availabilities, and try to maximize the VIU content of the mix. The market defines the overall VIU of the

material by setting how much it will pay for each grade of material relative to the others. The relationship between the grades is broadly consistent but does change a little over the medium term depending on market circumstances. AMM uses these relationships, set by the market itself, to normalize different grades of material back to the base specifications. In the case of the U.S. Midwest Busheling Ferrous Scrap Index, the base grade is ISRI Grade 207. Material that falls into higher or lower than the ISRI Grade 207 will be normalized back to Grade 207 using the VIU relationship that is defined by the market. The relationships are broadly consistent across the market, but can vary between customers and suppliers. The model will take that into account if there are statistically identifiable differences. The overall VIU coefficients are updated every month.

AMM methodology¹¹ aims to use the input of high-quality data. AMM has been reporting on the U.S. scrap market for over 100 years and therefore has a unique level of experience and knowledge in providing benchmark prices to the industry. The U.S. Midwest Busheling Ferrous Scrap Index is based on actual transactions, which are reported to AMM by any market participant who is conducting trades on a delivered Midwest mill basis, and is not restricted to a panel or selected group. The AMM U.S. Midwest Busheling Ferrous Scrap Index also utilizes aggregate transaction data, where available, in order to maximize the tonnage proportion of buyers and sellers in the market represented in the final index. AMM is impartial and has no financial or other interest in the level or direction of the index.

AMM stores the collected data and calculation process on secure off-site servers that are backed up on a daily basis. The data is not accessible to parties outside AMM or the group, and internally only to defined individuals within the index and editorial teams.

¹¹ <http://www.amm.com/Article/3055262/Search/Results/AMMs-Midwest-Ferrous-Scrap-Index-Methodology.html?OrderType=1&Keywords=methodology>

ANALYSIS OF DELIVERABLE SUPPLY

The Exchange believes that the U.S. domestic prime scrap processing level represents a reliable measure of deliverable supply. Busheling scrap is the main driver leading the prime scrap prices. The prices among the prime scraps and substitute material such as pig iron are highly correlated. Based on surveys of market participants, approximately 25 percent of prime ferrous scrap processed in the U.S. is under long term contracts. Prime ferrous scrap long term contracts are done between scrap generators and ferrous scrap merchants. In addition, approximately 25 percent of prime ferrous scrap under long term contracts may not be available to re-trade in the spot market. Thus more than 75 percent of long term contracts is available to the spot market.

Midwest scrap price is often used as the benchmark price for U.S. market participants. The U.S. has a surplus supply of ferrous scrap and is considered the largest scrap exporter in the world. Still, the majority of prime scrap produced in North America is consumed in North America within the calendar year and when necessary, the ferrous scrap can be transferable to different regions within the U.S. via truck or rail on prompt delivery basis. The Exchange believes that the U.S. domestic processing level of the ferrous prime scrap represents a reliable measure of the busheling ferrous scrap deliverable supply for the U.S. Midwest #1 Busheling Ferrous Scrap (AMM) futures contract.

During the past five years, the average yearly prime ferrous scrap processing level in North America was 28,372,000 metric tons. This equates to a monthly average of 116,349 busheling ferrous scrap contract equivalents. Discounting the prime ferrous scrap under long term contracts which may not be available in the spot market, the monthly average deliverable supply of busheling ferrous scrap is 109,077 contract equivalents.

In comparison, during the past three years, the prime ferrous scrap processing level has slightly increased to an average of 28,563,333 metric tons or a monthly average of 117,134 busheling ferrous scrap contract equivalents. Discounting the prime ferrous scrap under long term contracts which many not be available in the spot market, the monthly average deliverable supply of busheling ferrous scrap is 109,813 contract equivalents.

Appendix D

The Exchange has determined to set expiration month limit for the U.S. Midwest #1 Busheling Ferrous Scrap (AMM) futures at 17,000 contract units which is less than 16% of monthly deliverable supply based on the 2007 – 2011 five-year average and less than 16% of monthly deliverable supply based on the 2009 – 2011 three-year average of North American prime ferrous scrap processing levels.