

**SUBMISSION COVER SHEET**

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

Registered Entity Identifier Code (optional): 19-011 (3 of 17)

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): 1/31/2019 Filing Description: Initial Listing of Seventeen (17) Crude Oil Futures and Related Average Price Option Contracts

**SPECIFY FILING TYPE**

Please note only ONE choice allowed per Submission.

**Organization Rules and Rule Amendments**

- Certification § 40.6(a)
- Approval § 40.5(a)
- Notification § 40.6(d)
- Advance Notice of SIDCO Rule Change § 40.10(a)
- SIDCO Emergency Rule Change § 40.10(h)

**Rule Numbers:**

**New Product**

Please note only ONE product per Submission.

- Certification § 40.2(a)
- Certification Security Futures § 41.23(a)
- Certification Swap Class § 40.2(d)
- Approval § 40.3(a)
- Approval Security Futures § 41.23(b)
- Novel Derivative Product Notification § 40.12(a)
- Swap Submission § 39.5

Official Product Names: See filing.

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

- Certification § 40.6(a)
- Certification Made Available to Trade Determination § 40.6(a)
- Certification Security Futures § 41.24(a)
- Delisting (No Open Interest) § 40.6(a)
- Approval § 40.5(a)
- Approval Made Available to Trade Determination § 40.5(a)
- Approval Security Futures § 41.24(c)
- Approval Amendments to enumerated agricultural products § 40.4(a), § 40.5(a)
- "Non-Material Agricultural Rule Change" § 40.4(b)(5)
- Notification § 40.6(d)

Official Name(s) of Product(s) Affected

Rule Numbers:

January 31, 2019

**VIA ELECTRONIC PORTAL**

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

**Re: CFTC Regulation 40.2(a) Certification. Notification Regarding the Initial Listing of Seventeen (17) Crude Oil Futures and Related Average Price Option Contracts. NYMEX Submission No. 19-011 (3 of 17)**

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 seventeen (17) crude oil futures and related average price option contracts (the “Contracts”) for trading on the CME Globex electronic trading platform and for submission for clearing via CME ClearPort, effective on Sunday, February 17, 2019 for trade date Tuesday February 19, 2019, as more specifically described below.

Contract Title	NYMEX Rulebook Chapter	Commodity Code	Termination of Trading
WTI Trade Month Futures	804	TCS	The last business day that falls on or before the 25th calendar day of the month prior to the contract month.
WTI Houston Trade Month Futures	806	HTE	The last business day that falls on or before the 25th calendar day of the month prior to the contract month.
WTI Houston Calendar Month Futures	808	HTC	The last business day of the contract month.
WTI Houston vs. WTI Trade Month Futures	809	HTI	The last business day that falls on or before the 25th calendar day of the month prior to the contract month.
WTI Houston vs. WTI Calendar Month Futures	810	HTM	The last business day of the contract month.

WTI Houston vs. Brent Trade Month Futures	811	HBR	The last business day that falls on or before the 25th calendar day of the month prior to the contract month.
WTI Houston vs. Brent Calendar Month Futures	812	HBC	The last business day of the contract month.
WTI vs. Dated Brent (Platts) Calendar Month Futures	813	CLD	The last business day of the contract month.
WTI Houston vs. Dated Brent (Platts) Calendar Month Futures	814	HDB	The last business day of the contract month.
WTI Houston Trade Month Average Price Option	815	HCA	The last business day that falls on or before the 25th calendar day of the month prior to the contract month.
WTI Houston Calendar Month Average Price Option	816	HCC	The last business day of the contract month.
WTI Houston vs. WTI Trade Month Average Price Option	817	HAP	The last business day that falls on or before the 25th calendar day of the month prior to the contract month.
WTI Houston vs. WTI Calendar Month Average Price Option	818	HPO	The last business day of the contract month.
WTI Houston vs. Brent Trade Month Average Price Option	819	HCB	The last business day that falls on or before the 25th calendar day of the month prior to the contract month.
WTI Houston vs. Brent Calendar Month Average Price Option	820	HCR	The last business day of the contract month.
WTI vs. Dated Brent (Platts) Average Price Option	821	CLR	The last business day of the contract month.
WTI Houston vs. Dated Brent (Platts) Average Price Option	822	HCD	The last business day of the contract month.

**Additional Specifications of the Contracts:**

<b>Settlement Type</b>	Financial
<b>Contract Size</b>	1,000 barrels
<b>Price Quotation</b>	U.S. dollars and cents per barrel
<b>Minimum Price Fluctuation</b>	\$0.01
<b>Value Per Tick</b>	\$10.00
<b>First Listed Month</b>	Calendar Month Contracts: March 2019 Trade Month Contracts: April 2019
<b>Listing Schedule</b>	Monthly contracts listed for the current year and the next three (3) calendar years. Additional monthly contracts will be listed for a new

	calendar year following the termination of trading in the December contract of the current year.
<b>CME Globex Match Algorithm</b>	First In, First Out
<b>Block Trade Minimum Threshold</b>	5 contracts

**Trading and Clearing Hours:**

CME Globex and CME ClearPort	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)
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**Exchange Fees:**

**Futures Contracts:**

	Member	Non-Member	International Incentive Programs (IIP/IVIP)
<b>Exchange Fees</b>			
CME Globex	\$0.85	\$1.35	\$1.10
EFP	\$0.85	\$1.35	
Block	\$0.85	\$1.35	
EFR/EOO	\$0.85	\$1.35	

Processing Fees	Member	Non-Member
Cash Settlement	\$0.50	\$0.50
<b>Other Fees</b>		
Facilitation Fee		\$0.60
Give-Up Surcharge		\$0.05
Position Adjustment/Transfer		\$0.10

**Average Price Option Contracts:**

	Member	Non-Member	International Incentive Programs (IIP/IVIP)
<b>Exchange Fees</b>			
CME Globex	\$0.70	\$1.45	\$1.10
Block	\$1.75	\$2.50	
EFR/EOO	\$1.75	\$2.50	

<b>Processing Fees</b>	<b>Member</b>	<b>Non-Member</b>
Cash Settlement	\$0.90	\$1.15
<b>Other Fees</b>		
Facilitation Fee	\$0.60	
Give-Up Surcharge	\$0.05	
Position Adjustment/Transfer	\$0.10	

The Exchange is also notifying the CFTC that it is self-certifying the insertion of the terms and conditions for the new futures 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 contract. 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 contract. Please see Exhibit B attached under separate cover.

In addition, NYMEX is self-certifying block trading on these contracts with a minimum block threshold of five (5) contracts. This block level aligns with the Exchange's currently listed WTI Houston (Argus) vs. WTI Futures.

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

- **Compliance with Rules:** Trading in the Contracts will be subject to all CME Rules, including prohibitions against fraudulent, noncompetitive, unfair and abusive practices as outlined in CME Rule Chapter 4, the Exchange's trade practice rules, the majority of which are contained in Chapter 5 and Chapter 8 of the CME Rulebook, and the dispute resolution and arbitration procedures of CME Rule Chapter 6. As with all products listed for trading on one of CME Group's designated contract markets, trading activity in the Contract will be subject to 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 a cash price series that is reflective of the underlying cash market and is 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 the Rules of CME, which include prohibitions on manipulation, price distortion, and disruption to the cash settlement process. As with any new product listed for trading on a CME Group designated contract market, trading activity in the futures Contract proposed herein will be subject to 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 on its website information in regard to contract specifications, terms, and conditions, as well as daily trading volume, open interest, and price information for the Contract. In addition, the Exchange will advise the marketplace of the launch of the Contracts by releasing a Special Executive Report ("SER"). The SER will also be posted on CME Group's website.
- **Daily Publication of Trading Information:** The Exchange will publish contract trading volumes, open interest levels, and price information daily on its website and through quote vendors for the Contracts.

- **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 electronic trading venue provides for competitive and open execution of transactions. CME Globex affords the benefits of reliability and global connectivity.
- **Trade Information:** All requisite trade information for the Contracts will be included in the audit trail and is sufficient for the Market Regulation Department to monitor for market abuse.
- **Financial Integrity of Contract:** The Contracts will be cleared by the CME Clearing House, a derivatives clearing organization registered with the CFTC and subject to all CFTC regulations related thereto.
- **Protection of Market Participants:** CME Rulebook Chapters 4 and 5 set forth multiple prohibitions that preclude intermediaries from disadvantaging their customers. These rules apply to trading in all of the Exchange's competitive trading venues.
- **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 the 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 the Contracts will be subject to the arbitration provisions set forth in Chapter 6 of the Rulebook. Chapter 6 allows all nonmembers to submit a claim for financial losses resulting from transactions on the Exchange to arbitration. A member named as a respondent in a claim submitted by a nonmember is required to participate in the arbitration pursuant to Chapter 6. Additionally, the Exchange requires that members resolve all disputes concerning transactions on the Exchange via arbitration.

Pursuant to Section 5c(c) of the Act and CFTC Regulation 40.2(a), the Exchange hereby certifies that listing the Contracts comply with the Act, including regulations under the Act. There were no substantive opposing views to the listing of the Contracts.

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: NYMEX Rulebook Chapters  
 Exhibit B: Position Limit, 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 E: Supporting Data Tables for the WTI Cushing Market  
 Exhibit F: Brent Loading Data

**EXHIBIT A**  
**NYMEX Rulebook Chapters**

**Chapter 804**  
**WTI Trade Month Futures**

**804100. 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.

**804101. CONTRACT SPECIFICATIONS**

The Floating Price for each contract month is equal to the arithmetic average of the NYMEX Light Sweet Crude Oil Futures first nearby contract settlement price for the Trade month period beginning with the first business day after the 25th calendar day two months prior to the contract month through the last business day that falls on or before the 25th calendar day of the month prior to the contract month. If the 25th calendar day is a weekend or holiday, the Trade month period shall end on the first business day prior to the 25th calendar day.

**804102. TRADING SPECIFICATIONS**

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

**804102.A. Trading Schedule**

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

**804102.B. Trading Unit**

The contract quantity shall be 1,000 U.S. barrels. Each contract shall be valued as the contract quantity (1,000) multiplied by the settlement price.

**804102.C. Price Increments**

Prices shall be quoted in U.S. dollars and cents per barrel. The minimum price fluctuation shall be \$0.01 per barrel.

**804102.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.

**804102.E. Termination of Trading**

Trading shall cease at the close of trading on the last business day that falls on or before the 25th calendar day of the month prior to the contract month. If the 25th calendar day is a weekend or holiday, trading shall cease on the first business day prior to the 25th calendar day.

**804103. 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.

## Chapter 806 WTI Houston Trade Month Futures

### **806100. 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.

### **806101. CONTRACT SPECIFICATIONS**

The Floating Price for each contract month is equal to the arithmetic average of the NYMEX WTI Houston Crude Oil Futures first nearby contract settlement price for the Trade month period beginning with the first business day after the 25th calendar day two months prior to the contract month through the last business day that falls on or before the 25th calendar day of the month prior to the contract month. If the 25th calendar day is a weekend or holiday, the Trade month period shall end on the first business day prior to the 25th calendar day.

### **806102. TRADING SPECIFICATIONS**

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

#### **806102.A. Trading Schedule**

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

#### **806102.B. Trading Unit**

The contract quantity shall be 1,000 U.S. barrels. Each contract shall be valued as the contract quantity (1,000) multiplied by the settlement price.

#### **806102.C. Price Increments**

Prices shall be quoted in U.S. dollars and cents per barrel. The minimum price fluctuation shall be \$0.01 per barrel.

#### **806102.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.

#### **806102.E. Termination of Trading**

Trading shall cease at the close of trading on the last business day that falls on or before the 25th calendar day of the month prior to the contract month. If the 25th calendar day is a weekend or holiday, trading shall cease on the first business day prior to the 25th calendar day.

### **806103. 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.



## Chapter 808 WTI Houston Calendar Month Futures

### **808100. 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.

### **808101. CONTRACT SPECIFICATIONS**

The Floating Price for each contract month is equal to the arithmetic average of the NYMEX WTI Houston Crude Oil Futures first nearby contract settlement price for each business day that it is determined during the contract month.

### **808102. TRADING SPECIFICATIONS**

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

#### **808102.A. Trading Schedule**

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

#### **808102.B. Trading Unit**

The contract quantity shall be 1,000 U.S. barrels. Each contract shall be valued as the contract quantity (1,000) multiplied by the settlement price.

#### **808102.C. Price Increments**

Prices shall be quoted in U.S. dollars and cents per barrel. The minimum price fluctuation shall be \$0.01 per barrel.

#### **808102.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.

#### **808102.E. Termination of Trading**

Trading shall cease on the last business day of the contract month.

### **808103. 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.

## Chapter 809 WTI Houston vs. WTI Trade Month Futures

### **809100. 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.

### **809101. CONTRACT SPECIFICATIONS**

The Floating Price for each contract month is equal to the arithmetic average of the NYMEX WTI Houston Crude Oil Futures first nearby contract settlement price minus the NYMEX Light Sweet Crude Oil Futures first nearby contract settlement price for the Trade month period beginning with the first business day after the 25th calendar day two months prior to the contract month through the last business day that falls on or before the 25th calendar day of the month prior to the contract month. If the 25th calendar day is a weekend or holiday, the Trade month period shall end on the first business day prior to the 25th calendar day.

The Floating Price is calculated using the common pricing convention. In calculating the spread differential, the monthly average for each component leg of the spread shall be calculated by using all trading days in the month for each component leg of the spread, followed by the calculation of the spread differential between the two averages.

### **809102. TRADING SPECIFICATIONS**

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

#### **809102.A. Trading Schedule**

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

#### **809102.B. Trading Unit**

The contract quantity shall be 1,000 U.S. barrels. Each contract shall be valued as the contract quantity (1,000) multiplied by the settlement price.

#### **809102.C. Price Increments**

Prices shall be quoted in U.S. dollars and cents per barrel. The minimum price fluctuation shall be \$0.01 per barrel.

#### **809102.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.

#### **809102.E. Termination of Trading**

Trading shall cease at the close of trading on the last business day that falls on or before the 25th calendar day of the month prior to the contract month. If the 25th calendar day is a weekend or holiday, trading shall cease on the first business day prior to the 25th calendar day.

### **809103. 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.

## Chapter 810 WTI Houston vs. WTI Calendar Month Futures

### **810100. 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.

### **810101. CONTRACT SPECIFICATIONS**

The Floating Price for each contract month is equal to the arithmetic average of the NYMEX WTI Houston Crude Oil Futures first nearby contract settlement price minus the NYMEX Light Sweet Crude Oil Futures first nearby contract settlement price for each business day that both are determined during the contract month.

The Floating Price is calculated using the common pricing convention. In calculating the spread differential, the monthly average for each component leg of the spread shall be calculated by using all trading days in the month for each component leg of the spread, followed by the calculation of the spread differential between the two averages.

### **810102. TRADING SPECIFICATIONS**

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

#### **810102.A. Trading Schedule**

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

#### **810102.B. Trading Unit**

The contract quantity shall be 1,000 U.S. barrels. Each contract shall be valued as the contract quantity (1,000) multiplied by the settlement price.

#### **810102.C. Price Increments**

Prices shall be quoted in U.S. dollars and cents per barrel. The minimum price fluctuation shall be \$0.01 per barrel.

#### **810102.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.

#### **810102.E. Termination of Trading**

Trading shall cease on the last business day of the contract month.

### **810103. 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.

## Chapter 811

### WTI Houston vs. Brent Trade Month Futures

#### **811100. 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.

#### **811101. CONTRACT SPECIFICATIONS**

The Floating Price for each contract month is equal to the arithmetic average of the NYMEX WTI Houston Crude Oil Futures first nearby contract settlement price minus ICE Brent Crude Oil Futures first nearby contract settlement price for the Trade month period beginning with the first business day after the 25th calendar day two months prior to the contract month through the last business day that falls on or before the 25th calendar day of the month prior to the contract month. If the 25th calendar day is a weekend or holiday, the Trade month period shall end on the first business day prior to the 25th calendar day.

The settlement price of the first nearby contract month will be used except on the last day of trading for the expiring Brent Crude Oil Futures contract when the settlement price of the second nearby contract will be used.

The Floating Price is calculated using the non-common pricing convention. In calculating the spread differential, the monthly average for each component leg of the spread shall be calculated by using all trading days in the month for each component leg of the spread, followed by the calculation of the spread differential between the two averages.

#### **811102. TRADING SPECIFICATIONS**

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

##### **811102.A. Trading Schedule**

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

##### **811102.B. Trading Unit**

The contract quantity shall be 1,000 U.S. barrels. Each contract shall be valued as the contract quantity (1,000) multiplied by the settlement price.

##### **811102.C. Price Increments**

Prices shall be quoted in U.S. dollars and cents per barrel. The minimum price fluctuation shall be \$0.01 per barrel.

##### **811102.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.

##### **811102.E. Termination of Trading**

Trading shall cease at the close of trading on the last business day that falls on or before the 25th calendar day of the month prior to the contract month. If the 25th calendar day is a weekend or holiday, trading shall cease on the first business day prior to the 25th calendar day.

#### **811103. 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.

## Chapter 812 WTI Houston vs. Brent Calendar Month Futures

### **812100. 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.

### **812101. CONTRACT SPECIFICATIONS**

The Floating Price for each contract month is equal to the arithmetic average of the NYMEX WTI Houston Crude Oil Futures first nearby contract settlement price minus ICE Brent Crude Oil Futures first nearby contract settlement price for each business day during the contract month.

The settlement price of the first nearby contract month will be used except on the last day of trading for the expiring Brent Crude Oil Futures contract when the settlement price of the second nearby contract will be used.

The Floating Price is calculated using the non-common pricing convention. In calculating the spread differential, the monthly average for each component leg of the spread shall be calculated by using all trading days in the month for each component leg of the spread, followed by the calculation of the spread differential between the two averages.

### **812102. TRADING SPECIFICATIONS**

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

#### **812102.A. Trading Schedule**

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

#### **812102.B. Trading Unit**

The contract quantity shall be 1,000 U.S. barrels. Each contract shall be valued as the contract quantity (1,000) multiplied by the settlement price.

#### **812102.C. Price Increments**

Prices shall be quoted in U.S. dollars and cents per barrel. The minimum price fluctuation shall be \$0.01 per barrel.

#### **812102.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.

#### **812102.E. Termination of Trading**

Trading shall cease on the last business day of the contract month.

### **812103. 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.

## Chapter 813 WTI vs. Dated Brent (Platts) Calendar Month Futures

### **813100. 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.

### **813101. CONTRACT SPECIFICATIONS**

The Floating Price for each contract month is equal to the arithmetic average of the NYMEX Light Sweet Crude Oil Futures first nearby contract settlement price minus the mid-point between the high and low quotations for Brent (Dated) from the S&P Global Platts Crude Oil Marketwire under the heading Key Benchmarks for each business day during the contract month.

The Floating Price is calculated using the non-common pricing convention. In calculating the spread differential, the monthly average for each component leg of the spread shall be calculated by using all trading days in the month for each component leg of the spread, followed by the calculation of the spread differential between the two averages.

### **813102. TRADING SPECIFICATIONS**

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

#### **813102.A. Trading Schedule**

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

#### **813102.B. Trading Unit**

The contract quantity shall be 1,000 U.S. barrels. Each contract shall be valued as the contract quantity (1,000) multiplied by the settlement price.

#### **813102.C. Price Increments**

Prices shall be quoted in U.S. dollars and cents per barrel. The minimum price fluctuation shall be \$0.01 per barrel.

#### **813102.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.

#### **813102.E. Termination of Trading**

Trading shall cease on the last business day of the contract month.

### **813103. 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.

### **813104. DISCLAIMER**

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

## Chapter 814

### WTI Houston vs. Dated Brent (Platts) Calendar Month Futures

#### **814100. 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.

#### **814101. CONTRACT SPECIFICATIONS**

The Floating Price for each contract month is equal to the arithmetic average of the NYMEX HWTI Houston Crude Oil Futures first nearby contract settlement price minus the mid-point between the high and low quotations for Brent (Dated) from the S&P Global Platts Crude Oil Marketwire under the heading Key Benchmarks for each business day during the contract month.

The Floating Price is calculated using the non-common pricing convention. In calculating the spread differential, the monthly average for each component leg of the spread shall be calculated by using all trading days in the month for each component leg of the spread, followed by the calculation of the spread differential between the two averages.

#### **814102. TRADING SPECIFICATIONS**

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

##### **814102.A. Trading Schedule**

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

##### **814102.B. Trading Unit**

The contract quantity shall be 1,000 U.S. barrels. Each contract shall be valued as the contract quantity (1,000) multiplied by the settlement price.

##### **814102.C. Price Increments**

Prices shall be quoted in U.S. dollars and cents per barrel. The minimum price fluctuation shall be \$0.01 per barrel.

##### **814102.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.

##### **814102.E. Termination of Trading**

Trading shall cease on the last business day of the contract month.

#### **814103. 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.

#### **814104. DISCLAIMER**

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

## Chapter 815

### WTI Houston Trade Month Average Price Option

#### 815100. SCOPE OF CHAPTER

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

#### 815101. CONTRACT SPECIFICATIONS

The Floating Price shall be determined following the expiration of trading. A WTI Houston Trade Month Average Price put or call option contract is a European-style Average Price option cash-settled on expiration day.

#### 815102. OPTION CHARACTERISTICS

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

##### 815102.A. Trading Schedule

The hours of trading shall be determined by the Exchange.

##### 815102.B. Trading Unit

A WTI Houston Trade Month Average Price Option is a cash-settled option. On expiration of a call option, the value will be the difference between the average daily settlement price during the Trade month period of the first nearby settlement price of the underlying NYMEX WTI Houston Crude Oil Futures and the strike price multiplied by 1,000 barrels, or zero whichever is greater. On expiration of a put option, the difference between the average daily settlement price during the Trade Month period of the first nearby settlement price of the underlying NYMEX WTI Houston Crude Oil Futures and the strike price multiplied by 1,000 barrels, or zero whichever is greater.

##### 815102.C. Price Increments

Prices shall be quoted in dollars and cents per barrel and prices shall be in multiples of one (1) cent per barrel. A cabinet trade may occur at a price of \$0.001 per barrel, or \$1.00.

##### 815102.D. Special Price Fluctuation Limits

At the commencement of each trading day, the contract shall be subject to special fluctuation limits as set forth in Rule 589 and in the Special Price Fluctuation Limits Table in the Interpretations & Special Notices Section of Chapter 5.

##### 815102.E. 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.

##### 815102.E. Expiration of Trading

A WTI Houston Trade Month Average Price Option shall expire at the close of trading on the last business day that falls on or before the 25th calendar day of the month prior to the contract month. If the 25th calendar day is a weekend or holiday, trading shall cease on the first business day prior to the 25th calendar day. The expiration date shall be announced prior to the listing of the option contract.

##### 815102.F. Type of Option

The option is a European-style Average Price option which can be exercised on expiration day.

#### 815103. EXERCISE PRICES

Transactions shall be conducted for option contracts as set forth in Rule 300.20.



## Chapter 816

### WTI Houston Calendar Month Average Price Option

#### **816100. SCOPE OF CHAPTER**

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

#### **816101. CONTRACT SPECIFICATIONS**

The Floating Price shall be determined following the expiration of trading. A WTI Houston Calendar Month Average Price put or call option contract is a European-style Average Price option cash-settled on expiration day.

#### **816102. OPTION CHARACTERISTICS**

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

##### **816102.A. Trading Schedule**

The hours of trading shall be determined by the Exchange.

##### **816102.B. Trading Unit**

A WTI Houston Calendar Month Average Price Option is a cash-settled option. On expiration of a call option, the value will be the difference between the average daily settlement price during the calendar month of the first nearby settlement price of the underlying NYMEX WTI Houston Crude Oil Futures and the strike price multiplied by 1,000 barrels, or zero whichever is greater. On expiration of a put option, the difference between the average daily settlement price during the Trade Month period of the first nearby settlement price of the underlying NYMEX WTI Houston Crude Oil Futures and the strike price multiplied by 1,000 barrels, or zero whichever is greater.

##### **816102.C. Price Increments**

Prices shall be quoted in dollars and cents per barrel and prices shall be in multiples of one (1) cent per barrel. A cabinet trade may occur at a price of \$0.001 per barrel, or \$1.00.

##### **816102.D. Special Price Fluctuation Limits**

At the commencement of each trading day, the contract shall be subject to special fluctuation limits as set forth in Rule 589 and in the Special Price Fluctuation Limits Table in the Interpretations & Special Notices Section of Chapter 5.

##### **816102.E. 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.

##### **816102.E. Expiration of Trading**

A WTI Houston Calendar Month Average Price Option shall cease trading on the last business day of the contract month. The expiration date shall be announced prior to the listing of the option contract.

##### **816102.F. Type of Option**

The option is a European-style Average Price option which can be exercised on expiration day.

#### **816103. EXERCISE PRICES**

Transactions shall be conducted for option contracts as set forth in Rule 300.20.

## Chapter 817

### WTI Houston vs. WTI Trade Month Average Price Option

#### **817100. SCOPE OF CHAPTER**

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

#### **817101. CONTRACT SPECIFICATIONS**

The Floating Price shall be determined following the expiration of trading. A WTI Houston vs. WTI Trade Month Average Price put or call option contract is a European-style Average Price option cash-settled on expiration day.

#### **817102. OPTION CHARACTERISTICS**

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

##### **817102.A. Trading Schedule**

The hours of trading shall be determined by the Exchange.

##### **817102.B. Trading Unit**

A WTI Houston vs. WTI Trade Month Average Price Option is a cash-settled option. On expiration of a call option, the value will be the difference between the average daily settlement price during the Trade month period of the first nearby settlement price of the underlying WTI Houston vs. WTI Trade Month Futures and the strike price multiplied by 1,000 barrels, or zero whichever is greater. On expiration of a put option, the difference between the average daily settlement price during the Trade Month period of the first nearby settlement price of the underlying WTI Houston vs. WTI Trade Month Futures and the strike price multiplied by 1,000 barrels, or zero whichever is greater.

##### **817102.C. Price Increments**

Prices shall be quoted in dollars and cents per barrel and prices shall be in multiples of one (1) cent per barrel. A cabinet trade may occur at a price of \$0.001 per barrel, or \$1.00.

##### **817102.D. Special Price Fluctuation Limits**

At the commencement of each trading day, the contract shall be subject to special fluctuation limits as set forth in Rule 589 and in the Special Price Fluctuation Limits Table in the Interpretations & Special Notices Section of Chapter 5.

##### **817102.E. 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.

##### **817102.E. Expiration of Trading**

A WTI Houston vs. WTI Trade Month Average Price Option shall expire at the close of trading on the last business day that falls on or before the 25th calendar day of the month prior to the contract month. If the 25th calendar day is a weekend or holiday, trading shall cease on the first business day prior to the 25th calendar day. The expiration date shall be announced prior to the listing of the option contract.

##### **817102.F. Type of Option**

The option is a European-style Average Price option which can be exercised on expiration day.

#### **817103. EXERCISE PRICES**

Transactions shall be conducted for option contracts as set forth in Rule 300.20.

## Chapter 818

### WTI Houston vs. WTI Calendar Month Average Price Option

**818100. SCOPE OF CHAPTER**

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

**818101. CONTRACT SPECIFICATIONS**

The Floating Price shall be determined following the expiration of trading. A WTI Houston vs. WTI Calendar Month Average Price put or call option contract is a European-style Average Price option cash-settled on expiration day.

**818102. OPTION CHARACTERISTICS**

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

**818102.A. Trading Schedule**

The hours of trading shall be determined by the Exchange.

**818102.B. Trading Unit**

A WTI Houston vs. WTI Calendar Month Average Price Option is a cash-settled option. On expiration of a call option, the value will be the difference between the average daily settlement price during the calendar month of the first nearby settlement price of the underlying WTI Houston vs. WTI Calendar Month Futures and the strike price multiplied by 1,000 barrels, or zero whichever is greater. On expiration of a put option, the difference between the average daily settlement price during the calendar month of the first nearby settlement price of the underlying WTI Houston vs. WTI Calendar Month Futures and the strike price multiplied by 1,000 barrels, or zero whichever is greater.

**818102.C. Price Increments**

Prices shall be quoted in dollars and cents per barrel and prices shall be in multiples of one (1) cent per barrel. A cabinet trade may occur at a price of \$0.001 per barrel, or \$1.00.

**818102.D. Special Price Fluctuation Limits**

At the commencement of each trading day, the contract shall be subject to special fluctuation limits as set forth in Rule 589 and in the Special Price Fluctuation Limits Table in the Interpretations & Special Notices Section of Chapter 5.

**818102.E. 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.

**818102.E. Expiration of Trading**

A WTI Houston vs. WTI Calendar Month Average Price Option shall cease trading on the last business day of the contract month. The expiration date shall be announced prior to the listing of the option contract.

**818102.F. Type of Option**

The option is a European-style Average Price option which can be exercised on expiration day.

**818103. EXERCISE PRICES**

Transactions shall be conducted for option contracts as set forth in Rule 300.20.

## Chapter 819

### WTI Houston vs. Brent Trade Month Average Price Option

#### **819100. SCOPE OF CHAPTER**

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

#### **819101. CONTRACT SPECIFICATIONS**

The Floating Price shall be determined following the expiration of trading. A WTI Houston vs. Brent Trade Month Average Price put or call option contract is a European-style Average Price option cash-settled on expiration day.

#### **819102. OPTION CHARACTERISTICS**

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

##### **819102.A. Trading Schedule**

The hours of trading shall be determined by the Exchange.

##### **819102.B. Trading Unit**

A WTI Houston vs. Brent Trade Month Average Price Option is a cash-settled option. On expiration of a call option, the value will be the difference between the average daily settlement price during the Trade month period of the first nearby settlement price of the underlying WTI Houston vs. Brent Trade Month Futures and the strike price multiplied by 1,000 barrels, or zero whichever is greater. On expiration of a put option, the difference between the average daily settlement price during the Trade Month period of the first nearby settlement price of the underlying WTI Houston vs. Brent Trade Month Futures and the strike price multiplied by 1,000 barrels, or zero whichever is greater.

##### **819102.C. Price Increments**

Prices shall be quoted in dollars and cents per barrel and prices shall be in multiples of one (1) cent per barrel. A cabinet trade may occur at a price of \$0.001 per barrel, or \$1.00.

##### **819102.D. Special Price Fluctuation Limits**

At the commencement of each trading day, the contract shall be subject to special fluctuation limits as set forth in Rule 589 and in the Special Price Fluctuation Limits Table in the Interpretations & Special Notices Section of Chapter 5.

##### **819102.E. 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.

##### **819102.E. Expiration of Trading**

A WTI Houston vs. Brent Trade Month Average Price Option shall expire at the close of trading on the last business day that falls on or before the 25th calendar day of the month prior to the contract month. If the 25th calendar day is a weekend or holiday, trading shall cease on the first business day prior to the 25th calendar day. The expiration date shall be announced prior to the listing of the option contract.

##### **819102.F. Type of Option**

The option is a European-style Average Price option which can be exercised on expiration day.

#### **819103. EXERCISE PRICES**

Transactions shall be conducted for option contracts as set forth in Rule 300.20.

## Chapter 820

### WTI Houston vs. Brent Calendar Month Average Price Option

#### **820100. SCOPE OF CHAPTER**

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

#### **820101. CONTRACT SPECIFICATIONS**

The Floating Price shall be determined following the expiration of trading. A WTI Houston vs. Brent Calendar Month Average Price put or call option contract is a European-style Average Price option cash-settled on expiration day.

#### **820102. OPTION CHARACTERISTICS**

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

##### **820102.A. Trading Schedule**

The hours of trading shall be determined by the Exchange.

##### **820102.B. Trading Unit**

A WTI Houston vs. Brent Calendar Month Average Price Option is a cash-settled option. On expiration of a call option, the value will be the difference between the average daily settlement price during the calendar month of the first nearby settlement price of the underlying WTI Houston vs. Brent Calendar Month Futures and the strike price multiplied by 1,000 barrels, or zero whichever is greater. On expiration of a put option, the difference between the average daily settlement price during the calendar month of the first nearby settlement price of the underlying WTI Houston vs. Brent Calendar Month Futures and the strike price multiplied by 1,000 barrels, or zero whichever is greater.

##### **820102.C. Price Increments**

Prices shall be quoted in dollars and cents per barrel and prices shall be in multiples of one (1) cent per barrel. A cabinet trade may occur at a price of \$0.001 per barrel, or \$1.00.

##### **820102.D. Special Price Fluctuation Limits**

At the commencement of each trading day, the contract shall be subject to special fluctuation limits as set forth in Rule 589 and in the Special Price Fluctuation Limits Table in the Interpretations & Special Notices Section of Chapter 5.

##### **820102.E. 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.

##### **820102.E. Expiration of Trading**

A WTI Houston vs. Brent Calendar Month Average Price Option shall cease trading on the last business day of the contract month. The expiration date shall be announced prior to the listing of the option contract.

##### **820102.F. Type of Option**

The option is a European-style Average Price option which can be exercised on expiration day.

#### **820103. EXERCISE PRICES**

Transactions shall be conducted for option contracts as set forth in Rule 300.20.

## Chapter 821

### WTI vs. Dated Brent (Platts) Average Price Option

#### **821100. SCOPE OF CHAPTER**

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

#### **821101. CONTRACT SPECIFICATIONS**

The Floating Price shall be determined following the expiration of trading. A WTI vs. Dated Brent (Platts) Average Price put or call option contract is a European-style Average Price option cash-settled on expiration day.

#### **821102. OPTION CHARACTERISTICS**

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

##### **821102.A. Trading Schedule**

The hours of trading shall be determined by the Exchange.

##### **821102.B. Trading Unit**

A WTI vs. Dated Brent (Platts) Average Price Option is a cash-settled option. On expiration of a call option, the value will be the difference between the average daily settlement price during the calendar month of the first nearby settlement price of the underlying WTI vs. Dated Brent (Platts) Calendar Month Futures and the strike price multiplied by 1,000 barrels, or zero whichever is greater. On expiration of a put option, the difference between the average daily settlement price during the calendar month of the first nearby settlement price of the underlying WTI vs. Dated Brent (Platts) Calendar Month Futures and the strike price multiplied by 1,000 barrels, or zero whichever is greater.

##### **821102.C. Price Increments**

Prices shall be quoted in dollars and cents per barrel and prices shall be in multiples of one (1) cent per barrel. A cabinet trade may occur at a price of \$0.001 per barrel, or \$1.00.

##### **821102.D. Special Price Fluctuation Limits**

At the commencement of each trading day, the contract shall be subject to special fluctuation limits as set forth in Rule 589 and in the Special Price Fluctuation Limits Table in the Interpretations & Special Notices Section of Chapter 5.

##### **821102.E. 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.

##### **821102.E. Expiration of Trading**

A WTI vs. Dated Brent Average Price Option shall cease trading on the last business day of the contract month. The expiration date shall be announced prior to the listing of the option contract.

##### **821102.F. Type of Option**

The option is a European-style Average Price option which can be exercised on expiration day.

#### **821103. EXERCISE PRICES**

Transactions shall be conducted for option contracts as set forth in Rule 300.20.

#### **821104. DISCLAIMER**

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

## Chapter 822

### WTI Houston vs. Dated Brent (Platts) Average Price Option

#### **822100. SCOPE OF CHAPTER**

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

#### **822101. CONTRACT SPECIFICATIONS**

The Floating Price shall be determined following the expiration of trading. A WTI Houston vs. Dated Brent (Platts) Average Price put or call option contract is a European-style Average Price option cash-settled on expiration day.

#### **822102. OPTION CHARACTERISTICS**

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

##### **822102.A. Trading Schedule**

The hours of trading shall be determined by the Exchange.

##### **822102.B. Trading Unit**

A WTI vs. Dated Brent (Platts) Average Price Option is a cash-settled option. On expiration of a call option, the value will be the difference between the average daily settlement price during the calendar month of the first nearby settlement price of the underlying WTI Houston vs. Dated Brent (Platts) Calendar Month Futures and the strike price multiplied by 1,000 barrels, or zero whichever is greater. On expiration of a put option, the difference between the average daily settlement price during the calendar month of the first nearby settlement price of the underlying WTI Houston vs. Dated Brent (Platts) Calendar Month Futures and the strike price multiplied by 1,000 barrels, or zero whichever is greater.

##### **822102.C. Price Increments**

Prices shall be quoted in dollars and cents per barrel and prices shall be in multiples of one (1) cent per barrel. A cabinet trade may occur at a price of \$0.001 per barrel, or \$1.00.

##### **822102.D. Special Price Fluctuation Limits**

At the commencement of each trading day, the contract shall be subject to special fluctuation limits as set forth in Rule 589 and in the Special Price Fluctuation Limits Table in the Interpretations & Special Notices Section of Chapter 5.

##### **822102.E. 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.

##### **822102.E. Expiration of Trading**

A WTI Houston vs. Dated Brent Average Price Option shall cease trading on the last business day of the contract month. The expiration date shall be announced prior to the listing of the option contract.

##### **822102.F. Type of Option**

The option is a European-style Average Price option which can be exercised on expiration day.

#### **822103. EXERCISE PRICES**

Transactions shall be conducted for option contracts as set forth in Rule 300.20.

#### **822104. DISCLAIMER**

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

**EXHIBIT B**

**NYMEX Rulebook**

**Chapter 5**

**(“Trading Qualifications and Practices”)**

**Position Limit, Position Accountability, and Reportable Level Table in  
Chapter 5 of the NYMEX Rulebook**

(Attached under separate cover.)



## EXHIBIT C

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

NYMEX Rule 588.H. – ("Globex Non-Reviewable Trading Ranges") Table  
(additions underscored)

Instrument Name	Outright				Spreads	
	Globex Symbol	Globex Non-Reviewable Ranges(NRR)	NRR: Globex Format	NRR: Ticks	NRR: Globex Format	NRR: Minimum Outright Ticks
<u>WTI Trade Month Futures</u>	<u>TCS</u>	<u>\$1.00 per barrel</u>	<u>100</u>	<u>100</u>	<u>N/A</u>	<u>N/A</u>
<u>WTI Houston Trade Month Futures</u>	<u>HTE</u>	<u>\$1.00 per barrel</u>	<u>100</u>	<u>100</u>	<u>N/A</u>	<u>N/A</u>
<u>WTI Houston Calendar Month Futures</u>	<u>HTC</u>	<u>\$1.00 per barrel</u>	<u>100</u>	<u>100</u>	<u>N/A</u>	<u>N/A</u>
<u>WTI Houston vs. WTI Calendar Month Futures</u>	<u>HTM</u>	<u>\$1.00 per barrel</u>	<u>100</u>	<u>100</u>	<u>N/A</u>	<u>N/A</u>
<u>WTI Houston vs. Brent Trade Month Futures</u>	<u>HBR</u>	<u>\$1.00 per barrel</u>	<u>100</u>	<u>100</u>	<u>N/A</u>	<u>N/A</u>
<u>WTI Houston vs. Brent Calendar Month Futures</u>	<u>HBC</u>	<u>\$1.00 per barrel</u>	<u>100</u>	<u>100</u>	<u>N/A</u>	<u>N/A</u>
<u>WTI vs. Dated Brent (Platts) Calendar Month Futures</u>	<u>CLD</u>	<u>\$1.00 per barrel</u>	<u>100</u>	<u>100</u>	<u>N/A</u>	<u>N/A</u>
<u>WTI Houston vs. Dated Brent (Platts) Calendar Month Futures</u>	<u>HDB</u>	<u>\$1.00 per barrel</u>	<u>100</u>	<u>100</u>	<u>N/A</u>	<u>N/A</u>
<u>WTI Houston vs. WTI Trade Month Futures</u>	<u>HTI</u>	<u>\$1.00 per barrel</u>	<u>100</u>	<u>100</u>	<u>N/A</u>	<u>N/A</u>

Instrument	Globex Symbol	Bid/Ask Reasonability	Non-Review able Range (NRR)
<u>WTI Houston Trade Month Average Price Option</u>	HCA	<u>The greater of the delta times the underlying futures' non-review able range or 20% of the fair value premium up to the underlying futures' non-review able range with a minimum reasonability of \$0.0125</u>	<u>The greater of delta times the underlying futures non-review able range or 20% of premium up to 1/4 of the underlying futures' non-review able range with a minimum of 1 tick</u>
<u>WTI Houston Calendar Month Average Price Option</u>	HCC	<u>The greater of the delta times the underlying futures' non-review able range or 20% of the fair value premium up to the underlying futures' non-review able range with a minimum reasonability of \$0.0125</u>	<u>The greater of delta times the underlying futures non-review able range or 20% of premium up to 1/4 of the underlying futures' non-review able range with a minimum of 1 tick</u>
<u>WTI Houston vs. WTI Trade Month Average Price Option</u>	HAP	<u>The greater of the delta times the underlying futures' non-review able range or 20% of the fair value premium up to the underlying futures' non-review able range with a minimum reasonability of \$0.0125</u>	<u>The greater of delta times the underlying futures non-review able range or 20% of premium up to 1/4 of the underlying futures' non-review able range with a minimum of 1 tick</u>
<u>WTI Houston vs. WTI Calendar Month Average Price Option</u>	HCQ	<u>The greater of the delta times the underlying futures' non-review able range or 20% of the fair value premium up to the underlying futures' non-review able range with a minimum reasonability of \$0.0125</u>	<u>The greater of delta times the underlying futures non-review able range or 20% of premium up to 1/4 of the underlying futures' non-review able range with a minimum of 1 tick</u>
<u>WTI Houston vs. Brent Trade Month Average Price Option</u>	HCB	<u>The greater of the delta times the underlying futures' non-review able range or 20% of the fair value premium up to the underlying futures' non-review able range with a minimum reasonability of \$0.0125</u>	<u>The greater of delta times the underlying futures non-review able range or 20% of premium up to 1/4 of the underlying futures' non-review able range with a minimum of 1 tick</u>

## **EXHIBIT D**

### **Cash Market Overview and Analysis of Deliverable Supply**

New York Mercantile Exchange, Inc. (“NYMEX” or “Exchange”) is self-certifying the initial listing of seventeen Crude Oil Futures and Related Average Price Option contracts (the “Contracts”) for trading on the CME Globex electronic trading platform and for submission for clearing via CME ClearPort. The Exchange conducted a review of the underlying cash markets and deliverable supply in the WTI Houston, WTI Cushing, and Brent crude oil markets.

The Commission defines deliverable supply as the quantity of the commodity meeting a derivative contract’s delivery specifications that can reasonably be expected to be readily available to short traders and saleable by long traders at its market value in normal cash marketing channels at the derivative contract’s delivery points during the specified delivery period, barring abnormal movement in interstate commerce. (See Appendix C to 17 CFR part 38.)

#### **WTI Houston Cash Market Overview**

The main component NYMEX considered in estimating the deliverable supply of WTI type crude oil for delivery in Houston was pipeline capacity from the Permian Basin and Eagle Ford production areas in west Texas, given that pipeline capacity is the constraining factor that restricts the flow of crude oil from the production areas in West Texas to Houston.

There is an active physical crude oil trading center based in Houston, Texas, which is a major hub for storage and pipelines with direct connectivity to the Cushing, Midland, and the U.S. Gulf Coast markets. There is active trading in light sweet WTI type crude oil (also referred to as domestic sweet). The Houston physical delivery mechanism for the underlying WTI Houston Crude Oil Futures contract consists of free-on-board (“F.O.B.”) delivery at Enterprise Echo terminal or Enterprise Houston Ship Channel terminal or Enterprise’s Genoa Junction in Houston, Texas. These three terminals are active physical crude oil trading hubs with over 30 million barrels of storage capacity and pipeline connectivity to the Cushing, Midland, and the U.S. Gulf Coast markets. There is active cash market trading in WTI type light sweet crude oil at the Enterprise terminals.

The three Enterprise terminals are connected to all the major in-bound pipelines and refineries in the Houston area. There are substantial pipeline inflows of WTI type crude oil to the Enterprise delivery terminals from the two major oil production centers in West Texas: 1) from Midland, Texas via the Enterprise Products, BridgeTex, and Longhorn Pipelines; and 2) from the Eagle Ford production area in South Texas via the Enterprise Products and Kinder Morgan Pipelines.

The Enterprise Echo terminal has 8 million barrels of storage capacity and is connected to a network of nearly a dozen pipelines and 10 storage terminals. In addition, the Enterprise Houston Ship Channel terminal has 23 million barrels of storage capacity, and is the major export facility in the Houston area, with seven ship docks that can load tankers up to 900,000 barrels capacity. Further, the Enterprise Genoa Junction facility provides an interconnection point for delivery of pipeline barrels flowing from Midland, Texas via the Enterprise Products, BridgeTex, and Longhorn Pipelines.

The WTI crude oil stream in Houston is a fungible blend of domestic light sweet streams with quality parameters of 40 to 44 degrees API gravity maximum and 0.275% sulfur maximum, which are slightly lighter than the WTI specifications in Cushing. The contract specifications for WTI type crude oil for delivery in Houston represent the export quality that is lighter than WTI at Cushing, and mirror the specifications for WTI type crude oil at the export terminals in Houston.

#### **A. *Crude Oil Pipeline Capacity to Houston***

The Enterprise physical delivery mechanism, which consists of three terminal facilities, is interconnected to a network of major pipelines and refineries in the Houston area. As mentioned above, there are substantial

pipeline inflows of WTI type crude oil to Houston from the two major oil production centers in West Texas: 1) from Midland, Texas via the Enterprise Products, BridgeTex, and Longhorn Pipelines; and 2) from the Eagle Ford production area in South Texas via the Enterprise Products and Kinder Morgan Pipelines. The total pipeline capacity from the Permian Basin and Eagle Ford production areas to Houston is 2.4 million b/d. The capacity of each pipeline is presented in Table 1 below.

**Table 1  
In-bound Crude Oil Pipelines from West Texas Connected to Enterprise’s Houston Terminals  
(Barrels/Day)**

<b>Incoming Pipelines</b>	<b>Capacity</b>	<b>Owner</b>
BridgeTex Pipeline (from Midland)	400,000	Magellan
Longhorn Pipeline (from Midland)	275,000	Magellan
Enterprise’s Sealy Pipeline (from Midland)	600,000	Enterprise Products LLC
Enterprise’s Sealy 2 Pipeline (from Midland)	240,000	Enterprise Products LLC
Enterprise Products Eagle Ford Pipeline	560,000	Enterprise Products LLC
Kinder Morgan Pipeline (from Eagle Ford)	350,000	Kinder Morgan

**TOTAL In-Bound Capacity: 2.4 Million Barrels/Day**

**B. Crude Oil Production in West Texas**

For production data, NYMEX used information collected by the U.S. Department of Energy’s Energy Information Administration (“EIA”), which is a definitive source for this information. The EIA provides production data with a breakdown by play for “tight oil”, which is a light sweet stream similar in quality to WTI type crude oil. The key production plays, or production areas, are located in the Permian Basin and Eagle Ford regions in Texas. The EIA provides production data for the following plays: 1) Wolfcamp (Permian); 2) Bonespring (Permian); 3) Spraberry (Permian); 4) Yeso & Glorieta (Permian); 5) Delaware (Permian); and 6) Eagle Ford. For the three-year period of August 2015 through July 2018, production of “tight oil”, i.e., WTI type crude oil, in Texas was 2.99 million b/d, or 89.7 million barrels per month (see Table 2 below).

The Permian Basin and Eagle Ford production areas are directly connected to the Houston market by a network of pipelines as outlined in Table 1 above. These pipelines from the Permian Basin and Eagle Ford production areas have total capacity of 2.4 million barrels per day (b/d) inbound to the Houston market.

**Table 2: EIA Data  
Texas Production of Tight Oil in the Permian Basin and Eagle Ford Regions  
(Note: Tight oil is similar in quality to WTI type crude oil)  
(Millions of Barrels per Day)**

<b>Month</b>	<b>Quantity</b>
Aug-2015	2.75
Sep-2015	2.75
Oct-2015	2.75
Nov-2015	2.74
Dec-2015	2.66
Jan-2016	2.70
Feb-2016	2.69
Mar-2016	2.66
Apr-2016	2.65
May-2016	2.60
Jun-2016	2.58
Jul-2016	2.59

Aug-2016	2.59
Sep-2016	2.59
Oct-2016	2.63
Nov-2016	2.63
Dec-2016	2.65
Jan-2017	2.68
Feb-2017	2.79
Mar-2017	2.79
Apr-2017	2.80
May-2017	2.89
Jun-2017	2.91
Jul-2017	2.95
Aug-2017	2.89
Sep-2017	3.09
Oct-2017	3.27
Nov-2017	3.39
Dec-2017	3.45
Jan-2018	3.41
Feb-2018	3.61
Mar-2018	3.80
Apr-2018	3.83
May-2018	3.87
Jun-2018	3.93
Jul-2018	3.99
<b>3-Year Avg. (Aug 2015-Jul 2018)</b>	<b>2.99</b>

Source: <https://www.eia.gov/petroleum/data.php#crude>

**C. Crude Oil Storage in Padd 3**

Table 3 below provides the monthly Padd 3 storage levels for the three-year time period of July 2015 through June 2018. During that time period, inventories averaged 238.9 million barrels and ranged from 205 to 283 million barrels. However, the EIA does not provide a breakdown by type of crude oil stored in the Houston area, and consequently, the Exchange will not utilize inventory levels in the deliverable supply estimate.

**Table 3  
EIA Data: PADD 3 Crude Oil Stocks excluding SPR**

Monthly Average Stocks (in Millions of Barrels)		PADD 3 Crude Oil Stocks
Year	Month	
2015	Jul	206.3
	Aug	208.3
	Sep	218.9
	Oct	232.7
	Nov	222.8
	Dec	214.7
2016	Jan	231.0

	Feb	245.9
	Mar	259.3
	Apr	259.7
	May	260.1
	Jun	257.9
	Jul	250.9
	Aug	247.0
	Sep	240.0
	Oct	255.1
	Nov	249.7
	Dec	244.0
2017	Jan	265.3
	Feb	278.0
	Mar	282.6
	Apr	270.2
	May	262.6
	Jun	259.5
	Jul	250.0
	Aug	231.7
	Sep	238.7
	Oct	218.7
	Nov	220.7
	Dec	204.5
2018	Jan	216.3
	Feb	229.4
	Mar	217.4
	Apr	220.3
	May	217.0
	Jun	213.3
<b>Three-Year Average</b>		<b>238.9</b>

EIA Data Source: <https://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=MCESTP31&f=M>

### Analysis of Deliverable Supply of WTI Houston

In its estimate of deliverable supply for the WTI Houston cash market, the Exchange has determined to focus on pipeline capacity from the Permian Basin and Eagle Ford production areas in west Texas to Houston, given that pipeline capacity is the constraining factor that restricts the flow of crude oil from the production areas in West Texas. The pipeline capacity from the Permian Basin and Eagle Ford production areas to Houston (as outlined in Table 2) is 2.4 million b/d, which is less than the total production in the Permian Basin and Eagle Ford regions which averaged 2.99 million b/d, according to the EIA data in Table 2 above. Further, the Exchange will not utilize inventory levels in the deliverable supply estimate, as the EIA data does not provide a breakdown by type of crude oil stored in the Houston area.

Given that pipeline capacity is the limiting factor in the supply of crude oil to the Houston market, the pipeline capacity will be utilized to determine the deliverable supply. The total pipeline capacity from the Permian Basin and Eagle Ford production areas to Houston (as outlined in Table 1) is 2.4 million b/d. The Exchange has determined to reduce this level for its estimation of deliverable supply to conservatively account for the pipeline utilization rates. To be conservative, the Exchange has assumed that the total pipeline capacity is not fully utilized, and consequently, the Exchange has applied a reduction of 25% to total in-bound pipeline

capacity in its calculations. This converts into reducing the pipeline capacity by approximately 0.60 million b/d from the total available pipeline capacity. Therefore, the Exchange has determined the deliverable supply for WTI type crude oil to Houston to be 1.8 million b/d (calculated as 2.4 million b/d for pipeline capacity minus the reduction of 0.60 million b/d). This is equivalent to 54.0 million barrels per month, which is equivalent to 54,000 contracts per month.

The Exchange is not applying a reduction for long term contracts, however, given the liquid spot market, and the lack of restrictions applied to the resale of crude oil. Almost all first-sales of production are sold typically to middleman-firms or marketers. These middleman-firms typically resell the crude oil to other middleman-firms (or participants performing that function) or to end-users. Typically, the first-sales contracts are “evergreen” contracts that can be discontinued by either party with notice, so there are no restrictions applied to the resale of crude oil bought first-sale on a term basis from producers. The Houston and Midland markets are downstream of first-sales; in other words, these hubs are downstream of any term sales from producers. Thus, even if barrels were sold term by the producer, in the Midland and Houston markets those barrels are re-sold and re-delivered by either the purchaser from the producer or a subsequent purchaser/middleman from that original purchaser. The Houston cash market consists of active trading and physical delivery of WTI-type crude oil, and provides commercial secondary (or *spot*) markets which are liquid, with broad participation, and results in a substantial quantity of physical delivery of crude oil.

Based on the foregoing, the Exchange estimates deliverable supply of crude oil deliverable against the NYMEX WTI Houston Crude Oil Futures contract (code HCL) at approximately 54,000 futures contract equivalents per month. The spot month position limit of 3,000 contracts represents 5.6% of the estimated monthly deliverable supply. The WTI Houston Trade Month Futures Contract (code HTE) and the WTI Houston Calendar Month Futures Contract (code HTC) are cash-settled look-alike contracts that are used for compliance purposes for aggregation of position limits for the WTI Houston leg of the various spread contracts and the related Average Price Options. The proposed spot month position limits for the WTI Houston cash-settled look-alike contracts are identical to the spot month position limit for the underlying physically-delivered NYMEX WTI Houston Crude Oil Futures contract. Consequently, the proposed spot month position limits for the WTI Houston Trade Month Futures Contract (code HTE) and the WTI Houston Calendar Month Futures Contract (code HTC) are 3,000 contracts, which is approximately 5.6% of the estimated monthly supply of 54,000 contract equivalents.

## **WTI Cushing Cash Market Overview**

### **I. Methodology and Data Sources**

The Exchange considered three components in evaluating deliverable supply estimates of the Domestic Light Sweet Common Stream Crude Oil for the Cushing, Oklahoma delivery location of the Light Sweet Crude Oil Futures contract:

- (1) Crude Oil Production;
- (2) Crude Oil Flows to the delivery area; and
- (3) Crude Oil Storage in the delivery area.

#### **a. Crude Oil Production**

While crude oil production information is, in part, available from other sources, particularly at the state level from energy or tax revenue authorities, the Exchange determined to use production information collected by the U.S. Department of Energy (“DOE”) Energy Information Administration (“EIA”). Specifically, the Exchange has chosen to rely on the EIA production data because it constitutes a single source, employing common standards, across all states. The EIA data are highly regarded but they do not provide sufficient breakdown on the quality characteristics of the oil production to determine the subset of total production that would qualify as Domestic Light Sweet under the terms of the futures contract.

#### **b. Crude Oil Flows to the Cushing Delivery Area**

To determine the flows of Domestic Light Sweet crude oil into the delivery area, NYMEX consulted with industry executives and professionals from pipeline and storage terminal operators in Cushing as well as

other major industry participants. It is noteworthy that the estimates provided here are materially less than the production that can readily access the delivery mechanism and which *could* be delivered due to the fact that the sources we used were specifically knowledgeable about *actual* Cushing deliveries. Thus, the information provided is not what *could be* delivered — the standard which is in accordance with Commission’s policy and precedent — but what actually *is* delivered. The Exchange believes that the Cushing delivery mechanism for light sweet crude oil and corresponding commercial secondary market constitutes such a sophisticated and highly-developed commercial market mechanism that, at any time, the actual flows to and stocks in the delivery area represent precisely the deliverable supply sufficient to support the mechanism. In other words, even though at any time there is additional production that *could* be delivered to the delivery mechanism, we are only including what *actually* flows in our estimate of deliverable supply.

### **c. Crude Oil Storage in the Cushing Delivery Area**

Storage data are provided on a weekly basis by EIA. Details are provided for the U.S. Petroleum Administration for Defense Districts (“PADDs”) and Cushing. There are five PADDs and, in some cases, they correspond to broad regions. PADD 2 broadly includes the Midwest; PADD 3 broadly includes U.S. Gulf Coast states and New Mexico; PADD 4 contains the Rocky Mountain States excluding New Mexico. Cushing is the only single location where crude oil official inventory numbers are collected and publicly disseminated on a regular basis anywhere in the world. The actual geographic market that is consistently most applicable to the NYMEX crude oil futures contract would, therefore, include much of PADD 2, not just Cushing.

Nonetheless, NYMEX includes only inventories reported at Cushing, so these underestimate relevant storage. As with production, EIA does not provide details on the quality characteristics of stored crude oil, but the industry experts with whom NYMEX consulted consistently estimated that 60% to 70% of the crude oil stored at Cushing qualified as Domestic Light Sweet Common Stream (to be conservative, the Exchange will reduce 40% of inventory in its calculation of deliverable supply estimates).

## **II. The Cushing Physical Delivery Mechanism: Scope of Deliverable Crude Oil**

The Cushing physical delivery mechanism is comprised of a network of nearly two dozen pipelines and 10 storage terminals, several with major pipeline manifolds. Two of the storage facilities — Enterprise and Enbridge — and their pipeline manifolds are the core of the Cushing physical delivery mechanism.<sup>1</sup> Physical volumes delivered against the Light Sweet Crude Oil Futures contract within the Enterprise and Enbridge systems are at par value. Any deliveries made on futures contracts elsewhere in Cushing require the seller to compensate the buyer for the lower of the transportation netbacks from these facilities to where the delivery occurs. Detailed information about the inflowing and outflowing pipelines is contained below in Table 2.

Terminating obligations in the Light Sweet Crude Oil Futures contract are fulfilled by delivering WTI type light sweet crude oil designated as “Domestic Common Stream” by Enterprise Products LLC (formerly Teppco Pipeline). Market participants commonly refer to the light sweet deliverable streams as “WTI.” In addition, the Domestic Common Stream includes a fungible blend of light sweet streams produced in the U.S. shale oil areas, including the Bakken, Niobrara, and Permian producing areas. Furthermore, each of these light sweet crude oil streams is fungibly blended and included as part of the “Domestic Common Stream” within the complex that comprises the Cushing delivery mechanism, as well as in the WTI physical market which calls for delivery in the Cushing delivery mechanism.

## **III. Physical Market Trading Structure and Term Contracts**

### **a. Physical Market Trading Structure**

Typically, there is a chronology of sales and purchases of crude oil in the onshore U.S. market that starts with a sale from producer and finishes with a purchase by an end-user to consume the crude oil. First-sales are from producers to aggregators or other middleman-type firms with delivery at the property where

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<sup>1</sup> Three of the major sources for the cash-market information provided herein are Plains All America, Enterprise and Enbridge. Enterprise oversees the vast majority of deliveries in the Cushing Delivery Market and, as indicated, Enterprise and Enbridge are the core delivery mechanism operators. Plains and Enbridge account for about 60% of the storage available at Cushing.



it is produced. The first-sale buyer transports oil downstream from the point of sale. Usually the first-sale buyer resells the oil to someone other than the end-user but sometimes sells directly to the end-user.

Final sales are sales to end-users who when they consume the oil remove it from the supply chain. End-users, however, also resell oil. Such end-user re-sales sometimes occur during the same commercial cycle in which they purchased it; other times, they occur during a later commercial cycle after the oil has been stored for a period of time. Like end-users, other buyers of oil also can either resell it immediately or store it first for some period of time and then resell it later. Thus, it is a common commercial practice that the first-sale and multiple subsequent re-sales occur in the same delivery cycle.

As discussed above, the Cushing delivery market is essentially a major reseller market where buyers either: resell the oil to someone else; store the oil and resell it later; store the oil and then consume it later; or transport it to consume it. The Cushing market is essentially downstream of first-sales. Most of the sales in the Cushing market are for resale and not for either storage or final-sale; in fact, the physical market in “WTI,” in which the standard form of delivery is within the pipeline system at Cushing, is estimated to be 10-20 times the multiple of “WTI” oil that flows to Cushing. As such, it is clear that most sales are for resale because they constitute the selling, over-and-over (thus, *re-selling*), of the base physical oil that flows to Cushing. *Argus Media* documents about 5-8 times the flow in “WTI” sales but does not capture all of the sales.<sup>2</sup>

#### **b. Term Contracts**

The Exchange has spoken with and interviewed a number of market participants regarding common commercial practices with respect to the use of term contracts in the U.S. onshore crude oil market.<sup>3</sup> The responses we received were consistent and they can be summarized as follows:

- Almost all first-sales of production are sold term; as discussed in the previous section, typically for delivery on the property where it is produced (or nearest gathering pipeline or holding tank), and typically to middleman-firms or aggregators. These middleman-firms typically resell the crude oil to other middleman-firms (or participants performing that function) or to end-users. Typically, the first-sales contracts are “evergreen” contracts that can be discontinued by either party with notice. NYMEX is including evergreen contracts in the “term contracts” category.
- There are no restrictions applied to the resale of crude oil bought first-sale on a term basis from producers. In fact, that would clearly not be applicable because sales are typically to aggregators or others acting in a middleman-firm role with the expressed responsibility of reselling the oil.
- The Cushing market is downstream of first-sales; in other words, Cushing is downstream of any term sales from producers. Thus, even if barrels were sold term by the producer, in the Cushing market those barrels are re-sold and re-delivered by either the purchaser from the producer or a subsequent purchaser from that original purchaser. The Cushing market mechanism, which consists of trading and physical delivery of light sweet crude oil, is a commercial secondary (or *spot*) market which is extremely liquid, comprised of broad participation and results in a substantial quantity of physical delivery of crude oil.
- Some end-user refiners in the Cushing market purchase specific light sweet crude oil streams, such as Bakken or Niobrara Light Sweet crude oil, on a term basis, and these refiners tend to segregate a portion of the specific light sweet crude streams for processing at their refineries. Based on conversations with refiners in the Cushing market, the Exchange estimates that approximately 10% of the deliverable supply for Cushing is segregated and designated for use by end-user refiners, and therefore is not available for re-sale in the Cushing market. Consequently, the Exchange will reduce its estimate of deliverable supply in Cushing by 10% to account for the specific light sweet streams that are designated for processing and segregated by the end-user refiners.
- Our sources expressly advised us that any production sold long-term was available for potential re-sale, such as during periods of refinery maintenance, and this is especially the case in the Cushing market.

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<sup>2</sup> The commercial market for physical delivery of light sweet crude oil in Cushing is a *secondary* (or *spot*) market mechanism. The number of physical deliveries in this market each month is 240 million barrels or higher (240,000 futures contracts equivalent or higher).

<sup>3</sup> These include: Plains All America, a major Midcontinent aggregator and marketer and operator of pipeline and storage terminals including in Cushing; and an Energy Market Participant Group of several dozen market participants organized through Hunton & Williams LLP to discuss and comment on Regulatory issues.

### **c. Crude Oil Production**

The production area that supplies crude oil to Cushing via pipeline and rail is comprised of the following eight (8) states: North Dakota, Montana, Wyoming, Colorado, New Mexico, Onshore Texas, Oklahoma, and Kansas.

In the three-year period of 2015 through 2017, the average production of crude oil available in the eight states was approximately 6.1 million barrels per day. Based on discussions with industry participants, our estimate of the portion of that average production which would qualify as Domestic Light Sweet Common Stream is 50% or higher— i.e., approximately 3.0 million barrels per day. The 3.0 million barrels per day of crude oil production is equivalent to approximately 90 million barrels per month, or 90,000 futures contracts equivalents (contract size: 1,000 barrels).

Table 1 in Appendix E below provides annual production data available for production in the eight states that supply the Cushing crude oil market for the period of 2015 through 2017. The data show that production has been steadily growing in recent years and this trend is expected to continue. As indicated above, the Exchange has determined to not utilize production data in its deliverable supply estimate, but the data demonstrates that production levels are more than sufficient to support the actual flows of deliverable product to the delivery location.

### **d. Crude Oil Flows to the Cushing Delivery Area**

Currently, there is approximately 3.7 million b/d of inflow pipeline capacity to Cushing and 3.0 million barrels per day of outflow capacity. In addition, according to the EIA, there are 90.8 million barrels of storage capacity in the Cushing area which continues to grow steadily.

The Exchange collects inbound Cushing crude oil flows periodically but not on an on-going or scheduled basis as such information is proprietary and non-public. Based on information provided by industry sources in Appendix E, Table 2 below, as of July 2018, actual flows of crude oil to Cushing have ranged from 2.2 million to 2.5 million barrels per day, with Domestic Light Sweet Common Stream Crude Oil averaging between 1.270 to 1.450 million barrels per day.<sup>4</sup> On a 30-day monthly basis, actual flows of Domestic Light Sweet Common Stream Crude Oil range from 38.0 to 43.5 million barrels per month, or 38,000 to 43,500 Light Sweet Crude Oil futures contract equivalents.

As of March 2015, the previous time the Exchange collected such information, Domestic Light Sweet Common Stream Crude Oil flows into Cushing averaged between 920,000 and one million barrels per day as illustrated in Appendix E, Table 3 below. On a 30-day monthly basis, actual flows of Domestic Light Sweet Common Stream Crude Oil compute into 27.6 million to 30.0 million barrels per month or 27,600 to 30,000 Light Sweet Crude Oil futures contract equivalents.

As of February 2013, Domestic Light Sweet Common Stream Crude Oil flows into Cushing averaged between 665,000 and 750,000 barrels per day as illustrated in Appendix E, Table 4 below. On a 30-day monthly basis, actual flows of Domestic Light Sweet Common Stream Crude Oil ranged from 19.95 million to 22.5 million barrels per month or 19,950 to 22,500 futures contract equivalents.

Given that the Exchange only collects pipeline flow data on a periodic basis, the Exchange is unable to provide a three-year average of Domestic Light Sweet Common Stream Crude Oil flows into Cushing. As such, the Exchange determined to average the 2013, 2015 and 2018 estimated flows data collected. The average of the ranges for 2013, 2015 and 2018 for Domestic Light Sweet Common Stream Crude Oil flows into Cushing are 28,500 to 32,000 contract equivalents. The midpoint of the average of the ranges is approximately 30,250 contract equivalents.

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<sup>4</sup> The sources were: Plains All America, an aggregator and marketer of crude oil production and pipeline and storage terminal operator at Cushing; and other industry sources.

#### e. Crude Oil Storage in the Cushing Delivery Area

As of March 31, 2018, EIA reported that shell storage capacity at Cushing was 90.8 million barrels and working capacity was 77.5 million barrels.<sup>5</sup> Currently, there is substantial excess working capacity at Cushing (more than 50 million barrels). Finally, it should be noted that, at least on a temporary basis, storage can exceed working capacity and it is common for an individual tank to reach 85-90% of shell capacity (which exceeds the 83% average underlying the EIA estimates).

Table 5 in Appendix E below provides monthly averages of weekly Cushing stocks for the period beginning January 2015 through July 2018 as published by the EIA. For the three-year average from August 2015 through July 2018, inventories averaged 56.4 million barrels and ranged from about 24 million to 68 million barrels. NYMEX asked operators of storage in Cushing if they would share specific data on quantities of Domestic Light Sweet Common Stream Crude Oil stored at their facilities and they responded that such data were confidential. As discussed above, the Exchange estimated that approximately 60% of the total oil stored at Cushing qualified as Domestic Light Sweet Common Stream Crude Oil. Based on the foregoing, for the August 2015 – July 2018 period, the monthly average Domestic Light Sweet Common Stream Crude Oil stored at Cushing was approximately 33.8 million barrels or 33,800 futures contract equivalents.

The Exchange has further evaluated both operational practices at storage facilities as well as commercial practices by customers of storage facilities to determine if some components of inventoried product could rightfully be considered *not* to be readily deliverable.

With respect to operational practices, based on discussions with some industry experts, the Exchange conservatively estimates that 6.75% of stored product, on average, is required for operational minimums.<sup>6</sup> This converts into reducing an estimated 2.3 million barrels of Domestic Light Sweet crude oil based on the three-year average storage level (or 2,300 contract equivalents). In applying a reduction of 6.75% to account for operational minimums, average monthly Domestic Light Sweet Common Stream Crude Oil for the August 2015 – July 2018 period is further reduced to approximately 31,500 contract equivalents.

With respect to commercial practices, the Exchange specifically sought whether storage customers were expressly allotting any stored barrels at Cushing for refining that were, therefore, unavailable for secondary market delivery. We consistently heard from market participants that was not the case; that barrels stored at Cushing are not specifically targeted for scheduled refining. Rather, refiners typically store barrels targeted for scheduled refining in tanks on the premises at their respective refineries or at other storage facilities. However, we did hear from one refiner that they keep barrels stored at Cushing for the contingency that there could be some unexpected interruption in their refinery supply; and, rather than refine the barrels stored at Cushing, they use them to trade for other barrels they would refine. Thus, the Exchange determined to further reduce the average monthly Domestic Light Sweet Common Stream crude oil stored at Cushing to account for this *contingency storage* in our estimate of deliverable supply. We estimate this quantity to be 2 million barrels (or 2,000 contract equivalents) of Domestic Light Sweet crude oil. Therefore, for the August 2015 – July 2018 period, the Exchange estimates stored product at Cushing (adjusted for quality specifications, operational minimums and contingency storage) and which is readily available for delivery against the Light Sweet Crude Oil futures contract to be approximately 29,500 contract equivalents.

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<sup>5</sup> <http://www.eia.gov/petroleum/storagecapacity/table2.pdf> Shell capacity is defined by EIA as the design capacity of a petroleum storage tank which is always greater than or equal to working storage capacity.

<sup>6</sup> We have been advised that, for older tanks, the operational minimum is 9% and, for newer tanks, it is 4.5%. Our assessment is that the majority of tanks at Cushing would qualify as newer. Nonetheless, to be conservative, we have applied the mid-point percentage—6.75%-- for all of Cushing.

## **Analysis of Deliverable Supply of WTI Cushing**

Based on the above analysis, the Exchange determined at this time to base its estimates of deliverable supply for the WTI Cushing cash market on the sum of:

- Storage: 29,500 contract equivalents (which represents the average monthly inventory for the August 2015 – July 2018 period adjusted to account for quality specifications, operational minimums and contingency storage); and
- Inflow: 30,250 contract equivalents (which represents the midpoint of the average of the ranges of the 2013, 2015 and 2018 Domestic Light Sweet Common Stream Crude Oil flows into Cushing).

Additionally, and as noted in the above analysis, the Exchange shall apply a 10% reduction to the sum of inventory and flows into Cushing in order to conservatively account for segregated barrels that may be designated for processing by end-user refiners, and potentially not available for re-sale in the Cushing market.

Based on the foregoing, the Exchange estimates deliverable supply of crude oil deliverable against the NYMEX Light Sweet Crude Oil Futures contract at approximately **53,775** futures contract equivalents per month. The current spot month position limit of 3,000 contracts, which the Exchange is retaining, represents **5.6%** of the estimated monthly deliverable supply.

The NYMEX Crude Oil Last Day Financial Futures Contract (code 26) is a cash-settled look-alike contract of the NYMEX Light Sweet Crude Oil Futures Contract, with the identical spot month position limit of 3,000 contracts. In addition, the NYMEX WTI Trade Month Futures Contract (code TCS) is a look-alike cash-settled contract based on the NYMEX Light Sweet Crude Oil Futures Contract, with the identical spot month position limit of 3,000 contracts.

The cash-settled look-alike contracts are used for compliance purposes in the aggregation of position limits for the WTI Cushing leg of the spread contracts for the WTI Houston vs. WTI Trade Month Futures and the WTI Houston vs. WTI Calendar Month Futures contracts, and the related Average Price Option contracts. In addition, the NYMEX Crude Oil Last Day Financial Futures Contract (code 26) is aggregated with the WTI vs. Dated Brent Calendar Month Futures contract and its related Average Price Option contract.

## **Brent Crude Oil Market Overview**

The North Sea market is comprised of a series of smaller oil fields in the UK and Norwegian North oil sectors. Each of the “satellite fields” connect into the large production systems such as Brent, Forties, Oseberg or Ekofisk. Norwegian crude oil Troll was added to the basket of Brent deliverable streams from January 2018.<sup>7</sup>

The most important streams in the North Sea are Brent, Forties, Oseberg and Ekofisk and Troll. Each stream has a principle operator that is responsible for the day to the day control of the operations including the scheduling of the cargoes based on the production from each of the smaller producing fields. The Brent, Forties, Oseberg, Ekofisk and Troll fields (now known as “BFOET”) underpin the Brent complex and are the key grades of oil that make up the trading of Dated Brent – the international crude oil physical benchmark price. The five crude oil fields lie in the North Sea. Brent and Forties are in the UK sector, whilst Ekofisk, Oseberg and Troll are in the Norwegian sector.

The core of the Brent market is the cash market. The Brent forward market consists of the trading of cargoes of any of the five BFOET streams for delivery beyond month ahead, with no specific dates assigned for loading. The cargoes are 600,000 barrels and, in the forward market, the precise loading dates are not

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<sup>7</sup> Platts press release – Troll into Brent basket <https://www.platts.com/pressreleases/2017/022017>

provided, only the delivery month, i.e., December BFOET Cargo. However, the commercial contracts, which are standardized, underlying the forward market to specify the minimum notification a seller must provide to a buyer is 10 days but the standard range is between 10 days and month ahead. After a holder of a BFOET forward notifies the buyer as to the loading date and which stream is being loaded, the contract is now considered to have moved from the forward market to the Dated Brent market, historically this moment is referred to as the cargo going “wet”, i.e., it has loading dates attached to it and can therefore be sold as a Dated Brent cargo.

The Brent cash market is essentially a reseller market where buyers either: resell the oil to someone else; transport the cargo and resell it later; or transport the cargo to consume it. Most of the sales in the Brent market are conducted as spot-market transactions; in fact, Brent cargoes in the physical market are estimated to trade 10 or more times. Typically, there is a chronology of sales and purchases of crude oil in the Brent cash market that starts with a sale from the equity producer in a spot market transaction; and finishes with a purchase by an end-user to consume the crude oil. Equity producers typically utilize the robust spot market to sell their BFOET production at the cargo loading terminal as a “Free on Board” (FOB) delivery. Traders play an active role in the Brent market as middlemen with the expressed responsibility of reselling the oil. Further, the refiners typically rely on the spot market to purchase Brent crude oil, because there is vibrant liquidity in the spot market, and hence, the refiners have developed a preference for short-term spot market purchases, rather than long-term contracts. This applies to refiners affiliated with equity producers as well as those not affiliated; this is the standard practice, established and institutionalized over the past 34 years.

Production of BFOE has been declining over the past few years due to the cost of drilling and the returns on investment compared to other regions in the world. This was one of the main reasons why the Troll crude stream was added to the Brent basket. All of the Brent grades are segregated blends delivered at different locations in the North Sea, and each can be substituted by the seller in the BFOE cash market (“the forward market”).

Quality adjustments ensure that all five grades can be delivered to a buyer under the standardized forward contract. The nomination period in the forward market was changed in March 2015 by Platts to 10 days to month ahead from 10 to 25 days and the futures expiry dates were aligned with this schedule in January 2016 (for the March 2016 delivery month). The process of moving from a forward to the physical market where a forward Brent cargo becomes a physical North Sea Dated Brent cargo happens as follows:

1. Refiners, producers and traders enter into a forward agreement for a specific month.
2. The Operator of each field being Shell for Brent; BP for Forties; ConocoPhillips for Oseberg; and Statoil for Ekofisk and Troll will announce the loading programs for each contract month a few days prior to the beginning of the month (one month prior) to each loading month (i.e. cargoes in the delivery month start to load). For example, for a June 2018 contract month, the field operators will announce the loading schedules a few days prior to the beginning of April 2018. The equity producers will begin the chain of nominating cargoes to buyers (or they can decide to keep the cargo). A buyer benefiting from a nomination can keep the cargo or pass it to another player with whom it has another forward contract.
3. Buyers trade the cash BFOET on the basis that they will accept any cargo as nominated, provided it is done so within the agreed notice period (10 days to month ahead) by 4pm London time. Any cargo not nominated by this time will remain with the participant last notified. After 4pm London time, the cargo becomes wet physical with precise loading dates attached.
4. Cargoes that are wet physical will be sold as a Dated Brent cargo with cargo loading dates between 10 days and month ahead (forward).

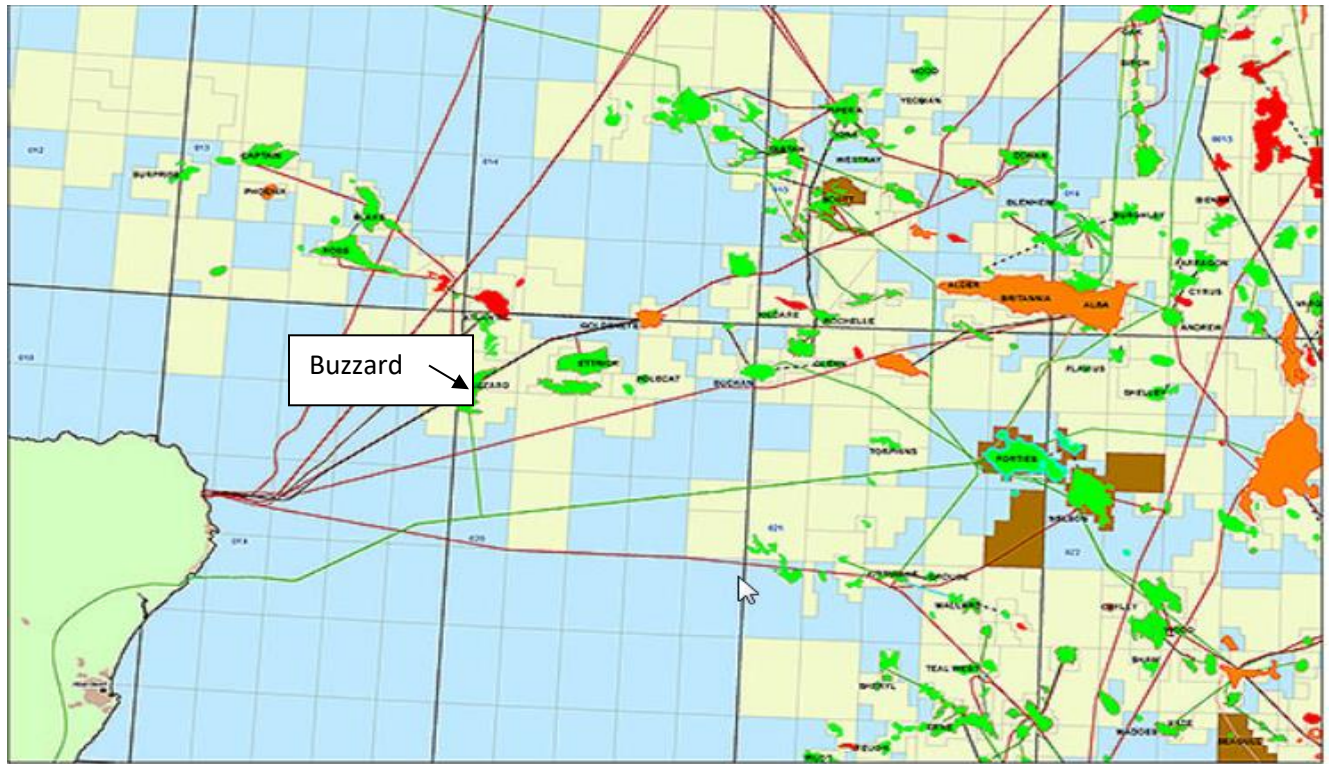
Chart 1 below shows the makeup of the fields in the Forties pipeline system (FPS) which is currently operated by INEOS following its sale in April 2017<sup>8</sup>. The deal was finalized on November 1, 2017. There

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<sup>8</sup> BP Press Release – Forties Pipeline System sale to INEOS <https://www.bp.com/en/global/corporate/media/press-releases/bp-to-sell-forties-pipeline-system-to-ineos.html>

are over 50 offshore fields that flow through within the FPS. The delivery point for Forties crude oil is Hound Point, which is on the East coast of Scotland a short distance from the UK oil capital Aberdeen. Forties is a blended crude oil from all the fields that feed into it.

**Chart 1: Forties Pipeline System**



The blend changed at the beginning of 2007 when crude oil from the Buzzard field began to flow into it. Crucially, Buzzard is now the largest field within the FPS. Buzzard crude oil is a medium gravity, sour crude oil with an API of 32.6° and a sulfur content of 1.44% therefore the yield is very similar to that of Urals crude oil (from Russia). The INEOS FPS produces a forward estimate, based on the field operators of the volume of crude oil to be available in the system as well as the % blend of Buzzard crude within the Forties blend as this will affect the outright price of Forties crude oil, due to the sourer nature of the Buzzard crude oil stream. Due to the inclusion of Buzzard, the value of Forties has generally always been the cheapest of the four grades to deliver into Dated Brent as a dated cargo.

**Table 4. The volume of Buzzard crude oil in the Forties Blend Estimates<sup>9</sup>**

Date	Buzzard percentage in Forties	Forties Blend un-stabilized crude oil (kbd)
November 18	31.4%	432.8
December 18	31.3%	436.7
January 19	32.5%	430.2
February 19	33.1%	411.8

Bloomberg LP (“Bloomberg”) provides details of the loading programs for the five (5) key fields that make up BFOET. These are Brent, Forties, Oseberg, Ekofisk and Troll which on a combined basis comprise the Brent market. Based on the most recent 3-year average of the Bloomberg data on BFOET loadings (from February 2016 to January 2019), total loadings of the 5 grades was 1,031,638 barrels per day, which is equivalent to approximately 30.94 million barrels per month.

<sup>9</sup> Ineos Forties Pipeline System – Forties Blend Assay <https://www.ineos.com/businesses/ineos-ps/business/forties-blend-quality/>

The Monthly loading schedule of Brent, Forties, Oseberg, Ekofisk and Troll is shown in **Appendix F**.

The BFOET cash market is traded in partials of 100,000 barrels or larger full-size cargo transactions of 600,000 barrels. Physical convergence can occur through the partials market mechanism upon the trading of six parcels with the same counterparty in a single delivery month. If physical convergence does not occur then trades are booked out at the prevailing cash value on the last day of trading day of the cash market for the specific delivery month (i.e. this is currently month ahead prior to the 1st loading date of the delivery month). Full sized physical cargo BFOET trades will be used by ICE in the establishment of the Brent Index which is the mechanism by which the futures open on expiry are cash settled<sup>10</sup>.

The Dated Brent or Dated BFOET, as it is sometimes referred, reflects the value of the cheapest of Brent, Forties, Oseberg, Ekofisk and Troll, of 600,000 barrels, loading 10 days to Month Ahead. Dated Brent is estimated to price around 50% of the global crude oil supply<sup>11</sup>. Within the North Sea and beyond, grades are traded as a differential to Dated Brent or as a differential to cash Brent (BFOET). Each of the crude oil grades within BFOET are not the same quality, several adjustments have been made.

In 2007, Platts included a sulphur de-escalator for Forties crude oil within its Dated Brent and Brent related instruments. The change was made in response to inclusion of sour crude Buzzard into the Forties pipeline system (see chart 1). The de-escalator of price is applied to deliveries above a minimum sulphur level of 0.6%. Every month, Platts establishes a value de-escalator for every 0.1% of sulphur above the maximum level 0.6% (for Forties crude oil). The value of the de-escalator is established by reviewing evidence of significant and sustained changes in the crude market, as affected by refined products (crack spread values of both heavy fuel oils and light ends) and other relevant factors that affect the economics of Forties crude.

### **Analysis of Deliverable Supply of Brent Crude Oil**

The basis of the deliverable supply estimate in the Brent market is BFOET loadings in the North Sea. Therefore volumes of loaded barrels of BFOET crude oil from Brent, Forties, Oseberg, Ekofisk, and Troll are consistent with the definition of supply readily available for delivery given the specific attributes of the Brent market. In addition, the Exchange has reduced the deliverable supply of Forties to account for the long-term commitment for crude oil purchases by the Grangemouth refinery. The Grangemouth oil refinery is located close to the delivery point of the Forties pipeline and volumes from the outer fields are connected directly via a series of pipelines to the refinery.

Based on the Bloomberg data on BFOET loadings (February 2016 to January 2019), total loadings of BFOET crude oil was 1,031,638 barrels per day, or 30.94 million barrels per month. This equates to 30,940 contract equivalents (contract size 1,000 barrels). Further, to account for the crude oil purchases by the Grangemouth refinery, the deliverable supply would be reduced by 3 million barrels<sup>12</sup> per month<sup>13</sup>. Therefore, the total deliverable supply of BFOET is approximately 27.94 million barrels per month, which is equivalent to 27,940 contracts.

The existing spot month limit of Brent Crude Oil Penultimate Financial Futures (code BB) is 5,000 lots which is based on the monthly deliverable supply of 27,940 contract equivalents, which represents around 17.9% of deliverable supply. For purposes of calculating compliance with position limits, the Brent Crude Oil

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<sup>10</sup> [https://www.theice.com/publicdocs/futures/ICE\\_Futures\\_Europe\\_Brent\\_Index.pdf](https://www.theice.com/publicdocs/futures/ICE_Futures_Europe_Brent_Index.pdf)

<sup>11</sup> <http://www.oxfordenergy.org/wpcms/wp-content/uploads/2012/03/Brent-Prices-Impact-of-PRA-methodology-on-price-formation.pdf>

<sup>12</sup> UKPia – Petroineos Grangemouth Refinery capacity [http://www.ukpia.com/industry\\_information/refining-and-uk-refineries/Petroineos-grangemouth-refinery.aspx](http://www.ukpia.com/industry_information/refining-and-uk-refineries/Petroineos-grangemouth-refinery.aspx)

<sup>13</sup> Market suggests 50% of the processing capacity for Grangemouth is Forties therefore we have reduced the deliverable supply of Forties by 3-million barrels per month (the full capacity of the refinery is 6 million barrels per month).

Penultimate Financial Futures (code BB) is used for aggregation of position limits for the Brent leg of the various spread contracts and the related Average Price Options.

Further, the existing spot month limit of the Dated Brent (Platts) Financial Futures (code UB) is 5,000 lots which is based on the monthly deliverable supply of 27,940 contract equivalents, which represents around 17.9% of deliverable supply. For purposes of calculating compliance with position limits, the Dated Brent (Platts) Financial Futures (code UB) is used for aggregation of position limits for the Dated Brent leg of the various Dated Brent-related spread contracts and the related Average Price Options.

### **Analysis of Spot-Month Position Limits**

In its analysis of deliverable supply for the seventeen (17) new crude oil contracts, the Exchange has provided deliverable supply estimates for the following markets: 1) WTI Houston; 2) WTI Cushing; and 3) Brent crude oil. For purposes of calculating compliance with position limits, the new crude oil spread contracts and the related Average Price Option contracts aggregate into the two underlying legs of the outright contracts that are associated with each of the contracts.

The spot month position limits for the underlying outright contracts are as follows:

<b><u>Underlying Outright Contracts</u></b>	<b><u>Spot Month Limits</u></b>
NYMEX Crude Oil Last Day Financial Futures Contract (code 26)	3,000
NYMEX WTI Trade Month Futures Contract (code TCS)	3,000
WTI Houston Trade Month Futures Contract (code HTE)	3,000
WTI Houston Calendar Month Futures Contract (code HTC)	3,000
Brent Crude Oil Penultimate Financial Futures (code BB)	5,000
Dated Brent (Platts) Financial Futures (code UB)	5,000

For purposes of calculating compliance with position limits, the new crude oil contracts and the related Average Price Option contracts will aggregate into the underlying legs of the outright contracts listed above. The table below provides a summary of the aggregation matrix for compliance with position limits for the new contracts.



## APPENDIX E

**Table 1**  
**U.S. Crude Oil Production<sup>14</sup>**  
**For Eight States that Supply Cushing, Oklahoma**  
**(Thousand Barrels per Day)**

Year	Crude Oil Production (Thousand Barrels per Day)
<b>2015</b>	6,252
<b>2016</b>	5,727
<b>2017</b>	6,221
<b>Average</b>	<b>6,067</b>

**Table 2**  
**Crude Oil Flows to Cushing (as of July 2018)**  
**(Barrels/Day)<sup>15</sup>**

<b>Incoming Pipelines</b>	<b>Capacity</b>	<b>Owner</b>	<b>Estimated Flows (in Barrels/Day)</b>
Keystone XL (from Steele City, NE)	590,000	Transcanada	350,000 - 400,000 BD (100% Heavy Sour)
Basin Pipeline (Permian)	450,000	Plains	350,000 - 400,000 (80% WTI, 20% Sour)
Centurion North Pipeline (Permian)	170,000	Occidental	120,000 - 140,000 (100% WTI)
Spearhead Pipeline (Canada)	195,000	Enbridge	150,000 - 175,000 (100% Heavy Sour)
Flanagan South (Canada/Bakken)	600,000	Enbridge	400,000 - 450,000 (10% WTI, 90% Heavy Sour)
White Cliffs Pipeline (Niobrara)	215,000	Rose Rock	100,000 - 120,000 (100% WTI)
Plains Cashion, OK Pipeline	250,000	Plains	120,000 - 145,000 (100% WTI)
Mississippian Lime Pipeline	150,000	Plains	95,000 - 100,000 (100% WTI)
Pony Express Pipeline (Niobrara)	325,000	Tallgrass	300,000 - 325,000 (100% WTI)
Saddlehorn-Grand Mesa	340,000	Magellan/Plains	140,000 - 150,000 (100% WTI)
Glass Mountain	210,000	Sem Group	30,000 - 40,000 (100% WTI)
Hawthorn (Stroud to Cushing)	90,000	Hawthorn	10,000 - 20,000 (100% WTI)
Great Salt Plains	35,000	Parnon	30,000 - 35,000 (100% WTI)
Eagle North	20,000	Blueknight	5,000 - 10,000 (100% WTI)

**TOTAL In-Bound Capacity                    3.6 Million Capacity                    WTI Flow: 1,270,000 – 1,450,000 B/D**

<b>Outgoing Pipelines</b>	<b>Capacity (B/D)</b>	<b>Owner</b>
Seaway Pipeline	850,000	Enterprise
Keystone MarketLink	700,000	Transcanada
BP#1 (to Chicago)	180,000	BP
Ozark (to Wood River, IL)	345,000	Enbridge
Osage (to Eldorado, KS)	165,000	Magellan/NCRA
Coffeyville CVR pipeline	110,000	CVR Energy
Phillips (to Ponca City, OK)	122,000	ConocoPhillips
Phillips (to Borger, TX)	59,000	NuStar
Plains Red River Pipeline (to Longview)	125,000	Plains All American
Plains Red River Pipeline	25,000	Plains All American
Sunoco (twin lines to Tulsa)	70,000	Sunoco
Plains Cherokee	20,000	Plains All American
Magellan Tulsa	30,000	Magellan
Diamond Pipeline (to Memphis)	200,000	Plains

**TOTAL Out-bound Capacity                    3.0 Million B/D**

<sup>14</sup> The production listed here includes North Dakota, Montana, Wyoming, Colorado, New Mexico, Onshore Texas, Oklahoma, and Kansas. The web link is: [http://www.eia.gov/dnav/pet/pet\\_crd\\_crpdn\\_adc\\_mbbldpd\\_a.htm](http://www.eia.gov/dnav/pet/pet_crd_crpdn_adc_mbbldpd_a.htm)

<sup>15</sup> Sources: Plains All American Pipeline Company, and other industry sources.

**Table 3**  
**Crude Oil Flows to Cushing (as of March 2015)**  
**(Barrels/Day)<sup>16</sup>**

<b>Incoming Pipelines</b>	<b>Capacity</b>	<b>Owner</b>	<b>Estimated Flows (in Barrels/Day)</b>
Keystone XL (from Steele City, NE)	575,000	Transcanada	200,000 - 250,000 BD (Heavy sour)
Basin Pipeline (Permian)	450,000	Plains	250,000 (80% WTI)
Centurion North Pipeline (Permian)	120,000	Occidental	95,000 - 100,000 (100% WTI)
Spearhead Pipeline (Canada)	210,000	Enbridge	150,000 - 175,000 (Canadian sour)
Flanagan South (Canada/Bakken)	585,000	Enbridge	400,000 - 450,000 (10% WTI, 90% Sour)
White Cliffs Pipeline (Niobrara)	150,000	Rose Rock	100,000 - 120,000 (100% WTI)
Plains Cashion, OK Pipeline	100,000	Plains	80,000 (100% WTI)
Mississippi Lime Pipeline	175,000	Plains	110,000 (100% WTI)
Pony Express Pipeline (Niobrara)	320,000	Tallgrass	180,000 – 200,000 (100% WTI)
Hawthorn (Stroud to Cushing)	90,000	Hawthorn	20,000 – 25,000 (100% WTI)
Great Salt Plains	30,000	JP Energy	15,000 – 20,000 (100% WTI)
Northern Cimarron	30,000	Rose Rock	15,000 – 20,000 (100% WTI)
Midcontinent Pipeline	30,000	Sunoco Logistics	25,000 – 30,000 (100% WTI)
Glass Mountain Pipeline	140,000	Rose Rock	40,000 – 50,000 (100% WTI)
<b>TOTAL In-Bound Capacity</b>	<b>3.0 Million Capacity</b>		<b>WTI Flow: 920,000 – 1,000,000 B/D</b>

**Table 4**  
**Crude Oil Flows to Cushing (as of February 2013)**  
**(Barrels/Day)<sup>17</sup>**

<b>Incoming Pipelines</b>	<b>Capacity</b>	<b>Owner</b>	<b>Estimated Flows (in Barrels/Day)</b>
Keystone XL Pipeline	590,000	Transcanada	200,000 to 225,000 BD (Heavy sour)
Basin Pipeline	450,000	Plains	400,000 to 440,000 (75% WTI)
Occidental Pipeline	120,000	Occidental	100,000 to 120,000 (100% WTI)
Spearhead Pipeline	240,000	Enbridge	120,000 to 140,000 (Canadian sour)
White Cliffs Pipeline	70,000	SemGroup	65,000 to 70,000 (100% WTI)
Plains Oklahoma Pipeline	100,000	Plains	90,000 to 100,000 (100% WTI)
Cherokee Pipeline	50,000	Plains	40,000 to 50,000 (100% Sour)
Ark City Pipeline	30,000	SemGroup	25,000 to 30,000 (100% WTI)
MV Magellan Pipeline	30,000	SemGroup	25,000 to 30,000 (100% WTI)
Midcontinent Pipeline	50,000	Sunoco	45,000 to 50,000 (100% WTI)
Bakken Crude via Rail	90,000	Various	15,000 to 20,000 (100% WTI)
<b>TOTAL ESTIMATE</b>	<b>1.820 Million B/D</b>		<b>WTI Flow: 665,000 – 750,000 B/D</b>

<sup>16</sup> Sources: Plains All American Pipeline Company, JSK consulting, and other industry sources.

<sup>17</sup> Sources: Plains All American Pipeline Company, JSK consulting, and other industry sources.

**Table 5**  
**Cushing Stocks<sup>18</sup>**  
**(Average of Weekly Stocks in Thousand Barrels)**

Year	Month	Stock
2015	Jan	36,601
	Feb	46,689
	Mar	55,300
	Apr	61,381
	May	60,368
	Jun	57,183
	Jul	57,312
	Aug	57,389
	Sep	54,483
	Oct	53,569
	Nov	57,459
	Dec	61,150
2016	Jan	63,943
	Feb	65,188
	Mar	66,658
	Apr	65,503
	May	67,657
	Jun	65,357
	Jul	64,295
	Aug	64,640
	Sep	62,614
	Oct	59,462
	Nov	59,559
	Dec	66,400
2017	Jan	65,521
	Feb	64,103
	Mar	67,152
	Apr	68,053
	May	65,742
	Jun	61,418
	Jul	56,685
	Aug	56,798
	Sep	60,048
	Oct	63,840
	Nov	61,789
	Dec	52,238
2018	Jan	41,309
	Feb	31,941
	Mar	30,448
	Apr	35,519
	May	36,509
	Jun	31,754
	July	24,175
<b>Three-Year Avg. (Aug 2015-Jul 2018)</b>		<b>56,415</b>

<sup>18</sup> [http://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=W\\_EPC0\\_SAX\\_YCUOK\\_MBBL&f=W](http://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=W_EPC0_SAX_YCUOK_MBBL&f=W)

## APPENDIX F

### Brent Loadings

Monthly loaded production volumes of Brent, Forties, Oseberg and Ekofisk and Troll (BFOET) crude oil.

**Units:** Barrels per day

**Source:** Bloomberg (Brent: LOSDRBTT Index; Forties: LOSDFRTT; Oseberg: LOSDOSET; Ekofisk: LOSDEKFT; and Troll: LOSDTLLT)

\*Bloomberg data included the addition of the Troll crude oil loadings starting in January 2018, aligning with the Platts change to its methodology to incorporate Troll deliveries into the Brent basket. This data shows the total volume of BFOET crudes loaded by delivery month. The data set is based on data gathered by Bloomberg. Each field operator for Brent, Forties, Oseberg, Ekofisk and Troll releases the amount of crude oil that is scheduled for loading per month.

	Brent	Forties	Oseberg	Ekofisk	Troll	Total BFOET
Jan-16	116,129	445,161	116,129	296,774	193,548	1,167,741
Feb-16	124,138	413,793	124,138	288,621	227,586	1,178,276
Mar-16	116,129	425,806	96,774	232,258	232,258	1,103,225
Apr-16	120,000	400,000	120,000	320,000	200,000	1,160,000
May-16	116,129	464,516	80,000	212,903	212,903	1,086,451
Jun-16	140,000	380,000	160,000	80,000	180,000	940,000
Jul-16	96,774	387,097	96,774	232,258	212,903	1,025,806
Aug-16	116,129	348,387	96,774	251,613	232,258	1,045,161
Sep-16	100,000	320,000	100,000	260,000	266,667	1,046,667
Oct-16	77,419	329,032	120,000	270,968	290,323	1,087,742
Nov-16	100,000	420,000	100,000	260,000	260,000	1,140,000

Dec-16	58,065	464,516	116,129	270,968	251,613	1,161,291
Jan-17	96,774	483,871	135,484	270,968	232,258	1,219,355
Feb-17	107,143	407,143	128,571	257,143	192,857	1,092,857
Mar-17	96,774	425,806	135,484	251,613	193,548	1,103,225
Apr-17	80,000	420,000	120,000	260,000	220,000	1,100,000
May-17	116,129	445,161	154,839	290,323	212,903	1,219,355
Jun-17	80,000	420,000	140,000	260,000	200,000	1,100,000
Jul-17	77,419	406,452	116,129	251,613	193,548	1,045,161
Aug-17	77,419	270,968	116,129	251,613	212,903	929,032
Sep-17	80,000	360,000	100,000	260,000	180,000	980,000
Oct-17	77,419	425,806	116,129	251,613	212,903	1,083,870
Nov-17	80,000	420,000	80,000	220,000	200,000	1,000,000
Dec-17	96,774	154,839	116,129	232,258	212,903	812,903
Jan-18	58,065	406,452	116,129	232,258	161,742	974,646
Feb-18	85,714	385,714	85,714	235,714	192,857	985,713
Mar-18	96,774	367,742	96,774	270,968	193,548	1,025,806
Apr-18	60,000	400,000	60,000	260,000	198,867	978,867
May-18	77,419	406,452	38,710	270,968	174,194	967,743
Jun-18	80,000	340,000	100,000	260,000	180,000	960,000

Jul-18	77,419	348,387	77,419	232,258	212,903	948,386
Aug-18	96,774	251,613	116,129	232,258	193,548	890,322
Sep-18	100,000	360,000	100,000	300,000	160,000	1,020,000
Oct-18	58,065	367,742	77,419	232,258	193,548	929,032
Nov-18	120,000	380,000	80,000	200,000	160,000	940,000
Dec-18	58,065	290,323	77,419	251,613	232,258	909,678
Jan-19	77,419	348,387	116,129	270,968	135,484	948,387
<b>3-year average</b>	<b>91,010</b>	<b>379,056</b>	<b>105,870</b>	<b>249,611</b>	<b>206,091</b>	<b>1,031,638</b>