SUBMISSION COVER SHEET

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

Registered Entity Identifier Code (optional): 17-031

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): 02/24/17 Filing Description: Initial Listing of the Freight Route Liquid Petroleum Gas (Baltic) Average Price Option 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 24, 2017

VIA ELECTRONIC PORTAL

Mr. Christopher J. Kirkpatrick
Office of the Secretariat
Commodity Future 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 Freight Route Liquid Petroleum Gas (Baltic) Average Price Option Contract. NYMEX Submission No. 17-031

Dear Mr. Kirkpatrick:

New York Mercantile Exchange, Inc. ("NYMEX" or "Exchange") is notifying the Commodity Futures Trading Commission ("CFTC" or "Commission") that it is self-certifying the initial listing of the Freight Route Liquid Petroleum Gas (Baltic) Average Price Option contract, for trading on CME Globex, and for submission for clearing through CME ClearPort, effective on Sunday, March 12, 2017 for trade date Monday, March 13, 2017, as described below.

Contract Title	Freight Route Liquid Petroleum Gas (Baltic) Average Price Option
Commodity Code	FLO
Rulebook Chapter	681
Trading and Clearing Venues	CME Globex and CME ClearPort
Settlement Method	Financial
Contract Size	1,000 metric tonnes
Underlying Futures Contract	Freight Route Liquid Petroleum Gas (Baltic) Futures (Commodity Code: FLP)
Exercise Style	European Style
First Listed Month	March 2017
Strike Increment	$0.100
Strike Price Listing Rule	Dynamic strikes only at $0.100 strike increment
Listing Schedule	Monthly contracts listed for the current year and next calendar year. Monthly contracts for a new calendar year will be added following the termination of trading in the December contract of the current year.
Minimum Price Fluctuation	$0.001
Value per Tick	$1.00
Block Trade Minimum Threshold	2 contracts
Termination of Trading	For contract months January to November inclusive: the last business day of the calendar month. For December contract months: the 24th calendar day of the month, or if this is not a business day, the first preceding business day.
CME Globex Match Algorithm	First In First Out (FIFO)

300 Vesey Street New York, NY 10282 T 212 299 2200 F 212 299 2299 christopher.bowen@cmegroup.com cmegroup.com

Trading and Clearing Hours

CME Globex and CME ClearPort: Sunday – Friday 6:00 p.m. – 5:00 p.m. (5:00 p.m. – 4:00 p.m. Central Time/CT) with an hour break each day beginning at 5:00 p.m. (4:00 p.m. CT).

Exchange Fees

Exchange Fees	Member	Non-Member	International Incentive Programs (IIP/IVIP)
CME Globex	$2.60	$3.25	$2.90
Block	$2.60	$3.25	
EFR/EOO	$2.60	$3.25	
Agency Cross	$2.60	$3.25	

Processing Fees	Member	Non-Member
Cash Settlement	$0.50	$0.50
Other Fees		
Facilitation Fee	$0.40	
Give-Up Surcharge	$0.05	
Position Adjustment/Transfer	$0.10	

NYMEX is self-certifying block trading on these contracts with a minimum block threshold of two (2) contracts for the Contracts. The block level is consistent with the Exchange's existing products.

NYMEX business staff responsible for the extension of the contracts and the NYMEX Legal Department collectively reviewed the designated contract market core principles ("Core Principles") as set forth in the Commodity Exchange Act ("CEA" or "Act"). During the review, NYMEX staff identified that the amendments 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 include prohibitions against fraudulent, noncompetitive, unfair and abusive practices. Additionally, trading in this futures 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.

- Contracts not Readily Susceptible to Manipulation: The new contract is not readily susceptible to manipulation due to the structure of the underlying price assessment methodology administered by the Baltic Exchange, which incorporates data from a diverse number of market sources.

- Prevention of Market Disruption: Trading in the contract will be subject to the Rules of NYMEX 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 product will be subject to extensive monitoring and surveillance by CME Group's Market Regulation Department.

- Position Limitations or Accountability: The spot-month speculative position limits for the contract are set at less than the threshold of 25% of the deliverable supply in the respective underlying market.

- 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 contract trading volumes, open interest levels, and price information daily on its website and through quote vendors for the Contract.

- Financial Integrity of Contracts: This contract 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.

- Execution of Transactions: The new contract will be listed for trading on CME Globex trading platform and for clearing through the CME ClearPort platform. The CME ClearPort venue provides for competitive and open execution of transactions. CME Globex affords the benefits of reliability and global connectivity. The CME ClearPort platform provides a competitive, open and efficient mechanism for the novation of transactions that are competitively executed by brokers.

- 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.

- 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.

- 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 subject 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 this contract 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 non-members 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 non-member 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 the attached 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 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 e-mail CMEGSubmissionInquiry@cmegroup.com.

Sincerely,

/s/Christopher Bowen
Managing Director and Chief Regulatory Counsel

Attachments: Appendix A: NYMEX Rulebook Chapter 681
Appendix B: Position Limit, Position Accountability, and Reportable Level Table in Chapter 5 of the NYMEX Rulebook (attached under separate cover)
Appendix C: Rule 588.H – Globex Non-Reviewable Range Table
Appendix D: Cash Market Overview and Analysis of Deliverable Supply

Appendix A

NYMEX Rulebook Chapter

Chapter 681
Freight Route Liquid Petroleum Gas (Baltic) Average Price Option

681100. 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.

681101. OPTION CHARACTERISTICS

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

681102.A.Trading Schedule

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

681102.B. Trading Unit

A Freight Route Liquid Petroleum Gas (Baltic) Average Price Call Option traded on the Exchange represents the differential between the final settlement price of the Floating Price and the Strike price or zero, whichever is greater.

A Freight Route Liquid Petroleum Gas (Baltic) Average Price Put Option traded on the Exchange represents the differential between the strike price and the final settlement price of the Floating Price or zero, whichever is greater.

The contract quantity shall be 1,000 metric tons. Each contract shall be valued as the contract quantity (1,000) multiplied by the settlement price.

The Floating Price for each contract month is equal to the arithmetic average of the rates for each business day that the LPG1 Route (for 44,000 metric tons Ras Tanura to Chiba) is published by the Baltic Exchange during the contract settlement period, as described in paragraph 681102.C. of these rules.

681102.C. Settlement Period

For contract months referenced to a calendar month January to November inclusive, the Settlement Period shall be the full calendar month. For contract months referenced to the December calendar month, the Settlement Period shall be the period from and including the 1st calendar day of the month through to and including the 24th calendar day of the month.

681102.D. Price Increments

Prices shall be quoted in U.S. dollars and cents per metric ton. The minimum price fluctuation shall be $0.001 per metric ton.

681102.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.

681102.F. Termination of Trading

The contract shall terminate at the close of trading on the last business day of the contract month.

681102.F. Type of Option

The option is a European-style option cash settled on expiration day.

681102. EXERCISE PRICES

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

681103. DISCLAIMER

NEITHER NYMEX, ITS AFFILIATES, NOR THE BALTIC EXCHANGE GUARANTEES THE ACCURACY AND/OR COMPLETENESS OF THE INDEX OR ANY OF THE DATA INCLUDED THEREIN. NYMEX, ITS AFFILIATES AND THE BALTIC EXCHANGE MAKE NO WARRANTIES, EXPRESS OR IMPLIED, AS TO THE RESULTS TO BE OBTAINED BY ANY PERSON OR ENTITY FROM USE OF THE INDEX, TRADING BASED ON THE INDEX, OR ANY DATA INCLUDED THEREIN IN CONNECTION WITH THE TRADING OF THE CONTRACTS, OR, FOR ANY OTHER USE. NYMEX, ITS AFFILIATES AND THE BALTIC EXCHANGE MAKE NO WARRANTIES, EXPRESS OR IMPLIED, AND HEREBY DISCLAIM ALL WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE WITH RESPECT TO THE INDEX OR ANY DATA INCLUDED THEREIN. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT SHALL NYMEX, ITS AFFILIATES OR THE BALTIC EXCHANGE HAVE ANY LIABILITY FOR ANY LOST PROFITS OR INDIRECT, PUNITIVE, SPECIAL OR CONSEQUENTIAL DAMAGES (INCLUDING LOST PROFITS), EVEN IF NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGE.

The Baltic Exchange licenses the New York Mercantile Exchange, Inc. ("NYMEX") to use various Baltic Exchange price assessments in connection with the trading or posting of the contracts. Baltic Exchange does not sponsor, endorse, sell or promote the contract and makes no recommendations concerning the advisability of investing in the contract.

Appendix B

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

(attached under separate cover)

Appendix C

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

Instrument	Bid/Ask Reasonability	Non-Reviewable Range (NRR)
Freight Route Liquid Petroleum Gas (Baltic) Average Price Option	The greater of the delta times the underlying futures' non-reviewable range or 20% of the fair value premium up to the underlying futures' non-reviewable range with a minimum reasonability of $0.10	20% of premium up to 1/4 of the underlying futures' non-reviewable range with a minimum of 1 tick

Appendix D

Cash Market Overview and Analysis of Deliverable Supply

Cash Market Overview

New York Mercantile Exchange, Inc. ("NYMEX" or "Exchange") is self-certifying the listing of an average price option on the Exchange's Freight Route Liquid Petroleum Gas (Baltic) futures contract for trading on the CME Globex electronic trading platform, and for submission for clearing through CME ClearPort. The product referenced in this submission is related to the international seaborne liquid petroleum gas (LPG) freight market, i.e. the market for providing shipping freight for liquid petroleum gas, such as Propane and Butane.

a) Price Source: Baltic Exchange

The price reporting service used for the contract's final settlement price is the Baltic Exchange. The Baltic Exchange is one of the major price reporting services that are used in the over-the-counter (OTC) market for pricing freight contracts and the methodology utilized is well-known in the freight transportation industry. Baltic Exchange has a long-standing reputation in the industry in publishing price benchmarks that are fair and not manipulated. Their pricing methodology is derived from telephone surveys and electronic data collected from multiple market participants to determine market value[1]. NYMEX has entered into a license agreement with Baltic Exchange to utilize its pricing data.

b) The LPG seaborne freight market

LPG is a hydrocarbon consisting of Propane and Butane. They are the by-products of the refinement of crude oil, and are also produced when natural gas is extracted from the gas fields. While global LPG exports from the Middle East has remained steady at around 29 to 32 million metric tons (mmt) from 2012 to 2015, exports from the U.S. have surged from 4 to 15 mmt over the same period, as a result of the Shale revolution. Middle East's share of global LPG seaborne trade stood at 37% (30 mmt out of 82 mmt) in 2015. 64% of North Asia's LPG imports were supplied by "Big 4" Middle East producers in 2015.

LPG Exported Globally	million metric tons			
	2012	2013	2014	2015
Middle East[2]	32	31	32	30
US	4	7	12	15
Global Total	69	72	75	82

LPG Exported to North Asia	million metric tons			
	2012	2013	2014	2015
UAE, Qatar, Kuwait, Saudi	17	17	18	18
US	0.5	1	3	7
Global Total	22	22	24	28

Source: UN Comtrade

[1] Baltic Exchange's methodology for assessing the wet freight routes and LPG routes can be found online at http://www.balticexchange.com/market-information/methodology.shtml

[2] Source: UN Comtrade. Middle East includes the Big 4 as well as Iran, Iraq, Bahrain and Oman.

North Asia (defined herein as comprising China, Japan and South Korea) is the largest regional importer of LPG in the world, and accounted for 28 million metric tonnes per annum (MTPA) or 34% of the LPG transported by sea in 2015. Of the 7 MTPA global increase over 2014, roughly 4 MTPA of that increase were due to imports to North Asia. The bulk of the LPG imports into North Asia originated from the Middle East. UAE and Qatar are the two largest exporters, accounting for 8 MTPA and 4 MTPA respectively. The Baltic BLPG1 represents the LPG freight route from Ras Tanura (Middle East) to Chiba (Japan), a distance of 8,000 nautical miles one way.

The shale revolution in US has led to a sharp increase in US LPG exports. For the period January-October 2016, US exports to China itself have risen 56% to 6.3 mmt, versus the same period in 2015[3]. US LPG exports are poised for a further expansion following the opening of the Panama Canal and a ramp-up in export terminal capacity. This could alter some of the existing patterns of global LPG trade in the future. Meanwhile, the Middle East to North Asia route, represented by Baltic Exchange's BLPG1 assessment, currently represents 64% of LPG trades in North Asia.

The volume of LPG in liquefied volume is reduced by a factor of 500 compared to its gaseous form, and LPG is shipped in liquid form to keep the volume small. The process of liquefaction facilitates the handling and transportation of LPG, using either pressurized or refrigerated ships.

The global fleet of LPG tankers is classified according to vessel size. The size of a vessel is typically measured by its deadweight tonnage (dwt), which is a measure of the weight in metric tons a vessel can safely carry, including cargo, fuel, water etc. The size of an LPG tanker is also measured in cubic metres (cbm). The conversion rate depends on the vessel size, and generally 1 cbm $\approx$ 0.75 to 0.8 dwt.

The four main segments of LPG vessels are the very large gas carriers (VLGC with a capacity of over 55,000 dwt), large gas carriers (LGC of about 45,000 dwt), medium and small gas carriers (MGC and SGC of about 15,000 to 35,000 dwt). The LPG vessels plying the Middle East to Asia route are mainly VGLCs and LGCs.

The chartering of seaborne freight is a privately negotiated activity between the ship owner and the charterer, with each transaction having unique features. However, standards have been established for the marketplace by trade associations, most notably the Baltic Exchange based in London. The Baltic Exchange has adopted the 44,000 ton LPG carrier as the standardized vessel for the assessment of the BLPG1 freight route.

There are two main types of vessel charter arrangement. Voyage charters involve the charterer hiring the vessel to carry a cargo between two specified ports. The freight payment for a voyage charter is assessed in terms of dollars per ton of cargo carried. Time charters involve the charterer hiring the vessel for a period of time, during which it can direct the movement of the vessel, although typically the vessel will follow a route between two ports.

In order to develop the functioning of the freight market, the Baltic Exchange has developed standard definitions for freight routes which are frequently chartered across the various vessel sizes. The Baltic Exchange collates market price data from shipbrokers on these specified routes, and publishes market price assessments on a daily basis. In addition the Baltic Exchange calculates and publishes an average price for the dollar/day time charter for each major vessel size.

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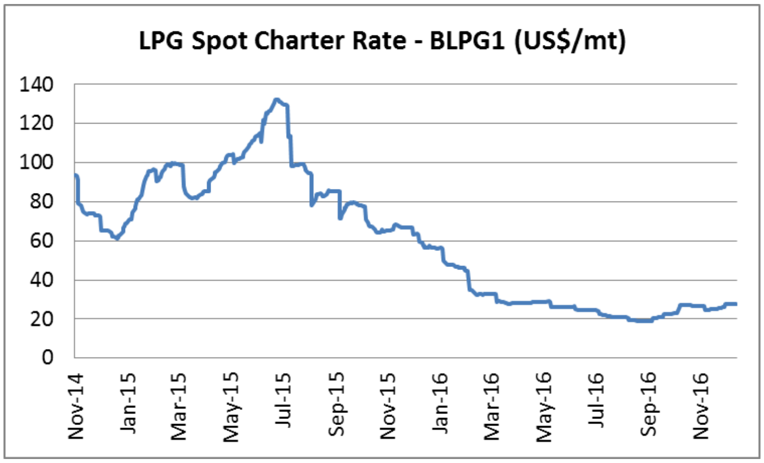
[3] http://www.argusmedia.com/pages/NewsBody.aspx?id=1372669&menu=yes

For the LPG market, the Baltic Exchange uses the LPG freight route named BLPG1. The description of the route is as follows:

Tonnage: 44,000 metric tons (with 5% tolerance)
Cargo: 1 to 2 grades, fully refrigerated Liquid Petroleum Gas.
Route: Ras Tanura (Middle East) to Chiba (Japan)
Laydays: 10/40 days in advance
Laytime: 96 hours total.
Maximum age of vessel: 20 years.

The LPG spot freight charter rate is quoted in US$/mt. The price is currently trading at around $20/mt and the historical price movements are shown in the chart below.



Source: Baltic Exchange

Analysis of Deliverable Supply

a) 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.

The Exchange proposes the position limits for the options contract to be aggregated into the corresponding individual outright futures contracts that are currently listed on the Exchange.

b) Middle East to Asia LPG Freight Market

The Baltic Exchange LPG freight forward assessment is a liquid petroleum gas freight price assessment. The assessment is called BLPG1, and is for a standardized product tanker of 44,000 mt dwt, which is used for transporting propane and butane cargoes from Ras Tanura to Chiba, a distance of 8,000 nautical miles.

According to UN Comtrade data, the North Asia region accounted for 28 MTPA or 34% of the LPG transported by sea in 2015. This works out to a monthly average of 2.3 mmt per month for 2015.

Going into granular details, the reported volumes of Propane and Butane exported from Qatar, UAE, Saudi Arabia and Kuwait, and imported into China, Japan and South Korea accounted for an average of 17.625 MTPA of LPG over the past three years. As the bulk of LPG imported to these countries are by sea, this yields an estimate of 1.479 mmt per month as the amount of LPG cargoes accounted for by this assessed BLPG1 sea route. This figure was used for the purpose of setting Position Limits. Details are in the table below[4]:

Country of Import	Exported from Middle East (000 mt)		
	2013	2014	2015
China	3,102	5,215	7,510
Japan	9,443	8,744	7,169
South Korea	4,795	3,672	3,073
Total	17,493	17,630	17,752
3 year Average			17,625
Monthly Average			1,479

Source: UN Comtrade Data

According to Argus Media December 2016 report[5], LPG demand growth is poised to remain strong in the Asia Pacific in 2017, though the double-digit fleet size growth in 2015 and 2016 has impacted freight demand over the past two years. The historical and estimated the total international seaborne trade for LPG, and the size of the global LPG fleet, are as follows:

Year Ending	Seaborne petroleum gas trade growth (%)	Number of LPG ships	LPG Fleet (million cbm)	LPG Fleet (million dwt)	LPG Fleet growth (%)
2010	+6%	529	19.4	13.6	+4%
2011	+6%	546	19.6	13.7	+3%
2012	+2%	549	19.9	13.8	+1%
2013	+4%	584	31.3	14.7	+6%
2014	+3%	620	22.3	15.5	+6%
2015	+5%	714	25.8	17.9	+15%
2016e	-	788	-	21.0	+10%

Source: UNCTAD Maritime Shipping 2015 & 2016, Clarkson, Bloomberg, IHS Global

c) Proposed Position Limits

The Exchange will apply a position limit to spot month positions in the new futures contract, and in addition will apply accountability levels to the non-expiring months of the futures contracts.

[4] Source of data: https://comtrade.un.org/data/

[5] Source: Argus http://www.argusmedia.com/pages/NewsBody.aspx?id=1372669&menu=yes

The proposed expiration month position limit is 300 lots, equivalent to 300,000 metric tonnes. This is equivalent to 20.3% of the available 1,479,000 metric tons LPG tonnage freighted from Middle East to Japan, China and South Korea, using the statistical figures from UN Comtrade. The Exchange proposes the position limits for the options contract to be aggregated into the corresponding individual outright futures contracts that are currently listed on the Exchange.