

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 21-033

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): 02/04/21 **Filing Description:** Initial Listing of the Methanol CFR China Specific Origins (ICIS) Futures Contract

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

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:



Christopher Bowen
 Managing Director and Chief Regulatory Counsel
 Legal Department

February 4, 2021

VIA ELECTRONIC PORTAL

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

Re: CFTC Regulation 40.2(a) Certification. Notification Regarding the Initial Listing of the Methanol CFR China Specific Origins (ICIS) Futures. NYMEX Submission No. 21-033

Dear Mr. Kirkpatrick:

New York Mercantile Exchange, Inc. (“NYMEX” or “Exchange”) is certifying to the Commodity Futures Trading Commission (“CFTC” or “Commission”) the initial listing of the Methanol CFR China Specific Origins (ICIS) Futures Contract (the “Contract”) for trading on the CME Globex electronic trading platform (“CME Globex”) and for submission for clearing via CME ClearPort, effective Sunday, February 21, 2021 for trade date Monday, February 22, 2021, as more specifically described below.

Contract Title	Methanol CFR China Specific Origins (ICIS) Futures
Commodity Code	CMS
Rulebook Chapter	994
Settlement Type	Financial
Contract Size	100 metric tons
Listing Schedule	Monthly contracts listed for the current year and the next calendar years. Add monthly contracts for a new calendar year following the termination of trading in the December contract of the current year.
Minimum Price Fluctuation	\$0.01 U.S. dollars per metric ton
Value per tick	\$1
First Listed Month	March 2021
Block Trade Minimum Threshold	5 contracts - subject to a 15-minute reporting window
Termination of Trading	Trading in January - November contract months shall terminate at the close of trading on the last Friday of the contract month. If such Friday is not an Exchange business day, trading in the contract shall terminate on the Exchange business day immediately prior. Trading in the December contract month shall terminate at the close of trading on the last Friday prior to the 25th calendar day of the month. If such Friday is not an Exchange business day, trading in the contract shall terminate on the Exchange business day immediately prior.
CME Globex Matching Algorithm	First-In, First-Out (FIFO)

CME Globex	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)
CME Globex Pre-Open	Sunday 5:00 p.m. – 6:00 p.m. ET (4:00 p.m. - 5:00 p.m. CT). Monday – Friday 5:45 p.m. – 6:00 p.m. ET (4:45 p.m. - 5:00 p.m. CT).
CME ClearPort	Sunday - Friday 6:00 p.m. - 5:00 p.m. ET (5:00 p.m. - 4:00 p.m. CT) with a 60-minute break each day beginning at 5:00 p.m. ET (4:00 p.m. CT)

Exchange Fees:

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

Block trades of the Contract shall have a minimum block level of 5 contracts which is comparable to the Exchange’s similar methanol futures contracts.

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

- **Compliance with Rules:** Trading in the Contract will be subject to the rules in Rulebook Chapter 4 which includes prohibitions against fraudulent, noncompetitive, unfair and abusive practices. Additionally, trading in this contract will also be subject to the full panoply of trade practice rules, the majority of which are contained in Chapter 5 and Chapter 8 of the Rulebook. As with all products listed for trading on one of CME Group’s designated contract markets, activity in the new product will be subject to extensive monitoring and surveillance by CME Group’s Market Regulation Department. The Market Regulation Department has the authority to exercise its investigatory and enforcement power where potential rule violations are identified.
- **Contract Not Readily Subject to Manipulation:** The Contract is 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 Contract will be subject to Rulebook Chapters 4 and 7 which include prohibitions on manipulation, price distortion and disruptions of the delivery or cash-settlement process. As with all products listed for trading on one of CME Group’s designated contract markets, activity in the new products will be subject to extensive monitoring and surveillance by CME Group’s Market Regulation Department.
- **Position Limitations or Accountability:** The speculative position limits for the Contract as demonstrated in this submission are consistent with the Commission’s guidance.

- **Availability of General Information:** The Exchange will publish information on the Contract's specifications on its website, together with daily trading volume, open interest and price information.
- **Daily Publication of Trading Information:** The Exchange will publish information on the Contract's specifications on its website, together with daily trading volume, open interest and price information.
- **Execution of Transactions:** The Contract will be listed for trading on the CME Globex electronic trading and for clearing through CME ClearPort. The CME Globex trading venue provides for competitive and open execution of transactions. CME Globex affords the benefits of reliability and global connectivity.
- **Trade Information:** All required trade information is included in the audit trail and is sufficient for the Market Regulation Department to monitor for market abuse.
- **Financial Integrity of Contract:** All contracts traded on the Exchange will be cleared by the CME Clearing House which is a registered derivatives clearing organization with the Commission and is subject to all Commission regulations related thereto.
- **Protection of Market Participants:** Rulebook Chapters 4 and 5 contain multiple prohibitions precluding intermediaries from disadvantaging their customers. These rules apply to trading on all of the Exchange's competitive trading venues and will be applicable to transactions in this product.
- **Disciplinary Procedures:** Chapter 4 of the Rulebook contains provisions that allow the Exchange to discipline, suspend or expel members or market participants that violate the rules. Trading in this contract will be subject to Chapter 4, and the Market Regulation Department has the authority to exercise its enforcement power in the event rule violations in these products are identified.
- **Dispute Resolution:** Disputes with respect to trading in this contract will be subject to the arbitration provisions set forth in Chapter 6 of the Rulebook. The rules in Chapter 6 allow all nonmembers to submit a claim for financial losses resulting from transactions on the Exchange to arbitration. A member named as a respondent in a claim submitted by a nonmember is required to participate in the arbitration pursuant to the rules in Chapter 6. Additionally, the Exchange requires that members resolve all disputes concerning transactions on the Exchange via arbitration.

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

The Exchange certifies that this submission has been concurrently posted on the CME Group website at <http://www.cmegroup.com/market-regulation/rule-filings.html>.

Should you have any questions concerning the above, please contact the undersigned at (212) 299-2200 or via e-mail at CMEGSubmissionInquiry@cmegroup.com.

Sincerely,

/s/ Christopher Bowen
Managing Director and Chief Regulatory Counsel

Attachments: Exhibit A: NYMEX Rulebook Chapter 994
Exhibit B: Position Limits, Position Accountability and Reportable Level Table in Chapter 5 of the NYMEX Rulebook (attached under separate cover)
Exhibit C: NYMEX Rule 588.H. – (“Globex Non-Reviewable Trading Ranges”) Table
Exhibit D: Cash Market Overview and Analysis of Deliverable Supply

Exhibit A

NYMEX Rulebook

Chapter 994

Methanol CFR China Specific Origins (ICIS) Futures

994100. 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.

994101. CONTRACT SPECIFICATIONS

The Floating Price for each contract month shall be equal to the arithmetic average of the mid-points of the week's "Spot range assessment" for the Methanol Spot Price CFR China Methanol (Specific Origins) for all weekly ICIS Methanol Asia reports published during the contract month.

994102. TRADING SPECIFICATIONS

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

994102.A. Trading Schedule

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

994102.B. Trading Unit

The contract quantity shall be hundred (100) metric tons. Each contract shall be valued as the contract quantity (100) multiplied by the settlement price.

994102.C. Price Increments

Prices shall be quoted in US dollars and cents per metric ton. The minimum price fluctuation shall be \$0.01 per metric ton. There shall be no maximum price fluctuation.

994102.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.

994102.E. Termination of Trading

For contract months January to November inclusive: Trading shall terminate at the close of trading on the last Friday of the contract month. If such Friday is not an Exchange business day, trading in the contract shall terminate on the Exchange business day immediately prior.

For December contract months: Trading shall terminate at the close of trading on the last Friday prior to the 25th calendar day of the month. If such Friday is not an Exchange business day, trading in the contract shall terminate on the Exchange business day immediately prior.

994103. 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.

994104. DISCLAIMER

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

Exhibit B

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

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

Exhibit C

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

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

(additions are underscored)

Instrument	Globex Symbol	Outrights		
		Globex Non-Reviewable Ranges (NRR)	NRR: Globex Format	NRR: Minimum Ticks
<u>Methanol CFR China Specific Origins (ICIS) Futures</u>	<u>CMS</u>	<u>\$4.00 per metric ton</u>	<u>400</u>	<u>400</u>

Exhibit D

Cash Market Overview and Analysis of Deliverable Supply

Data Source

UN Comtrade

The United Nations Commodity Trade Statistics Database (UN Comtrade) is a repository of official trade statistics reported by statistical authorities of close to 200 countries or areas. The UN Comtrade Database provides free access to detailed global trade data. It contains annual trade statistics starting from 1962 and monthly trade statistics since 2010.

ICIS

ICIS (Independent Chemical Information Service) is one of the largest petrochemical market information providers. The company provides pricing intelligence and news, forecast data, market analytics and independent consulting to buyers, sellers and analysts.

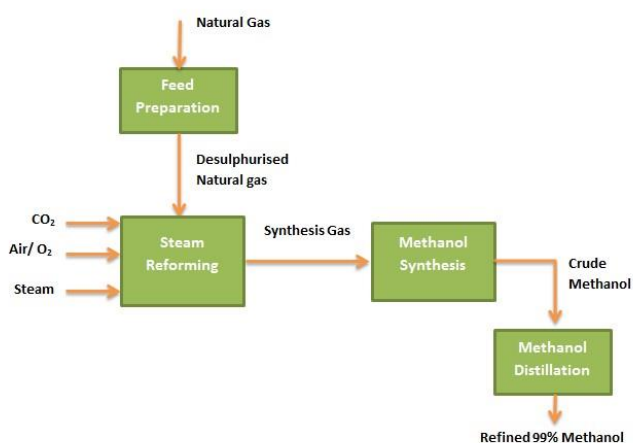
ICIS has a global staff of more than 500 employees across Houston, New York, London, Karlsruhe, Milan, Mumbai, Singapore, Guangzhou, Beijing, Shanghai, Dubai, Tokyo and Perth. Some 180 of its staff are journalists engaged in reporting market prices and news. ICIS has a compliance framework that along with its methodologies and business processes adheres to the requirements of the IOSCO PRA Principles. The company's compliance with IOSCO principles was successfully reviewed by PwC for the eighth year running¹.

¹ <https://www.icis.com/explore/press-releases/icis-meets-ioscos-pra-principles-for-the-eighth-consecutive-year/>

Cash Market Overview

Methanol is a clear and colorless liquid chemical that is water soluble and biodegradable. Its chemical formula is CH₃OH. Methanol is known as “wood alcohol,” as it was originally produced as a by-product of the distillation of wood. Today, methanol is mostly produced on an industrial scale with natural gas as a feedstock. In the production process, the gas is first compressed and then purified by removing Sulphur compounds. The purified natural gas is saturated with heated water. The mixed natural gas and water vapor then goes to a reformer in order to be converted to synthesis gas. Synthesis gas is converted to crude methanol in the catalytic synthesis converter, which is then distilled to produce pure methanol. Methanol can also be produced from non-petroleum feedstocks such as landfill methane gas, municipal solid wastes, biomass, sawdust or even marine seaweed².

Chart 1: Methanol production process³



Methanol is widely used in the manufacturing of a variety of chemical products. Methanol is used as a feedstock to produce chemicals such as acetic acid and formaldehyde, which in turn are used in products like adhesives, foams, plywood subfloors, solvent and windshield washer fluid. In recent years the methanol is increasingly used to produce olefins through the methanol-to-olefin (MTO) process. Methanol is also used in energy-related applications. It can be used as vehicle fuel, as gasoline blender or to produce biodiesel. Methanol can also be used as cooking fuel and in thermal applications. Overall, consumption in chemical and energy applications are approximately equal in size.⁴

China is the largest importer of methanol in the world. Methanol consumption has increased sharply as a result of the country's economic growth. Today China accounts for more than half of the global methanol consumption. The country's delivered cargo price has developed as the center of the price discovery for Northeast Asia and served as the major pricing benchmark in the region. Other than China, Japan and India are also major importers of methanol in the region.

² <http://www.methanol.org/wp-content/uploads/2016/06/About-Methanol-FS.pdf>

³ <http://www.energy.gov.tt/our-business/Ing-petrochemicals/petrochemicals/methanol/>

⁴ <https://www.methanex.com/about-methanol/how-methanol-used>

On the supply side, Brunei, New Zealand, Malaysia and Indonesia are major exporters in APAC regions. Arab Gulf nations including, for example, U.A.E., Saudi Arabia, Bahrain, Oman and Qatar are also main producers. In addition, the U.S., Netherland, Chile and Trinidad are major suppliers too.

The UN Comtrade database provides historical import and export data for global methanol trade flows. Below are China imports of methanol from selected countries for the past three years. These countries include Bahrain, Brunei, Chile, Indonesia, Malaysia, New Zealand, Oman, Qatar, Saudi Arabia, Trinidad, and the US. As aforementioned, the underlying index for the proposed futures contract is based on the delivered cargoes prices from these selected countries. Over the past three years, China imports of methanol from the selected countries averaged 5.39 million metric tons per year.

Table 1: Methanol Imports into China by origin⁵

Unit: Metric Tons

Country	2017	2018	2019	Average
Bahrain	90,032	128,257	20,374	79,554
Brunei	141,133	294,538	316,761	250,811
Chile	0	44,481	229,395	136,938
Indonesia	131,125	114,114	164,130	136,456
Malaysia	542,122	342,254	557,318	480,565
New Zealand	1,815,920	1,525,054	1,715,278	1,685,417
Oman	730,788	700,684	1,130,939	854,137
Qatar	415,197	184,669	67,635	222,500
Saudi Arabia	800,931	795,494	1,097,863	898,096
Trinidad and Tobago	368,361	387,430	1,178,514	644,768
USA	78,977	75,118	113	51,402
Total	5,114,586	4,592,093	6,478,320	5,394,999

⁵ <https://comtrade.un.org/data/> Methanol data is available under commodity code 290511

Analysis of Deliverable Supply

Guidance in Appendix C to part 38 of the Commission's regulations identifies deliverable supply as "the quantity of the commodity meeting the 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."

Methanol CFR China Specific Origins

ICIS' Methanol CFR China Specific Origins Index assessments measure methanol cargoes from selected countries delivered into China. The list of the countries includes Bahrain, Brunei, Chile, Indonesia, Malaysia, New Zealand, Oman, Qatar, Saudi Arabia, Trinidad, and the US. Therefore, for the methanol CFR China Specific Origins Index, the Exchange based its analysis of deliverable supply on China methanol imports from the selected countries. Additionally, the Exchange determined not to adjust the deliverable supply estimates based on the spot availability because spot market liquidity is not restrictive and tends to vary depending on the market fundamentals of supply and demand.

Consistent with standard industry practice for Asian energy markets, the typical term agreement in the cash market for methanol allows flexibility for re-trading contracted quantities on a spot basis. Therefore, term agreements do not restrict the potential deliverable supply. We have used the data for the three-year period 2017 - 2019 based on the published imports data by UN Comtrade. The deliverable supply is 5.39 million metric tons per annum, or 449 thousand metric tons per month which equate to approximately 4,490 contract equivalents (contract size: 100 metric tons).

Based on the deliverable supply for Methanol CFR China Specific Origins Index of 449 thousand metric tons or 4,490 contract equivalents (100 metric ton lot size), the Exchange proposes a spot month position limit of 1,000 lots for the Methanol CFR China Specific Origins (ICIS) Futures which equates to around 22.2% of the total monthly deliverable supply.