September 19, 2008

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: New Product Rule Certification. NYMEX Submission 08.78: Notification Regarding the Listing of a Financially Settled Steel Contract

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 a cash-settled futures contract based on prevailing market prices for hot-rolled coil (HRC) steel in the U.S. Midwest region. The contract, the U.S. Midwest Domestic Hot-Rolled Coil Steel Index Futures contract (the "HRC Contract"), will be financially settled against an index that is licensed to NYMEX by CRU Indices Ltd., a subsidiary of leading steel industry information supplier CRU International Ltd., which reflects an assessment of such prevailing market prices.

The Exchange will list the HRC Contract beginning October 20, 2008. The HRC Contract will have monthly listings for eighteen (18) consecutive months. The HRC Contract will be listed for trading on the CME Globex® electronic trading platform from 6:00 P.M. to 5:15 P.M. Eastern Time (Sunday to Friday), and for submission for clearing of Exchange of Futures for, or in Connection with, Swap ("EFS") transactions on the ClearPort® Clearing platform. The contract will be part of the NYMEX product slate on CME Globex®.

NYMEX also is submitting related terms and conditions for the HRC Contract as new NYMEX Chapter 920, which is comprised of Rules 920.01 – 920.09. (*See* attached.). This new rule Chapter will become effective upon the launch of the HRC Contract.

The Exchange will list the HRC Contract under commodity symbol "HRC" on the CME Globex® platform, and under commodity symbol "HR" on the ClearPort® Clearing platform.

Pursuant to Section 5c(c) of the Commodity Exchange Act (the "Act") and CFTC Rule 40.2 and Rule 40.6, the Exchange hereby certifies that the attached contract complies with the Act, including regulations under the Act.

Should you have any questions concerning the above, please contact Dr. Robert Levin, Managing Director, Research at 212-299-2390 or the undersigned at (202) 715-8517.

Sincerely,

De'Ana H. Dow

De'Ana H. Dow
Managing Director
Government Relations

Attachments

Supplemental Information

U.S. Midwest Domestic Hot-Rolled Coil Steel Index Futures

History

Global steel prices were relatively stable from 1982 to 2003. Measured in constant dollars, prices experienced a steady decline. Between 2000 and 2002 producers went through an extremely difficult period when U.S. HRC steel hit a twenty-four (24) year low of $175 a metric ton (below the cost of production for many). Four of the top seven U.S. manufacturers in 2000 either merged or went out of business by 2003.

Since then, there has been tremendous growth in demand for steel in emerging market economies. For instance, China's demand for infrastructural development since 2000 has been the primary driving force behind their domestic expansion of steel production from 128.5 million metric tons to 422.6 million metric tons, and China now accounts for about a third of world production. Although production has kept pace with consumption, China has consumed vast quantities of iron ore and scrap steel during this time period and that has led to higher prices around the world.

Beginning in 2003, and over the next four years, the steel market saw unprecedented volatility for global prices with the U.S. HRC price hitting over $1,000 a short ton in 2008. As prices rose, even the biggest users could not ensure long term fixed prices ahead of time. This led to two related changes in perspective among industry participants:

- The beginning of perceiving steel price determination as a commodity process.
- The beginning of recognizing benefits from price risk management.

There are challenges that face the steel industry as it makes the transition to a transparent commodity market with liquid risk-management mechanisms. Chief among these is the lack of fungibility in hot-rolled coil products produced at the individual mill level. There is overall agreement on the fundamental products but each mill's output has individual characteristics; in fact, individual process runs at the same mill can differ. The commercial solution to this is to utilize a price index as the commodity. This solves the fungibility issue and also provides a common reference that each market participant can use for risk management purposes.

The Market

Fundamental Supply and Demand

The North American consumption of steel products was 125 million short tons for 2007. The U.S. domestic steel sheet market is comprised of approximately 11 major steel mills that produce more than 50 million tons of sheet products annually, with net hot-rolled coil representing nearly 20 million tons of this market.

Cash-Market

Physical trade in steel sheet takes place throughout the supply chain, and includes these and other mills, along with service centers, distributors, merchants and end-users. The use of index-based pricing programs by steel sheet producers in the USA has grown dramatically in recent years, in tandem with the increase in steel price volatility. In 2004, very few physical market transactions were index-based. In 2008, estimates are that nearly 25-30% of transactions (worth around US$15bn) will reference an independent assessment of market prices, the majority using price assessment as determined by CRU Group. The market's acceptance of the CRU price assessments for U.S. domestic Midwest HRC supports the Exchange decision to list financial contracts based on this market price. These price assessments are based on actual spot transactions in the market and all the data providers are directly involved in buying and selling the relevant steel product on the spot market. This ensures that the price assessments are accurately reflecting the cash transaction price.

OTC Market

When physical contracts are linked to indices it then creates an effective means for the derivative instruments to converge with the physical prices. This ensures convergence between the two markets. Financial firms and steel traders are the main providers of financial derivatives to the steel industry. These firms are using ISDA based trading agreements to provide OTC swaps that settle on the CRU index numbers. To our best estimates, there are at least 6 major commodity trading firms that are active in this market. In the first half of 2008, we estimate that a minimum of 2 million short tons (10,000 equivalent futures contracts) of OTC swaps were traded based on the US sheet prices. The primary source for settlement was the CRU U.S. Midwest domestic HRC price. The current marketplace for financial swaps is primarily for hedging. Few non-steel industry firms are involved. This is due to the opaque and illiquid nature of the OTC market. This is expected to change once the NYMEX steel contract is introduced, since this will bring transparency and credit mitigation to this market.

Major participants in the North American market include (but not limited to) the following:

Mills

US Steel
Mittal
Nucor
AK Steel

Severstal North America
Steel Dynamics
Gallitan
Delta

Middle Men

Worthington
Olympic
Ryerson
Commercial Metals Corporation
Reliance

End Users

GE Appliance
Emerson
Whirlpool

GM
Ford
Deere & Co.
Transplants (about 10 facilities)
Tenaris

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

Broker/Dealers

Barclays
Societe Generale
Koch Metals Trading
MF Global
JP Morgan
Morgan Stanley

Physical Trading Companies

Cargill Ferrous International
Stemcor
Duferco
Ferrostaal Coutinho Caro

The HRC Contract

The HRC Contract will be financially settled against the U.S. Midwest Domestic Hot-Rolled Coil Steel index (the "CRU HRC Index"), produced by CRU Indices Ltd. and licensed to NYMEX. CRU Indices Ltd. is a subsidiary of leading steel industry information supplier CRU International Ltd. The CRU HRC Index reflects an assessment of prevailing market prices in U.S. HRC steel. The CRU HRC Index captures ex-mill physical transaction prices entered into by market participants for U.S. domestic HRC steel sold east of the Rockies.

The CRU HRC Index reflects prices in commercial HRC steel with thickness range from 0.083 inch to 0.375 inch, and width between 48 inches and 60 inches.

Other HRC Contract details:

Size:	20 short tons
Minimum Tic:	$5
Settlement:	Financial, on the fourth (4th) Wednesday of the contract month
Months Listed:	Eighteen (18) consecutive months
Launch Date:	October 20, 2008
First Contract Month:	December 2008
Platforms:	CME Globex® (trading) and ClearPort® Clearing (clearing)

CRU International Ltd.

CRU International Ltd. ("CRU") is an independent business analysis and consultancy group focused on mining, metals, power, cables, fertilizer and chemicals. Founded in the late 1960s and still privately owned, the group employs more than 200 experts in London, Beijing, Santiago, Sydney and the United States. CRU's Steel Business Group has over 30 full-time consultants researching and analysing the steel, nickel and alloys industries. CRU's products for the steel industry make an analysis of recent trends in market fundamentals and present forecasts of production, consumption, stocks and prices.

CRU's regular assessments of HRC prices in the U.S. Midwest have been developed and improved over the past 20 years, and have become the leading price assessments for the U.S. steel sheet industry to benchmark its physical HRC transactions. Please see Attachment, "CRU Steel Index – Price Assessments" for more details on the price assessment methods. Data providers to the CRU assessments collectively represent the whole supply chain, and include mills, service centers, distributors, merchants and end users. CRU's assessments of HRC prices in the U.S. Midwest are already directly incorporated in an estimated US$15 billion worth of physical market transactions every year. The price assessments are based on actual spot transactions and all the data providers are directly involved in buying and selling the relevant steel product on the spot market. These index participants provide aggregated transaction data online, which is subject to a three part checking process. A first-pass check of the data is performed by automatic algorithms. The second check is performed on raw data by CRU steel team analysts. A final check is performed by CRU indexes, who are able to contact participants directly to query price inputs. The price assessments are available to the CRU subscribers via its monthly publication, "CRU Monitor – Steel Sheet Products" and License Agreements only. Please see Attachment, "CRU Monitor – Steel Sheet Products, March 2008" as a publication sample. Also, please visit www.crusteelprices.com for more details about the CRU steel prices methodology.

NYMEX has entered into a multi-year licensing agreement with CRU for the provision of the CRU HRC Index in connection with the settlement of the HRC Contract.

U.S. Midwest Domestic Hot-Rolled Coil Steel Index Futures

920.01 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.

920.02 Floating Price

The Floating Price for each contract month is equal to the average price calculated for all available price assessments published for that given month by the CRU U.S. Midwest Domestic Hot-Rolled Coil Steel Index.

920.03 Contract Quantity and Value

The contract quantity shall be twenty (20) short tons. Each contract shall be valued as the contract quantity multiplied by the settlement price.

920.04 Contract Months

Trading shall be conducted in contracts in such months as shall be determined by the Board of Directors.

920.05 Prices and Fluctuations

Prices shall be quoted in U.S. dollars and cents per ton. The minimum price fluctuation shall be $5 per short ton. There shall be no maximum price fluctuation.

920.06 Termination of Trading

Trading shall cease on the business day preceding the fourth (4th) Wednesday of the contract month.

920.07 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.

920.07a Daily Settlement Price

Settlement prices for days other than that which is addressed in Rule 920.07 shall be established pursuant to this rule and shall be determined by the President's designee. For purposes of this rule, the President's designee shall refer to Exchange staff from various Exchange departments assigned to this responsibility ("Staff"). Staff shall determine such prices by considering market information deemed to be appropriate, and such information may include, but is not limited to:

(1) trading activity on Globex;
(2) price data obtained from a cross-section of over-the-counter ("OTC") brokers collectively representing both buyers and sellers in OTC markets;

(3) price data obtained from OTC market participants, considering both buyers and sellers in such markets;
(4) price data from other sources deemed to be reliable and accurate; and
(5) other relevant data and information.

920.08 Exchange of Futures for, or in Connection with Product (EFP) and Exchange of Futures for, or in Connection with Swap (EFS) Transactions

Any EFP or EFS shall be governed by the provisions of Rules 6.21 and 6.21A, respectively.

920.09 Disclaimer

NEITHER CME GROUP INC., NEW YORK MERCANTILE EXCHANGE, INC. NOR ANY OF THEIR AFFILIATES (COLLECTIVELY "CME") NOR CRU GUARANTEES THE ACCURACY AND/OR COMPLETENESS OF THE INDEX OR ANY OF THE DATA INCLUDED THEREIN.

NEITHER CME NOR CRU MAKE ANY WARRANTIES, EXPRESS OR IMPLIED, AS TO THE RESULTS TO BE OBTAINED BY ANY PERSON OR ENTITY FROM USE OF THE INDEX, TRADING BASED ON THE INDEX, OR ANY DATA INCLUDED THEREIN IN CONNECTION WITH THE TRADING OF THE CONTRACTS, OR, FOR ANY OTHER USE. NEITHER CME NOR CRU MAKE ANY WARRANTIES, EXPRESS OR IMPLIED, AND EACH HEREBY DISCLAIMS 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 CME OR CRU 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.