

**SUBMISSION COVER SHEET**

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

**Registered Entity Identifier Code (optional):** 21-001 (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):** 01/21/21 **Filing Description:** Initial Listing of the Japan Crude Cocktail (Detailed) Yen Denominated Futures and the LNG Japan/Korea Marker (Platts) Yen Denominated 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     |

**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:**

January 21, 2021

**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 the Japan Crude Cocktail (Detailed) Yen Denominated Futures and the LNG Japan/Korea Marker (Platts) Yen Denominated Futures Contracts. NYMEX Submission No. 21-001 (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 initial listing of the Japan Crude Cocktail (Detailed) Yen Denominated Futures and the LNG Japan/Korea Marker (Platts) Yen Denominated Futures Contracts (the “Contracts”) for trading on the CME Globex electronic trading platform and for submission for clearing via CME ClearPort, effective Sunday, February 7, 2021 for trade date Monday, February 8, 2021, as more specifically described below.

<b>Contract Title</b>	Japan Crude Cocktail (Detailed) Yen Denominated Futures	LNG Japan/Korea Marker (Platts) Yen Denominated Futures
<b>Commodity Code</b>	JCY	JKY
<b>Rulebook Chapter</b>	1304	1305
<b>Settlement Type</b>	Financial	Financial
<b>Contract Size</b>	100 kilolitres	10,000 MMBtu
<b>Listing Schedule</b>	Monthly contracts listed for the current year and the next 4 calendar years. Add monthly contracts for a new calendar year following the termination of trading in the December contract of the current year.	Monthly contracts listed for the current year and the next 5 calendar years. Add monthly contracts for a new calendar year following the termination of trading in the December contract of the current year.
<b>Minimum Price Fluctuation</b>	¥1 Japanese Yen per kilolitre	¥0.5 Japanese Yen per MMBtu
<b>Value per tick</b>	¥100	¥5,000
<b>First Listed Month</b>	February 2021	March 2021
<b>Block Trade Minimum Threshold</b>	10 contracts - subject to a 15-minute reporting window	5 contracts - subject to a 15-minute reporting window
	Trading in January – November contract months terminates at 9:30 a.m. Japan time on the 2nd last Japan	Trading terminates on the 15th calendar day of the month prior to the contract month. If this is not a

<b>Termination of Trading</b>	business day of the 2nd month after the contract month.  Trading in the December contract month terminates at 9:30 a.m. Japan time on the 2nd last Japan business day of the month after the contract month.	business day, the preceding business day.
<b>CME Globex Matching Algorithm</b>	First-In, First-Out (FIFO)	First-In, First-Out (FIFO)
<b>CME Globex</b>	Sunday - Friday 6:00 p.m. - 5:00 p.m. Eastern Time/ET (5:00 p.m. - 4:00 p.m. Central Time/CT) with a 60-minute break each day beginning at 5:00 p.m. ET (4:00 p.m. CT)	Sunday - Friday 6:00 p.m. - 5:00 p.m. Eastern Time/ET (5:00 p.m. - 4:00 p.m. Central Time/CT) with a 60-minute break each day beginning at 5:00 p.m. ET (4:00 p.m. CT)
<b>CME Globex Pre-Open</b>	Sunday 5:00 p.m. – 6:00 p.m. ET (4:00 p.m. - 5:00 p.m. CT). Monday – Friday 5:45 p.m. – 6:00 p.m. ET (4:45 p.m. - 5:00 p.m. CT)	Sunday 5:00 p.m. – 6:00 p.m. ET (4:00 p.m. - 5:00 p.m. CT). Monday – Friday 5:45 p.m. – 6:00 p.m. ET (4:45 p.m. - 5:00 p.m. CT)
<b>CME ClearPort</b>	Sunday - Friday 6:00 p.m. - 5:00 p.m. ET (5:00 p.m. - 4:00 p.m. CT) with a 60-minute break each day beginning at 5:00 p.m. ET (4:00 p.m. CT)	Sunday - Friday 6:00 p.m. - 5:00 p.m. ET (5:00 p.m. - 4:00 p.m. CT) with a 60-minute break each day beginning at 5:00 p.m. ET (4:00 p.m. CT)

#### Exchange Fees:

##### Japan Crude Cocktail (Detailed) Yen Denominated Futures Contract

	Member	Non-Member
CME Globex	\$0.85	\$1.35
EFP	\$0.85	\$1.35
Block	\$0.85	\$1.35
EFR/EOO	\$0.85	\$1.35
<b>Processing Fees</b>		
Cash Settlement		\$0.10
Facilitation Fee		\$0.60
Give-Up Surcharge		\$0.05
Position Adjustment/Position Transfer		\$0.10

##### LNG Japan/Korea Marker (Platts) Yen Denominated Futures Contract

	Member	Non-Member
CME Globex	\$5.00	\$7.00
EFP	\$5.00	\$7.00
Block	\$5.00	\$7.00
EFR/EOO	\$5.00	\$7.00
<b>Processing Fees</b>		
Cash Settlement		\$1.00
Facilitation Fee		\$0.60
Give-Up Surcharge		\$0.05

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Position Adjustment/Position Transfer	\$0.10
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The Exchange is also notifying the CFTC that it is self-certifying the insertion of the terms and conditions for the 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 Contracts. The terms and conditions establish the all month/anyone-month accountability levels, expiration month position limit, reportable level, and aggregation allocation for the new contract. Please see Exhibit B, attached under separate cover.

NYMEX is also notifying the CFTC that it is self-certifying block trading on the Japan Crude Cocktail (Detailed) Yen Denominated Futures with a minimum block threshold of 10 contracts, and the LNG Japan/Korea Marker (Platts) Yen Denominated Futures with a minimum block threshold of 5 contracts, which is comparable to the Exchange's similar futures contracts.

The Exchange reviewed the designated contracts market core principles ("Core Principles") as set forth in the Commodity Exchange Act ("CEA" or "Act") and identified that the Contract may have some bearing on the following Core Principles:

- **Compliance with Rules:** Trading in the Contracts will be subject to the rules in Rulebook Chapter 4 which includes prohibitions against fraudulent, noncompetitive, unfair and abusive practices. Additionally, trading in the Contracts 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.
- **Contract Not Readily Subject to Manipulation:** The Contracts are based on cash price series that are reflective of the underlying cash market and are commonly relied on and used as a reference price by cash market brokers and commercial market participants.
- **Prevention of Market Disruption:** Trading in the Contracts will be subject to 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 products will be subject to extensive monitoring and surveillance by CME Group's Market Regulation Department.
- **Position Limitations or Accountability:** The speculative position limits for the Contracts as demonstrated in this submission are consistent with the Commission's 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:** The Exchange will publish information on the Contracts' specifications on its website, together with daily trading volume, open interest and price information.
- **Execution of Transactions:** The Contracts will be listed for trading on the CME Globex electronic trading and for clearing through CME ClearPort. The CME Globex trading venue provides for competitive and open execution of transactions. CME Globex affords the benefits of reliability and global connectivity.
- **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.

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- **Financial Integrity of Contract:** All contracts traded on the Exchange will be cleared by the CME Clearing House which is a registered derivatives clearing organization with the Commission and is subject to all Commission regulations related thereto.
- **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 rules. 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 these products are identified.
- **Dispute Resolution:** Disputes with respect to trading in the Contracts will be subject to the arbitration provisions set forth in Chapter 6 of the Rulebook. The rules in Chapter 6 allow 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 the rules in 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 Regulations 40.2(a), the Exchange hereby certifies that listing the Contract complies with the Act, including regulations under the Act. There were no substantive opposing views to the proposal.

The Exchange certifies that this submission has been concurrently posted on the CME Group 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: NYMEX Rulebook Chapter 1304 and 1305  
 Exhibit B: Position Limits, Position Accountability and Reportable Level Table in Chapter 5 of the NYMEX Rulebook (attached under separate cover)  
 Exhibit C: NYMEX Rule 588.H. – (“Globex Non-Reviewable Trading Ranges”) Table  
 Exhibit D: Cash Market Overview and Analysis of Deliverable Supply

## Exhibit A

### **NYMEX Rulebook Chapter 1304 Japan Crude Cocktail (Detailed) Yen Denominated Futures**

#### **1304100. SCOPE OF CHAPTER**

The provisions of these rules shall apply to all contracts bought or sold on the Exchange for cash settlement based on the Floating Price. The procedures for trading, clearing and cash settlement of this contract, and any other matters not specifically covered herein shall be governed by the general rules of the Exchange.

#### **1304101. CONTRACT SPECIFICATIONS**

The Floating Price for each contract month is equal to the **Japan Crude Cocktail** in JPY per kiloliter of the contract month.

##### **Calculation of Japan Crude Cocktail**

The **Japan Crude Cocktail** for each contract month shall be calculated with the following formula and rounded to the nearest Yen.

$$\text{Japan Crude Cocktail} = \frac{\text{Total Value of Crude Oil Imports}}{\text{Total Quantity of Crude Oil Imports}}$$

Where

**Total Value of Crude Oil Imports** for each contract month is the sum of the value in JPY of the applicable petroleum commodities imported into Japan of the contract month under the following Statistical Codes: 2709.00 100, 2709.00 900, 2710.19 162, 2710.19 164, 2710.19 166, 2710.19 169, 2710.19 172, 2710.19 174, 2710.19.179 as published in Trade Statistics by Portal Site of Official Statistics of Japan.

**Total Quantity of Crude Oil Imports** is the sum of the quantity in kiloliters of the applicable petroleum commodities imported into Japan of the contract month under the following Statistical Codes: 2709.00 100, 2709.00 900, 2710.19 162, 2710.19 164, 2710.19 166, 2710.19 169, 2710.19 172, 2710.19 174, 2710.19.179 as published in Trade Statistics by Portal Site of Official Statistics of Japan.

For calendar months other than December, Detailed version of Trade Statistics shall be used for calculation of **Total Value of Crude Oil Imports** and **Total Quantity of Crude Oil Imports**. For calendar month December, Fixed version of Trade Statistics shall be used for calculation of **Total Value of Crude Oil Imports** and **Total Quantity of Crude Oil Imports**.

#### **1304102. TRADING SPECIFICATIONS**

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

##### **1304102.A. Trading Schedule**

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

##### **1304102.B. Trading Unit**

The contract quantity shall be one hundred (100) kiloliters.

##### **1304102.C. Price Increments**

Prices shall be quoted in Japanese Yen. The minimum price fluctuation shall be ¥1 per kiloliter.

##### **1304102.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.

**1304102.E. Termination of Trading**

January-November contract months:

Trading terminates at 9:30 a.m. Japan Standard Time on the 2nd last Japan government business day of the 2nd month following the contract month.

If such day is not an Exchange business day, the contract will terminate on the preceding Exchange business day.

December contract month:

Trading terminates at 9:30 a.m. Japan Standard Time on the 9th Japan government business day of the 3rd month following the contract month.

If such day is not an Exchange business day, the contract will terminate on the preceding Exchange business day.

**1304103. FINAL SETTLEMENT**

Final settlement under the contract shall be by cash settlement. The final settlement price will be the Floating Price calculated for each contract month.

## **Chapter 1305**

### **LNG Japan/Korea Marker (Platts) Yen Denominated Futures**

#### **1305100. SCOPE OF CHAPTER**

The provisions of these rules shall apply to all futures contracts bought or sold on the Exchange for cash settlement based on the Floating Price. The procedures for trading, clearing and cash settlement of this contract, and any other matters not specifically covered herein shall be governed by the general rules of the Exchange.

#### **1305101. CONTRACT SPECIFICATIONS**

The 'Settlement Period' for a specified contract month shall be the one-month period that starts on, and includes, the 16th calendar day of the month that is two months prior to the contract month, and ends on, and includes the 15th calendar day of the month prior to the contract month.

The Floating Price shall be determined following the publication of the DES Japan/Korea daily LNG marker (JKM) in Japanese Yen by Platts on the last publication day in the Settlement Period. If such day is not an Exchange business day, the Floating Price shall be determined on the following Exchange business day.

The Floating Price for each contract month is equal to the arithmetic average of the DES Japan/Korea Marker (JKM) in Japanese Yen published in respect of the contract month by Platts in LNG Daily for each day that it is published during the Settlement Period.

#### **1305102. TRADING SPECIFICATIONS**

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

##### **1305102.A. Trading Schedule**

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

##### **1305102.B. Trading Unit**

The contract quantity shall be 10,000 MMBtu (million British thermal units). Each contract shall be valued as the contract quantity (10,000) multiplied by the settlement price.

##### **1305102.C. Price Increments**

Prices shall be quoted in Japanese Yen per MMBtu. The minimum price fluctuation shall be ¥0.5 per MMBtu. There shall be no maximum price fluctuation.

##### **1305102.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.

##### **1305102.E. Termination of Trading**

Trading shall terminate on the last weekday (i.e. Monday to Friday inclusive) in the Settlement Period. If such day is not an Exchange business day, trading shall terminate on the preceding Exchange business day.



**1305103. FINAL SETTLEMENT**

Final settlement under the contract shall be by cash settlement. Final settlement, following termination of trading for a contract month, will be based on the Floating Price. The final settlement price will be the Floating Price calculated for each contract month.

**1305104. DISCLAIMER**

See [NYMEX/COMEX Chapter iv. \("DISCLAIMERS"\)](#) incorporated herein by reference.

**Exhibit B**

**NYMEX Rulebook  
Chapter 5  
("Trading Qualifications and Practices")**

**Position Limits, Position Accountability and Reportable Level Table**  
(attached under separate cover)

**Exhibit C**

**NYMEX Rulebook  
Chapter 5  
("Trading Qualifications and Practices")**

**Rule 588.H. – ("Globex Non-Reviewable Trading Ranges") Table**

(additions are underscored)

Instrument	Globex Symbol	Outrights		
		Globex Non-Reviewable Ranges (NRR)	NRR: Globex Format	NRR:Minimum Ticks
<u>Japan Crude Cocktail (Detailed) JPY Futures</u>	<u>JCY</u>	<u>650 JPY per kiloliter</u>	<u>650</u>	<u>650</u>
<u>LNG Japan/Korea Marker (Platts) JPY Futures</u>	<u>JKY</u>	<u>10 JPY per MMBtu</u>	<u>100</u>	<u>20</u>

**Exhibit D**  
**Cash Market Overview and Analysis of Deliverable Supply**

**Japan Petroleum Market**

Japan is the third largest economy in the world in terms of GDP and the country's primary energy supply is totaling about 465 Mtoe (million tons of oil equivalent) per year. However, due to its lack of natural energy resource, Japan relies heavily on imports and overseas projects to meet its energy demand. Japan is the third largest oil consumer and net importer in the world behind the United States and China. Furthermore, Japan also ranks as the world's largest importer of liquefied natural gas (LNG) and the third-largest importer of coal behind India and China.

Although short in natural resources, Japan has developed sizeable refining capacity of about 3.4 million barrels/day that aims to meet domestic refined product needs. Naphtha however is an exception. About 60% of the country's naphtha demand is served by imports as the commodity is the main feedstock for petrochemical companies in Japan.

In terms of crude oil supply, Saudi Arabia, U.A.E., Qatar, Kuwait and Iran are traditionally the main crude oil exporters to Japan. These countries together account for 85% of Japan's crude oil imports. While the country is aware of the importance of the Middle Eastern countries for stable crude oil supply, it is now also committed to diversify its sources of oil to mitigate potential geopolitical risk.

The Japan crude cocktail, also known Japan Customs-cleared Crude or JCC, is the Japan import crude oil price and the JCC is often used as the reference benchmark for oil-linked LNG purchases by the country. Specifically, the JCC is the average price of a basket of imported crude oils under the following HS Codes: 2709.00 100, 2709.00 900, 2710.19 162, 2710.19 164, 2710.19 166, 2710.19 169, 2710.19 172, 2710.19 174, 2710.19.179. as reported in the Japan customs statistics. The Harmonized Commodity Description and Coding System (HS) of tariff nomenclature is an internationally standardized system of names and numbers for classifying traded products developed and maintained by the World Customs Organization (WCO).

HS Code	Commodity
27090010 0	Petroleum oils and oils obtained from bituminous minerals, crude - Intended for cracking at pyrolytic furnaces in olefin production facilities, principally used in the manufacture of ethylene, to manufacture ethylene, propylene, butylene, butadiene, benzene, toluene, xylenes or petroleum resins
27090090 0	Petroleum oils and oils obtained from bituminous minerals, crude - Other
27101916 2	Raw oils - Intended for use as raw materials in refining (gravity not more than 0.9037 at 15°C) (other than light oils and its preparations) (not containing biodiesel)
27101916 4	Raw oils - Intended for use in agriculture, forestry and fishery, having a specific gravity of not less than 0.83 at 15°C and a flash point not exceeding 130°C when arrived at Japan or when mixed with other petroleum oils by the method stipulated in a Cabinet Order (other than light oils and its preparations) (not containing biodiesel)
27101916 6	Raw oils - Not intended for use in agriculture, forestry and fishery, having a specific gravity of not less than 0.83 at 15°C and a flash point not exceeding 130°C when arrived at Japan or when mixed with other petroleum oils by the method stipulated in a Cabinet Order (sulphur content less than 0.3%) (other than light oils and its preparations) (not containing biodiesel)
27101916 9	Raw oils - (gravity not more than 0.9037 at 15°C) (other than light oils and its preparations) (not containing biodiesel)
27101917 2	Raw oils - Intended for use as raw materials in refining (gravity more than 0.9037 at 15°C) (other than light oils and its preparations) (not containing biodiesel)

27101917 4	Raw oils - (gravity more than 0.9037 at 15°C) (sulphur content less than 0.3%) (other than light oils and its preparations) (not containing biodiesel)
27101917 9	Raw oils - (gravity more than 0.9037 at 15°C) (other than light oils and its preparations) (not containing biodiesel)

The Portal Site of Official Statistics of Japan publishes aforementioned crude oils import data by HS code on a monthly basis. There are three (3) different versions of data available, namely provisional, detailed and fixed data. For a given month, the provisional import data by HS code is made available by the end of the following month. By the end of the second following month, the detailed version of import data is published with further collation and corrections. Finally, in early March of the following year, the fixed version of the import data will be published for each month of the year and there will be no other adjustments and corrections afterward. Provisional, detailed and fixed version of import data are available for month January to November. For December, only provisional and fixed data are published. The final settlement price of the new proposed Japan Crude Cocktail (Detailed) Futures contract is based on the detailed version (for December, fixed version), of monthly Japan crude oil imports by HS code.

Table below contains the monthly crude oils import volume by HS code from November 2017 to October 2020. The average monthly imports over the 36-month period is 13,991,574 thousand liters.

**Table 1. Selected Japan Crude Oils Imports by HS Code<sup>1</sup>**

Units: Thousand Liters

Source: The Portal Site of Official Statistics of Japan

Month	2709.00 100	2709.00 900	2710.19 162	2710.19 164	2710.19 166	2710.19 169	2710.19 172	2710.19 174	2710.19 179	Total
Nov-17	36,426	15,363,765	0	0	228	0	0	0	0	15,400,419
Dec-17	48,235	17,458,916	5,068	0	0	0	5,294	0	0	17,517,513
Jan-18	90,975	15,492,127	0	0	0	0	0	0	0	15,583,102
Feb-18	36,174	14,006,710	7,734	0	0	0	7,102	0	0	14,057,720
Mar-18	0	16,126,123	0	0	0	0	8,687	0	0	16,134,810
Apr-18	0	15,019,216	6,536	0	0	0	5,002	0	0	15,030,754
May-18	0	14,010,823	0	0	0	0	10,223	0	0	14,021,046
Jun-18	47,406	10,825,603	0	0	0	0	4,910	0	0	10,877,919
Jul-18	47,575	14,238,352	0	0	0	0	6,194	0	7	14,292,128
Aug-18	0	16,658,449	0	0	0	0	0	0	0	16,658,449
Sep-18	0	13,602,090	0	0	0	0	0	0	0	13,602,090
Oct-18	0	13,638,849	0	0	0	0	4,005	0	0	13,642,854
Nov-18	0	15,741,780	0	0	0	0	2,189	0	0	15,743,969
Dec-18	0	16,252,553	0	0	0	0	0	0	0	16,252,553
Jan-19	0	14,811,007	0	0	0	0	0	0	0	14,811,007
Feb-19	0	13,660,429	0	0	0	0	0	0	0	13,660,429
Mar-19	0	14,883,785	0	0	0	0	0	0	0	14,883,785
Apr-19	0	15,760,110	0	0	0	0	0	0	0	15,760,110
May-19	54,012	14,736,981	0	0	0	0	0	0	0	14,790,993
Jun-19	0	11,748,445	0	0	0	0	0	0	0	11,748,445
Jul-19	0	15,025,529	0	0	0	0	0	0	0	15,025,529
Aug-19	0	14,807,889	0	0	0	0	14,057	0	0	14,821,946
Sep-19	0	14,059,995	0	0	0	0	0	0	0	14,059,995
Oct-19	0	13,445,045	0	0	0	0	17,927	0	0	13,462,972

<sup>1</sup> <https://www.e-stat.go.jp/en/stat-search/files?page=1&layout=datalist&toukei=00350300&tstat=000001013141&cycle=1&tclass1=00001013183&tclass2=000001013185>

Month	2709.00 100	2709.00 900	2710.19 162	2710.19 164	2710.19 166	2710.19 169	2710.19 172	2710.19 174	2710.19 179	Total
Nov-19	0	14,194,557	0	0	0	0	5,691	0	0	<b>14,200,248</b>
Dec-19	0	16,628,810	0	0	0	0	9,372	0	0	<b>16,638,182</b>
Jan-20	0	14,323,755	0	0	0	0	2,799	0	0	<b>14,326,554</b>
Feb-20	0	12,415,682	0	0	0	0	0	0	0	<b>12,415,682</b>
Mar-20	0	14,764,565	0	0	0	0	17,876	0	0	<b>14,782,441</b>
Apr-20	0	14,774,845	0	0	0	0	0	0	0	<b>14,774,845</b>
May-20	0	9,468,048	0	0	0	0	0	0	0	<b>9,468,048</b>
Jun-20	0	10,001,338	7,140	0	0	0	16,618	0	0	<b>10,025,096</b>
Jul-20	0	11,507,137	0	0	0	0	4,967	0	0	<b>11,512,104</b>
Aug-20	0	11,015,173	4,037	0	0	0	0	0	0	<b>11,019,210</b>
Sep-20	0	11,150,414	0	0	0	0	0	0	0	<b>11,150,414</b>
Oct-20	0	11,534,511	0	0	0	0	8,775	0	0	<b>11,543,286</b>
<b>Average</b>	<b>10,022</b>	<b>13,976,484</b>	<b>848</b>	<b>0</b>	<b>6</b>	<b>0</b>	<b>4,212</b>	<b>0</b>	<b>0</b>	<b>13,991,574</b>

## **Japan LNG Market**

Liquefied natural gas (“LNG”) is a growing part of the international supply and trade of energy. LNG is natural gas that is cooled and compressed into liquid form to make it more readily transportable. LNG is typically transported by sea in specially designed vessels. The GIIGNL states that, a total of 42 countries import LNG and that 21 countries export it. Overall, Asia represents 69% of global LNG demand. In 2019, 354.73 million MT were imported (increasing 13% vs. 2019). Of the total volume imported, 34% was procured on a spot/ short-term basis<sup>2</sup>.

Below tables show five largest importers and exporters of LNG in 2019 according to the GIIGNL. The five largest importers are all Asian countries and together account for 61.8% of global imports. The top five exporters include Qatar, Australia, USA, Malaysia and Nigeria. These countries represent 66% of global LNG supply.

### **Table 2. Top 5 LNG Net Importing Country in 2019**

Units: Million Metric Tons

Source: GIIGNL

Country	Net Imports	% of total
Japan	76.87	21.7%
China	61.68	17.4%
South Korea	40.14	11.4%
India	23.98	6.8%
Taiwan	16.66	4.7%
<b>Total Top Five Importers</b>	<b>219.33</b>	<b>61.8%</b>

### **Table 2. Top 5 LNG Net Exporting Country in 2019**

Units: Million Metric Tons

Source: GIIGNL

Country	Net Exports	% of total
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<sup>2</sup> [https://giignl.org/sites/default/files/PUBLIC\\_AREA/Publications/giignl\\_-\\_2020\\_annual\\_report\\_-\\_04082020.pdf](https://giignl.org/sites/default/files/PUBLIC_AREA/Publications/giignl_-_2020_annual_report_-_04082020.pdf)

Qatar	77.80	21.9%
Australia	75.39	21.3%
USA	33.75	9.5%
Malaysia	26.21	6.3%
Nigeria	20.84	5.9%
<b>Total Top Ten Exporters</b>	<b>233.99</b>	<b>66.0%</b>

The Platts spot LNG assessment “Japan Korea Marker (JKM)” represents spot LNG cargoes price delivered into Northeast Asia including Japan, South Korea, China and Taiwan. Table below shows net imports of LNG from 2017 to 2019. In the three-year period, total LNG imports averaged 189.85 million metric tons per year, or 15.82 million metric tons per month.

**Table 2. Northeast Asia LNG Net Imports**

Units: Million Metric Tons

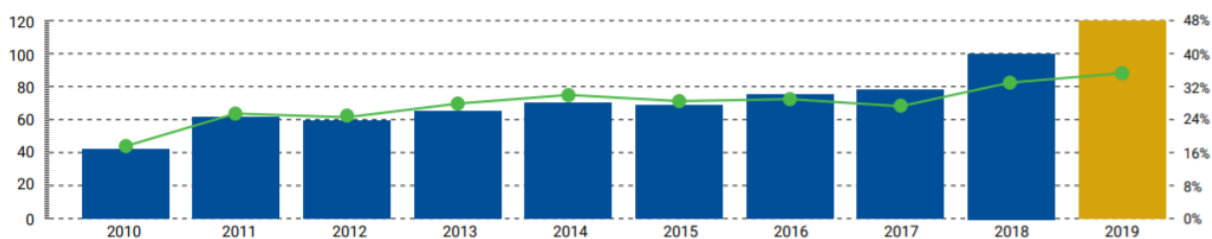
Source: GIIGNL

LNG imports (m MT)	2017	2018	2019	Average 2017-2019
Japan	83.52	82.46	76.87	<b>80.95</b>
South Korea	37.83	43.95	61.68	<b>47.82</b>
China	39.01	54.00	40.14	<b>44.38</b>
Taiwan	16.61	16.81	16.66	<b>16.69</b>
<b>Total</b>	<b>176.97</b>	<b>197.22</b>	<b>195.35</b>	<b>189.85</b>

The physical LNG market trades on a cargo basis. According to the GIILNG, the global LNG tanker fleet consisted of 601 vessels at the end of 2019. Most vessels had a cargo capacity of 90,000-150,000 cubic meters. Many cargoes are sent as part of term supply agreement, but a growing share of the total is tied to spot/ short-term purchases (48% of total in 2019 - shown by the line on the RHA of the chart below). Spot LNG cargoes are typically traded in U.S. dollars, on a price per energy content (i.e. \$ per MMBtu) basis. Pricing on this basis accounts for variances in the chemical content of various LNG sources, and for different pressure and temperature regimes on different vessels.

Spot & Short-term (duration of 4 years or less) vs total LNG trade

**SHARE OF SPOT & SHORT TERM VS. TOTAL LNG TRADE (MTPA/%)**



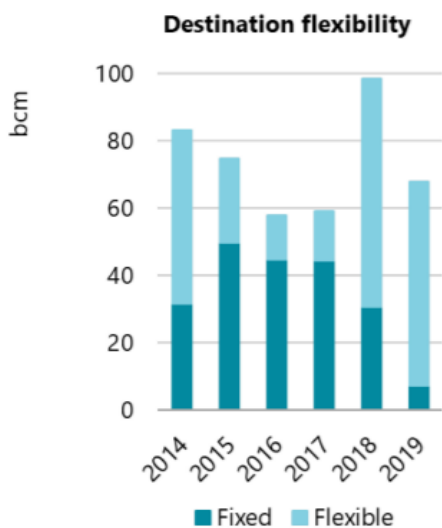
Source: GIILNG Annual Report 2020

The share of spot and short-term deals is increasing because of the increase of US exports, increased contracting for portfolio trade and the growing volume handled by trading intermediaries. Historically, the market for LNG was restrictive in the sense that long-term supply agreements did not allow for destination flexibility. Today, non-destination restricted term cargoes are re-traded multiple times and may be redirected. Overall, destination restrictions are being progressively shelved. In 2017, the Japan Fair Trade

Commission stated that restrictions that stopped customers from reselling LNG cargoes violated the Japanese Antimonopoly act<sup>3</sup>.

A growing share of contracted volume includes flexible destination clauses. IEA states that 40% of total delivered LNG cargoes in 2018 were based of destination free contracts<sup>4</sup>. The share of uncontracted volume as well as flexible destination contracts is expected to grow as older fixed destination contracts expire. At the 2017 annual LNG Producer-Consumer Conference organized by the Japanese Ministry of Economy, Trade and Industry (METI), participants stated that more than 50% of LNG long-term contracts would be traded without destination clauses in the next 10 years<sup>5</sup>.

#### Contracted Volume with Destination Flexibility



Source: IEA

In addition, the table below provides monthly price series data applicable to the related underlying market used to settle the Japan Crude Cocktail (Detailed) Yen Denominated Futures for the last 36 months. The prices are in Japanese Yen per kiloliter. The latest data is available for up to October 2020.

Price series data for the LNG Japan/Korea Marker (Platts) Yen Denominated Futures are provided in supplemental filing under confidential treatment request.

#### Monthly Price Series Data for Japan Crude Cocktail (Detailed) Yen Denominated Futures

Date	Japan Crude Cocktail (Detailed) Yen Denominated Futures
2019 Nov	41,259
2017 Dec	44,204
2018 Jan	45,681
2018 Feb	46,945
2018 Mar	44,764

<sup>3</sup> [http://www.meti.go.jp/english/press/2017/pdf/1019\\_001b.pdf](http://www.meti.go.jp/english/press/2017/pdf/1019_001b.pdf)

<sup>4</sup>

[https://iicec.sabanciuniv.edu/sites/iicec.sabanciuniv.edu/files/global\\_gas\\_security\\_review\\_2019\\_1.pdf](https://iicec.sabanciuniv.edu/sites/iicec.sabanciuniv.edu/files/global_gas_security_review_2019_1.pdf)

<sup>5</sup> [http://www.meti.go.jp/english/press/2017/pdf/1019\\_001b.pdf](http://www.meti.go.jp/english/press/2017/pdf/1019_001b.pdf), page 10



2018 Apr	44,267
2018 May	48,561
2018 Jun	52,783
2018 Jul	53,418
2018 Aug	53,890
2018 Sep	53,151
2018 Oct	56,234
2018 Nov	57,993
2018 Dec	50,802
2019 Jan	43,110
2019 Feb	42,961
2019 Mar	45,970
2019 Apr	48,150
2019 May	51,037
2019 Jun	50,014
2019 Jul	45,741
2019 Aug	45,388
2019 Sep	43,125
2019 Oct	44,134
2019 Nov	44,436
2019 Dec	46,076
2020 Jan	48,354
2020 Feb	48,648
2020 Mar	42,228
2020 Apr	28,829
2020 May	16,810
2020 Jun	16,644
2020 Jul	22,110
2020 Aug	29,002
2020 Sep	30,825
2020 Oct	29,557

## Analysis of Deliverable Supply

### Japan Crude Cocktail

The final settlement price reference, Japan Crude Cocktail (JCC), of the new proposed futures contract represents an average price of Japan crude oil imports. As mentioned previously, the calculation is based on customs cleared crude oils imports as reported under a total of 9 different HS commodity codes. In its analysis of deliverable supply, the Exchange has determined deliverable supply as the total Japan crude oils import volume under these 9 applicable commodities. In addition, the Exchange determined not to adjust the deliverable supply estimates based on the spot availability as Japan Customs does not distinguish crude oil imported between spot and term contract.

Based on the data by The Portal Site of Official Statistics of Japan, the average monthly deliverable supply of Japan crude oils import is 13,991,574 kiloliters. This equates to 88,006,997 barrels using the conversion of 6.29 barrels per kiloliter.

The **Japan Crude Cocktail (Detailed) Yen Denominated Futures** will aggregate into the Japan Crude Cocktail (Detailed) Futures (contract size 1,000 barrels). The deliverable supply of 88,006,997 barrels equals to 88,007 contract equivalents. The spot month limits for the Japan Crude Cocktail (Detailed) Futures is 4,000 contracts, which represent 4.55% of the deliverable supply.

### Japan LNG Market

As aforementioned, average imports of LNG into Japan, Korea, China and Taiwan for 2017-2019 is 189.85 million metric tons per year or 15.82 million metric tons per month. It should be noted that that a substantial proportion of these imports were the result of medium and long-term supply contracts. The Exchange has conducted an analysis of the impact of medium and long-term supply contracts on the deliverable supply.

Given the presence of cargoes resulting from contracts that are destination restricted, the Exchange has determined to adjust the available import volumes by the amount of fixed delivery cargoes. Of the total LNG trade, 48% of the total is traded in flexible spot and short-term markets (source: GIILNG). Of the remaining share, 40% is traded with destination flexibility (source: IEA), with the market anticipating that share to grow to 50% gradually. The Exchange therefore estimates that fixed-delivery cargoes represented 31.2% of total LNG imports into Japan, Korea, China and Taiwan (60% of 52% non-spot/ short-term contracts).

Consequently, the adjusted import availability has been calculated at 68.8%. The average monthly 15.82 million metric tons imports is reduced to 10.88 million metric tons. According to the IEA's statistics manual<sup>6</sup>, a kilogram of LNG is equivalent to 51,560 Btu, or a metric ton is equivalent to 51.56 MMBtu. Using this conversion factor, the deliverable supply of 10.88 million metric tons is equivalent to 560,972,800 MMBtu per month.

The **LNG Japan/Korea Marker (Platts) Yen Denominated Futures** will aggregate into the LNG Japan/Korea Marker (Platts) Futures (contract size 10,000 MMBtu). The deliverable supply of 560,972,800 MMBtu equals to 56,097 contract equivalents. The spot month limits for the LNG Japan/Korea Marker (Platts) Futures is 5,000 contracts, which represent 8.9% of the deliverable supply.

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<sup>6</sup> [https://www.iea.org/publications/freepublications/publication/statistics\\_manual.pdf](https://www.iea.org/publications/freepublications/publication/statistics_manual.pdf), table A3.9