SUBMISSION COVER SHEET

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Registered Entity Identifier Code (optional): 18-132

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): 03/23/18 Filing Description: Amendments to the Position Limits of Four (4) Freight Route (Baltic) 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

March 23, 2018

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) Certification. Notification Regarding Amendments to the Position Limits of Four (4) Freight Route (Baltic) Futures and Option Contracts. NYMEX Submission No. 18-132

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 of three (3) freight route futures contracts and one (1) option contract (the "Contracts") as noted in the table below effective on trade date Monday, April 9, 2018 and commencing with the April 2018 contract month and beyond.

Contract Title	Commodity Code	Rulebook Chapter	Current Spot Month Limit	Spot Month Limit Effective on Trade Date April 9, 2018
Freight Route TC2 (Baltic) Futures	TM	683	500	450
Freight Route TC6 (Baltic) Futures	TC6	1053	60	150
Freight Route TC12 (Baltic) Futures	FRS	522	500	200
Freight Route TC2 (Baltic) Average Price Option	TCW	947	500	450

Exhibit B below provides an updated analysis of deliverable supply for the Contracts.

Pursuant to NYMEX Submission No. 18-072 also dated March 23, 2018, the Exchange is self-certifying the initial listing of eleven (11) Freight Route (Baltic) Balance-of-Month futures contracts (the "New Contracts") for trading on CME Globex and for submission for clearing via CME ClearPort, effective concurrent with this submission on trade date Sunday, April 8, 2018 for trade date Monday, April 9, 2018. For position limit purposes, the New Contracts shall aggregate into the respective existing freight route futures contracts. Exhibit B regarding the updated analysis of deliverable supply for the Contracts also includes analysis for the New Contracts pursuant to NYMEX Submission No. 18-072.

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 is being amended to reflect the changes in the position limits for the Contracts as well as the New Contracts. (See Exhibit A: Position Limit, Position Accountability, and Reportable Level Table in Chapter 5 of the NYMEX Rulebook (attached under separate cover.) Exhibit A also includes the New Contracts pursuant to NYMEX Submission No. 18-072 as detailed above.)

The Exchange reviewed the designated contract market core principles ("Core Principles") as set forth in the Commodity Exchange Act ("Act" or "CEA") and identified that the rule amendments may have some bearing on the following Core Principles:

- **Contract Not Readily Susceptible to Manipulation**: Due to the liquidity and robustness in the underlying physical market, the contract is not readily susceptible to manipulation (See Exhibit B: Cash Market Overview and Analysis of Deliverable Supply).

- **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 Special Executive Report. The Exchange will publish information on the contract' 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 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 – Position Limit, Position Accountability, and Reportable Level Table in Chapter 5 of the NYMEX Rulebook (attached under separate cover)
Exhibit B – Cash Market Overview and Analysis of Deliverable Supply

Exhibit A

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

(attached under separate cover)

Exhibit B

SUPPLEMENTAL MARKET INFORMATION

Data Source

The Exchange based its analysis of deliverable supply on data provided by the Review of Maritime Transport[1], British Petroleum's Statistical Review of World Energy, and UN Comtrade.

The Review of Maritime Transport data are compiled by UNCTAD, a permanent inter-governmental body established by the United Nations General Assembly in 1964. The Review of Maritime Transport is one of UNCTAD's flagship publications, published since 1968. The Review provides analyses of structural and cyclical changes affecting seaborne trade, ports and shipping, as well as an extensive collection of statistical information. Its data are published in its Review of Maritime Transport annually, and is a reliable source for those looking to get the most complete and accurate data on the shipping transportation. We have referred to UNCTAD data in our analyses of global seaborne trade of crude oil and refined products.

British Petroleum (BP) is a global energy business operating in more than 70 countries worldwide. It finds and produces oil and gas on land and offshore and moves energy around the globe. The BP Statistical Review of World Energy[2] provides high-quality objective and globally consistent data on world energy markets. The review is published annually using robust global data, and provides an objective overview of what happened to energy markets. We have referred to the BP data to supplement the UNCTAD data in our analyses of global seaborne trade of crude oil, and the BP data provides further granularity to enable the volumes transported along the specific freight routes to be estimated.

Over 170 reporter countries/areas provide the UN Comtrade (United Nations International Trade Statistics Database) with national international trade statistical data, detailed by commodities countries and partner countries. It contains over 3 billion data records dating back to 1962 and is publicly available on the internet. Commodities are reported in HS codes and classified according to SITC. We have referred to the UN Comtrade data where all the required reporting and partner countries are available, and we have used the available data to take a proportion of the BP reported volumes to represent the deliverable supply volumes on the specific trade routes to be estimated.

The Baltic Exchange (Baltic) is an organization that supports the marketplace for maritime trade. It collates and publishes price assessments on over fifty different shipping routes and indices every day. The methodology for these assessments is contained in its 'Manual for Panelists'. For each freight route, a panel of brokers active in the physical shipping market on that route is appointed to provide price assessments. The obligation of each panelist is to 'assess and report a professional judgement of the prevailing open market level, at their time of reporting on each Baltic index publication day'. The production of freight market information is overseen by the Freight Indices and Futures Committee, a committee responsible to the Board of the Baltic Exchange. Panelists are expected to take into account all available relevant information in the physical market, when making their assessment. Assessments

[1] United Nations Conference on Trade and Development (UNCTAD) Review of Maritime Transport series http://unctad.org/en/Pages/Publications/Review-of-Maritime-Transport-(Series).aspx

[2] https://www.bp.com/en/global/corporate/energy-economics/statistical-review-of-world-energy.html

should be made to reflect the specific voyage described in the route definition. As individual transactions will vary in specification, panelists are expected to adjust prices to conform with the standard terms for the route being assessed. The Baltic Exchange calculates the published route assessment based on the average of all assessments reported by panelists. There is both a daily quality control process and a periodic independent audit to assess the performance of panelists, and there are standards of good practice included in the Manual. Panellists are required to make personnel available to the Baltic Exchange to answer any queries relating to their assessment. NYMEX has a license agreement with Baltic Exchange to utilize its pricing data[3].

Cash Market Overview

Freight Market Overview

The products referenced in this submission relate to the international seaborne tanker freight market, i.e. the market for providing shipping freight for crude oil and refined oil products.

UNCTAD estimates total international seaborne trade to equal 1,838 million tons for crude oil and 863 million tons for petroleum products in 2016. The 2016 figures represent an increase of 0.7% per annum over the year 2012 for crude oil, and an increase of 3.7% per annum for the same period for refined products. Overall, trade in oil and gas cargoes have grown at 2% per annum from 2012 to 2016.

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 size of a vessel is measured by its deadweight tonnage ('DWT'), which is a measure of the weight in metric tonnes a vessel can safely carry, including cargo, fuel, water etc. Oil tankers are loosely categorized into a range of vessel sizes. Very Large Crude Carrier ('VLCC') is the term given to vessels with a capacity in excess of 250,000 dwt, and the term Ultra Large Crude Carrier ('ULCC') is used for the largest of these vessels – the largest being over 440,000 dwt, the equivalent of over 3 million barrels of oil. These vessels carry crude oil on major trans-ocean routes. Suezmax vessels are smaller in size than VLCCs, typically between 130,000 and 160,000 dwt, and are so named as they represent the largest tankers that can transit the Suez Canal. Aframax vessels are typically between 60,000 and 110,000 dwt. VLCCs, Suezmax and Aframax vessels are typically used for carrying crude oil and dirty petroleum products such as fuel oil, and are referred to in the industry as 'dirty' tankers. Refined oil products are usually transported in smaller vessels referred to as 'clean' tankers. These vessels typically range in size from 20,000 to 80,000 dwt.

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

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

will follow a route between two ports. The freight payment for a time charter is assessed in terms of dollars per day of charter.

Tanker charters are typically voyage charter arrangements. The pricing of the transaction is expressed as percentage of the Worldscale flat rate (officially known as the "New Worldwide Tanker Nominal Freight Scale"), assessed and published by the Worldscale Association. This flat rate represents a fixed value in dollars per metric ton for a specific route. The market convention is to quote current tanker freight prices as a percentage of this figure, rather than an explicit dollar value for each transaction.

In order to develop the functioning of the freight market, the Baltic Exchange has developed standard definitions for freight routes which are frequently chartered. The Baltic Exchange collates market price data from shipbrokers on these specified routes, and publishes market price assessments on a daily basis. Other price reporting agencies also collate and publish market price data, most notably Platts, which is seen as a relevant price reference for certain Pacific Ocean routes.

Specific Freight Routes

The underlying Baltic freight route references for the futures contracts described in the submission, have been developed by the Baltic Exchange, and are described as follows:

Table 1: Description of Freight Routes by Baltic Exchange[4]

Route	Description of Routes assessed by Baltic Exchange
TC2	37,000mt CPP/UNL. Continent to US Atlantic coast (Rotterdam to New York). Laydays/cancelling 10/14 days from index date. Age max 15 yrs. 3.75% total commission.
TC6	30,000mt CPP/UNL. Algeria to European Mediterranean (Skikda to Lavera). Laydays cancelling 7/14 days from index date. Age max 15 yrs. 3.75% total commission.
TC12	35,000mt naphtha condensate. West coast India to Japan (Sikka (Jamnagar) to Chiba). Laydays/cancelling 7/14 days from index date. Double hull, age max 15 yrs. 3.75% total commission.

Freight route TC2 is a benchmark route for refined products, loaded in North West Europe and delivered to the US and Canadian Atlantic Coast[5]. The ports of Rotterdam and New York reflect reference points that are used to assess a Worldscale flat rate. Baltic has been assessing prices for the TC2 route since October 1998. The route was amended to TC2_37 in January 2005, but is still commonly referred to as TC2.

Freight route TC6 is a benchmark route for refined products, loaded in North Africa and delivered to Mediterranean Europe. The ports of Skikda, Algeria and Lavera, France reflect reference points that are used to assess a Worldscale flat rate. Baltic has been assessing prices for the TC6 route since October 2004.

Freight route TC12 is a benchmark route for refined products, loaded in India and delivered to Far East. The ports of Sikka, India and Chiba, Japan reflect reference points that are used to assess a Worldscale flat rate. Baltic has been assessing prices for the TC12 route since March 2011.

[4] Source: Baltic Exchange
[5] The TC2 tanker route passes the ports at Nova Scotia (Canada) before reaching NY harbor. About 22 million MT of oil are exported to US and 4 million MT to Canada.

The UNCTAD[6] estimates of total international seaborne trade for petroleum and gas products in millions of metric tons of cargo are in Table 2. British Petroleum provides more granular details of refined products transported along the routes in its BP Statistical Review of World Energy[7] reports.

Table 2: International Seaborne Trade, Petroleum Products

Seaborne Trade of Oil Products	Million Metric Tons			
	2014	2015	2016	Average
World[8]	1,118	1,171	1,218	1,169
Europe to US and Canada East Coast	26.9	25.6	25.4	26.0
North Africa to Europe[9]	7.5	9.3	10.7	9.2
India to World	61.3	59.1	64.7	61.7

Source: UNCTAD, BP Statistical Review of Energy Products

Analysis of Deliverable Supply

In deriving the Deliverable Supply, BP Statistics was the primary source of reference data, as information were available for most of the routes for the past three years. The BP statistical data provided a broad estimate of the volumes of oil transported by tankers along the respective regional routes.

However, besides the tankers which ply the regional routes and utilize the Baltic assessments, the BP Statistics would have included other local tanker trade movements. Hence, a suitable proportion was applied to each of these routes in order to derive the deliverable supply relevant to each of the route assessments. Various news and data sources were used to estimate proportions to be applied to the average trade volumes, as shown in Table 3.

Table 3: Summary of Estimates of Traded Volumes Along the Baltic Assessed Freight Routes

Seaborne route	Average Trade Volume (million MT)[10]	Freight Route	Estimated Volume on Freight Route[11]	
			As % of Average Trade Volume	Volume (million MT)
Europe to US/Canada	26.0	TC2	85%	22.1
North Africa to Europe	9.2	TC6	100%	9.2
India to World/Far East	61.7	TC12	20%	12.3

The lot size for all the BALMO Futures contracts are 1,000 MT each. The position limits for the BALMO contracts are aggregated into their respective parent Futures contracts, which are all in 1,000 MT lot sizes. Table 4 provides the volume figures on these routes in equivalent parent contract lots per month, and the proposed position limits as a percentage of the deliverable supply.

[6] http://unctad.org/en/Pages/Publications/Review-of-Maritime-Transport-(Series).aspx
[7] https://www.bp.com/en/global/corporate/energy-economics/statistical-review-of-world-energy.html
[8] The UNCTAD figures were used for World total. BP Statistics figures were used for the regional totals.
[9] The data source for this route is from UN Comtrade, as no comparable figures are available from BP Statistics.
[10] Source: BP Statistical Review of Energy 2015, 2016, 2017
[11] Proportions based on following supplementary sources: UN Comtrade data for the majority of the routes, CIA Factbook 2013 and OPEC Report 2016 for TC15, Singapore Ports data for TD8.

Table 4: Proposed Position Limits as a Percentage of Deliverable Supply

Freight Route	Volume in million MT per year	Volume in thousand MT per month	Equivalent contract lots per month	Proposed position limit (lots)	Position limit as % of deliverable supply
TC2	22.1	1,839	1,839	450	24.5%
TC6	9.2	763	763	150	19.7%
TC12	12.3	1,025	1,025	200	19.5%

Freight Route Baltic TC2

The estimated annual deliverable supply of petroleum product exports from Europe to the US and Canada East Coast is 22.1 million MT per year, which is equivalent to 1,839 thousand MT per month, or 1,839 lots of the Freight Route TC2 (Baltic) futures contract (code: TM). The position limit of the expiring month positions is proposed to be reduced to 450 lots. This figure represents 24.5% of the oil products exported from Europe to US/Canada East Coast. The Balmo futures contract (code: TMB) is aggregated into TM.

The TC2 route is from Rotterdam to New York ports, and generically represents the oil products transported from Europe to the US and Canada East Coast. The TC2 tanker route passes the ports of Netherlands, UK, Belgium, France, Spain before crossing the Atlantic. On the destination side, the route goes past Nova Scotia (Canada) before reaching NY harbor. Even though most of the oil ends up in US (19 million MT), some (3 million MT) do end up in Canada. Hence the ports of destination included Canada & US

Europe to US/Canada (kg)	2014	2015	2016	Average
Canada				
Belgium	76,049,982	248,599,548	230,952,397	185,200,642
France	53,479,325	110,605,315	71,470,033	78,518,224
Germany	69,371,548	47,544,216	49,498,000	55,471,255
Netherlands	1,392,464,867	2,138,105,177	2,920,016,029	2,150,195,358
Norway	11,892	114,593,993	182,802,313	99,136,066
Spain	140,622,372	77,679,302	211,875,887	143,392,520
United Kingdom	424,527,771	257,352,610	598,794,060	426,891,480
Canada Total	2,156,527,757	2,994,480,161	4,265,408,719	3,138,805,546
US				
Belgium	3,792,377,809	3,887,719,469	3,200,259,180	3,626,785,486
France	1,378,625,806	1,658,801,128	1,462,916,446	1,500,114,460
Germany	73,236,731	26,367,189	28,454,586	42,686,169
Netherlands	4,680,112,252	3,799,923,752	4,427,610,812	4,302,548,939
Norway	1,649,444,757	2,294,890,526	1,625,755,162	1,856,696,815
Spain	2,800,879,168	3,004,431,754	2,838,806,530	2,881,372,484
United Kingdom	5,197,902,464	4,580,720,901	4,722,050,069	4,833,557,811
US Total	19,572,578,987	19,252,854,719	18,305,852,785	19,043,762,164

US + Canada Total	**21,729,106,744**	**22,247,334,880**	**22,571,261,504**	**22,182,567,709**

Europe to US/Canada (million MT)				
BP Statistics	**2014**	**2015**	**2016**	**Average**
Canada	4.9	3.3	4.0	4.1
US	22.0	23.3	21.4	21.9
US + Canada Total	**26.9**	**25.6**	**25.4**	**26.0**

Based on UN Comtrade data, Europe exported an average of 22.2 million MT per annum of oil products to US and Canada from 2014 to 2016. A proportion of 85% was applied to the BP Statistics for the Europe to US/Canada volumes to arrive at 22.1 million MT as the deliverable supply represented by the TC2 route.

Freight Route Baltic TC6

The estimated annual deliverable supply of petroleum product exports from North Africa to Europe is 9.2 million MT per year, which is equivalent to 763 thousand MT per month, or 763 lots of the Freight Route TC6 (Baltic) futures contract (code: TC6). A position limit is proposed to be 150 lots for the expiring month positions. This figure represents 19.7% of the petroleum products exported from North Africa to Europe. The Balmo futures contract (code: T6B) is aggregated into the TC6.

As there are no comparable figures from BP Statistics for this route, the analysis was based on data from UN Comtrade. TC6 is an assessment for the North Africa to Mediterranean Europe route for 30,000 dwt product tankers. However, it is frequently used for other cross-Mediterranean routes, including the Mediterranean Europe to North Africa routes, and intra-Mediterranean Europe routes. According to UN Comtrade data, the total Algeria to Mediterranean Europe, Mediterranean Europe to Algeria, and cross-Mediterranean Europe trade volumes averaged 9.2 million MT. This figure is used to represent the Deliverable Supply for the TC6 route.

Algeria to Mediterranean Europe (kg)	**2014**	**2015**	**2016**	**Average**
France	329,837,555	345,406,449	263,979,939	313,074,648
Italy	571,829,163	577,351,688	523,690,266	557,623,706
Spain	791,442,055	423,207,248	478,225,434	564,291,579
Sub-Total	1,693,108,773	1,345,965,385	1,265,895,639	1,434,989,932

Mediterranean Europe to Algeria (kg)	**2014**	**2015**	**2016**	**Average**
France	278,016,084	565,947,637	456,329,225	433,430,982
Italy	397,042,203	744,237,181	265,008,798	468,762,727
Spain	62,382,433	114,214,555	131,080,111	102,559,033
Sub-Total	737,440,720	1,424,399,373	852,418,134	1,004,752,742

Cross-Mediterranean Europe (kg)	**2014**	**2015**	**2016**	**Average**
France to Italy/Spain	940,442,772	819,321,221	1,037,238,252	932,334,082
Italy to France/Spain	2,041,363,444	3,199,964,625	4,573,174,108	3,271,500,726
Spain to France/Italy	2,074,423,973	2,509,245,684	2,950,123,365	2,511,264,341

Sub-Total	5,056,230,189	6,528,531,530	8,560,535,725	6,715,099,148
Total	**7,486,779,682**	**9,298,896,288**	**10,678,849,498**	**9,154,841,823**

Libya produces and exports as much volumes of oil to Europe as Algeria does[12]. However, UN Comtrade has no available data on Libya. The 9.2 million MT is therefore a conservative estimate of the volumes represented by TC6.

Freight Route Baltic TC12

The estimated annual deliverable supply of petroleum product exports from India to Far East is 11.9 million MT per year, which is equivalent to 990 thousand MT per month, or 990 lots of the Freight Route TC12 (Baltic) futures contract (code: FRS). The position limit is proposed to be reduced to 200 lots for the expiring month positions. This figure represents 20.2% of the petroleum products exported from India to Far East. The Balmo futures contract (code: TB2) is aggregated into the FRS.

The TC12 route represents oil products transported from India to the Far East, passing through the Straits of Singapore. Granular details from UN Comtrade are not available for 2016, but based on data from 2012, 2014 and 2015, the Far East (including Singapore) accounts for about 20% of India's total oil exports.

India to Far East (kg)	**2012**	**2014**	**2015**
China	385,257,000	1,798,075,984	1,198,329,833
Japan	3,076,216,768	2,335,534,883	2,001,777,289
Rep. of Korea	1,242,945,085	1,865,536,315	987,962,097
Singapore	9,268,310,021	6,210,269,236	6,022,707,359
India to Far East	13,972,728,874	12,809,416,418	10,210,776,578
India to World	58,884,630,241	69,461,172,702	58,530,755,656

We applied a proportion of 20% to the BP Statistical Figures for India to World to arrive an average of 11.9 million MT as the deliverable supply of oil volumes represented by the TC12 route.

India to World (million MT) BP Statistics	**2014**	**2015**	**2016**	**Average**
Total	**61.3**	**55.0**	**61.9**	**59.4**

[12] According to CIA Factbook, Libya exported 1.3 million bpd and Algeria exported 1.1 million bpd in 2013. https://www.cia.gov/library/publications/the-world-factbook/ , also found in http://www.indexmundi.com/g/r.aspx?v=95