SUBMISSION COVER SHEET

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

Registered Entity Identifier Code (optional): <u>21-117</u>

Organization: <u>New York Mercantile Exchange, Inc. ("NYMEX")</u>

Filing as a: ☒ **DCM** ☐ **SEF** ☐ **DCO** ☐ **SDR**

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): <u>04/08/2021</u> Filing Description: <u>Initial Listing of the Freight Route TC18 (Baltic) Futures Contract</u>

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:

CME Group

Christopher Bowen
Managing Director and Chief Regulatory Counsel
Legal Department

April 8, 2021

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 40.2(a) Certification. Notification Regarding the Initial Listing of the Freight Route TC18 (Baltic) Futures Contract.
NYMEX Submission No. 21-117

Dear Mr. Kirkpatrick:

New York Mercantile Exchange, Inc. ("NYMEX" or "Exchange") is certifying to the Commodity Futures Trading Commission ("CFTC" or "Commission") the initial listing of the Freight Route TC18 (Baltic) Futures contract (the "Contract") for trading on the CME Globex electronic trading platform ("CME Globex") and for submission for clearing via CME ClearPort, effective Sunday, April 25, 2021, for trade date Monday April 26, 2021, as more specifically described below.

Contract Title	Freight Route TC18 (Baltic) Futures
CME Globex and CME ClearPort Code	T8C
Rulebook Chapter	689
Settlement Type	Financial
Contract Size	1,000 metric tons
Pricing Quotation	U.S. dollars and cents per metric ton
Minimum Price Fluctuation	$0.0001 per metric ton
Value Per Tick	$0.10
First Listed Contract	May 2021
Termination of Trading	January to November contract months: the last business day of the calendar month. December contract month: the 24th calendar day of the month, or if this is not a business day, the first preceding business day.
Settlement Period	January to November contract months: The Settlement Period shall be the full calendar month. December contract 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.
Listing Schedule	Monthly contracts listed for the current year and the next 3 calendar years. List monthly contracts for a new calendar year following the termination of trading in the November contract of the current year.
Block Trade Minimum Threshold	5 contracts – subject to a minimum 15-minute reporting window
CME Globex Match Algorithm	First-In, First-Out (FIFO)

300 Vesey Street New York, NY 10282 T 212 299 2200 F 212 301 4645 christopher.bowen@cmegroup.com cmegroup.com

Trading and Clearing Hours	**CME Globex**: 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) **CME Globex Pre-Open**: Sunday 5:00 p.m. – 6.00 p.m. ET (4:00 p.m. – 5:00 p.m. CT) Monday – Friday 5.45 p.m. – 6:00 p.m. ET (4:45 p.m. to 5:00 p.m. CT) **CME ClearPort**: Sunday - Friday 6:00 p.m. - 5:00 p.m. ET (5:00 p.m. - 4:00 p.m. CT) with a 60-minute break each day beginning at 5:00 p.m. ET (4:00 p.m. CT)

The Exchange is also certifying to the CFTC a minimum block threshold of five (5) contracts which is alighed with minimum block threshold of NYMEX's similar futures contracts.

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:

- **Compliance with Rules:** Trading in the Contract will be subject to all NYMEX Rules, including prohibitions against fraudulent, noncompetitive, unfair and abusive practices as outlined in NYMEX Rule Chapter 4, the Exchange's trade practice rules, the majority of which are contained in Chapter 5 and Chapter 8 of the NYMEX Rulebook, and the dispute resolution and arbitration procedures of NYMEX Rule Chapter 6. As with all products listed for trading on one of CME Group's designated contract markets, trading activity in the Contracts 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 Contract is based on a cash price series that is reflective of the underlying cash market and is commonly relied on and used as reference price by cash market brokers and commercial market participants.

- **Prevention of Market Disruption:** Trading in the Contract will be subject to the Rules of NYMEX, which include prohibitions on manipulation, price distortion, and disruption to the cash settlement process. As with any new products listed for trading on a CME Group designated contract market, trading activity in the Contracts 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 Contract is demonstrated in this submission are consistent with the Commission's guidance.

- **Availability of General Information:** The Exchange will publish on its website information regarding contract specifications, terms, and conditions, as well as daily trading volume, open interest, and price information for the Contract.

- **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.

- **Execution of Transactions:** The Contract 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 Contract 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 Contract 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:** NYMEX 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 Contract 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 Regulations 40.2(a), the Exchange hereby certifies that listing the 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 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: NYMEX Rulebook Chapter
Exhibit B: Position Limits, Position Accountability and Reportable Level Table in Chapter 5 of the NYMEX Rulebook (blackline format) (attached under separate cover)
Exhibit C: NYMEX Rule 588.H. – ("Globex Non-Reviewable Trading Ranges") Table (blackline format)
Exhibit D: Exchange Fees
Exhibit E: Cash Market Overview and Analysis of Deliverable Supply

Exhibit A
NYMEX Rulebook

Chapter 689
Freight Route TC18 (Baltic) Futures

689100. SCOPE OF CHAPTER

The provisions of these rules shall apply to all futures 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.

689101. CONTRACT SPECIFICATIONS

The Floating Price for each contract month is equal to the arithmetic average of the freight rate published each day during the Settlement Period by the Baltic Exchange for the TC18 freight route (i.e. US Gulf to Brazil) for cargoes of 38,000metric tons, or as subsequently amended) valued in Worldscale points multiplied by the applicable Worldscale flat rate for the TC18 route (as defined by Baltic Exchange).

689102. TRADING SPECIFICATIONS

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.

689102.A. Trading Schedule

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

689102.B. Trading Unit

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.

689102.C. Price Increments

Prices shall be quoted in U.S. dollars and cents per metric ton. The minimum price fluctuation shall be $0.0001 per metric ton.

689102.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.

689102.E. 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.

689102.F. Termination of Trading

For contract months January to November inclusive: Trading terminates on the last business day of the calendar month.

For December contract months: Trading terminates on the 24th calendar day of the month, or if this is not a business day, the first preceding business day.

689103. 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.

689104. 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
(attached under separate cover)

Exhibit C
NYMEX Rulebook
Chapter 5
(“Trading Qualifications and Practices”)
Rule 588.H. (“Globex Non-Reviewable Ranges”) Table
(additions underscored)

Outright						Spreads	
Instrument Name	Globex Symbol	Globex Non-Reviewable Ranges (NRR)	NRR: Globex Format	NRR: Ticks		NRR: Globex Format	NRR: Minimum Outright Ticks
Freight Route TC18 (Baltic) Futures	T8C	$0.20 per metric ton	2000	2000		N/A	

Exhibit D

Exchange Fees

	Member	Non-Member	International Incentive Programs (IIP/IVIP)
CME Globex	$2.60	$3.25	$2.90
EFP	$2.60	$3.25	
Block	$2.60	$3.25	
EFR/EOO	$2.60	$3.25	
Processing Fees			
Cash Settlement	$0.50		
Facilitation Fee	$0.60		
Give-Up Surcharge	$0.05		
Position Adjustment/Position Transfer	$0.10		

Exhibit E

Cash Market Overview and Analysis of Deliverable Supply

Data Sources:

New York Mercantile Exchange, Inc. ("NYMEX" or "Exchange") based its analysis of deliverable supply on data provided by the Review of Maritime Transport[1] and British Petroleum's ("BP") Statistical Review of World Energy reports.

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 is 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. BP finds and produces oil and gas on land and offshore and moves energy around the globe. The **BP Statistical Review of World Energy** 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 refined products, and the BP data provides further granularity to enable the volumes transported along the specific freight routes to be estimated.

The final settlement prices for the Freight Route TC18 (Baltic) Futures contract (the "Contract") is based on freight route assessment by The Baltic Exchange ("Baltic") for TC18 (a refined products route from Houston to Santos in Brazil – 38,000 metric tons). NYMEX and Baltic have entered into an agreement whereby NYMEX utilizes Baltic's index assessment for the Contract.

Baltic appoints "panel reporting companies, whose core obligations are to assess and report a professional judgment of the prevailing open market level for routes defined by Baltic. To become a panel reporting company, the firm must meet a set of criteria established by Baltic. One key criterion is that the firm's main business is shipbroking. Principals are excluded, as are brokers who are exclusive representatives of charterers who are particularly influential in relevant trades. Baltic uses reporting panels because there is no independently verifiable 'right' or 'wrong' rate. Whilst care is taken to ensure the daily route assessments provide a fair valuation of the current market, levels at any particular time are ultimately a matter of judgment. Brokers typically provide a best judgement on freight rates where limited data maybe available. Such judgement will be based on all relevant market-based information available to the brokerage desks that provide data to the Baltic Exchange index assessment teams.

Freight Market Overview

According to the 2019 UNCTAD Report (Review of Maritime Transport)[2], global tanker trade decreased by 1% in 2019 to 3.16 billion tons. Crude oil trade fell 1.1% to 1.86 billion tons whilst refined products (referred

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[1] United Nations Conference on Trade and Development (UNCTAD) Review of Maritime Transport 2019 https://unctad.org/en/pages/PublicationWebflyer.aspx?publicationid=2563

[2] UNCTAD 2019 report https://unctad.org/system/files/official-document/rmt2020_en.pdf

to as other tanker trade) fell 0.9% to 1.3 billion tons in 2019. Trade slowed partly on the back of slower global economic growth and extended refinery maintenance periods with many refiners adjusting for the IMO fuel regulation change that came into effect in January 2020. Naphtha shipments fell on increased competitive pressures from LPG with chemical refiners opting to refine cheaper LPG. Naphtha shipments account for about 20% of global clean products trade, according to Clarksons.

Table 1.5 **Tanker trade, 2018–2019** (Million tons and annual percentage change)

Tanker trade[a]	2018	2019	Percentage change 2018–2019
Crude oil	1 881	1 860	-1.1
Other tanker trade[a] *of which:*	1 320	1 308	-0.9
Gas	416	461	10.8
Total tanker trade	**3 201**	**3 169**	**-1.0**

Sources: UNCTAD calculations, derived from table 1.2 of this report.
Note: Gas figures are derived from Clarksons Research, 2020c, *Seaborne Trade Monitor*, Volume 7, No. 6, June.
[a] Includes refined petroleum products, gas and chemicals.

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 Baltic[3] 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.

According to the UNCTAD a **Very Large Crude Carrier** is the term given to vessels with 200,000 deadweight tons (dwt) and above. These vessels typically carry crude oil on long sea-going voyages from regions like the US Gulf Coast to Asia. **Suezmax** vessels are smaller in size than VLCCs, typically between 120,000 and 200,000 dwt, and are so named as they represent the largest tankers that can transit, the Suez Canal. **Aframax** vessels are typically between 80,000 and 119,999 dwt and **Panamax** tankers range from 60,000 to 79,999 dwt. In the smaller categories, **Medium Range tankers** are typically between 40,000 and 64,999 dwt and **short-range Handy tankers** are typically between 25,000 and 39,000 dwt[4].

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 defined time-period during which the charterer can direct the movement of the vessel, although typically the vessel will follow a route between two ports. The

[3] The Baltic Exchange https://www.balticexchange.com/

[4] UNCTAD 2020 – Review of World shipping report https://unctad.org/system/files/official-document/rmt2020_en.pdf

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 which is set on an annual basis. This flat rate represents a fixed value in dollars per metric ton for a specific route. In some cases, market convention is to quote current tanker freight prices as a percentage of this flat rate figure (quoted in Worldscale points), rather than an explicit dollar value for each transaction. For example, if the worldscale flat rate is $10 per metric ton for a route like Houston to Brazil and the published worldscale rate is WS120 then the freight cost in USD and cents per metric ton will be USD 12/mt (when converted).

Baltic has defined load and discharge ports for the freight routes and made this public via an Exchange circular. Baltic uses a panel of freight brokers who are active in the market to provide an assessment of each freight route. Other Price Reporting Agencies such as Platts and Argus Media also collate and publish market price data.

Route TC18 – Assessment Based on the Routes – Houston to Santos in Brazil

The assessed cargo size is 38,000 metric tons with lay days cancelling 6-12 days in advance. Max age 15 years. Total commission 3.75%.

In the BP statistical review of world energy total intra area volume is reported covering the product trade between the U.S and Central and South America. The Exchange is not proposing to make any further adjustments to the data as the panelist brokers that are active on the Houston to Brazil route will use trade information into the broader South American markets to inform their view about the products being shipped to Brazil and the cost of freight for doing so. Considering this information, the Exchange does not believe that any further adjustments are required.

Table 1: Annual volumes of Product trade from the U.S. to Central and South America
Unit: Million tons

Route	2017	2018	2019	3-year average
United States to S & Central America	80	80.7	83	81.2

Source: BP Statistical Review of World Energy reports[5]

The average volume of products transported from the United States to South and Central America was 81.2 million tons per year. This equates to 6.76 million tons per month or 6,766 monthly futures contracts equivalent, based on a lot size of 1,000 metric tons.

[5] BP Statistical Review of World Energy 2020 report https://www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/energy-economics/statistical-review/bp-stats-review-2020-full-report.pdf?utm_source=BP_Global_GroupCommunications_UK_external&utm_medium=email&utm_campaign=11599394_Statistical%20Review%202020%20-%20on%20the%20day%20reminder&dm_i=1PGC%2C6WM5E%2COV0LQ4%2CRQW75%2C1

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. (See Appendix C to 17 CFR part 38).

For the TC18 freight route, the Exchange used data from the BP statistical review of world energy reports 2018 to 2020 (covering the period 2017 to 2019, which represents the latest data available). This data source was used as BP provides data on the volume of freight transported from the U.S. to Central and South America on an annualized basis measured in metric tons. Based on the BP statistics, total trade was 81.2 million tons per year or 6.766 million tons per month or 6,766 futures contracts equivalent.

In the BP statistical review of world energy, the total volume of refined products is shown from the U.S. to South and Central America. The Exchange is not proposing to make any further adjustments to the data as the panelist brokers that are active on the Houston to Brazil route will use trade information into the broader South American markets to inform their view about the products being shipped to Brazil and the cost of freight for doing so. Trades from the U.S. to South America may also include shipments from West Coast to South America (such as to Peru for example) Considering this information, the Exchange does not believe that any further adjustments are required.

In the freight markets, shipping fixtures are typically concluded "as and when" depending on regional requirements. Ships can be re-traded where market conditions change and for the oil itself, it can be transferred into storage or can be re-traded to other lifters. Therefore, the Exchange has not made any further adjustments to the deliverable supply to account for this.

For the Freight Route TC18 (Baltic) Futures contract, the Exchange has determined that on average the volume of products shipped from the U.S. to Central and South America was 81.2 million metric tons based on the three-year average data supplied in the BP Statistical Review of World Energy report for the period 2017-2019. This equates to a monthly deliverable supply of 6.766 million tons per month or 6,766 futures contracts equivalent based on a futures lot contract size of 1,000 metric tons. The Exchange proposes a spot month position limit of 1,250 contracts which equates to 18.47% of the monthly deliverable supply.