SUBMISSION COVER SHEET

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Registered Entity Identifier Code (optional): 17-082

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): 03/14/17 Filing Description: Decreasing Position Limits for Two (2) Petroleum 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

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

March 14, 2017

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 40.6(a) Certification. Notification Regarding Decreasing the Spot Month Position Limit of Two (2) Petroleum Futures Contracts.
NYMEX Submission No. 17-082

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 amendments to the spot month position limits for two (2) petroleum futures contracts as listed in the table below (the "Contracts) effective on Wednesday, March 29, 2017 and commencing with the April 2017 contract month and beyond.

Specifically, the Exchange is reducing the spot month position limits of the Contracts based on an updated analysis of deliverable supply as set forth in Appendix B attached hereto.

Contract Title	Rulebook Chapter	Commodity Code
3.5% Fuel oil CIF Med (Platts) Futures	471	7D
3.5% Fuel oil CIF Med (Platts) Futures	472	8D

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 are being amended to reflect the changes in the position limits and accountability levels for the Contracts listed above (please see Appendix A: Position Limit, Position Accountability, and Reportable Level Table in Chapter 5 of the NYMEX Rulebook (attached under separate cover)).

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 Contracts may have some bearing on the following Core Principles:

Contract Not Readily Subject to Manipulation: Due to the liquidity and robustness in the underlying physical market, the Contracts are not readily susceptible to manipulation.

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 make publicly available the details of the spot month position limit decreases by publishing a Market Surveillance Notice ("MSN") to the market. The MSN will also be available on CME Group's website.

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Pursuant to Section 5c(c) of the Act and CFTC Regulations 40.6(a), the Exchange hereby certifies that the amendments comply with the Act, including regulations under the Act. There were no substantive opposing views to the proposal by market participants.

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: Appendix A: Position Limits, Position Accountability and Reportable Level Table in Chapter 5 of the NYMEX Rulebook (attached under separate cover)
Appendix B: Cash Market Overview and Analysis of Deliverable Supply

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Appendix A

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

(attached under separate cover)

Appendix B

Cash Market Overview and Analysis of the Deliverable Supply

Introduction

The Exchange has conducted a review of the underlying cash market and deliverable supply of high sulphur fuel oil in the Mediterranean. Based on the analysis presented herein, the Exchange determined to reduce the spot month limits for the 3.5% Fuel oil CIF Med (Platts) Futures contract (commodity code 7D, Rulebook chapter 471) and the associated contract. A comprehensive list of the impacted contracts is shown in Table 2.

Market overview

Fuel oil is classified as a heavy residual fuel oil that is produced from crude oil. It is also further refined by more sophisticated refineries to be processed into lighter and or lower sulphur petroleum products for the transportation sector. Fuel oil is also a feedstock for the bunker market although more stringent environmental rules governing the maximum sulphur content[1] in marine fuels from 2020 could curtail the use of fuel oil by the marine sector. The sulphur cap has been set at just 0.5% from 2020 onwards so it remains to be seen whether shipping companies will look at ways of continuing to bunker with high sulphur fuel oil and strip out the sulphur content or move to lower sulphur alternatives.

Data Source

The Exchange has used publicly available data from Eurostat[2] as the basis of its analysis of deliverable supply for fuel oil.

Eurostat is compiled by the statistical office of the European Union and aims to provide the EU with accurate statistics that enable comparisons between countries and regions. The statistical authorities in each individual member state are responsible for collecting the data. After verification and analysis, the individual authorities send the data to Eurostat who consolidate such data. In addition, Eurostat ensures that all parties are employing the same methodology in collecting and reporting data. The Exchange determined to use Eurostat data for sulphur content of fuel oil in the Mediterranean region because of the highly specialized statistical categories collected by Eurostat.

Platts

Platts is a leading Price Reporting Agency leading global provider of energy, petrochemicals, metals and agriculture information, and a premier source of benchmark price assessments for those commodity markets. Since 1909, Platts has provided information and insights that help customers make sound trading and business decisions and enable the markets to perform with greater transparency and efficiency. Platts has adhered IOSCO's Oil PRA Principles since 2013 and was the first PRA to align with the principles. The latest audited report by Ernst and Young was completed in September 2016[3].

CME Group (parent company of New York Mercantile Exchange, Inc.) is a party to license agreements with Platts to utilize their pricing data.

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[1] The International Maritime Organisation ruling – low sulphur fuel oil 2020
http://www.imo.org/en/MediaCentre/PressBriefings/Pages/MEPC-70-2020sulphur.aspx

[2] Eurostat database (Energy NRG), Energy Statistics (NRG_Quantm), Supply and Transformation – Oil (nrg102m) - http://ec.europa.eu/eurostat

[3] IOSCO Assurance Review – Oil http://www.platts.com/regulatory-engagement

Mediterranean Fuel Oil

Whilst the refining and storage infrastructure in the Mediterranean is more dispersed than in Northwest Europe, there are larger clusters in Italy and along the Mediterranean facing coasts of France and Spain. For example, in Italy, there is about 1.7 million barrels per day of refining capacity, according to industry consultants. It is worth noting that there have been a number of refinery closures in Italy over the past few years due to the unprofitability of the sector. Based on an analysis by industry consultants MBendi[4], refining capacity has fallen from 2.3 million barrels per day in 2009 to around 1.7 million barrels per day. The decline in production has been offset by the increase in imported volumes to meet demand therefore we do not believe that this impacts the overall level of deliverable supply in any significant way. The biggest concentration of Italian refiners lies along the Mediterranean coast and on the Mediterranean islands.

Analysis of deliverable supply

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 density of fuel oil is 6.35 barrels per metric ton.

The Platts CIF assessments reflect product of international origin and therefore the most appropriate way of measuring deliverable supply is using the available data for imports. As the basis of the Platts assessments is defined by cargoes that are sold inclusive of Cost, Insurance and Freight (CIF) we believe that this is best represented by the imported volumes only. Cargoes sold on this basis are also regarded as being readily available to short traders and saleable by long traders at its market value as per the contracts delivery points. Furthermore, we believe that the imports into Italy, Malta, France and Spain should be used. We have applied a reduction of 50% to France and Spain to reflect Mediterranean volumes only and have maintained the full volumes for Italy and Malta with no further adjustments. For the Mediterranean FOB markets, it would be more appropriate to use Production and Imports as the basis for deliverable supply with both adding product to the market for sale on an FOB basis.

The Mediterranean fuel oil market is based on cargoes of 25,000 to 30,000 metric tons and the basis of the Platts assessment for CIF cargoes is Genoa/Lavera. It is worth noting that Platts will apply a normalization process for price adjustments for quality of fuel supplied and or delivery location which allows for the delivery of fuel oil from other regions within the Mediterranean to be considered in their assessment process. Where there is a locational difference, an analysis of the applicable freight market will be provided as well as a quality premium for any quality differences if applicable.

The Exchange did not include stocks data as these will tend to fluctuate depending on local supply and demand factors. Additionally, the Exchange did not make any further adjustments to the deliverable supply based on spot availability since the spot liquidity is not restrictive and tends to vary depending on market fundamentals. The typical term agreement in the cash market allows for the flexibility to re-trade the contracted quantities in the spot market, so the term agreements do not restrict the potential deliverable supply.
The Eurostat data provides a breakdown of the fuel oil volumes into different sulphur categories. Fuel oil is shown as less than 1% which is categorized as low sulphur and equal to or greater than 1%, which would be defined as high sulphur. Based on the Eurostat data for imports, the split between fuel oil with a sulphur content of less than 1% and fuel oil with a fuel oil content of equal to or greater than 1% shows that around 60% of the total volume is classified as fuel oil equal to or greater than 1%, or high sulphur. It is worth noting that imports for high sulphur imports into Malta are not shown but trading volumes in the cash market indicate that volumes are sold into this country. Therefore, we believe that a split between

[4] https://www.mbendi.com/indy/oilg/ogrf/eu/it/p0005.htm

high and low sulphur fuel oil of 60% and 40% low sulphur is very conservative due to the exclusion of Malta volumes. Based on discussions with market participants and Platts, it was thought that a more appropriate split in the Mediterranean was weighted towards 70% high sulphur and 30% low sulphur. Therefore, we have applied a reduction of 30% to the total fuel oil import volumes in the Mediterranean and used this figure for the purposes of determining the level of deliverable supply for high sulphur fuel oil.

The Exchange has determined that deliverable supply for CIF Med should be the Mediterranean imports into Spain and France, with a reduction of 50% due to some ports being located outside of the Med, Italy and Malta. Based on this criteria, the Exchange has determined that the volume of deliverable supply is **405,000** metric tons per month on average. The data is shown in Table 1.

Based on our analysis of deliverable supply of high sulphur fuel oil, the Exchange determined to reduce the spot month position limit for the 3.5% Fuel oil CIF Med (Platts) Futures contract (commodity code 7D, Rulebook chapter 471) from 100 lots to 75 lots to be comfortably below the 25% threshold of deliverable supply. As noted, the deliverable supply for Mediterranean high sulphur fuel oil is **405,000** tons or 405 contract equivalents. Therefore, a spot month position limit of 75 lots equates to around 18.5% of deliverable supply.

Table 1: Spain, France, Italy and Malta High Sulphur Fuel Oil Monthly Imports
Units: Thousand tons
Source: Eurostat supply and transformation data Oil (nrg_102m)[5]

	Spain (reduced by 50%)	France (reduced by 50%)	Italy	Malta
Dec-13	153	202	13	85
Jan-14	177	165	7	125
Feb-14	117	101	14	80
Mar-14	161	182	12	91
Apr-14	236	184	29	102
May-14	121	228	93	95
Jun-14	99	168	7	97
Jul-14	239	172	11	78
Aug-14	153	172	14	111
Sep-14	153	148	8	101
Oct-14	158	95	25	130
Nov-14	215	149	10	95
Dec-14	116	106	-	75
Jan-15	174	96	19	115
Feb-15	133	48	-	78
Mar-15	78	87	18	106
Apr-15	81	102	12	168
May-15	130	93	8	78
Jun-15	147	66	16	106
Jul-15	126	105	8	120

[5] Eurostat database Energy Statistics (nrg_10m) and oil-monthly data (nrg_102m)
http://ec.europa.eu/eurostat/data/database

Aug-15	139	121	17	94	
Sep-15	175	87	16	104	
Oct-15	99	92	21	93	
Nov-15	154	61	73	87	
Dec-15	133	126	8	85	
Jan-16	146	124	53	137	
Feb-16	143	90	34	95	
Mar-16	153	129	49	75	
Apr-16	179	152	26	92	
May-16	207	163	50	100	
Jun-16	119	81	60	118	
Jul-16	209	70	58	109	
Aug-16	203	123	74	119	
Sep-16	187	90	63	117	
Oct-16	212	64	37	105	
Nov-16	199	48	35	108	**SUM:**
3 Year Average	**156**	**119**	**28**	**102**	405

Table 2

"Parent" contract

Contract Title	Commodity Code	Rulebook Chapter	Initial Spot-Month Limit (In Net Futures Equivalents)
3.5% Fuel Oil CIF MED (Platts) Futures	7D	471	~~100~~**75**

Contracts that aggregate into the "Parent" contract (Commodity Code 7D)

Contract Title	Commodity Code	Rulebook Chapter	Initial Spot-Month Limit (In Net Futures Equivalents)
3.5% Fuel Oil CIF MED (Platts) BALMO Futures	8D	472	~~100~~**75**