

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 15-017

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): January 8, 2015 **Filing Description:** Notification Regarding the Initial Listing of a Wet Bulk Freight Futures Contract – Freight Route Liquid Petroleum Gas (Baltic) Futures Contract

SPECIFY FILING TYPE

Please note only ONE choice allowed per Submission.

Organization Rules and Rule Amendments

- | | | |
|--------------------------|-------------------------------------|------------|
| <input type="checkbox"/> | Certification | § 40.6(a) |
| <input type="checkbox"/> | Approval | § 40.5(a) |
| <input type="checkbox"/> | Notification | § 40.6(d) |
| <input type="checkbox"/> | Advance Notice of SIDCO Rule Change | § 40.10(a) |
| <input type="checkbox"/> | SIDCO Emergency Rule Change | § 40.10(h) |

Rule Numbers:

New Product

Please note only ONE product per Submission.

- | | | |
|-------------------------------------|---------------------------------------|------------|
| <input checked="" type="checkbox"/> | Certification | § 40.2(a) |
| <input type="checkbox"/> | Certification Security Futures | § 41.23(a) |
| <input type="checkbox"/> | Certification Swap Class | § 40.2(d) |
| <input type="checkbox"/> | Approval | § 40.3(a) |
| <input type="checkbox"/> | Approval Security Futures | § 41.23(b) |
| <input type="checkbox"/> | Novel Derivative Product Notification | § 40.12(a) |
| <input type="checkbox"/> | Swap Submission | § 39.5 |

Official Product Name: Freight Route Liquid Petroleum Gas (Baltic) Futures Contract

Product Terms and Conditions (product related Rules and Rule Amendments)

- | | | |
|--------------------------|---|----------------------|
| <input type="checkbox"/> | Certification | § 40.6(a) |
| <input type="checkbox"/> | Certification Made Available to Trade Determination | § 40.6(a) |
| <input type="checkbox"/> | Certification Security Futures | § 41.24(a) |
| <input type="checkbox"/> | Delisting (No Open Interest) | § 40.6(a) |
| <input type="checkbox"/> | Approval | § 40.5(a) |
| <input type="checkbox"/> | Approval Made Available to Trade Determination | § 40.5(a) |
| <input type="checkbox"/> | Approval Security Futures | § 41.24(c) |
| <input type="checkbox"/> | Approval Amendments to enumerated agricultural products | § 40.4(a), § 40.5(a) |
| <input type="checkbox"/> | “Non-Material Agricultural Rule Change” | § 40.4(b)(5) |
| <input type="checkbox"/> | Notification | § 40.6(d) |

Official Name(s) of Product(s) Affected:

Rule Numbers:

January 8, 2015

VIA ELECTRONIC PORTAL

Christopher Kirkpatrick
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, D.C. 20581

Re: CFTC Regulation 40.2(a) Certification. Notification Regarding the Initial Listing of Freight Route Liquid Petroleum Gas (Baltic) Futures Contract. NYMEX Submission No. 15-017

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 listing of a wet bulk freight futures contract, Freight Route Liquid Petroleum Gas (Baltic) Futures contract, for trading on the NYMEX trading floor and CME Globex, and for submission for clearing through CME ClearPort effective on Sunday, January 25, 2015 for trade date Monday, January 26, 2015.

Pursuant to Commission Regulation 40.6(a), the Exchange is separately self-certifying block trading on this contract with a minimum threshold of two (2) contracts as listed in NYMEX Submission No 15-014.

The Contract specifications are as follows:

Contract	Freight Route Liquid Petroleum Gas (Baltic) Futures Contract
Commodity Code	FLP
Rulebook Chapter	679
Contract Unit	1,000 metric tons
Price Quotation	US Dollars and cents per metric ton
Minimum Price Tick	\$0.001
Minimum Price Tick for Final Settlement Price	\$0.001
First Listed Month	February 2015
Listing Period	CME Globex: 1 month NYMEX Trading Floor and CME ClearPort: every month for current year plus next two calendar years
CME Globex Match	First In First Out (FIFO)

Algorithm	
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

- **Trading Hours:**

Open Outcry: Monday – Friday 9:00 a.m. to 2:30 p.m. (8:00 a.m. to 1:30 p.m. Central Time/CT)
CME Globex and CME ClearPort: Sunday – Friday 6:00 p.m. – 5:15 p.m. (5:00 p.m. – 4:15 p.m. Central Time/CT) with a 45-minute break each day beginning at 5:15 p.m. (4:15 p.m. Central Time/CT)

- **Trading and Clearing Fees:**

Exchange Fees				
	Member	Cross Division	Non-Member	IIP
Pit	\$2.60	\$2.90	\$3.25	
Globex	\$2.60	\$2.90	\$3.25	\$2.90
ClearPort	\$2.60		\$3.25	
Agency Cross	\$2.60		\$3.25	

Other Processing Fees		
	Member	Non-Member
Cash Settlement	\$0.50	\$0.50
Additional Fees and Surcharges		
Facilitation Desk Fee	\$1.00	

The Exchange is also notifying the CFTC that it is self-certifying the insertion of the terms and conditions for the new futures contract into the Position Limit, Position Accountability and Reportable Level Table and Header Notes located in the Interpretations and Special Notices Section of Chapter 5 of the NYMEX Rulebook in relation to the listing of the new contract. These terms and conditions establish the all month/any one month accountability levels, expiration month position limit, reportable level, diminishing balance and aggregation allocation for the contract.

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 new product 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: Price Assessment information will be published daily on the Exchange's website and via quote vendors.
- 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 and the NYMEX trading floor and for clearing through the CME ClearPort platform. The CME ClearPort platform provides a competitive, open and efficient mechanism for novating transactions that are competitively executed by brokers. The CME Globex electronic trading platform provides for a competitive and open execution of transactions due to its advanced functionality, high reliability and global connectivity. Establishing non-reviewable trading ranges for Globex trades in the products facilitate price discovery in the products by encouraging narrow bid/ask spreads. In addition, the NYMEX trading floor continues to be available as a trading venue and provide for competitive and open execution of transactions.
- 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 and will be applicable to transactions in the subject contracts.
- 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.

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. A description of the cash market for this new product is attached in Appendix D.

The Exchange certifies that this submission has been concurrently posted on the Exchange's website at <http://www.cmegroup.com/market-regulation/rule-filings.html>.

Should you have any questions concerning the above, please contact the undersigned at (212) 299-2200 or via e-mail at CMEGSubmissionInquiry@cmegroup.com.

Sincerely,

/s/ Christopher Bowen
Managing Director and Chief Regulatory Counsel

Attachments: Appendix A: NYMX Rulebook Chapter
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 679

Freight Route Liquid Petroleum Gas (Baltic) Futures

679100. 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.

679101. CONTRACT SPECIFICATIONS

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 679102.E of these rules.

679102. 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.

679102.A. Trading Schedule

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

679102.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.

679102.C. 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.

679102.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.

679102.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.

679102.F. Termination of Trading

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

679103. 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.

679104. 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 Limit, Position Accountability, and Reportable Level Table in Chapter 5

of the NYMEX Rulebook

(attached under separate cover)

APPENDIX C

NYMEX Rule 588.H. Non-Reviewable Range Table

(underscore denotes addition)

Instrument	Non-Reviewable Range (NRR) in Globex format	NRR including Unit of Measure	NRR Ticks
<u>Freight Route Liquid Petroleum Gas (Baltic) Futures</u>	<u>200</u>	<u>\$0.20 per metric ton</u>	<u>200</u>

APPENDIX D

Cash Market Overview

The New York Mercantile Exchange, Inc. (“NYMEX” or “Exchange”) is self-certifying the listing of a Freight Route Liquid Petroleum Gas (Baltic) futures contract for trading on the NYMEX trading floor, 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 value¹. 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 is also produced when natural gas is extracted from the gas fields. HIS estimates that in the Middle East, 92% of LPG are derived from natural gas processing, whereas oil refineries account for 99% of LPG production in the Far East Asia.

The Middle East’s share in global LPG production stands at in relatively modest 24.5% in 2012, according to Argus Statistical Review of Global LP Gas. According to IHS Global Insight and Danish Ship Finance, the world’s seaborne LPG trade increased to 57 million tonnes in 2013 from 54 million tonnes in 2012. The Middle East exported 38 million tonnes of LPG in 2013, accounting for 66% of the total seaborne LPG market. Close to 90% of Asia’s LPG imports are supplied by the Middle East.

Asia Pacific is the largest importer of LPG in the world, and accounted for 37 million tonnes per annum (mtpa) or 65% of the LPG transported by sea in 2013. Of the 3 million tonne global increase over 2012, roughly 2 million tonnes of that increase were due to imports to Asia Pacific. The bulk of the LPG imports into Asia originate from the Middle East. Qatar and Saudi Arabia are the two largest exporters, accounting for 11 mtpa and 8 mtpa respectively. The Baltic BLPG1 represents the LPG freight route from Ras Tanura (Middle East) to Chiba (Japan).

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>

The shale revolution in US has led to a sharp increase in US LPG exports, and in the EIA's Annual Energy Outlook 2013, US net exports of LPG is projected to grow by half a million b/d from 2011 to 2017. This could alter some of the existing patterns of global LPG trade. Meanwhile, Asian demand dominates LPG trade and the Middle East to Asia routes account for 64% of global LPG trades in ton-miles. Baltic Exchange's BLPG1 assessment is for the Ras Tanura to Chiba LPG route, a distance of 8,000 nautical miles one way.

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 $1 \text{ cbm} \approx 0.75 \text{ to } 0.8 \text{ dwt}$.

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 Arabian Gulf 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.

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.

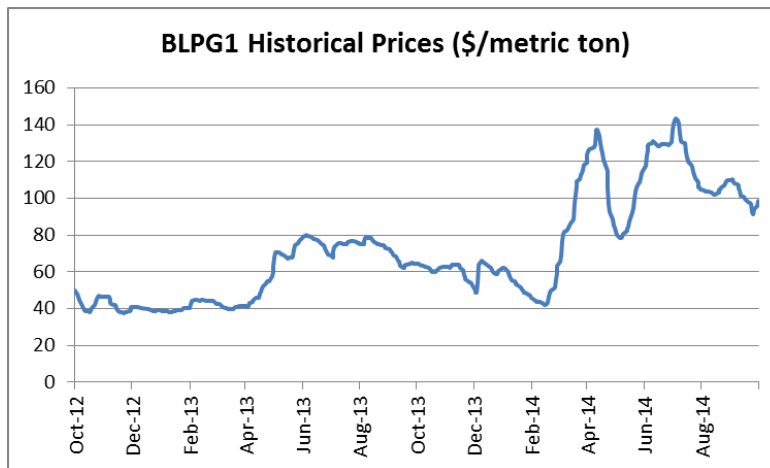
Route: Ras Tanura (Middle East) to Chiba (Japan)

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 \$100/MT and the historical price movements are shown in the chart below.



Source: *Baltic Exchange*

Analysis of Deliverable Supply

a) 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 metric tons deadweight, which is used for transporting propane and butane cargoes from Ras Tanura to Chiba, a distance of 8,000 nautical miles.

According to IHS Global Insight and Danish Ship Finance, the Asia Pacific accounted for 37 million tonnes or 65% of the LPG transported by sea in 2013. This works out to a monthly average of 3.1 million tonnes per month for 2013.

Given the on-going geopolitical uncertainty between the US and Iran, we also ran the numbers assuming that Iran was removed from the list of LPG suppliers to Asia. Using more granular figures from Comtrade, the reported volumes of Propane and Butane exported from Qatar, UAE, Saudi Arabia, Bahrain, Kuwait and Oman, and imported into China, Japan and South Korea accounted for an average of 17.2 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 1.43 million metric tonnes per month as the lower limit for the amount of LPG cargoes accounted for by this assessed BLPG1 sea route. This more conservative estimate was used for the purpose of setting Position Limits. Details are in the table below:

Country of Import	000 mt (excluding Iran)		
	2011	2012	2013
China	2,417	2,506	3,227
Japan	10,318	10,928	9,464
South Korea	4,619	3,651	4,512
Total	17,354	17,086	17,203
3 year Average			17,214
Monthly Average			1,434

According to Danish Ship Finance, the LPG market is expected to remain strong in 2014, though the double-digit fleet size growth in 2015 may impact freight demand over the longer term. The historical and estimated total international seaborne trade of LPG are as follows:

Year	Seaborne export growth (%)	Number of LPG ships	LPG Fleet (million cbm)	LPG Fleet growth (%)
2010	-12%	529	19.3	+3%
2011	+6%	546	19.6	+1%
2012	+7%	549	19.9	+2%
2013	+6%	584	21.3	+8%

2014e	+6%	614	21.9	+3%
2015e	+5%	-	24.3	+11%

Source: IHS Global Insight, Danish Ship Finance, Bloomberg

b) 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.

The proposed expiration month position limit is 300 lots, equivalent to 300,000 metric tonnes. This is equivalent to 20.9% of the available 1,434,000 metric tons LPG tonnage freighted from Middle East to Japan, China and South Korea, using the statistical figures from Comtrade.