SUBMISSION COVER SHEET

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

Registered Entity Identifier Code (optional): 19-110

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): 02/13/2019 Filing Description: Decrease of Spot Month Position Limits for the Fifteen (15) Fuel Oil Futures and 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

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: See Filing.

Rule Numbers: See Filing.

Christopher Bowen
Managing Director and Chief Regulatory Counsel
Legal Department

February 13, 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 40.6(a) Rule Certification. Notification Regarding Decrease of Spot Month Position Limits of Fifteen (15) Fuel Oil Futures and Option Contracts. NYMEX Submission No 19-110

Dear Mr. Kirkpatrick:

New York Mercantile Exchange, Inc. ("NYMEX" or "Exchange") is notifying the Commodity Futures Trading Commission ("CFTC" or the "Commission") that it is self-certifying a decrease of the spot month position limits of fifteen (15) fuel oil futures and options contracts (the "Contracts"), effective at the close of business on February 28, 2019 and commencing with the March 2019 contract month and beyond, as noted in the table below.

(**Bold/underline** indicates addition; ~~Strikethrough~~ indicates deletion)

Contract Title	Rulebook Chapter	Commodity Code	Spot-Month Limit (In Net Futures Equivalents) Leg (1) / Leg (2)
Singapore Fuel Oil 180 cst (Platts) Futures	662	UA	~~500~~**400**
Singapore Fuel Oil 180 cst (Platts) BALMO Futures	493	BS	~~500~~**400**
East-West Fuel Oil Spread (Platts) Futures	666	EW	~~500~~**400**/500
Singapore Fuel Oil 180 cst (Platts) vs. 380 cst (Platts) Futures	667	SD	~~500~~**400**/500
Singapore Fuel Oil 180cst (Platts) Brent Crack Spread (1000mt) Futures	749	SF1	~~500~~**400**/5,000
Mini Singapore Fuel Oil 180 cst (Platts) Futures	844	0F	~~500~~**400**
Mini Singapore Fuel Oil 180 cst (Platts) BALMO Futures	845	5L	~~500~~**400**
Mini East-West Fuel Oil Spread (Platts) Futures	989	MEW	~~500~~**400**/500

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East-West Fuel Oil Spread (Platts) BALMO Futures	1082	EWB	~~500~~**400**/500
Singapore Fuel Oil 180 cst (Platts) 6.35 Dubai (Platts) Crack Spread Futures	1091	STS	~~500~~**400**/5,000
Singapore Fuel Oil 180 cst (Platts) 6.35 Brent Crack Spread Futures	1093	STR	~~500~~**400**/5,000
Singapore Fuel Oil 180 cst (Platts) 6.35 Dubai (Platts) Crack Spread BALMO Futures	1094	STB	~~500~~**400**/5,000
Singapore Fuel Oil 180 cst (Platts) vs. 380 cst (Platts) BALMO Futures	1192	MSD	~~500~~**400**/500
Singapore Fuel Oil 180 cst (Platts) Average Price Option	493A	C5	~~500~~**400**
Singapore 180cst Fuel Oil (Platts) Mini Weekly Spread Futures	470	SDM	1,000/~~500~~**400**

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 (the "Table") will be amended to reflect the decreased spot month position limits of the Contracts. (See Exhibit A: Position Limit, Position Accountability, and Reportable Level Table in Chapter 5 of the NYMEX Rulebook with additions underscored and bolded and deletions overstruck (attached under separate cover.)

A cash market overview and analysis of deliverable supply is attached hereto as Exhibit B.

The Exchange reviewed the designated contract market core principles ("Core Principles") as set forth in the Commodity Exchange Act ("Act") and identified that the amendments to NYMEX Rulebook Chapter 5 Position Limits, Position Accountability and Reportable Level Table may have some bearing on the following Core Principles:

- Contracts not Readily Subject to Manipulation: Due to the liquidity and robustness in the underlying physical market, the Contracts are not readily subject to manipulation as illustrated in the enclosed Cash Market Overview.

- 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 information contained herein will be disseminated to the marketplace via CME Group Market Surveillance Notice. In addition, the Exchange will publish information on the Contracts' specifications on its website, together with daily trading volume, open interest, and price information.

Pursuant to Section 5c(c) of the Act and CFTC Regulation 40.6(a), the Exchange hereby certifies that the position limit amendments comply with the Act, including regulations under the Act. There were no substantive opposing views to this 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 – Amendments to NYMEX Chapter 5 - Position Limits, Position Accountability and Reportable Level Table (under separate cover)

Exhibit B – Cash Market Overview and Analysis of Deliverable Supply

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Exhibit A

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

Position Limits, Position Accountability and Reportable Level Table

(attached under separate cover)

Exhibit B

Cash Market Overview and Analysis of the Deliverable Supply

Data Sources

The **Singapore Energy Market Authority (EMA)**[1] data is compiled by the Singapore Government and covers statistics on Production, Consumption, Stocks, Imports and Exports within the Energy sector in Singapore. This data is constantly being updated and is a reliable source for those looking to get the most complete and accurate data from this vibrant energy trading hub. We have referred to the EMA data in the second part of our analysis highlighting the Singapore Fuel Oil Market as it is the best and most reliable data source for this country's activity.

Market Overview

Singapore Fuel Oil supply

Singapore 180CST and 380CST Fuel Oil are part of the "residual" fuel oil segment, which is used by utilities and the shipping industry. Residual Fuel Oil is also used as a refinery input to produce additional petroleum products via a deeper conversion process at the refinery which breaks down the high sulphur molecules into lower sulphur. The main trading hub for the Asian fuel oil market is Singapore, where extensive storage capacity and refining infrastructure exists. Singapore is a vibrant import/export centre for petroleum products; and is also the primary location for energy trading firms.

The Singapore petroleum markets are highly diverse and actively traded by refiners, traders, importers, and smaller distributors. Singapore is a major trading hub for Fuel oil in Asia-Pacific with its two benchmark products used to price imports into China and beyond. The Port of Singapore is one of the largest Bunker fuel ports in the world and handles significant volumes of ships per year to re-fuel for both intra-Asian trade as well as the international markets i.e. voyages to and from Singapore from outside of Asia.

Refinery Production

Based on the data from EMA below, refinery production of **heavy distillates and residuum** were 13,754.20 ktoe over the 3-year average period from 2014 to 2016[2]. This is the latest data set that is available. This equates to 15.64 million tons per year or 1.3 million tons per month. The data set was made public in August 2018.

*As the data is shown in **ktoe**, the Exchange has shown the calculation to derive the volume in metric tons, based on the calorific value for the fuel oil as metric tons is the common unit for the Singapore market. The calculation is as follows:

$$X \text{ Mtoe} \times \frac{4.87 \times 10^4 \text{TJ}}{1 \text{ Mtoe}} \times \frac{1000 \text{ GJ}}{1 \text{TJ}} \times \frac{1 \text{ t}}{42.82 \text{ GJ}} = x \text{ tonnes}$$

The refinery production category includes both fuel oil and residuum which includes feedstocks to the refining process like Vacuum Gasoil (VGO). Based on market sources the most conservative estimate suggests that this figure should be reduced by 25% meaning that Fuel oil only represents around 75% or 975,000 tons per month. In addition, based on the volume of trades concluded in the Singapore fuel oil market, about 75% of the volume reflected the quality of 380CST with 25% reflecting the quality 180CST. Therefore, a further adjustment to the volume of 25% has been made. The production of 180CST Fuel Oil hence is around 243,750 tons per month. The data is shown in the table below.

[1] http://www.ema.gov.sg/index.aspx
[2] EMA Statistics – Oil (August 2018) https://www.ema.gov.sg/Statistics.aspx

Energy Flows in the Oil Refining Sector, 2013 – 2016, Ktoe
Source: Energy Markets Authority (EMA)

	2013	2014	2015	2016	3-year average
Refinery Inputs	**52,128.40**	**49,153.00**	**51,479.80**	**53,304.70**	**51,312.50**
Crude Oil & Natural Gas Liquids	44,730.0	41,653.30	44,801.40	46,654.90	44,369.87
Other Feedstocks	7,398.4	7,499.8	6,678.5	6,649.80	6,942.70
Refinery Outputs	**50,993.20**	**47,432.90**	**49,349.80**	**51,452.80**	**49,411.83**
Light Distillates	12,915.10	14,071.70	13,161.10	14,183.00	13,805.27
Middle Distillates	23,582.30	21,369.90	22,098.70	22,088.60	21,852.40
Heavy Distillates & Residuum*	14,495.80	11,991.30	14,090.10	15,181.20	13,754.20

***based on an energy content of 42.82GJ/t – 75% of this volume is considered fuel oil with 25% Residuum.**

Singapore Fuel Oil Imports

The EMA import data is published for Fuel oil and based on the three-year average, Singapore imports were 71,606.5 ktoe which equates to around 81.44 million tons per year or 6.79 million tons per month. Based on the volume of trades concluded in the Singapore fuel oil market, about 75% of the volume reflected the quality of 380CST with 25% reflecting the quality 180CST. Therefore, a further adjustment to the volume of 25% has been made. Based on this adjustment, around 1.7 million metric tons per month of 180CST Fuel Oil is imported into Singapore.

*As the data is shown in **ktoe**, the Exchange has shown the calculation to derive the volume in metric tons, based on the calorific value for the fuel oil as metric tons is the common unit for the Singapore market. The calculation is as follows:

$$X \text{ Mtoe} \times \frac{4.87 \times 10^4 \text{TJ}}{1 \text{ Mtoe}} \times \frac{1000 \text{ GJ}}{1 \text{TJ}} \times \frac{1 \text{ t}}{42.82 \text{ GJ}} = x \text{ tonnes}$$

Imports of Energy Products, Ktoe
Source: Energy Markets Authority (EMA)[3]

Energy Products	2014	2015	2016	2017	3-year average
Petroleum Products	**103,801.5**	**113,432.9**	**113,348.1**	**120,516.8**	**115,765.9**
Fuel Oil*	62,279.9	69,902.8	68,560.6	76,356.2	71,606.5
Gas/ Diesel Oil	14,322.8	14,809.2	15,896.1	14,321.4	15,008.9
Gasoline	14,774.5	15,614.9	16,891.2	16,683.2	16,396.4
Jet Fuel Kerosene	2,041.2	2,007.7	3,131.1	3,085.8	2,741.5
Naphtha	8,981.5	9,684.5	7,221.5	8,258.9	8,388.3
Other Petroleum Products	1,401.6	1,413.8	1,647.5	1,811.3	1,624.2

***based on an energy content of 42.82GJ/t**

[3] EMA - https://www.ema.gov.sg/Singapore_Energy_Statistics.aspx

Analysis of Deliverable Supply

In estimating deliverable supply for the futures contract, the Exchange relied on long-standing precedent, which provides that the key component in estimating deliverable supply is the portion of typical production and supply stocks that could reasonably be considered to be readily available for delivery. Commodity Futures Trading Commission ("CFTC" or "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.[4]

Singapore 180CST Fuel Oil

The Exchange has based its analysis of deliverable supply on the production and imports of 180CST fuel oil in the Singapore market and has used the EMA data as the basis of that analysis. The Exchange has used the 2014-2016 production data (Energy Flows in the Oil Refining Sector) and the 2015 – 2017 import data, being the latest data sets available.

The Exchange has made an adjustment of 25% to the Singapore production data as the data includes Heavy Fuel oil and Residuum to account for fuel oil only.

The EMA data does not distinguish between 380CST and 180CST so the Exchange reviewed the volume of physical transaction data to determine an appropriate split. Based on traded volumes in the Platts assessment process and in discussion with market-based participants a split of 75% for 380CST and 25% 180CST was deemed appropriate. Therefore, the Exchange has made an adjustment of 25% to the Singapore fuel oil data for production and has applied the same haircut to the Singapore fuel oil import data.

The Exchange has excluded stocks due to the month on month variability in the overall levels. The stock levels tend to fluctuate depending on local supply and demand factor and due to this variability in the levels, the Exchange decided to exclude stock levels from the calculation of deliverable supply and has not been included in this analysis.

Term supply contracts do exist but in a typical term agreement in the cash market there is a provision that allows flexibility for re-trading of the contracted quantity in the spot market, so the term agreements do not restrict the potential deliverable supply.

Monthly imports for Singapore fuel oil (380CST and 180CST) are about 6.79 million tons per month and adjusted to reflect 180CST the import figure is around 1.7 million tons per month or 1,700 contract month equivalents (based on a futures contract size of 1,000 metric tons). Fuel oil production, adjusted for fuel oil only (excluding the portion for Residuum) represents about 975,000 metric tons per month, however a further adjustment has been made to reflect 180CST only and therefore the production volume is around 243,750 metric tons per month or 243 contract month equivalents. Total imports and production of 180CST are therefore about 1.943 million metric tons per month or 1,943 contract month equivalents.

The current spot month limit for Singapore 180CST Fuel Oil (Platts) Futures (commodity code UA and rulebook chapter 662) is 500 lots. Based on the revised deliverable supply, the spot month position limit will be lowered to 400 lots which equates to 20.5% of the total monthly deliverable supply of 180CST Fuel oil in Singapore. The previous 500 lot spot month limit equated to just over the 25% threshold.

[4] http://www.ecfr.gov/cgi-bin/text-idx?SID=74959c3dbae469e2efe0a42b45b8dfae&mc=true&node=ap17.1.38_11201.c&rgn=div9