

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 15-018 (1 of 2)

Organization: New York Mercantile Exchange, Inc. ("NYMEX")

Filing as a: DCM SEF DCO SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): March 13, 2015 Filing Description: Notification Regarding the Initial Listing of Two (2) Options on Coal Futures Contracts

SPECIFY FILING TYPE

Please note only ONE choice allowed per Submission.

Organization Rules and Rule Amendments

- | | | |
|--------------------------|-------------------------------------|------------|
| <input type="checkbox"/> | Certification | § 40.6(a) |
| <input type="checkbox"/> | Approval | § 40.5(a) |
| <input type="checkbox"/> | Notification | § 40.6(d) |
| <input type="checkbox"/> | Advance Notice of SIDCO Rule Change | § 40.10(a) |
| <input type="checkbox"/> | SIDCO Emergency Rule Change | § 40.10(h) |

Rule Numbers:

New Product

Please note only ONE product per Submission.

- | | | |
|-------------------------------------|---------------------------------------|------------|
| <input checked="" type="checkbox"/> | Certification | § 40.2(a) |
| <input type="checkbox"/> | Certification Security Futures | § 41.23(a) |
| <input type="checkbox"/> | Certification Swap Class | § 40.2(d) |
| <input type="checkbox"/> | Approval | § 40.3(a) |
| <input type="checkbox"/> | Approval Security Futures | § 41.23(b) |
| <input type="checkbox"/> | Novel Derivative Product Notification | § 40.12(a) |
| <input type="checkbox"/> | Swap Submission | § 39.5 |

Official Product Name: Coal (API 2) cif ARA (Argus/McCloskey) Short Dated Option on Calendar Futures Strip; Coal (API 4) fob Richards Bay (Argus/McCloskey) Short Dated Option on Calendar Futures Strip

Product Terms and Conditions (product related Rules and Rule Amendments)

- | | | |
|--------------------------|---|----------------------|
| <input type="checkbox"/> | Certification | § 40.6(a) |
| <input type="checkbox"/> | Certification Made Available to Trade Determination | § 40.6(a) |
| <input type="checkbox"/> | Certification Security Futures | § 41.24(a) |
| <input type="checkbox"/> | Delisting (No Open Interest) | § 40.6(a) |
| <input type="checkbox"/> | Approval | § 40.5(a) |
| <input type="checkbox"/> | Approval Made Available to Trade Determination | § 40.5(a) |
| <input type="checkbox"/> | Approval Security Futures | § 41.24(c) |
| <input type="checkbox"/> | Approval Amendments to enumerated agricultural products | § 40.4(a), § 40.5(a) |
| <input type="checkbox"/> | “Non-Material Agricultural Rule Change” | § 40.4(b)(5) |
| <input type="checkbox"/> | Notification | § 40.6(d) |

Official Name(s) of Product(s) Affected:

Rule Numbers:

March 13, 2015

VIA ELECTRONIC PORTAL

Mr. Christopher J. Kirkpatrick
 Office of the Secretariat
 Commodity Futures Trading Commission
 Three Lafayette Centre
 1155 21st Street, N.W.
 Washington, DC 20581

**Re: CFTC Regulation 40.2(a) Certification. Notification Regarding the Initial
 Listing of Two (2) Options on Coal Futures Contracts.
 NYMEX Submission No. 15-018 (1 of 2)**

Dear Mr. Kirkpatrick:

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 two (2) new options on coal futures contracts (the “Contracts”) for trading on CME Globex and the NYMEX trading floor and for submission for clearing through CME ClearPort, effective on Sunday, March 29, 2015 for trade date Monday, March 30, 2015.

Pursuant to Commission Regulation 40.6(a), NYMEX is separately self-certifying block trading on these Contracts with a minimum threshold of 5 contracts in the two (2) new products listed in NYMEX/COMEX Submission No. 15-093.

The specifications for the two (2) new option contracts are provided below for your convenience.

Contract Title	Commodity Code	Underlying Futures Contract Commodity Code	NYMEX Rulebook Chapter	First Listed Contract Month	Listing Schedule
Coal (API 2) cif ARA (Argus/McCloskey) Short Dated Option on Calendar Futures Strip	MTC	MTF	1115	July 2015	April, July and October contracts listed for the current calendar year and next calendar year
Coal (API 4) fob Richards Bay (Argus/McCloskey) Short Dated Option on Calendar Futures Strip	MFR	MFF	1114	July 2015	April, July and October contracts listed for the current calendar year and next calendar year

Contract Unit:

Strip of twelve futures contracts reflecting the underlying calendar year period, ie 1,000 metric tons per month, or 12,000 metric tons in total. The underlying calendar year is the full calendar year following the expiry of the option, for example the underlying for the April 2015 option is the strip of twelve contract months from January 2016 to December 2016 inclusive.

Price Quotation:

US dollars and cents per metric ton

Minimum Price Tick:

\$0.01 (\$120 per contract); a cabinet trade may occur at a price of \$ 0.001 per metric ton, or \$12.00 per contract, however, if it results in the liquidation of positions for both parties to the trade.

Exercise Prices:

Available in \$0.50 increments, ie \$x.00 and \$x.50 values.

Trading and Clearing Hours:

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

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

Termination of Trading:

5:00 p.m. London time, on the Expiration Day

Expiration Day:

Thirty days prior to the first calendar day of the contract month, if this day is not a UK business day, trading shall terminate on the preceding UK business day.

Option Expiration:

Notice of Exercise must be received by the Clearing House no later than 6:00 p.m. London time on the Expiration Day

Settlement Methodology:

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

In-the-money positions will be automatically exercised following option expiry. The Exchange will refer to the end-of-day coal prices published by the London Energy Brokers' Association (LEBA) to determine whether an option is in-the-money. Holders of long positions will have the ability to submit contra-exercise instructions.

Trading and Clearing Fees

	Member Day	Member	Cross Division	Non-Member	IIP
Pit	\$12.00	\$12.00	\$15.00	\$18.00	
CME Globex	\$12.00	\$12.00	\$15.00	\$18.00	\$15.00

CME ClearPort		\$12.00		\$18.00	
Agency Cross		\$12.00		\$18.00	

Other Processing Fees		
	House Acct	Customer Acct
Options E/A Notice	\$0.40	\$0.85

Additional Fees and Surcharges	
Facilitation Desk Fee	\$0.30

The Exchange is also notifying the CFTC that it is self-certifying the insertion of the terms and conditions for the new contracts 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 contracts. These terms and conditions establish the all month/any one month accountability levels, expiration month position limit, reportable level, and aggregation allocation for the new contracts, as presented below in Appendix B (attached under separate cover).

In addition, the Exchange is self-certifying the amendment of the all month position limit aggregation ratios for the Coal (API 2) cif ARA (ARGUS - McCloskey) Option on Calendar Futures Strip (NYMEX Commodity Code CLA, NYMEX Rule Chapter 910), and the Coal (API 4) fob Richards Bay (ARGUS - McCloskey) Option on Calendar Futures Strip (NYMEX Commodity Code RLA, NYMEX Rule Chapter 918). These amendments are also presented in Appendix B (attached under separate cover).

The Exchange reviewed the designated contract market core principles (“Core Principles”) as set forth in the Commodity Exchange Act (“Act” or “CEA”) and identified that the new products may have some bearing on the following Core Principles:

- **Prevention of Market Disruption:** Trading in these contracts will be subject to Chapters 4, 5 and 7 of the NYMEX Rulebook (“Rulebook”) 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 products will be subject to extensive monitoring and surveillance by CME Group’s Market Regulation Department.
- **Contracts Not Readily Susceptible to Manipulation:** The new contracts are not readily susceptible to manipulation due to the 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 Argus Media and IHS McCloskey (methodology provided in the attached Cash Market Overview, Appendix D).
- **Compliance with Rules:** Trading in these contracts 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 products will be subject to extensive monitoring and surveillance by CME Group’s Market Regulation Department. The

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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 contracts are set at less than the threshold of 25% of the deliverable supply in the underlying market in accordance with the Commission guidance.
- Availability of General Information: The Exchange will publish information on the contracts' 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 contracts are to be listed for clearing through the CME ClearPort platform and for trading on the CME Globex trading 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. The CME Globex electronic trading platform provides for a competitive and open execution of transactions due to its advanced functionality, high reliability and global connectivity. It runs continuously, so it is not restricted by borders or time zones. CME Globex remains among the fastest global electronic trading systems. 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 these contracts 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 these products are identified.
- Dispute Resolution: Disputes with respect to trading in these contracts will be subject to the arbitration provisions set forth in Chapter 6 of the Rulebook. Chapter 6 allows all non-members 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(a), the Exchange hereby certifies that the new product listings comply with the Act, including regulations under the Act. A description of the cash market for these new products is attached in Appendix D.

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 (212) 299-2200 or via e-mail at CMEGSubmissionInquiry@cmegroup.com.

Sincerely,

/s/ Christopher Bowen
Managing Director and Chief Regulatory Counsel

Attachments:

- Appendix A: NYMEX Rulebook Chapters
- Appendix B: Position Limit, Position Accountability, and Reportable Level Table in Chapter 5 of the NYMEX Rulebook (attached under separate cover)
- Appendix C: NYMEX Rule 588.H – Globex Non-Reviewable Ranges
- Appendix D: Cash Market Overview and Analysis of Deliverable Supply

Appendix A

NYMEX Rulebook Chapters

Chapter 1115

Coal (API 2) cif ARA (Argus-McCloskey) Short Dated Option on Calendar Futures Strip

1115100. SCOPE OF CHAPTER

This chapter is limited in application to short dated put and call options on calendar year strips of Coal (API 2) cif ARA (Argus-McCloskey) futures contracts. In addition to the rules of this chapter, transactions in short dated options on calendar year strips of Coal (API 2) cif ARA (Argus-McCloskey) futures shall be subject to the general rules of the Exchange insofar as applicable.

1115101. OPTION CHARACTERISTICS

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

1115101.A. Trading Schedule

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

1115101.B. Trading Unit

The Coal (API 2) cif ARA (Argus-McCloskey) Short Dated Option on Calendar Futures Strip is an option on the Coal (API 2) cif ARA (Argus-McCloskey) futures contract. On expiration of a call option, the long position will be assigned twelve consecutive long futures months, beginning with the January contract for the calendar year following the option expiry month, of the Coal (API 2) cif ARA (Argus-McCloskey) futures contract at the strike price. On exercise of a put option, the long position will be assigned twelve consecutive short futures months, beginning with the January contract for the calendar year following the option expiry month, of the Coal (API 2) cif ARA (Argus-McCloskey) futures contract at the strike price.

1115101.C. Price Increments

The minimum price fluctuation is \$0.01 per metric ton (\$120 per contract). Prices shall be quoted in US dollars and cents per metric ton. A cabinet trade may occur at a price of \$0.001 per metric ton, or \$12.00 per contract, however, if it results in the liquidation of positions for both parties to the trade.

1115101.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.

1115101.E. Termination of Trading

The option Expiration Day shall be 30 calendar days prior to the first calendar day of the contract month. If such day is not a UK business day, the Expiration Day shall be the first preceding UK business day. Trading shall cease at 5:00 p.m. London time on the option's Expiration Day.

Notice of exercise must be delivered by a Clearing Member to the Clearing House not later than 6:00 p.m. London time on the Expiration Day, except as noted below. The option shall be available for automatic exercise. The in-the-money value of the option shall be based on a methodology to be published by the Exchange that reflects markets prices at the termination of trading of a contract. In the event the underlying reference price used by the Exchange is not available by 5:45 p.m. London

time, the notice of exercise may be delivered no later than fifteen (15) minutes after the publication of the underlying reference price.

1115101.F. Type Option

The option is a European-style option which can only be exercised into the underlying futures on Expiration Day.

1115102. EXERCISE PRICES

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

1. 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 the Coal (API 2) cif ARA (Argus-McCloskey) futures contracts in the first calendar month in the strip of deliverable futures (or implied previous day's settlement price if listing is concurrent) rounded off to the nearest \$0.50 strike price unless such settlement price is precisely midway between two strike prices in which case it shall be rounded off to the lower strike price and (ii) the ten \$0.50 increment strike prices which are ten \$0.50 increments higher than the strike price described in (i) of this Rule, and (iii) the ten \$0.50 increment strike prices which are ten \$0.50 increments lower than the strike price described in (i) of this Rule.
2. Thereafter, on any business day prior to the expiration of the option contract, new consecutive strike prices for both puts and calls will be added such that there will be ten strike prices at \$0.50 increments above and below the at-the-money option, provided that each such strike price shall be above zero.
3. Notwithstanding the provisions of subsections (1) and (2) of this rule, if the Exchange determines that trading in the option contract will be facilitated thereby, the Exchange may change the increments between strike prices, the number of strike prices which shall be traded on the first day in any new option contract month, the number of new strike prices which will be introduced on each business day or the period preceding the expiration of an option contract in which no new strike prices may be introduced.

1115103. DISCLAIMER

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

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- a. NYMEX;
- b. its directors or officers; or
- c. any relevant party that NYMEX may contract with for the supply of the index or information in relation thereto;

(each of the foregoing, a "Relevant Party") assume any obligation or liability in connection with the trading of any contract based on such index. Accordingly, no Relevant Party shall be in any way responsible for any losses, expenses or damages (in all cases direct or indirect) arising in connection with or referable to the trading of any contract linked or referable to the said index, provided that nothing herein shall affect either the obligations of NYMEX or its Members as Parties trading in any contract so linked or referable. None of the Relevant Parties guarantee or warrant or undertake in any manner the accuracy or completeness of any such index or any information or data included in or referable to it.

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Chapter 1114

Coal (API 4) fob Richards Bay (Argus-McCloskey) Short Dated Option on Calendar Futures Strip

1114100. SCOPE OF CHAPTER

This chapter is limited in application to short dated put and call options on calendar year strips of Coal (API 4) fob Richards Bay (Argus-McCloskey) futures contracts. In addition to the rules of this chapter, transactions in short dated options on calendar year strips of Coal (API 4) fob Richards Bay (Argus-McCloskey) futures shall be subject to the general rules of the Exchange insofar as applicable.

1114101. OPTION CHARACTERISTICS

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

1114101.A. Trading Schedule

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

1114101.B. Trading Unit

Coal (API 4) fob Richards Bay (Argus-McCloskey) Short Dated Option on Calendar Futures Strip is an option on the Coal (API 4) fob Richards Bay (Argus-McCloskey) futures contract. On expiration of a call option, the long position will be assigned twelve consecutive long futures months, beginning with the January contract for the calendar year following the option expiry month, of the Coal (API 4) fob Richards Bay (Argus-McCloskey) futures contract at the strike price. On exercise of a put option, the long position will be assigned twelve consecutive short futures months, beginning with the January contract for the calendar year following the option expiry month, of the Coal (API 4) fob Richards Bay (Argus-McCloskey) futures contract at the strike price.

1114101.C. Price Increments

The minimum price fluctuation is \$0.01 per metric ton (\$120 per contract). Prices shall be quoted in US dollars and cents per metric ton. A cabinet trade may occur at a price of \$0.001 per metric ton, or \$12.00 per contract, however, if it results in the liquidation of positions for both parties to the trade.

1114101.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.

1114101.E. Termination of Trading

The option Expiration Day shall be 30 calendar days prior to the first calendar day of the contract month. If such day is not a UK business day, the Expiration Day shall be the first preceding UK business day. Trading shall cease at 5:00 p.m. London time on the option's Expiration Day.

Notice of exercise must be delivered by a Clearing Member to the Clearing House not later than 6:00 p.m. London time on the Expiration Day, except as noted below. The option shall be available for automatic exercise. The in-the-money value of the option shall be based on a methodology to be published by the Exchange that reflects markets prices at the termination of trading of a contract. In the event the underlying reference price used by the Exchange is not available by 5:45 p.m. London time, the notice of exercise may be delivered no later than fifteen (15) minutes after the publication of the underlying reference price.

1114101.F. Type Option

The option is a European-style option which can only be exercised into the underlying futures on Expiration Day.

1114102. EXERCISE PRICES

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

1. 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 the Coal (API 4) fob Richards Bay (Argus-McCloskey) futures contracts in the first calendar month in the strip of deliverable futures (or implied previous day's settlement price if listing is concurrent) rounded off to the nearest \$0.50 strike price unless such settlement price is precisely midway between two strike prices in which case it shall be rounded off to the lower strike price and (ii) the ten \$0.50 increment strike prices which are ten \$0.50 increments higher than the strike price described in (i) of this Rule, and (iii) the ten \$0.50 increment strike prices which are ten \$0.50 increments lower than the strike price described in (i) of this Rule.
2. Thereafter, on any business day prior to the expiration of the option contract, new consecutive strike prices for both puts and calls will be added such that there will be ten strike prices at \$0.50 increments above and below the at-the-money option, provided that each such strike price shall be above zero.
3. Notwithstanding the provisions of subsections (1) and (2) of this rule, if the Exchange determines that trading in the option contract will be facilitated thereby, the Exchange may change the increments between strike prices, the number of strike prices which shall be traded on the first day in any new option contract month, the number of new strike prices which will be introduced on each business day or the period preceding the expiration of an option contract in which no new strike prices may be introduced.

1114103. DISCLAIMER

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- a. NYMEX;
- b. its directors or officers; or
- c. any relevant party that NYMEX may contract with for the supply of the index or information in relation thereto;

(each of the foregoing, a "Relevant Party") assume any obligation or liability in connection with the trading of any contract based on such index. Accordingly, no Relevant Party shall be in any way responsible for any losses, expenses or damages (in all cases direct or indirect) arising in connection with or referable to the trading of any contract linked or referable to the said index, provided that nothing herein shall affect either the obligations of NYMEX or its Members as Parties trading in any contract so linked or referable. None of the Relevant Parties guarantee or warrant or undertake in any manner the accuracy or completeness of any such index or any information or data included in or referable to it.

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Appendix B

NYMEX Rulebook Chapter 5 Position Limit Table

(Attached under separate cover)

Appendix C

Rule 588.H – Globex Non-Reviewable Ranges

Product Name	Globex Code	Allowable (No Bust) Range	Bid/Ask Reasonability
Coal (API 2) cif ARA (Argus/McCloskey) Short Dated Option on Calendar Futures Strip	MTC	20% of premium up to 1/4 of the underlying futures' non-reviewable range with a minimum of 1 tick	The greater of the delta times the underlying futures' non-reviewable range or 20% of the fair value premium up to the underlying futures' non-reviewable range with a minimum reasonability of \$0.30
Coal (API 4) fob Richards Bay (Argus/McCloskey) Short Dated Option on Calendar Futures Strip	MFR	20% of premium up to 1/4 of the underlying futures' non-reviewable range with a minimum of 1 tick	The greater of the delta times the underlying futures' non-reviewable range or 20% of the fair value premium up to the underlying futures' non-reviewable range with a minimum reasonability of \$0.30

Appendix D

Cash Market Overview and Analysis of Deliverable Supply

Coal as a Traded Commodity

Coal is a globally traded commodity. As a naturally occurring substance, coal is found with a range of qualities and levels of impurities, and is traded accordingly. There are two primary classifications of coal that are traded internationally. Coking coal, or metallurgical coal, is used in the production of steel.

Steam coal, or thermal coal, is used in the production of electrical power. With its higher carbon content, and lower levels of impurities, coking coal can be considered the superior class, and typically trades at a premium to steam coal. The majority of coal is utilized in power generation. Coal is usually transported by truck over short distances. Trains and barges are used for relatively longer distances within the domestic markets. Ships are generally used for long distances, including international transportation of coal. Steam coal is traded in the international markets mainly through three types of vessels: handysize; panamax; and capesize vessels. Seaborne trade in steam coal has increased by an average of around 7% per year over the period 1990 to 2010¹. The two major thermal coal markets are the Atlantic and Pacific markets. In the Atlantic, the main importers are Western European countries, such as the UK, Germany and Spain. In the Pacific market, import demand comes mainly from Japan, China, South Korea and Taiwan. India is also a major importer from both Atlantic and Pacific suppliers.

South Africa is a natural point of convergence between the two markets. In recent years, a greater proportion of South African produced coal has been exported to the Pacific market.

Tables 1, 2 and 3 show the world's most important coal producing, exporting and importing countries respectively.

¹ Source: World Coal Association www.worldcoal.org The World Coal Association is a global industry association comprising the major international coal producers and stakeholders.

Table 1: Top Steam Coal Producers (2013e)

(million tons)

Source: World Coal Association²

Country	Production
PR China	3,034
USA	756
India	526
Indonesia	486
South Africa	255
Australia	239
Russia	201
Kazakhstan	103
Colombia	81
Poland	65

Table 2: Top Coal Exporters (2013e)

(million tons)

Source: World Coal Association³

Country	Total	of which	
		Steam	Coking
Indonesia	426	423	3
Australia	336	182	154
Russia	141	118	22
USA	107	47	60
Colombia	74	73	1
South Africa	72	72	0
Canada	37	4	33

² <http://www.worldcoal.org/resources/coal-statistics/>³ <http://www.worldcoal.org/resources/coal-statistics/>

Table 3: Top Coal Importers (2013e)

(million tons)

Source: World Coal Association⁴

Country	Total	of which	
		Steam	Coking
PR China	327	250	77
Japan	196	142	54
India	180	142	38
South Korea	126	95	31
Chinese Taipei	68	61	7
Germany	51	43	8
UK	50	44	6

North West Europe Coal Market

The API 2 coal index is a price assessment for steam coal in North West Europe. North West Europe is an active market for coal, with the ports of Amsterdam, Rotterdam and Antwerp ('ARA') being the major pricing reference point and Europe's largest coal import hub. The European Sea Ports Organisation collates port throughput data for European ports. Import data for coal at these ports is shown in Table 4.

Table 4: ARA Ports Coal Imports

(thousand metric tons)

Source: European Sea Ports Organisation⁵

Port	2009	2010	2011	2012	2013
Amsterdam	17,022	17,631	19,042	17,818	20,303
Rotterdam	23,655	23,278	25,708	24,821	30,388
Antwerp	5,719	4,928	5,147	5,611	2,142

⁴ <http://www.worldcoal.org/resources/coal-statistics/>

⁵ http://www.espo.be/index.php?option=com_content&view=article&id=95&Itemid=90

The main participant countries in the ARA region are Germany, UK, Netherlands, France, and Belgium. The US Energy Information Administration compiles data for coal production, consumption, imports, exports and stocks for these countries, as shown in the tables below. At the date of writing, this data is only available up to calendar year 2012.

Table 5: North West Europe Coal Production

(thousand short tons)

Source: US Energy Information Administration⁶

Country	2007	2008	2009	2010	2011	2012
Belgium	0	0	0	0	0	0
France	0	0	0	0	0	0
Germany	225,526	214,268	202,410	200,955	207,853	217,144
Netherlands	0	0	0	0	0	0
United Kingdom	18,232	19,405	19,152	19,640	19,723	17,953

of which bituminous coal:

Country	2007	2008	2009	2010	2011	2012
Belgium	0	0	0	0	0	0
France	0	0	0	0	0	0
Germany	24,470	18,920	13,090	12,050	11,082	10,527
Netherlands	0	0	0	0	0	0
United Kingdom	16,896	17,986	17,756	18,372	18,430	16,620

⁶ <http://www.eia.gov/cfapps/ipdbproject/IEDIndex3.cfm?tid=1&pid=7&aid=1>

Table 6: North West Europe Coal Consumption

(thousand short tons)

Source: US Energy Information Administration⁷

Country	2007	2008	2009	2010	2011	2012
Belgium	7,330	7,490	5,176	5,488	5,018	4,752
France	22,427	21,122	18,855	20,020	17,192	19,016
Germany	281,443	267,882	247,867	255,958	262,245	269,435
Netherlands	14,858	14,061	13,191	13,248	13,062	14,377
United Kingdom	69,668	64,502	53,274	55,392	54,890	69,807

Table 7: North West Europe Coal Imports

(thousand short tons)

Source: US Energy Information Administration⁸

Country	2007	2008	2009	2010	2011	2012
Belgium	8,762	9,439	5,685	6,546	6,208	5,687
France	22,134	24,984	18,195	20,786	17,326	18,588
Germany	56,226	54,897	45,915	55,154	56,493	53,406
Netherlands	29,324	23,554	22,070	22,831	27,161	12,531
United Kingdom	48,979	49,160	42,268	29,381	35,884	49,613

⁷ <http://www.eia.gov/cfapps/ipdbproject/IEDIndex3.cfm?tid=1&pid=1&aid=2>⁸ <http://www.eia.gov/cfapps/ipdbproject/IEDIndex3.cfm?tid=1&pid=1&aid=3>

Table 8: North West Europe Coal Exports

(thousand short tons)

Source: US Energy Information Administration⁹

Country	2007	2008	2009	2010	2011	2012
Belgium	1,733	1,455	1,423	1,157	1,136	935
France	1,112	1,300	787	280	162	274
Germany	477	773	500	487	425	664
Netherlands	13,722	8,548	5,365	6,634	13,948	890
United Kingdom	883	864	873	1,321	1,056	1,112

Eurostat, the European Union's statistic agency, publishes coal import data broken down coal type.

This data is summarised in Table 9.

Table 9: North West Europe Coal Imports by Type of Coal

(thousand metric tons)

Source: Eurostat¹⁰

Product	2008	2009	2010	2011	2012	2013
Anthracite	11,110	7,460	8,906	6,085	5,595	5,052
Coking Coal	36,817	24,547	31,259	29,483	28,716	32,420
Bituminous (ex Coking Coal)	65,219	57,488	47,741	64,121	77,768	86,146
Other Coal	45,767	39,801	36,593	35,806	40,350	47,604

⁹ <http://www.eia.gov/cfapps/ipdbproject/IEDIndex3.cfm?tid=1&pid=1&aid=4>

¹⁰ Combined data for Belgium, France, Germany, Netherlands and UK:
http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database See 'Traditional International Trade Database Access', 'EU Trade Since 1988 by CN8'

South African Coal Market

The API 4 coal index is a price assessment for steam coal exported from South Africa. As shown in Tables 1 and 2 above, South Africa is major coal producing and exporting country. US Energy Information Administration data for South Africa is shown in the following tables.

Table 10: South African Coal Production

(thousand short tons)

Source: US Energy Information Administration¹¹

Country	2007	2008	2009	2010	2011	2012
South Africa	273,005	278,017	275,015	280,562	278,617	285,832

of which bituminous coal:

Country	2007	2008	2009	2010	2011	2012
South Africa	270,416	275,584	273,176	278,276	275,802	282,921

Table 11: South African Coal Consumption

(thousand short tons)

Source: US Energy Information Administration¹²

Country	2007	2008	2009	2010	2011	2012
South Africa	201,156	216,854	211,825	209,698	205,405	206,328

¹¹ <http://www.eia.gov/cfapps/ipdbproject/IEDIndex3.cfm?tid=1&pid=7&aid=1>

¹² <http://www.eia.gov/cfapps/ipdbproject/IEDIndex3.cfm?tid=1&pid=1&aid=2>

Table 12: South African Coal Imports

(thousand short tons)

Source: US Energy Information Administration¹³

Country	2007	2008	2009	2010	2011	2012
South Africa	1,965	2,651	2,178	2,035	2,635	2,453

Table 13: South African Coal Exports

(thousand short tons)

Source: US Energy Information Administration¹⁴

Country	2007	2008	2009	2010	2011	2012
South Africa	73,814	63,814	57,295	73,189	75,847	81,956

The port of Richards Bay is the primary export port for coal in South Africa. Volume of coal exported from Richards Bay in recent years is as follows.

Table 14: Richards Bay Coal Exports

(thousand metric tons)

Source: Richards Bay Coal Terminal Proprietary Limited¹⁵

	2009	2010	2011	2012	2013
Exports	61,136	63,457	65,512	68,341	70,234

¹³ <http://www.eia.gov/cfapps/ipdbproject/IEDIndex3.cfm?tid=1&pid=1&aid=3>

¹⁴ <http://www.eia.gov/cfapps/ipdbproject/IEDIndex3.cfm?tid=1&pid=1&aid=4>

¹⁵ <http://www.rbct.co.za/default.asp?id=1173>

Coal Price Assessments

The Exchange currently provides trading and clearing services for futures and option contracts based on the API 2 and API 4 coal indices, which are international benchmarks for steam coal. These indices are owned and published jointly by Argus Media and IHS McCloskey, part of IHS.

CME Group (the parent company of NYMEX) has license arrangements in place to reference these indices for this purpose. Further details on these indices follow.

Each of the two indices is an average of coal price assessments published by Argus Media (“Argus”) and IHS McCloskey. The API 2 price assessment is the average of the Argus cif ARA price assessment and the IHS McCloskey North West European steam coal marker¹⁶. The API 4 price assessment is the average of the Argus fob Richards Bay price assessment and the IHS McCloskey fob Richards Bay marker¹⁷. Since January 2010, each of these contributor prices, and the two indices, are published daily. A weekly price is also published each Friday, which represents the average of the daily prices published during the week. The derivatives market convention is to transact calendar month contracts where the floating price reference is the average of weekly prices published during the month, rather than the average of daily prices published during the month.

Argus Media is a leading provider of price assessments, business intelligence and market data on the global coal, electricity, oil, gas, emissions and transportation industries. It is headquartered in London, and has offices in Houston, New York, Washington, Dubai, Singapore, Tokyo, Beijing, Moscow, Astana, Kiev and other key centers of the energy industry. Argus was founded in 1970 and is a privately held UK registered company¹⁸.

¹⁶ See <http://live.en.argusmedia.com/Methodology-and-Reference/Key-Prices/API-2>

¹⁷ See <http://live.en.argusmedia.com/Methodology-and-Reference/Key-Prices/API-4>

¹⁸ See <http://www.argusmedia.com/coal>

Argus' methodology for producing coal prices is available online at http://www.argusmedia.com/~media/Files/PDFs/Meth/argus_coal_dailyint.ashx. Both the Argus cif ARA and fob Richards Bay prices are determined through a structure based on 50% on deals reported to Argus and 50% on a survey of active market participants. Where no deals are reported to Argus on a given day, the assessment will be based 50% on bids and offers reported to Argus and 50% on the market survey.

IHS McCloskey is a leading source of news and analysis on the international coal industry. It is one of the major pricing services that are used in the OTC market for pricing swap contracts, and the methodology utilized by IHS McCloskey is well-known in the global coal industry¹⁹. The McCloskey Group was founded in the UK in 1987, and was acquired by IHS Inc. in 2007²⁰.

IHS McCloskey's methodology for assessing coal prices can be found at <http://cr.mccloskeycoal.com/hybrid.asp?typeCode=28&pubCode=7&navcode=418>. Both the North West Europe Steam Coal Marker and the Richards Bay FOB Marker are published daily. The price assessments are combination of price information on deals done received by IHS McCloskey, and price information received through a survey of active market participants.

¹⁹ See <http://www.mccloskeycoal.com/>

²⁰ <http://press.ihs.com/press-release/corporate-financial/ihs-acquires-mccloskey-group-leading-coal-markets-research-firm>

Analysis of Deliverable Supply

The Exchange is planning to launch two new options contracts. For the purposes of assessing position size, positions in these new contracts will be aggregated into positions for underlying futures contract, i.e. the Coal (API2) CIF ARA (ARGUS-McCloskey) Futures (commodity code MTF, NYMEX rule chapter 926), and the Coal (API4) FOB Richards Bay (ARGUS-McCloskey) Futures (commodity code MFF, NYMEX rule chapter 928).

The API 2 coal price assessment is for steam coal available in the North West Europe region. The Exchange's analysis of deliverable supply is based on the production and imports amounts reported by EIA. Table 5 above shows that production of bituminous coal in the region was on average 29.0 million short tons per annum for the period 2010-2012. One short ton is the equivalent of 0.9072 metric tons, therefore this production figure is the equivalent of 26.3 million metric tons.

Table 7 above shows that North West Europe coal imports were on average 139.2 million short tons per annum. This figure represents all types of coal. The data in Table 9 shows that of this amount steam coal – represented as 'bituminous (ex coking coal)' and 'other coal' in the table – is 73.3% of all coal during the period 2010-2012 and 76.6% during the period 2011-2013. Steam coal imports are therefore 102.1 million short tons, which is the equivalent of 92.6 million metric tons per annum.

The deliverable supply can therefore be assessed as the combination of production and import volumes, which is 118.9 million metric tons per annum for the period 2010-2012. This is the equivalent of 9.91 million metric tons per calendar month. The contract size of the Coal (API2) CIF ARA (ARGUS-McCloskey) Futures contract is 1,000 metric tons. The spot month position limit is being set at 2,000 lots, the equivalent of 2.0 million metric tons per calendar month, which is 20.2% of the deliverable supply.

The API 4 coal price assessment is for steam coal exported from South Africa. The Exchange's analysis of deliverable supply is based on the South African production amounts reported by EIA. Whilst South Africa has a substantial internal consumption of steam coal, there is also a substantial export market, and all domestic supply can be considered available to be deliverable into an export contract. Table 10 above shows that production of bituminous coal in South Africa was on average 279.0 million short tons per

annum for the period 2010-2013. One short ton is the equivalent of 0.9072 metric tons, therefore this production figure is the equivalent of 253.1 million metric tons.

Given the relatively large domestic supply for coal, it is anticipated that South African imports are for specific purposes, and therefore unlikely to be available for re-export. The deliverable supply can therefore be assessed as the production volumes, which is 253.1 million metric tons per annum for the period 2010-2012. This is the equivalent of 21.1 million metric tons per calendar month. The contract size of the Coal (API4) FOB Richards Bay (ARGUS-McCloskey) Futures contract is 1,000 metric tons. The spot month position limit is being set at 2,500 lots, the equivalent of 2.5 million metric tons per calendar month, which is 11.8% of the deliverable supply.