

**SUBMISSION COVER SHEET**

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

Registered Entity Identifier Code (optional): 17-108 (1 of 2)

Organization: New York Mercantile Exchange ("NYMEX")

Filing as a: DCM SEF DCO SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 04/21/17 Filing Description: Initial Listing of Two (2) Fuel Oil Spread 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:**

**Rule Numbers:**

April 21, 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 the Initial Listing of Two (2) Fuel Oil Spread Futures Contracts. NYMEX Submission No. 17-108 (1 of 2)**

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 two (2) fuel oil spread futures contracts (the “Contracts”) for trading on the CME Globex electronic platform and for submission for clearing via CME ClearPort, effective Sunday, May 7, 2017 for trade date Monday, May 8, 2017, as set forth below.

<b>Contract Title</b>	3.5% Fuel Oil CIF Med (Platts) vs. 3.5% Fuel Oil FOB Med (Platts) Futures
<b>Commodity Code</b>	CMF
<b>Rulebook Chapter</b>	512
<b>Settlement Method</b>	Financial
<b>Contract Size</b>	1,000 metric tons
<b>Listing Schedule</b>	Monthly contracts listed for the current year and the next two (2) calendar years. Monthly contracts for a new calendar year will be added following the termination of trading in the December contract of the current year.
<b>Minimum Price Fluctuation</b>	CME Globex: \$0.01 per metric ton CME ClearPort: \$0.001 per metric ton Daily settlement prices and the final settlement price shall have a minimum price fluctuation of \$0.001 per metric ton.
<b>Value per Tick</b>	CME Globex: \$10.00 CME ClearPort: \$1.00
<b>First Listed Month</b>	June 2017

<b>Block Trade Minimum Threshold</b>	5 contracts
<b>Termination of Trading</b>	Last business day of the contract month
<b>CME Globex Match Algorithm</b>	First In First Out (FIFO)

<b>Contract Name</b>	3.5% Fuel Oil CIF Med (Platts) vs. 3.5% Fuel Oil FOB Med (Platts) BALMO Futures
<b>Commodity Code</b>	CMB
<b>Rulebook Chapter</b>	513
<b>Settlement Method</b>	Financial
<b>Contract Size</b>	1,000 metric tons
<b>Listing Schedule</b>	Current month plus two (2) consecutive months.
<b>Minimum Price Fluctuation</b>	CME Globex: \$0.01 per metric ton CME ClearPort: \$0.001 per metric ton Daily settlement prices and the final settlement price shall have a minimum price fluctuation of \$0.001 per metric ton.
<b>Value per Tick</b>	CME Globex: \$10.00 CME ClearPort: \$1.00
<b>First Listed Month</b>	June 2017
<b>Block Trade Minimum Threshold</b>	5 contracts
<b>Termination of Trading</b>	Last business day of the contract month
<b>CME Globex Match Algorithm</b>	First In First Out (FIFO)

**Trading and Clearing Hours:**

CME Globex and CME ClearPort	Sunday - Friday 6:00 p.m. - 5:00 p.m. (5:00 p.m. - 4:00 p.m. Central Time/CT) with a 60-minute break each day beginning at 5:00 p.m. (4:00 p.m. CT)
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**Trading and Clearing Fees:**

<b>Exchange Fees</b>	<b>Member</b>	<b>Non-Member</b>	<b>International Incentive Programs (IIP/IVIP)</b>
CME Globex	\$7.00	\$9.00	\$8.00
Block	\$7.00	\$9.00	
EFR/EOO	\$7.00	\$9.00	

Agency Cross	\$7.00	\$9.00	
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Processing Fees	Member	Non-Member
Cash Settlement	\$1.00	\$1.00

Other Fees	
Facilitation Fee	\$0.60
Give-Up Surcharge	\$0.05
Position Adjustment/Transfer	\$0.10

The Exchange is also notifying the CFTC that it is self-certifying the insertion of the terms and conditions for these Contracts 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 contracts. The terms and conditions establish the all month/any one-month accountability levels, expiration month position limit, reportable level, and aggregation allocation for the new Contracts. Please see Appendix B, attached under separate cover.

NYMEX is also notifying the CFTC that it is self-certifying block trading on these Contracts with a minimum block threshold of 5 contracts. This level aligns with the Exchange's other and similar European fuel oil 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 these Contracts 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 these 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 Contracts are not readily subject to manipulation as a result of the deep liquidity and robustness of the underlying cash and futures market and the settlement index. Pursuant to the Exchange's obligations under this core principle, the final settlement indices are published by Platts and sub-licensed to the Exchange.

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

**Availability of General Information:** The Exchange will publish on its website information in regard to contract specifications, terms, and conditions, as well as daily trading volume, open interest, and price information for these Contracts.

**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 these Contracts.

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

**Trade Information:** All requisite trade information for these Contracts will be included in the audit trail and is sufficient for the Market Regulation Department to monitor for market abuse.

**Financial Integrity of Contract:** These Contracts will be cleared by the CME Clearing House, a derivatives clearing organization registered with the Commodity Futures Trading Commission 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 these 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 product is identified.

**Dispute Resolution:** Disputes with respect to trading in these Contracts will be subject to the arbitration provisions set forth in Chapter 6 of the Rulebook. Chapter 6 allows all non-members to submit a claim for financial losses resulting from transactions on the Exchange to arbitration. A member named as a respondent in a claim submitted by a 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 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](mailto:CMEGSubmissionInquiry@cmegroup.com).

Sincerely,

/s/ Christopher Bowen  
Managing Director and Chief Regulatory Counsel

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

## **Appendix A**

### **Chapter 512**

#### **3.5% Fuel Oil CIF Med (Platts) vs. 3.5% Fuel Oil FOB Med (Platts) Futures**

##### **512100. SCOPE OF CHAPTER**

The provisions of these rules shall apply to all contracts bought or sold on the Exchange for cash settlement based on the Floating Price.

##### **512101. CONTRACT SPECIFICATIONS**

The Floating Price for each contract month is equal to the arithmetic average of the mid-point of the high and low quotations from the Platts European Marketscan for 3.5% Fuel Oil under the heading "Cargoes CIF Med (Genoa/Lavera)" minus 3.5% Fuel Oil under the heading "FOB Med (Italy)" for each business day during the contract month (using Non-common pricing).

Floating Price is calculated using the non-common pricing convention. In calculating the spread differential, the monthly average for each component leg of the spread shall be calculated by using all trading days in the month for each component leg of the spread, followed by the calculation of the spread differential between the two averages.

##### **512102. TRADING SPECIFICATIONS**

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

###### **512102.A. Trading Schedule**

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

###### **512102.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.

###### **512102.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. There shall be no maximum price fluctuation.

###### **512102.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.

###### **512102.E. Termination of Trading**

Trading shall cease on the last business day of the contract month.

##### **512103. FINAL SETTLEMENT**

Delivery 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.

512104.

**DISCLAIMER**

S&P Global Platts, a division of S&P Global Inc. ("Platts"), licenses New York Mercantile Exchange Inc. ("NYMEX") to use various Platts price assessments in connection with the trading or posting of the contracts.

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## Chapter 513

### 3.5% Fuel Oil CIF Med (Platts) vs. 3.5% Fuel Oil FOB Med (Platts) BALMO Futures

#### 513100. SCOPE OF CHAPTER

The provisions of these rules shall apply to all contracts bought or sold on the Exchange for cash settlement based on the Floating Price.

#### 513101. CONTRACT SPECIFICATIONS

The Floating Price for each contract month is equal to the balance of month arithmetic average of the mid-point of the high and low quotations from the Platts European Marketscan for 3.5% Fuel Oil under the heading "Cargoes CIF Med (Genoa/Lavera)" minus 3.5% Fuel Oil under the heading "FOB Med (Italy)" for each business day during the contract month (using Non-common pricing).

Floating Price is calculated using the non-common pricing convention. In calculating the spread differential, the monthly average for each component leg of the spread shall be calculated by using all trading days in the month for each component leg of the spread, followed by the calculation of the spread differential between the two averages.

#### 513102. TRADING SPECIFICATIONS

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

##### 513102.A. Trading Schedule

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

##### 513102.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.

##### 513102.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. There shall be no maximum price fluctuation.

##### 513102.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.

##### 513102.E. Termination of Trading

Trading shall cease on the last business day of the contract month.

#### 513103. FINAL SETTLEMENT

Delivery 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.

#### 513104. DISCLAIMER

S&P Global Platts, a division of S&P Global Inc. ("Platts"), licenses New York Mercantile Exchange Inc. ("NYMEX") to use various Platts price assessments in connection with the trading or posting of the contracts.



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## **Appendix B**

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

(attached under separate cover)

## **Appendix C**

### **NYMEX Rule 588.H. (“Globex Non-Reviewable Trading Ranges”) Table**

(additions are underscored)

<b>Instrument Name</b>	<b>Globex Symbol</b>	<b>Globex Non-Reviewable Ranges (NRR)</b>	<b>NRR: Globex Format</b>	<b>NRR: Ticks</b>
<u>3.5% Fuel Oil CIF Med (Platts) vs. 3.5% Fuel Oil FOB Med (Platts) BALMO Futures</u>	<u>CMF</u>	<u>\$2.00 per metric ton</u>	<u>200</u>	<u>200</u>
<u>3.5% Fuel Oil CIF Med (Platts) vs. 3.5% Fuel Oil FOB Med (Platts) Futures</u>	<u>CMB</u>	<u>\$2.00 per metric ton</u>	<u>200</u>	<u>200</u>

## **Appendix D**

### **Cash Market Overview**

#### **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 has determined that the spot month position limits for the 3.5% Fuel oil CIF Med (Platts) Futures contract (commodity code 7D, Rulebook chapter 471) and the 3.5% Fuel Oil FOB Med (Platts) Futures contract (commodity code UI, Rulebook chapter 661) represent less than 25% of deliverable supply.

#### **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<sup>1</sup> 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 Sources**

The Exchange has used publicly available data from Eurostat<sup>2</sup> 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<sup>3</sup>.

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

<sup>2</sup> Eurostat database (Energy NRG), Energy Statistics (NRG\_Quantm), Supply and Transformation – Oil (nrg102m) - <http://ec.europa.eu/eurostat>

<sup>3</sup> 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<sup>4</sup>, 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.

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.

FOB Mediterranean fuel oil is also traded between 25,000 and 30,000 metric tons and the basis of the Platts assessment is FOB Italy where there are significant production quantities. As is the case with CIF Med fuel oil, Platts will apply a normalization process for cargoes produced outside of Italy therefore a wider supply basis can be considered.

### **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 high sulphur fuel oil is 6.35 barrels per metric ton.

The Platts CIF cargo assessments reflect product of international origin and therefore the most appropriate way of measuring deliverable supply is using the available data for imports. The delivery basis of the Platts assessments is also defined by cargoes that are sold inclusive of Cost, Insurance and Freight and therefore support the inclusion of 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. We have included imports into Italy, Malta, France and Spain as the basis for deliverable supply. 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.

There is an active market for cargoes traded on a Free on Board (FOB) basis which refers to cargoes that are assessed basis a load port. Cargoes that are traded on this basis require the buyer to arrangement shipment for the fuel oil. To determine an appropriate level of deliverable supply, we have considered the level of production and imports and both data sets are shown in Tables 1 and 2.

In calculating the level of deliverable supply for FOB Med fuel oil, we have only used the production levels and excluded the imported volumes as the Exchange is not accounting for a combined position limit for aggregation purposes. There is a separate position limit for the FOB and CIF Med fuel oil markets. Fuel oil traded in the Med can either be sold FOB or can be supplied on a CIF basis and as each contract has its own distinct limit, the Exchange believes that using imports and production for the basis of deliverable

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<sup>4</sup> <https://www.mbendi.com/indy/oilg/ogrf/eu/it/p0005.htm>

supply for FOB Med would be double counting (on the imports) towards the calculation of the spot month limit.

The Exchange excluded 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 sulphur 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 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. On the production side, market participants suggested that the split between high and low sulphur fuel oil was also around 70% high sulphur and 30% low sulphur therefore we have applied this split for the purposes of this analysis.

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.

For the FOB markets, we have included production as the basis of deliverable supply and excluded the level of imports. We have applied a reduction of 30% of the total imports to isolate the high sulphur number only based on market based feedback. We have applied a further reduction of 50% to the refinery produced volumes in France, Spain due to some ports being located in Northwest Europe and applied maximum volumes for the remaining countries of Bulgaria, Greece, Croatia, Italy, Portugal, Romania and Turkey. See the refinery production data in Table 2. Total High Sulphur Med Refinery production is estimated to be around 1.5 million metric tons per month.

Based on our analysis of deliverable supply of high sulphur fuel oil, the Exchange determined that the total volume of Mediterranean high sulphur imports amounts to 405,000 metric tons per month or 405 contract equivalents. Therefore, the spot month limit of 75 contracts for the 3.5% Fuel oil CIF Med (Platts) Futures contract (commodity code 7D, Rulebook chapter 471) equates to around 18.5% of deliverable supply.

The Exchange determined that the total volume of Mediterranean high sulphur production equates to around 1.5 million metric tons per month or 1,500 contract equivalents. Therefore, the spot month limit of 150 lots for the 3.5% Fuel oil FOB Med (Platts) Futures (commodity code UI, Rulebook chapter 661) contract equates to around 10% of deliverable supply.

Positions in the 3.5% Fuel Oil CIF Med (Platts) vs. 3.5% Fuel Oil FOB Med (Platts) Futures will aggregate into the underlying contracts **3.5% Fuel oil CIF Med (Platts) Futures contract (commodity code 7D, Rulebook chapter 471)** and **3.5% Fuel oil FOB Med (Platts) Futures (commodity code UI, Rulebook chapter 661)**. The spot month position limit in the 3.5% CIF Med leg of the spread is 75 contracts and represents around 18.5% of deliverable supply and the spot month position limit in the 3.5% FOB Med leg of the spread is 150 contracts, which equates to around 10% of the monthly deliverable supply.

Positions in the 3.5% Fuel Oil CIF Med (Platts) vs. 3.5% Fuel Oil FOB Med (Platts) BALMO Futures will aggregate into the underlying contracts **3.5% Fuel oil CIF Med (Platts) Futures contract (commodity**

**code 7D, Rulebook chapter 471) and 3.5% Fuel oil FOB Med (Platts) Futures (commodity code UI, Rulebook chapter 661).** The spot month position limit in the 3.5% CIF Med leg of the spread is 75 contracts and represents around 18.5% of deliverable supply and the spot month position limit in the 3.5% FOB Med leg of the spread is 150 contracts, which equates to around 10% of the monthly 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)<sup>5</sup>**

	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
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

<sup>5</sup> Eurostat database Energy Statistics (nrg\_10m) and oil-monthly data (nrg\_102m)  
<http://ec.europa.eu/eurostat/data/database>

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	<b>SUM:</b>
<b>3 Year Average</b>	<b>156</b>	<b>119</b>	<b>28</b>	<b>102</b>	405

**Table 2: Mediterranean High Sulphur Fuel Oil Monthly Refinery Production**  
**Units: Thousand tons**  
**Source: Eurostat supply and transformation data Oil (nrg\_102m)<sup>6</sup>**

	Bulgaria	Greece	Spain (reduced by 50%)	France (reduced by 50%)	Croatia	Italy	Portugal	Romania	Turkey
Dec-13	95	276	166	178	37	211	109	11	218
Jan-14	99	384	128	201	32	374	135	7	208
Feb-14	89	331	162	193	27	305	87	18	232
Mar-14	8	307	135	189	6	310	95	13	228
Apr-14	100	428	123	176	24	378	162	7	179
May-14	103	290	154	195	34	273	141	13	183
Jun-14	104	333	145	170	28	298	104	12	173
Jul-14	112	384	119	183	32	426	150	22	186
Aug-14	106	306	121	204	32	361	153	19	203
Sep-14	102	370	103	184	16	300	132	19	200
Oct-14	102	456	118	175	22	401	151	10	271
Nov-14	96	380	146	183	15	407	132	18	300
Dec-14	108	260	114	215	14	474	166	13	322
Jan-15	102	421	97	176	8	458	125	11	272
Feb-15	53	375	95	190	4	358	102	12	228

<sup>6</sup> Eurostat database Energy Statistics (nrg\_10m) and oil-monthly data (nrg\_102m)  
<http://ec.europa.eu/eurostat/data/database>



Mar-15	111	286	117	231	23	407	157	11	266	
Apr-15	108	370	130	165	32	350	162	14	313	
May-15	118	190	131	169	31	461	201	19	331	
Jun-15	115	206	103	113	22	385	138	12	165	
Jul-15	112	321	129	158	22	442	135	18	133	
Aug-15	88	354	124	180	32	532	153	23	117	
Sep-15	104	381	87	224	45	442	196	22	90	
Oct-15	91	339	124	228	34	548	132	14	140	
Nov-15	85	355	121	189	36	517	118	20	194	
Dec-15	76	375	136	200	19	468	184	6	174	
Jan-16	65	287	113	211	5	510	113	15	183	
Feb-16	96	330	102	209	2	435	123	4	335	
Mar-16	23	286	127	204	27	504	158	19	202	
Apr-16	103	346	112	196	34	493	103	19	139	
May-16	91	418	148	174	34	382	130	16	77	
Jun-16	105	349	132	158	28	297	179	21	94	
Jul-16	93	365	174	257	46	446	182	27	161	
Aug-16	97	388	177	252	35	494	172	15	107	
Sep-16	60	349	170	201	37	472	152	18	80	
Oct-16	70	419	193	212	39	377	159	15	104	
Nov-16	53	-	169	253	39	405	178	23	120	<b>Sum</b>
3-year average	90	334	132	194	26	408	144	15	192	<b>1,536</b>