

**SUBMISSION COVER SHEET**

**IMPORTANT:** Check box if Confidential Treatment is requested

**Registered Entity Identifier Code (optional):** 18-389

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

**Filing as a:**  **DCM**  **SEF**  **DCO**  **SDR**

**Please note - only ONE choice allowed.**

**Filing Date (mm/dd/yy):** 09/14/18 **Filing Description:** Amendments to the Daily Settlement Procedure Documents Relating to Three (3) Energy Futures Contracts.

**SPECIFY FILING TYPE**

**Please note only ONE choice allowed per Submission.**

**Organization Rules and Rule Amendments**

- |                                     |                                     |            |
|-------------------------------------|-------------------------------------|------------|
| <input checked="" 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:** See filing.

**New Product**

**Please note only ONE product per Submission.**

- |                          |                                       |            |
|--------------------------|---------------------------------------|------------|
| <input 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:**

**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:**

September 14, 2018

**VIA ELECTRONIC PORTAL**

Mr. Christopher J. Kirkpatrick  
Office of the Secretariat  
Commodity Futures Trading Commission  
3 Lafayette Center  
1155 21<sup>st</sup> Street NW  
Washington, DC 20581

**Re: CFTC Regulation 40.6(a) Certification. Notification Regarding Amendments to the Daily Settlement Procedure Documents Relating to Three (3) Energy Futures Contracts.  
NYMEX Submission No. 18-389**

Dear Mr. Kirkpatrick:

New York Mercantile Exchange, Inc. (“NYMEX or “Exchange”) is notifying the Commodity Futures Trading Commission (“CFTC” or “Commission”) that is self-certifying amendments to the daily settlement procedure documents relating to the three (3) energy futures contracts (the “Contracts”) listed in the table below (collectively, the “Rule Amendments”) effective on Sunday, September 30, 2018 for trade date Monday, October 1, 2018.

<b>Contract Title</b>	<b>CME Globex and CME ClearPort Code</b>	<b>NYMEX Rulebook Chapter</b>
Light Sweet Crude Oil Futures	CL	200
NY Harbor ULSD Futures	HO	150
RBOB Gasoline Futures	RB	191

Upon consultation with market participants, NYMEX is implementing the Rule Amendments in an effort to standardize the methodology and increase transparency and clarity of the settlement process of the Contracts.

The existing tiered structure to determine settlement prices based upon availability of trade information demonstrates the Exchange’s commitment to transparency and price discovery. In an effort to settle the Contracts using a standardized methodology, the Exchange is further providing that weightings and allowances shall be applied to calendar spread futures transactions in accordance with the difference between leg 1 and leg 2 of such spreads.

Specifically, the Rule Amendments shall further provide that the volume in each spread shall be divided by the number of months (separating leg 1 and leg 2) and shall be used in conjunction with the settlement from any months where a settlement price has been determined to form a VWAP in the contact month to be settled as the Tier 1 settlement criterion. This enhanced settlement methodology shall provide greater spread relationships and minimize settlement volatility.

The amended Daily Settlement Procedure Documents are provided in blackline format in Exhibit A below.

Revised settlement examples of the Contracts, which will be hyperlinked to the amended daily settlement procedure documents upon the effective date, are provided in Exhibit B attached under separate cover.

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

- **Prevention of Market Disruption:** The Rule Amendments reflect the Exchange’s efforts to more effectively protect the market from large price fluctuations of the Contracts. The Exchange believes that the amendments are consistent with this Core Principle requiring the Exchange to maintain and promote an orderly market.
- **Availability of General Information:** The Exchange will publicly issue a Special Executive Report (“SER”) to ensure that market participants have updated guidance and information regarding the Rule Amendments. The SER will also be available on the CME Group website.
- **Execution of Transactions:** The Rule Amendments will further enable the Exchange to continue their current practice of providing a competitive, open, and efficient market mechanism for executing transactions.

Pursuant to Section 5c(c) of the Act and CFTC Regulation 40.6(a), the Exchange certifies that the Rule Amendments comply with the Act and rules thereunder. There were no substantive opposing views to this proposal.

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](mailto:CMEGSubmissionInquiry@cmegroup.com).

Sincerely,

/s/Christopher Bowen  
Managing Director and Chief Regulatory Counsel

Attachments: Exhibit A: Settlement Procedure Documents (blackline format)  
Exhibit B: Revised CL, HO, and RBOB Settlement Examples  
(attached under separate cover)

## Exhibit A

### Light Sweet Crude Oil (CL) Futures Daily Settlement Procedure

#### Normal Daily Settlement Procedure

NYMEX Light Sweet Crude Oil (CL) futures are settled by CME Group staff based on trading activity on CME Globex during the settlement period. The settlement period is defined as: 14:28:00 to 14:30:00 ET for the Active Month and 14:28:00 to 14:30:00 ET for calendar spreads.

#### Active Month

The active month is the nearest of the contract months listed. The active month becomes a non-active month effective two business days prior to the spot month expiration. For example; if the spot month expires on a Friday the next listed contract will be considered the Active Month on the Wednesday prior to the spot month expiration.

**Tier 1:** If a trade(s) occurs on Globex between 14:28:00 and 14:30:00 ET, the active month settles to the volume-weighted average price (VWAP), rounded to the nearest tradable tick.

**Tier 2:** If there is no VWAP, then the last trade price is checked against the 14:30 ET bid/ask.

1. If the last trade price is outside of the bid/ask spread, then the contract settles to the nearest bid or ask price.
2. If the last trade price is within the bid/ask spread or if a bid/ask is not available, then the contract settles to the last trade price.

**Tier 3:** If there is no last trade price available, then the prior settle is checked against the current bid/ask.

1. If the prior settle is outside of the bid/ask spread, then the contract settles to the nearest bid or ask price.
2. If the prior settle is within the bid/ask spread or if a bid/ask is not available, then the contract settles to the prior settlement price.

#### All Other Months

All months other than the designated active month will settle per the following guidelines:

**Tier 1:** All months other than the designated active month will settle based upon the VWAP of accumulated calendar spread transactions between 14:28:00 - 14:30:00 ET, the calendar spread settlement period. Volume in each spread will be divided by the number of months separating leg 1 and leg 2 of the spread and will be used in conjunction with settlements from any months where a settlement price has been determined to form a VWAP in the contract month to be settled. i.e. a G9-H9 spread would be divided by 1. a F9-H9 spread would be divided by 2 and a H8-H9 spread would be divided by 12. For examples please click [here](#).

**Tier 2:** In the absence of relevant calendar spread trades, bid/asks in those calendar spreads will be used in conjunction with settlements from any months where a settlement price has been determined to form an implied market in the contract month to be settled. These implied markets will be used to derive the best possible bid and the best possible ask. Provided the implied bid/ask spread is consistent with reasonability thresholds as determined by the Global Command Center (GCC), the contract will settle within the implied bid/ask spread. Note- Efforts will be made to honor relevant resting bids and asks, but VWAP trades will take precedence.

**Tier 3:** In the absence of an implied bid/ask that meets reasonability thresholds, the net change of the previous contract month will be applied to determine the contract month's settlement price.

#### Final Settlement Calculation for Expiring Contract

On the *day of expiration*, the expiring month will settle based on the VWAP of the outright CME Globex trades executed between 14:00:00 and 14:30:00 ET.

In the absence of outright or spread trades during this period, the settlement price will be the best bid or best ask in the expiring contract at 14:30:00 ET, whichever is closer to the last trade price. If there is not a bid/ask pair in the expiring contract at that time, the settlement price will be the best bid or ask implied by the bid/ask in the spread between the front (expiring) and second month contracts at 14:30:00 ET, whichever is closer to the last outright trade price in the front (expiring) contract.

Only bids and asks that remain active through expiration at 14:30:00 ET will be considered in these calculations. In the event there is insufficient activity to make the aforementioned calculations, staff may rely on earlier data or other available market information to determine an appropriate settlement price.

#### **Additional Details**

Light Sweet Crude Oil (CL) futures are physically delivered upon expiration. For additional details on delivery, please see the NYMEX Rulebook (**Chapter 200**): <http://www.cmegroup.com/rulebook/NYMEX/2/200.pdf>

## NY Harbor ULSD (HO) Futures Daily Settlement Procedure

### Normal Daily Settlement Procedure

NYMEX NY Harbor ULSD (HO) futures are settled by CME Group staff based on trading activity on CME Globex during the settlement period. The settlement period is defined as: 14:28:00 to 14:30:00 ET for the Active Month and 14:28:00 to 14:30:00 ET for calendar spreads.

### Active Month

The active month is the nearest of the contract months listed. The active month becomes a non-active month (the same day the Crude Oil rolls) effective two business days prior to the Crude Oil spot month expiration.

**Tier 1:** If a trade(s) occurs on Globex between 14:28:00 and 14:30:00 ET, the active month settles to the volume-weighted average price (VWAP), rounded to the nearest tradable tick.

**Tier 2:** If there is no VWAP, then the last trade price is checked against the 14:30 ET bid/ask.

1. If the last trade price is outside of the bid/ask spread, then the contract settles to the nearest bid or ask price.
2. If the last trade price is within the bid/ask spread or if a bid/ask is not available, then the contract settles to the last trade price.

**Tier 3:** If there is no last trade price available, then the prior settle is checked against the current bid/ask.

1. If the prior settle is outside of the bid/ask spread, then the contract settles to the nearest bid or ask price.
2. If the prior settle is within the bid/ask spread or if a bid/ask is not available, then the contract settles to the prior settlement price.

### All Other Months

All months other than the designated active month will settle per the following guidelines:

**Tier 1:** All months other than the designated active month will settle based upon the VWAP of accumulated calendar spread transactions between 14:28:00 - 14:30:00 ET, the calendar spread settlement period. Volume in each spread will be divided by the number of months separating leg 1 and leg 2 of the spread and will be used in conjunction with settlements from any months where a settlement price has been determined to form a VWAP in the contract month to be settled. i.e. a G9-H9 spread would be divided by 1. a F9-H9 spread would be divided by 2 and a H8-H9 spread would be divided by 12. For examples please click [here](#).

**Tier 2:** In the absence of relevant calendar spread trades, bid/asks in those calendar spreads will be used in conjunction with settlements from any months where a settlement price has been determined to form an implied market in the contract month to be settled. These implied markets will be used to derive the best possible bid and the best possible ask. Provided the implied bid/ask spread is consistent with reasonability thresholds as determined by the Global Command Center (GCC), the contract will settle within the implied bid/ask spread. Note- Efforts will be made to honor relevant resting bids and asks, but VWAP trades will take precedence.

**Tier 3:** In the absence of an implied bid/ask that meets reasonability thresholds, the net change of the previous contract month will be applied to determine the contract month's settlement price.

### Final Settlement Calculation for Expiring Contract

On the *day of expiration*, the expiring month will settle based on the VWAP of the outright CME Globex trades executed between 14:00:00 and 14:30:00 ET.

In the absence of outright or spread trades during this period, the settlement price will be the best bid or best ask in the expiring contract at 14:30:00 ET, whichever is closer to the last trade price. If there is not a bid/ask pair in the expiring contract at that time, the settlement price will be the best bid or ask implied by the bid/ask in the spread between the front (expiring) and second month contracts at 14:30:00 ET, whichever is closer to the last outright trade price in the front (expiring) contract.

Only bids and asks that remain active through expiration at 14:30:00 ET will be considered in these calculations. In the event there is insufficient activity to make the aforementioned calculations, staff may rely on earlier data or other available market information to determine an appropriate settlement price.

**Additional Details**

NY Harbor ULSD (HO) futures are physically delivered upon expiration. For additional details on delivery, please see the NYMEX Rulebook (**Chapter 150**): <http://www.cmegroup.com/rulebook/NYMEX/1a/150.pdf>

# RBOB Gasoline (RB) Futures Daily Settlement Procedure

## Normal Daily Settlement Procedure

NYMEX RBOB Gasoline (RB) futures are settled by CME Group staff based on trading activity on CME Globex during the settlement period. The settlement period is defined as: 14:28:00 to 14:30:00 ET for the Active Month and 14:28:00 to 14:30:00 ET for calendar spreads.

## Active Month

The active month is the nearest of the contract months listed. The active month becomes a non-active month (the same day the Crude Oil rolls) effective two business days prior to the Crude Oil spot month expiration.

**Tier 1:** If a trade(s) occurs on Globex between 14:28:00 and 14:30:00 ET, the active month settles to the volume-weighted average price (VWAP), rounded to the nearest tradable tick.

**Tier 2:** If there is no VWAP, then the last trade price is checked against the 14:30 ET bid/ask.

1. If the last trade price is outside of the bid/ask spread, then the contract settles to the nearest bid or ask price.
2. If the last trade price is within the bid/ask spread or if a bid/ask is not available, then the contract settles to the last trade price.

**Tier 3:** If there is no last trade price available, then the prior settle is checked against the current bid/ask.

1. If the prior settle is outside of the bid/ask spread, then the contract settles to the nearest bid or ask price.
2. If the prior settle is within the bid/ask spread or if a bid/ask is not available, then the contract settles to the prior settlement price.

## All Other Months

All months other than the designated active month will settle per the following guidelines:

**Tier 1:** All months other than the designated active month will settle based upon the VWAP of accumulated calendar spread transactions between 14:28:00 - 14:30:00 ET, the calendar spread settlement period. Volume in each spread will be divided by the number of months separating leg 1 and leg 2 of the spread and will be used in conjunction with settlements from any months where a settlement price has been determined to form a VWAP in the contract month to be settled. i.e. a G9-H9 spread would be divided by 1. a F9-H9 spread would be divided by 2 and a H8-H9 spread would be divided by 12. For examples please click [here](#).

**Tier 2:** In the absence of relevant calendar spread trades, bid/asks in those calendar spreads will be used in conjunction with settlements from any months where a settlement price has been determined to form an implied market in the contract month to be settled. These implied markets will be used to derive the best possible bid and the best possible ask. Provided the implied bid/ask spread is consistent with reasonability thresholds as determined by the Global Command Center (GCC), the contract will settle within the implied bid/ask spread. Note- Efforts will be made to honor relevant resting bids and asks, but VWAP trades will take precedence.

**Tier 3:** In the absence of an implied bid/ask that meets reasonability thresholds, the net change of the previous contract month will be applied to determine the contract month's settlement price.

## Final Settlement Calculation for Expiring Contract

On the *day of expiration*, the expiring month will settle based on the VWAP of the outright CME Globex trades executed between 14:00:00 and 14:30:00 ET.

In the absence of outright or spread trades during this period, the settlement price will be the best bid or best ask in the expiring contract at 14:30:00 ET, whichever is closer to the last trade price. If there is not a bid/ask pair in the expiring contract at that time, the settlement price will be the best bid or ask implied by the bid/ask in the spread between the front (expiring) and second month contracts at 14:30:00 ET, whichever is closer to the last outright trade price in the front (expiring) contract.



Only bids and asks that remain active through expiration at 14:30:00 ET will be considered in these calculations. In the event there is insufficient activity to make the aforementioned calculations, staff may rely on earlier data or other available market information to determine an appropriate settlement price.

**Additional Details**

NY Harbor ULSD (HO) futures are physically delivered upon expiration. For additional details on delivery, please see the NYMEX Rulebook (**Chapter 191**): <http://www.cmegroup.com/rulebook/NYMEX/1a/191.pdf>