

October 11, 2012

VIA E-MAIL

Ms. Sauntia Warfield
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. Notification Regarding the Listing of Chinese Steel Rebar HRB400 (Mysteel) Futures for Trading on the NYMEX Trading Floor and for Submission for Clearing through CME ClearPort
NYMEX Submission #12-293**

Dear Ms. Warfield:

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 Chinese Steel Rebar HRB400 (Mysteel) Futures contract for trading on the NYMEX trading floor and for submission for clearing through CME ClearPort on Sunday, October 14, 2012, for trade date Monday, October 15, 2012.

The contract specifications are as follows:

- **Title:** Chinese Steel Rebar HRB400 (Mysteel) Futures
- **Commodity Code:** RBR
- **Rule Chapter:** 1286
- **First Listed Month:** November 2012
- **Listing Period:** 12 consecutive months
- **Contract Size:** 100 Metric Tons
- **Termination of Trading:** Trading shall cease on the last business day of the contract month. Business days are based on the Chinese Public Holiday calendar.
- **Minimum Price Tick:** \$0.001 per metric ton
- **Value per Tick:** \$0.10 per metric ton
- **Final Settlement Price:** Settlement tick = \$0.001 per metric ton
- **Trading and Clearing Hours:**

Open Outcry: Monday – Friday 9:00 a.m. – 2:30 p.m. (8:00 a.m. – 1:30 p.m. Chicago Time/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).

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.

- **Exchange Fees:**

Exchange Fees				
	Member Day	Member	Cross Division	Non-Member
Pit	n/a	\$8.00	\$4.00	\$10.00
Globex	n/a	n/a	n/a	n/a
ClearPort		\$8.00		\$10.00

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	\$1.00

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, diminishing balances, reportable level and aggregation allocation for the new contract.

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 the NYMEX trading floor and for clearing through the CME ClearPort platform. The NYMEX trading floor 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. 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: Cash Market Overview and Analysis of Deliverable Supply

Chapter 1286

Chinese Steel Rebar HRB400 (Mysteel) Futures

1286100. 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.

1286101. CONTRACT SPECIFICATIONS

The Floating Price for each contract month is equal to the arithmetic average of the quotations for third grade rebar (HRB400) as published by Mysteel in its report 'Steel building materials prices (Shanghai market prices of construction steel)' for each business day that is determined during the contract month. The Exchange will convert the prices published each day by Mysteel in Chinese RMB into USD using the People's Bank of China daily onshore fixing rate.

1286102. TRADING SPECIFICATIONS

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

1286102.A. Trading Schedule

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

1286102.B. Trading Unit

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

1286102.C. Price Increments

Prices shall be quoted in US dollars and cents per metric ton. The minimum price fluctuation shall be \$0.001 (0.1¢) per metric ton.

1286102.D. Position Limits, Exemptions, Position Accountability and Reportable Levels

The applicable position limits and/or accountability levels, in addition to the reportable levels, are set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5.

A Person seeking an exemption from position limits for bona fide commercial purposes shall apply to the Market Regulation Department on forms provided by the Exchange, and the Market Regulation Department may grant qualified exemptions in its sole discretion.

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

1286102.E. Termination of Trading

Trading shall cease on the last business day of the contract month. Business days are based on the Chinese Public Holiday calendar.

1286103. 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.

1286104. DISCLAIMER

NEITHER NEW YORK MERCANTILE EXCHANGE, INC. ("NYMEX") ITS AFFILIATES NOR MYSTEEL GUARANTEES THE ACCURACY NOR COMPLETENESS OF THE INDEX OR ANY OF THE DATA INCLUDED THEREIN. NYMEX, ITS AFFILIATES OR MYSTEEL 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 MYSTEEL 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>Diminishing Balance Contracts</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>	
<u>Metals</u>								
Chinese Steel Rebar HRB400 (Mysteel) Futures	1286	RBR	*	50,000	50,000	10,000	25	RBR

CASH MARKET OVERVIEW

The New York Mercantile Exchange, Inc. (“NYMEX” or “Exchange”) is self-certifying the listing of Chinese Steel Rebar HRB400 (Mysteel) futures (code RBR, Chapter 1286), for trading on the NYMEX trading floor and for submission for clearing through CME ClearPort.

NYMEX currently offers several Asian ferrous metals products for trading and clearing, including Chinese iron ore futures contracts, Chinese iron ore average price options and Australian coking coal futures.

This new product will complement the Exchange’s Asian ferrous metals complex by enabling steel market participants to hedge their entire exposure to both their raw materials (iron ore and coking coal) and finished products (rebar steel). This enables steel producers to smooth out price volatility and to lock in their production margin.

Rebar as a traded commodity

Rebar HRB400 is defined as a ribbed bar of steel of 20mm diameter under the Production Statistical Indicator System of China’s Steel Industry, which was introduced by the China Iron and Steel Association in 2004. Rebar HRB400 is used primarily by the construction industry to reinforce concrete. The construction boom in recent years in China has generated enormous demand for rebar steel, which has therefore become a benchmark product within the ferrous industry.

Prices for steel products have proved to be relatively volatile in recent years in line with the expansion and contraction of the global industry. There is growing demand for risk management tools that will enable market participants to reduce the impact on their business of price volatility. The Shanghai Futures Exchange already lists a highly successful rebar futures contract, but participation in this contract is limited to Chinese firms or foreign firms with very specific licenses. In contrast, the Exchange’s Chinese Steel Rebar HRB400 (Mysteel) futures will enable risk management by firms both in China and globally, including international buyers, suppliers and traders.

Size of the underlying Chinese cash market

China is the world’s largest production, storage, and trading hub for the global rebar steel market. The Chinese steel markets are highly diverse and actively traded by refiners, traders, importers, and smaller distributors. With its high concentration of production capacity and its high domestic demand,

China dominates global pricing since price signals from China are carefully watched by market participants around the world.

The data provided in Table 1 below shows that apparent consumption of rebar in China has grown extremely quickly in recent years, reflecting the construction boom within China, which has experienced strong growth over this period. Although the data collected references all rebar products in China, the data is comprised primarily of the HRB 400 grade, which is the benchmark grade of steel rebar. Rebar grades in general do not vary as much in specifications compared to flat steel products. Based on the data provided in Table 1 below, the average apparent consumption of rebar steel in China for the three-year period from January 2009 to December 2011 was approximately 135,310,000 metric tons.

The apparent consumption and production data in Table 1 were provided by the China Iron Ore and Steel Association (CISA) and the import and export data (also in Table 1) were provided by the Chinese customs authorities.

Table 1: Selected statistics for the Chinese rebar market (10,000 metric tons)

	Apparent consumption	Production	Import	Export
2007	9,551	10,137	49,861	5,903,921
2008	9,595	9,709	25,239	1,168,240
2009	12,126	12,151	56,385	305,095
2010	13,079	13,096	52,967	224,764
2011	15,388	15,406	52,310	223,948

Source: China Iron Ore and Steel Association (CISA) and Chinese Customs authorities

Trade in steel products in the Chinese domestic market is denominated in metric tons and is priced in Chinese Yuan. There is active trading in physical supplies and in forward cash deals. The lot size of the Rebar HR400 futures contract will be 100 metric tons, which is one-fifth of the size of the Chinese iron ore futures contracts that are currently listed on the Exchange. The Rebar HR400 futures contract settlement price will be converted into U.S. dollars using the daily onshore fixing rate for RMB-USD, as provided by the People's Bank of China.

Index Provider

The price reference for the financial settlement of the contract is licensed by NYMEX from Mysteel. Mysteel is one of the leading pricing services that are used in the over-the-counter (“OTC”) market for pricing ferrous metals contracts within China, and the methodology utilized by Mysteel is well-known in the Asian ferrous metals industry. Their pricing methodology is derived from electronic data collected from multiple market participants to determine market value.

Mysteel has been assessing prices in the domestic Chinese metals market since 2002 and has built up a reputation for producing fair and transparent price assessments. Mysteel information reaches 400,000 users in China and internationally and the firm maintains 800 information-gathering staff in 50 cities across China¹.

a) Mysteel methodology for assessing Chinese rebar

Mysteel contacts 5,000 ferrous market participants on a regular basis in order to assess prices for 126 different markets, of which rebar steel is amongst the most important and widely discussed. Mysteel price assessments of Chinese rebar steel reflect spot prices prevailing in the assessed locations and are derived from information obtained in the marketplace, including transactions reported to Mysteel.

Mysteel generates its prices for Rebar HRB400 on a daily basis by polling steel-related enterprises – steel mills, traders and steel consumers – for transaction information from the spot market, such as deals, bids and offers. The average daily volume of transactions assessed by Mysteel is approximately 1,000 – 2,000 metric tons per day. Mysteel maintains a clear and transparent pricing methodology that is reviewed on a regular basis and it has strong staff compliance rules in place. Price data is updated each day by 4pm local time.

Mysteel first carries out its pricing survey by telephone, email and fax. The firm’s analysts then analyze the data collected in order to eliminate any obvious outliers. The remaining data is then averaged to produce the daily price, which is subsequently databased and uploaded to subscribers. Every month pricing procedures and results are reviewed by Mysteel’s experienced editors.

¹ <http://www.mysteel.net/aboutUs.html>

Table 2: Mysteel's specifications for Chinese rebar

	Rebar
Diameter	20mm
Yield strength	335 Mpa & 400 Mpa

b) Rebar market participants in China

The market participation in the Chinese rebar steel markets is diverse and includes many of the same commercial entities that are active in the NYMEX-listed Chinese iron ore futures contracts. The Chinese cash market is comprised of several hundred commercial companies. Around the world, hundreds of companies are involved in the production, trading and consumption of physical Chinese rebar. The number of market participants increases when accounting for companies involved with the domestic trading in China.

ANALYSIS OF DELIVERABLE SUPPLY

Please note that for the new Chinese rebar futures contracts, at this time, the Exchange is not including stocks data in its analysis of deliverable supply. Stocks data tend to vary and, at least upon initial launch of products, we would rather not condition recommended position limits based on stock data. Further, the Exchange has determined not to adjust the deliverable supply estimate based on the spot availability because spot market liquidity is not restrictive and tends to vary depending on the market fundamentals of demand and supply.

Unlike the iron ore market, it is not common practice in the Chinese rebar market to have long term deals given the high volatility of rebar prices. In addition, the typical term agreement in the cash market allows flexibility for re-trading of the contracted quantity in the spot market, so the term agreements do not restrict the potential deliverable supply. Based on discussions with the majority of Chinese rebar market participants, including steel producers and physical traders, it is not a normal practice to have a long term deal in the Chinese rebar market given the high volatility of rebar prices.

Based on discussions with almost all of the top producing steel mills, almost all of the physical transactions are negotiated on Mysteel rebar prices. Also, spot trading is not restricted in that it could increase if the market demand increases. Therefore, we believe that it is not necessary to adjust the deliverable supply estimate on the basis of the spot trading because this does not restrict the availability of deliverable supply, and spot trading volume can expand to allow for more supply to flow if needed in the spot market.

As stated previously, based on the data provided in Table 1 above, the average apparent consumption of rebar steel in China for the three-year period from January 2009 to December 2011 was approximately 135,310,000 metric tons, which is equivalent to 11,276,000 metric tons per month. Through discussions with industry participants, the Exchange believes the majority of the rebar steel consumption is the HRB400 grade. For the purpose of determining deliverable supply, however, the Exchange will take a conservative approach and use 50% of the apparent consumption as the basis for deliverable supply. This is equivalent to 56,380 contract equivalents for the underlying contract size of 100 metric tons. The Exchange, therefore, proposes spot month position limits of 10,000 contract units for the Chinese Steel Rebar HRB400 (Mysteel) futures, which represents 17.7% of the 56,380 contract equivalents of monthly supply. For purposes of position limits and position accountability levels, contracts shall diminish ratably as the contract month progresses toward month end.