

**SUBMISSION COVER SHEET**

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

Registered Entity Identifier Code (optional): 20-054 (1 of 2)

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

Filing as a:  DCM  SEF  DCO  SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 2/20/20 Filing Description: Initial Listing of Two (2) Crude Oil Futures 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:**

February 20, 2020

**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 Two (2) Crude Oil Futures Contracts. NYMEX Submission No. 20-054 (1 of 2)**

Dear Mr. Kirkpatrick:

New York Mercantile Exchange, Inc. (“NYMEX” or “Exchange”) is notifying the Commodity Futures Trading Commission (“CFTC” or “Commission”) that it is self-certifying the initial listing of two (2) crude oil futures contracts (the “Contracts”) for trading on the CME Globex electronic trading platform and for submission for clearing via CME ClearPort, effective on Sunday, March 8, 2020 for trade date Monday, March 9, 2020, as more specifically described below.

Contract Title	NYMEX Rulebook Chapter	Commodity Code	Termination of Trading
WCS Houston (Argus) vs. WTI Trade Month Futures	1288	WHT	The last business day that falls on or before the 25th calendar day of the month prior to the contract month.
WCS Houston (Argus) vs. WTI Calendar Month Futures	1289	WCH	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>	May 2020
<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 – subject to a minimum 15-minute reporting window

**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:**

	<b>Member</b>	<b>Non-Member</b>	<b>International Incentive Programs (IIP/IVIP)</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	

<b>Processing Fees</b>	<b>Member</b>	<b>Non-Member</b>
Cash Settlement	\$0.50	\$0.50
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 subject to a minimum 15-minute reporting window which aligns with the Exchange's siliar spread fuutures contracts.

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 A**  
**NYMEX Rulebook Chapters**

**Chapter 1288**  
**WCS Houston (Argus) vs. WTI Trade Month Futures**

**1288100. SCOPE OF CHAPTER**

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

**1288101. CONTRACT SPECIFICATIONS**

The Floating Price for each contract month is equal to the average of the Argus WCS Houston Differential to the Calendar Month Average (CMA) NYMEX WTI price (weighted average) under the heading "WCS Houston Diff to CMA NYMEX (wtd avg)" price from Argus Media for the Trade month period beginning with the first business day after the 25<sup>th</sup> calendar day two months prior to the contract month through the last business day that falls on or before the 25<sup>th</sup> calendar day of the month prior to the contract month. If the 25<sup>th</sup> calendar day is a weekend or holiday, the Trade month period shall end on the first business day prior to the 25<sup>th</sup> calendar day.

**1288102. TRADING SPECIFICATIONS**

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

**1288102.A. Trading Schedule**

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

**1288102.B. Trading Unit**

The contract quantity shall be 1,000 U.S. barrels. Each contract shall be valued as the contract quantity (1000) multiplied by the settlement price.

**1288102.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. There shall be no maximum price fluctuation.

**1288102.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.

**1288102.E. Termination of Trading**

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

**1288103. 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.

**1288104. DISCLAIMER**

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

## Chapter 1289 WCS Houston (Argus) vs. WTI Calendar Month Futures

### 1289100. SCOPE OF CHAPTER

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

### 1289101. CONTRACT SPECIFICATIONS

The Floating Price for each contract month is equal to the average of the Argus WCS Houston Differential to the Calendar Month Average (CMA) NYMEX WTI price (weighted average) under the heading "WCS Houston Diff to CMA NYMEX (wtd avg)" price from Argus Media for each business day that it is determined during the calendar month.

### 1289102. TRADING SPECIFICATIONS

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

#### **1289102.A. Trading Schedule**

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

#### **1289102.B. Trading Unit**

The contract quantity shall be 1,000 U.S. barrels. Each contract shall be valued as the contract quantity (1000) multiplied by the settlement price.

#### **1289102.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. There shall be no maximum price fluctuation.

#### **1289102.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.

#### **1289102.E. Termination of Trading**

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

### 1289103. 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.

### 1289104. 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**

(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)

<b>Instrument Name</b>	<b>Globex Symbol</b>	<b>Globex Non-Reviewable Ranges (NRR)</b>	<b>NRR: Globex Format</b>	<b>NRR: Ticks</b>	<b>NRR: Globex Format</b>	<b>NRR: Minimum Outright Ticks</b>
<u>WCS Houston (Argus) vs. WTI Trade Month Futures</u>	<u>WHT</u>	<u>\$1.00 per barrel</u>	<u>100</u>	<u>100</u>	<u>N/A</u>	<u>N/A</u>
<u>WCS Houston (Argus) vs. WTI Calendar Month Futures</u>	<u>WCH</u>	<u>\$1.00 per barrel</u>	<u>100</u>	<u>100</u>	<u>N/A</u>	<u>N/A</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 two (2) crude oil futures 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 WCS Houston crude oil market.

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.)

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

The Exchange conducted a review of the underlying cash market and deliverable supply of Western Canadian Select (WCS) crude oil stream.

WCS type crude oil is a heavy crude oil stream that is a blend of oil sands, known as diluted bitumen (referred to as “dilbit”) which is also blended with Canadian heavy conventional crude oil and condensate diluents. It has an API gravity of 20-22, and density of 921-929. It is produced and traded at the Husky terminal in Hardisty, Alberta, which is the main hub in Canada with pipeline access to the Cushing and Houston markets. The main producers of heavy WCS crude oil are: Cenovus Energy, Canadian Natural Resources, Suncor Energy, Talisman Energy, and Repsol. Further, as part of its assessment of the WCS stream in Houston, Argus Media includes transactions executed in the Cold Lake stream, which is another heavy Canadian dilbit that is produced by Imperial Oil Company, owned by Exxon Mobil.

For the WCS Houston (Argus) vs. WTI Calendar Month Futures and the WCS Houston (Argus) vs. WTI Trade Month futures contracts (“the contracts”), the Exchange has determined to base its analysis of the deliverable supply on the pipeline flow information from Canada to Houston, Texas. The final settlement prices for the contracts are based on the assessment of the underlying Canadian WCS physical market delivered in Houston as assessed by Argus Media. The WCS Houston vs. WTI price is assessed by Argus Media as a differential to the Calendar Month Average (CMA) of the NYMEX light sweet crude futures contract. The CMA price represents WTI on a calendar month basis. The Argus WCS Houston vs. WTI assessment is a volume-weighted average that is published as a differential price. Argus provides more detailed information on their WCS Houston assessment at the following link:

<https://www.argusmedia.com/en/methodology/key-prices/argus-western-canadian-select-crude-prices>

In its analysis of deliverable supply, the Exchange did not include stocks data as the data tends to fluctuate. Additionally, the Exchange determined not to adjust the deliverable supply estimates for long-term contracts. With respect to long-term contracts, the majority of Western Canadian Select (WCS) type crude oil is typically sold in term agreements but with flexibility for re-trading in the spot market. Total supplies delivered daily, the portion of total supply that is delivered via pipeline, and spot market volumes collectively indicate that term contract holders, which include marketers, consistently and regularly re-sell supply in the spot markets. Accordingly, the Exchange has determined not to adjust the deliverable supply estimate because long-term contracts are not restrictive of spot market liquidity.

## **Data Sources**

The Canadian Association of Petroleum Producers (CAPP) is a trade association whose members, representing 130 upstream oil and gas companies, produce more than 90 percent of Canada's crude oil and natural gas. CAPP maintains a variety of publications and statistics on the oil and natural gas industry given its extensive membership list. CAPP's Crude Oil Forecast, Markets and Transportation report was the main source of data the Exchange utilized for its deliverable supply analysis on Canadian condensate. In addition, the Exchange utilized pipeline flow data provided by the Canadian Oil Logistics Committee (COLC) which is publicly available.

## **Western Canadian Select (WCS) Crude Oil Production**

WCS type crude oil is a heavy crude oil stream that is a blend of oil sands, known as diluted bitumen (referred to as "dilbit") which is also blended with Canadian heavy conventional crude oil and condensate diluents. It has an API gravity of 20-22, and density of 921-929. It is produced and traded at the Husky terminal in Hardisty, Alberta, which is the main hub for WCS in Canada. The main producers of WCS crude oil are: Cenovus Energy, Canadian Natural Resources, Suncor Energy, Talisman Energy, and Repsol. Further, WCS type crude oil is a blended stream of various Canadian heavy crude oil streams, including Cold Lake, which is produced by Imperial Oil, owned by Exxon Mobil.

There are two major kinds of oil production methods in Canada: conventional and unconventional; and oil sands. As conventional crude oil fields have matured and output declined, crude production from oil sands has surpassed that of conventional sources to meet demand.

Oil sands production employs two main technologies to recover oil; mining and in-situ, or "in-place." Mining is an open pit operation that is effective in extracting oil sand deposits near the surface. After extraction, deposits are loaded into trucks and transported to a cleaning facility where bitumen is separated from the mixture with hot water.

The second method, in-situ, can reach the deeper sand deposits, which involves the use of steam to heat and separate bitumen from the surrounding sands, causing it to pool closer to the surface. The bitumen is then pumped from these pools using horizontal drain wells. Oil sands producers must add lighter hydrocarbons, such as natural gasoline or condensate, to the bitumen, once extracted, to allow it to flow through pipelines.

The Canadian Association of Petroleum Producers (CAPP) provides data on crude oil production. According to CAPP, total oil sands production averaged approximately 2.7 million barrels per day for the three-year period of 2016 through 2018. Production data is illustrated in Table 1 below.

**Table 1 - Canadian Crude Oil Production<sup>1</sup>**

(thousand barrels per day)

	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>Average</b>
Total Oil Sands Production	2,454	2,711	2,953	2,706

WCS type crude oil is blended from various heavy Canadian dilbit streams and crude-related components. According to pipeline flow data provided by the Canadian Oil Logistics Committee (COLC), there were on average 1.46 million barrels per day of Canadian heavy crude oil (also called "diluted bitumen" or "dilbit")

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<sup>1</sup> Canadian Crude Oil Production, <http://www.capp.ca/publications-and-statistics/statistics> ; Oil sands production includes upgraded and non-upgraded bitumen; data is converted from cubic meters to barrels at a conversion rate of 6.29 barrels per cubic meter.

delivered from the Hardisty hub in Eastern Alberta to the U.S. for the three-year period of December 2016 through November 2019. Table 2 below provides the three-year average of COLC pipeline flow data for dilbit delivered from Eastern Alberta to the U.S. via the Enbridge and Transcanada pipelines. The Exchange believes that the COLC data provides the best publicly-available information on pipeline flows of heavy Canadian WCS type crude oil that is available for delivery from the Husky terminal in Hardisty to the U.S., and therefore the COLC data will be used as the basis of the Exchange's deliverable supply estimate.

**Table 2 – Pipeline Flows of Diluted Bitumen (“Dilbit) in Eastern Alberta (Source: COLC)<sup>2</sup>**  
(thousand barrels per day)

	<b>2017</b>	<b>2018</b>	<b>2019 (Avg. for Jan through Nov)</b>	<b>Average (Dec 2016 through Nov 2019)</b>
Pipeline Flows of Dilbit in Eastern Alberta	1,478	1,531	1,388	1,461

### **Western Canadian Select (WCS) in Houston**

The Houston hub is a key center for the transportation, storage, and exporting of heavy Canadian and WCS type crude oil. WCS type crude oil is a blended stream of various Canadian heavy crude oil streams, including WCS and Cold Lake. Canadian crude oil is priced in U.S. dollars and cents per barrel, and typically traded at a differential to the calendar month average (CMA) of the NYMEX Light Sweet Crude Oil Futures (CL) contract. Prices of WCS at Houston are primarily dependent on the demand and supply dynamics U.S. Gulf Coast market, adjusted for quality and transportation costs from the Hardisty hub.

There are two major Canadian pipelines that carry heavy Canadian WCS type crude oil from Cushing to Houston: 1) The Seaway Pipeline with capacity of 850,000 barrels per day (b/d); and 2) Transcanada's Market Link pipeline with 590,000 b/d capacity. The total flow capacity of these two Canadian pipelines is nearly 1.5 million b/d. The pipeline flow information on these pipelines is confidential, and thus not publicly available.

According to the COLC, which is a publicly available source for Canadian pipeline flow data, there were 1.46 million barrels per day of heavy Canadian WCS type crude oil (also referred to as “diluted bitumen” or “dilbit”) delivered from the Hardisty hub in Eastern Alberta to the U.S. during the three-year period of December 2016 through November 2019. The Houston hub is a key transit and export center for heavy Canadian WCS type crude oil as it flows from Canada to the U.S. Gulf Coast refining center. The Exchange has taken a conservative estimate of the available pipeline flow of WCS to the Houston market via Cushing, and has determined the pipeline supply of heavy Canadian WCS type crude oil to Houston to be approximately 450,000 b/d, which accounts for approximately one-third of the total U.S. pipeline flow as reported by the COLC. This estimate is conservative, and takes into consideration the seasonal fluctuations and pipeline maintenance periods. Further, industry sources have confirmed that this methodology is conservative.

Further, the breakdown of storage data for heavy Canadian crude oil in Houston is not available from the Energy Information Administration (EIA). Consequently, the Exchange is not including stocks data in its analysis of deliverable supply.

<sup>2</sup> Canadian Oil Logistics Committee (COLC) data, <http://colcomm.com/secure/reports.aspx> Note: the COLC monthly data is provided in their “Comparative Delivery Statistics” report under the category of “Eastern Alberta Dilbit” deliveries via Enbridge and Transcanada pipelines which appears in row 391 in the COLC excel spreadsheet labeled “DS5 Input” under the heading “Actual Dispositions”; flow data are converted from cubic meters to barrels at a value of 6.29 barrels per cubic meter.

Further, the Exchange has determined not to adjust the deliverable supply estimate based on spot availability because spot market liquidity is not restrictive and tends to vary depending on the market fundamentals of demand and supply. The typical term agreement in the cash market allows flexibility for re-trading of the contracted quantity in the spot market, so the term agreements do not restrict the potential deliverable supply. Also, the spot trading is not restricted, in that it could increase if the market demand increases. Therefore, we believe that it is not necessary to adjust the deliverable supply estimate on the basis of spot trading activity as it does not restrict the deliverable supply, and spot trading volume can expand to allow for more supply to flow if needed in the spot market.

Based on the foregoing, the Exchange estimates deliverable supply of heavy Canadian WCS type crude oil in Houston at approximately 450,000 b/d, or 13.5 million barrels per month, which is equivalent to 13,500 futures contracts per month. Therefore, the proposed spot month position limits for the WCS Houston (Argus) vs. WTI Trade Month Futures and the WCS Houston (Argus) vs. WTI Calendar Month Futures of 1,000 contracts (equivalent to one million barrels) represents 7.4% of the estimated monthly deliverable supply.