



Sean M. Downey  
Associate Director and Assistant General Counsel  
Legal Department

December 8, 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 40.2(a) Certification. Notification Regarding the Listing of U.S. Midwest Domestic Hot-Rolled Coil Steel Index Average Price Option Contract for Trading on the NYMEX Trading Floor and for Clearing through CME ClearPort  
NYMEX Submission #11-455**

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 a U.S. Midwest Domestic Hot-Rolled Coil Steel Index Average Price Option contract for trading on the NYMEX trading floor and for submission for clearing through CME ClearPort beginning at 6:00 p.m. on Sunday, December 11, 2011, for trade date Monday, December 12, 2011.

The contract specifications are as follows:

<b>Contract Title</b>	U.S. Midwest Domestic Hot-Rolled Coil Steel Index Average Price Option
<b>Commodity Code</b>	HRO
<b>Underlying Futures</b>	U.S. Midwest Domestic Hot-Rolled Coil Steel Index Futures (HR)
<b>Contract Size</b>	20 short tons
<b>Option Type</b>	Financially settled, exercises only upon expiration
<b>First Listed Month</b>	February 2012
<b>Listing Period</b>	24 consecutive months
<b>Termination of Trading</b>	Trading shall cease on the business day prior to the last Wednesday of the contract month.
<b>Minimum Price Intervals</b>	\$1.00
<b>Value per Tick</b>	\$20.00
<b>Settlement Tick</b>	\$1.00
<b>Strike Price Increment</b>	\$5.00 per short ton
<b>Rule Chapter</b>	1095

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

**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).

**Trading and Clearing Fees:**

Exchange Fees					
	Member Day	Member	Cross Division	Non-Member	IIP
Pit		\$4.00	\$2.00	\$5.00	
Globex		N/A	N/A	N/A	N/A
ClearPort		\$4.00		\$5.00	

Other Processing Fees			
	Member	Non-Member	
Cash Settlement	\$4.00	\$5.00	<i>*only applies to financially settled contracts</i>
Futures from E/A	N/A	N/A	<i>*applies to futures contracts</i>
	House Acct	Customer Acct	
Options E/A Notice	N/A	N/A	<i>*applies to physical options</i>
Delivery Notice	N/A	N/A	<i>*applies to physical futures</i>

Additional Fees and Surcharges		
EFS Surcharge	N/A	<i>*\$2.50 fee typically only charged on our core physical contracts</i>
Block Surcharge	N/A	<i>*\$0.10 fee charged on block trades</i>
Facilitation Desk Fee	\$0.20	<i>*fee applies to CPC trades entered by ClearPort Market Ops</i>

The Exchange is also notifying the CFTC that it is self-certifying the insertion of the terms and conditions for the U.S. Midwest Domestic Hot-Rolled Coil Steel Index Average Price Option 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, diminishing balances and aggregation allocation for the new contract.

NYMEX business staff responsible for the new product and the NYMEX legal department collectively reviewed the designated contract market core principles ("Core Principles") as set forth in the Commodity Exchange Act ("CEA"). During the review, NYMEX 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 cash market, which provides diverse participation and sufficient spot transactions to support the final settlement index as assessed by CRU International Ltd. ("CRU") (methodology provided herewith under Cash Market Overview).
- 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 new product is set to aggregate into the underlying futures contract which has been set at conservative levels that are less than 4% of the monthly deliverable supply.
- Availability of General Information: The Exchange will publish information on the contract's specification 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 clearing through the CME ClearPort platform and on the NYMEX trading floor for open outcry trading. The CME ClearPort platform provides a competitive, open and efficient mechanism for novating transactions that are competitively executed by brokers. In addition, the NYMEX trading floor is available as an additional venue to provide for competitive and open execution of transactions.
- 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 Commodity Exchange Act ("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](mailto:Sean.downey@cmegroup.com).

Sincerely,

/s/Sean Downey  
Associate 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

# Appendix A

## RULE CHAPTER

### Chapter 1095

#### U.S. Midwest Domestic Hot-Rolled Coil Steel Index Average Price Option

##### 1095100. SCOPE OF CHAPTER

This chapter is limited in application to put and call average price options on U.S. Midwest Domestic Hot-Rolled Coil Steel Index futures contracts. In addition to the rules of this chapter, transactions in options on U.S. Midwest Domestic Hot-Rolled Coil Steel Index futures shall be subject to the general rules of the Exchange insofar as applicable.

##### 1095101. OPTION CHARACTERISTICS

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

###### 1095101.A. Trading Schedule

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

###### 1095101.B. Trading Unit

A U.S. Midwest Domestic Hot-Rolled Coil Steel Index Average Price put option contract traded on the Exchange represents the cash difference between the exercise price and the settlement price of the delivery month of U.S. Midwest Domestic Hot-Rolled Coil Steel Index futures multiplied by 20, or zero, whichever is greater. A U.S. Midwest Domestic Hot-Rolled Coil Steel Index Average Price call option contract traded on the Exchange represents the cash difference between the settlement price of the of the delivery month of U.S. Midwest Domestic Hot-Rolled Coil Steel Index futures contract and the exercise price multiplied by 20, or zero, whichever is greater.

###### 1095101.C. Price Increments

Prices shall be quoted in dollars and cents per ton and prices shall be in multiples of one dollar (\$1.00) per ton of U.S. Midwest Domestic Hot-Rolled Coil Steel represented by the underlying futures contract.

###### 1095101.D. Position Limits and Position Accountability

For purposes of calculating compliance with position limits, each contract will be aggregated with positions held in U.S. Midwest Domestic Hot-Rolled Coil Steel Index futures. Each position in the contract will be calculated as a single position in the U.S. Midwest Domestic Hot-Rolled Coil Steel Index futures contract.

For purposes of position limits and position accountability levels, contracts shall diminish ratably as the contract month progresses toward month end.

In accordance with Rule 559, no person shall own or control positions in excess of 3,000 contracts net long or net short in the spot month.

In accordance with Rule 560:

1. the all-months accountability level shall be 20,000 futures-equivalent contracts net long or net short in all months combined;
2. the any-one month accountability level shall be 10,000 futures-equivalent 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.

###### 1095101.D. Termination of Trading

The option shall expire at the close of trading on the last day of trading of the underlying U.S. Midwest Domestic Hot-Rolled Coil Steel Index futures contract.

###### 1095101.E. Type Option

The option is a European-style option which can be exercised only on the expiration day.

##### 1095102. EXERCISE PRICES

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

- (A) 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 U.S. Midwest Domestic Hot-Rolled Coil Steel Index futures contract in the corresponding delivery month rounded off to the nearest five-dollar increment strike price unless such settlement price is precisely midway between two (2) five-dollar increment strike prices in which case it shall be rounded off to the lower five-dollar increment strike price; and
  - (ii) the three (3) five-dollar increment strike prices which are three (3) increments higher than the strike price described in (i) of this rule; and
  - (iii) the three (3) five-dollar increment strike prices which are three (3) increments lower than the strike price described in (i) of this rule.
- (B) Thereafter, on any business day prior to the expiration of the option (i) new consecutive five-dollar increment strike prices for both puts and calls will be added such that at all times there will be at least three (3) five dollar increment strike prices above and below the at-the-money strike price available for trading in all option contract months.
- (C) 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 in which no new strike prices may be introduced.

1095103.

**DISCLAIMER**

NYMEX AND ITS AFFILIATES MAKE NO WARRANTIES, EXPRESS OR IMPLIED, AS TO THE RESULTS TO BE OBTAINED BY ANY PERSON OR ENTITY FROM USE OF THE PRICE ASSESSMENT, TRADING AND/OR CLEARING BASED ON THE PRICE ASSESSMENT, OR ANY DATA INCLUDED THEREIN IN CONNECTION WITH THE TRADING AND/OR CLEARING OF THE CONTRACT, OR, FOR ANY OTHER USE. NYMEX AND ITS AFFILIATES 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 PRICE ASSESSMENT OR ANY DATA INCLUDED THEREIN. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT SHALL NYMEX OR ITS AFFILIATES 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.

## Appendix B

### CHAPTER 5 TABLE

NYMEX Rulebook Chapter 5 Position Limit Table  
(Bold/Underlining Indicates Additions)

<u>Contract Name</u>	<u>Rule Chapter</u>	<u>Commodity Code</u>	<u>Diminsh-ing Balances Contracts</u>	<u>All Month Account-ability Level</u>	<u>Any One Month Account-ability Level</u>	<u>Expira-tion Month Limit</u>	<u>Report-ing Level</u>	<u>Aggre-gate Into (1)</u>
				<u>Rule 560</u>	<u>Rule 560</u>	<u>Rule 559</u>	<u>Rule 561</u>	
<i>Metals</i>								
<i>USA</i>								
<u>U.S. Midwest Domestic Hot-Rolled Coil Steel Index Average Price Option</u>	<u>1095</u>	<u>HRO</u>	<u>*</u>	<u>20,000</u>	<u>10,000</u>	<u>3,000</u>	<u>250</u>	<u>HR</u>

## Appendix C

### CASH MARKET OVERVIEW

The New York Mercantile Exchange, Inc. ("NYMEX" or "Exchange") is self-certifying the listing of a U.S. Midwest Domestic Hot-Rolled Coil Steel Average Price Option for trading on the NYMEX trading floor and for clearing through CME ClearPort.

Contract	Code	Rule Chapter
U.S. Midwest Domestic Hot-Rolled Coil Steel Average Price Option	HRO	1095

Steel production and consumption is a global industry consisting of hundreds of counterparts, inclusive of miners, steel mills and physical and financial traders. U.S. Midwest Domestic Hot-Rolled Coil Steel ("HRC") is a component of the Hot-Rolled flat steel slate of products.

In 2010, the world produced 1.42 billion tons of crude steel which represented a 15% increase from 2009. This production increase is predominantly from Asia, especially China, which made up 44.3% of the world steel production in 2010 according to the World Steel Association<sup>1</sup>. Many of the emerging nations are developing their domestic industrial sectors which resulted in an increased demand for world steel production. Beginning in 2003, the steel market saw unprecedented volatility for global prices with the HRC price reaching over \$1,000 per short ton in 2008 to the price declining to \$400 per short ton in 2009 during the global financial crisis.

The U.S. crude steel production was approximately 80.5 million tons in 2010 compared to 58.2 million tons in 2009 and 91.4 million tons in 2008<sup>2</sup>. The U.S. Hot-Rolled flat steel production figure alone was 54.4 million tons in 2010 compared to 37.9 million tons in 2009 and 61.4 million tons in 2008. The Hot-Rolled flat production made up approximately 67% of the crude steel production and Hot-Rolled coil in particular represented about 19.4 million tons of Hot-Rolled flat steel production in 2010<sup>3</sup>. Due to the high price correlation among flat steel products, we have found customers are trading other flat steel products such as cold rolled coil and coated sheet steel based on the U.S. Midwest Domestic Hot-Rolled Coil

<sup>1</sup> <http://www.worldsteel.org/>

<sup>2</sup> <http://www.worldsteel.org/statistics/statistics-archive.html>

<sup>3</sup> CRU International, [www.cruonitor.com](http://www.cruonitor.com)



contract. In this case, the potential market size of the U.S. Midwest Domestic Hot-Rolled Coil contract is close to 45 million tons when it fully matures and can cover 85% of the flat steel market in the U.S.<sup>4</sup> Hot-Rolled coil is used in many different sectors of business such as auto and white good consumer products. The world's top 10 steel producing countries are presented in Table 1 below.

**Table 1: World's Top 10 Steel Producing Countries**

Rank	Country	2010 (one thousand tons)	2009 (one thousand tons)	%2010/2009
1	China	626.7	573.6	9.3
2	Japan	109.6	87.5	25.2
3	US	80.6	58.2	38.5
4	Russia	67.0	60.0	11.7
5	India	66.8	62.8	6.4
6	South Korea	58.5	48.6	20.3
7	Germany	43.8	32.7	34.1
8	Ukraine	33.6	29.9	12.4
9	Brazil	32.8	26.5	23.8
10	Turkey	29.0	25.3	14.6

Source: World Steel Association

Physical trade in steel takes place throughout the supply chain, and includes steel mills, service centers, distributors, merchants and end-users. The use of index-based pricing programs by steel producers in the United States has grown dramatically in recent years due to the increase in steel price volatility. Until 2004, very few physical market transactions were index-based as steel producers had better control over the steel raw material costs as the prices were much more stable. Since the emerging economies, notably China, started entering the steel market to build their infrastructures along with expedited globalization in

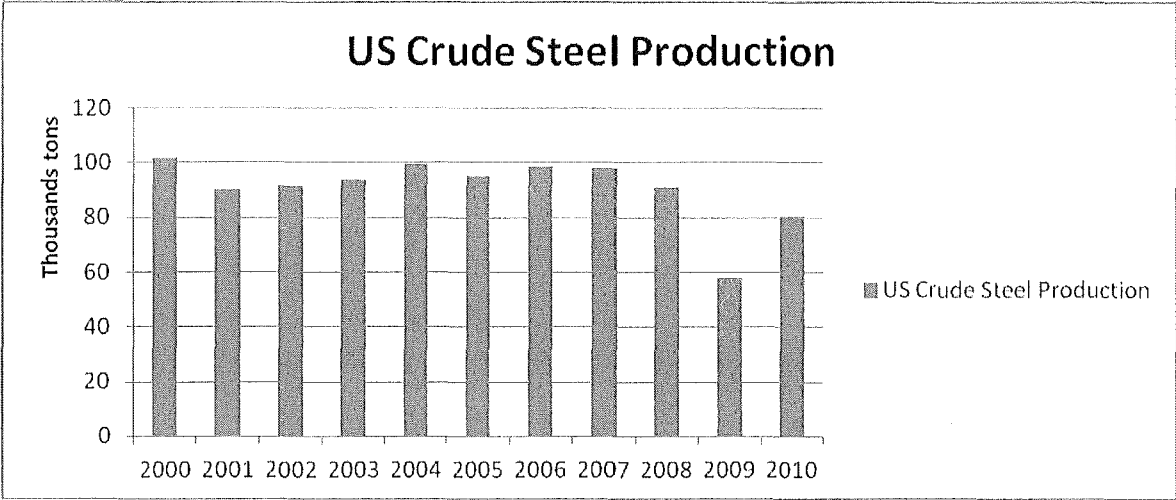
<sup>4</sup> CRU International, [www.crumonitor.com](http://www.crumonitor.com)

the past 5 years, steel and raw materials have become one of the most volatile global commodities. This rapid change in the market has transformed the U.S. steel industry to switch the price formula to index-based floating contracts as many of the steel producers could not fix their raw material costs.

Starting 2003, many steel contracts began to move away from the long term fixed cost and now the majority of transactions of the long term steel contracts reference an independent assessment of the market prices--the majority using the price assessment determined by CRU. Depending on the negotiations, the buyers and sellers agree on the monthly average index price with a discount or premium and a set delivery location. The price of HRC in the U.S. varies depending on localized demand, logistics and freight costs to the delivery location. The long term contracts are usually negotiated between two parties during the fourth quarter and take effect for the following year. The market's acceptance of the CRU price assessment for HRC supports the Exchange's 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.

The floating index price method presents price volatility which hinders long term budget planning for major construction projects that require such long term budget planning. In many cases, the major consumers such as large construction companies and the HRC suppliers use a bidding process which can take 4-6 weeks to determine a price. Currently, many major consumers are either quoting the business with large margins and uncompetitive prices in order to protect themselves from the possible adverse HRC price fluctuation or speculating on the HRC market price movement which is not a core tenant of their business. Options, such as the Exchange's U.S. Midwest Domestic Hot-Rolled Coil Steel Average Price Option, will be especially useful for these suppliers and major consumers who consistently have to bare the risk of volatility in HRC prices.

**Figure 1. The U.S. Annual Crude Steel Production (thousand tons)**

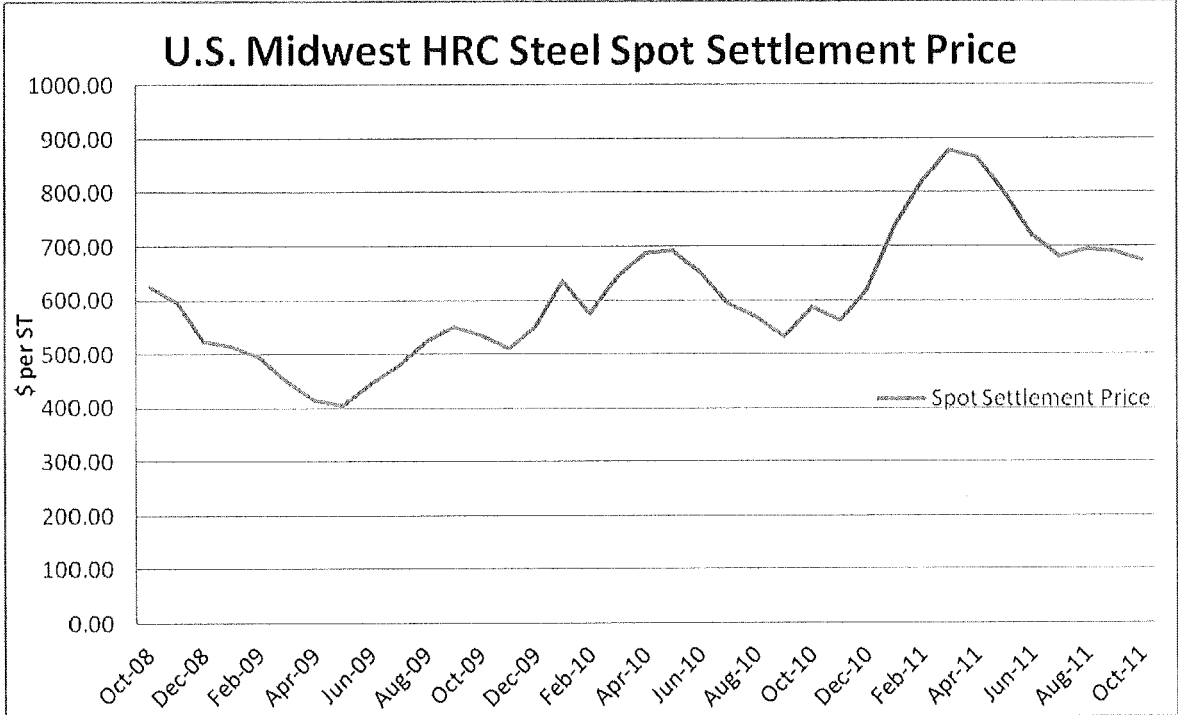


Source: World Steel Association

**Historical Volume and Price Data**

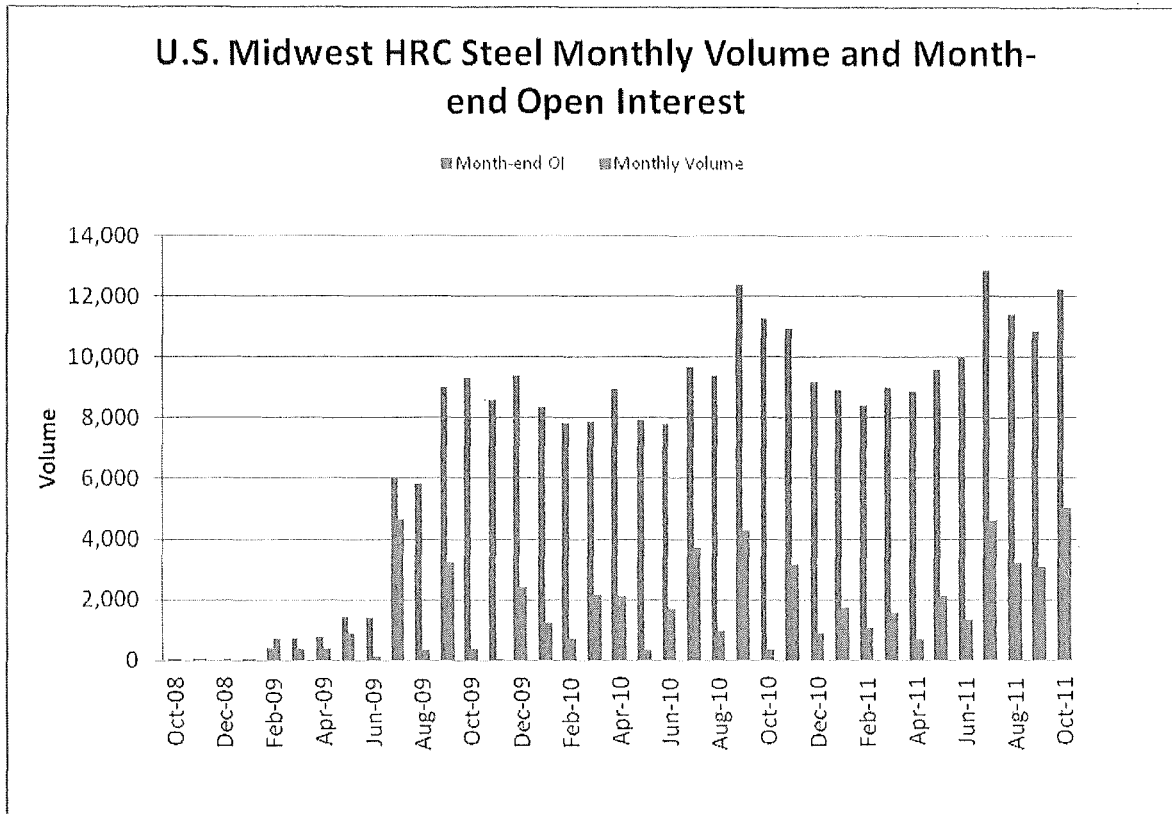
Figures 2 and 3 below provide spot month historical price data, and monthly volume and month-end open interest, respectively, as published by the Exchange for its U.S. Midwest Domestic Hot-Rolled Coil Steel Index futures contract for the period beginning October 2008 through October 2011.

Figure 2: HRC Spot Settlement Price (Dollars per short ton)



Source: CME Group

**Figure 3: HRC Monthly Volume and Month-End Open Interest**



Source: CME Group

In Table 2 below, the Exchange provides the monthly volume, average daily volume, month-end open interest, and month-end spot settlement prices for its U.S. Midwest Domestic Hot-Rolled Coil Steel Index futures contract.

**Table 2: HRC Monthly Volume, ADV, OI and Spot Month Settlement**

Month	Monthly Volume	ADV	Month-end OI	Month-end Spot Settlement
Oct-08	1	0	1	625.00
Nov-08	1	0	1	595.00
Dec-08	21	1	0	525.00
Jan-09	25	1	25	515.00
Feb-09	740	37	415	495.00

Mar-09	355	18	710	450.00
Apr-09	350	18	785	415.00
May-09	900	45	1,435	405.00
<b>Month</b>	<b>Monthly Volume</b>	<b>ADV</b>	<b>Month-end OI</b>	<b>Month-end Spot Settlement</b>
Jun-09	132	7	1,405	445.00
Jul-09	4,645	232	5,980	480.00
Aug-09	310	16	5,855	525.00
Sep-09	3,250	163	8,990	550.00
Oct-09	360	18	9,300	535.00
Nov-09	17	1	8,607	510.00
Dec-09	2,410	121	9,397	550.00
Jan-10	1,236	62	8,365	635.00
Feb-10	725	36	7,834	575.00
Mar-10	2,173	94	7,871	646.00
Apr-10	2,136	98	8,964	687.00
May-10	342	17	7,913	693.00
Jun-10	1,678	77	7,788	652.00
Jul-10	3,740	178	9,683	594.00
Aug-10	974	44	9,389	568.00
Sep-10	4,284	204	12,400	534.00
Oct-10	309	15	11,279	586.00
Nov-10	3,150	150	10,958	562.00
Dec-10	866	40	9,195	618.00
Jan-11	1,727	86	8,923	736.00
Feb-11	1,036	55	8,394	819.00
Mar-11	1,549	67	8,982	878.00
Apr-11	684	34	8,865	864.00
May-11	2,128	101	9,594	799.00
Jun-11	1,320	60	9,994	722.00
Jul-11	4,588	229	12,862	680.00
Aug-11	3,197	139	11,448	695.00
Sep-11	3,098	147	10,868	691.00
Oct-11	5,021	239	12,272	666.00

Source: CME Group

## **Price Sources**

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 analyzing 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 assessment of HRC prices in the U.S. Midwest have been developed and improved over the past 20 years, and have become the leading price assessment for the U.S. steel sheet industry to benchmark its physical HRC transactions. Data providers to the CRU assessment collectively represent the whole supply chain and include mills, service centers, distributors, merchants and end users. CRU's assessment of HRC prices in the U.S. Midwest are already directly incorporated in an estimated U S\$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, "CRIJ Monitor - Steel Sheet Products" and License Agreements only.

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-based contracts.

CRU's index assessment methodology can be found at the following link:

[http://www.crugroup.com/AboutCRU/industries\\_we\\_cover/Steel/methodology/?ReturnUrl=/site\\_maps/Search\\_page/?Search=methodology](http://www.crugroup.com/AboutCRU/industries_we_cover/Steel/methodology/?ReturnUrl=/site_maps/Search_page/?Search=methodology).

## ANALYSIS OF DELIVERABLE SUPPLY

According to the World Steel Association, the gross production of the world's crude steel in 2010 was 1.42 billion tons. During the same period, the U.S. produced 80.5 million tons of crude steel, which represented 5.67% of the world's crude steel production.<sup>5</sup> In 2010, the world produced 703.4 million tons of Hot-Rolled flat steel.<sup>6</sup> The U.S. market share was approximately 8%, or 54.4 million tons, of the world's Hot-Rolled flat steel production in 2010.<sup>7</sup> The U.S. Hot-Rolled flat steel consumption was around 47 million tons for the same period.<sup>8</sup> The U.S. market exported approximately 3 million tons of Hot-Rolled flat steel in 2010. Both production and consumption increased by 45.8% from the year prior. The U.S. steel industry went through a huge contraction after the financial crisis in 2009 and 2010 figures demonstrate that the industry is on its way to recovery to normal production levels. According to CRU, the U.S. produced 19.4 million tons of HRC in 2010. This represents a 66% increase from the year prior and correlates with 2008 production of approximately 19.5 million tons.<sup>9</sup> In 2010, the U.S. Hot-Rolled coil monthly production was 1.62 million tons which equates to 81,000 U.S. Midwest Domestic Hot-Rolled Coil Steel Index futures contract-equivalents. The Exchange determined to set expiration month limits for its option contract at 3,000 contract units which represents the same level as those of the underlying futures, U.S. Midwest Domestic Hot-Rolled Coil Steel Index futures. In addition, the Exchange will aggregate positions in the option contract with those of its underlying futures contract. The spot month position limits are less than 4% of the monthly HRC deliverable supply.

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<sup>5</sup> <http://www.worldsteel.org/statistics/statistics-archive.html>

<sup>6</sup> <http://www.worldsteel.org/statistics/statistics-archive.html>

<sup>7</sup> <http://www.worldsteel.org/statistics/statistics-archive.html>

<sup>8</sup> CRU International, [www.crumonitor.com](http://www.crumonitor.com)

<sup>9</sup> CRU International, [www.crumonitor.com](http://www.crumonitor.com)