

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 17-175 (2 of 4)

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): 05/5/2017 Filing Description: Initial Listing of Four (4) Natural Gas 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:

May 5, 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 40.2(a) Certification. Notification Regarding the Initial Listing of Four (4) Natural Gas Futures Contracts. NYMEX Submission No. 17-175 (2 of 4)

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 initial listing of four (4) natural gas futures contracts (the “Contracts”) for trading on CME Globex and for submission for clearing via CME ClearPort, effective Sunday, May 21, 2017 for trade date Monday, May 22, 2017, as set forth below.

Contract Title	UK NBP Natural Gas (USD/MMBtu) (ICIS Heren) Front Month Futures
Commodity Code	NBP
Rulebook Chapter	1002
Settlement method	Financial
Contract Size	10,000 MMBtu
Listing Schedule	Monthly contracts listed for the current year and the next three (3) 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.
Minimum Price Fluctuation	\$0.001 per MMBtu
Value per tick	\$10
First Listed Month	June 2017
Block Trade Minimum Threshold	50 contracts
Termination of Trading	Trading shall cease on the 3rd US business day immediately preceding the first calendar day of the contract month. If that day is not a London business day, it shall cease on the first preceding business day which is both a US and a London Business Day.
CME Globex Matching Algorithm	FIFO

Contract Title	Dutch TTF Natural Gas (USD/MMBtu) (ICIS Heren) Front Month Futures
Commodity Code	TTE
Rulebook Chapter	1003

Settlement method	Financial
Contract Size	10,000 MMBtu
Listing Schedule	Monthly contracts listed for the current year and the next three (3) 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.
Minimum Price Fluctuation	\$0.001 per MMBtu
Value per tick	\$10
First Listed Month	June 2017
Block Trade Minimum Threshold	50 contracts
Termination of Trading	Trading shall cease on the 3rd US business day immediately preceding the first calendar day of the contract month. If that day is not a London business day, it shall cease on the first preceding business day which is both a US and a London Business Day.
CME Globex Match Algorithm	FIFO

Contract Title	Henry Hub NBP (ICIS Heren) Natural Gas Spread Futures
Commodity Code	NYP
Rulebook Chapter	1004
Settlement method	Financial
Contract Size	10,000 MMBtu
Listing Schedule	Monthly contracts listed for the current year and the next three (3) 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.
Minimum Price Fluctuation	\$0.001 per MMBtu
Value per tick	\$10
First Listed Month	June 2017
Block Trade Minimum Threshold	50 contracts
Termination of Trading	Trading shall cease on the 3rd US business day immediately preceding the first calendar day of the contract month. If that day is not a London business day, it shall cease on the first preceding business day which is both a US and a London Business Day.
CME Globex Matching Algorithm	FIFO

Contract Title	Henry Hub TTF (ICIS Heren) Natural Gas Spread Futures
Commodity Code	THD
Rulebook Chapter	1005
Settlement method	Financial
Contract Size	10,000 MMBtu
Listing Schedule	Monthly contracts listed for the current year and the next three (3) 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.
Minimum Price Fluctuation	\$0.001 per MMBtu
Value per tick	\$10
First Listed Month	June 2017

Block Trade Minimum Threshold	50 contracts
Termination of Trading	Trading shall cease on the 3rd US business day immediately preceding the first calendar day of the contract month. If that day is not a London business day, it shall cease on the first preceding business day which is both a US and a London Business Day.
CME Globex Matching Algorithm	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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Fees:

UK NBP Natural Gas (USD/MMBtu) (ICIS Heren) Front Month Futures
Dutch TTF Natural Gas (USD/MMBtu) (ICIS Heren) Front Month Futures

	Member	Non-Member
Exchange Fees		
CME Globex	\$0.70	\$1.45
EFP	\$0.70	\$1.45
Block	\$0.70	\$1.45
EFR/EOO	\$0.70	\$1.45
Agency Cross	\$0.70	\$1.45

Processing Fees	Member	Non-Member
Cash Settlement	\$0.70	\$0.95
Other Fees		
Facilitation Fee		\$0.60
Give-Up Surcharge		\$0.05
Position Adjustment/Position Transfer		\$0.10

Henry Hub NBP (ICIS Heren) Natural Gas Spread Futures
Henry Hub TTF (ICIS Heren) Natural Gas Spread Futures

	Member	Non-Member
Exchange Fees		
CME Globex	\$1.40	\$2.90
EFP	\$1.40	\$2.90
Block	\$1.40	\$2.90
EFR/EOO	\$1.40	\$2.90
Agency Cross	\$1.40	\$2.90

Processing Fees	Member	Non-Member
Cash Settlement	\$1.40	\$1.90
Other Fees		
Facilitation Fee		\$0.60
Give-Up Surcharge		\$0.05
Position Adjustment/Position Transfer		\$0.10

The Exchange is also notifying the CFTC that it is self-certifying the insertion of the terms and conditions for the 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 the contracts with a minimum block threshold of 50 contracts. This level aligns with the Exchange's similar natural gas 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 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 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 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 ICIS Heren and sub-licensed to the Exchange.

Prevention of Market Disruption: Trading in the 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 with regard to contract specifications, terms, and conditions, as well as daily trading volume, open interest, and price information for the 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 the Contracts.

Execution of Transactions: The 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 the 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: The 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 this contract 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 the 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 Contracts 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 CMESubmissionInquiry@cmegroup.com.

Sincerely,

/s/ Christopher Bowen
Managing Director and Chief Regulatory Counsel

Attachments: Appendix A: NYMEX Rulebook Chapter 1002, 1003, 1004 and 1005
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 (attached under separate cover)

Appendix A
NYMEX Rulebook
Chapter 1002

UK NBP Natural Gas (USD/MMBtu) (ICIS Heren) Front Month Futures

1002100. 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.

1002101. CONTRACT SPECIFICATIONS

The Floating Price for each contract month will be determined with reference to the midpoint between the bid and offer quotations for the NBP price assessment in US dollars per million British thermal units for the contract month, published by ICIS Heren in the European Spot Gas Market report on the Last Trading Day. For the avoidance of doubt, the calculated Floating Price will be rounded to three decimal places.

1002102. TRADING SPECIFICATIONS

Contracts shall be listed for a series of contract months. The number of months open for trading at any given time shall be determined by the Exchange.

1002102.A. Trading Schedule

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

1002102.B. Trading Unit

The contract quantity shall be 10,000 MMBtu (million British thermal units). Each contract shall be valued as the contract quantity (10,000) multiplied by the settlement price.

1002102.C. Price Increments

Prices shall be quoted in U.S. dollars and cents per MMBtu. The minimum price fluctuation shall be \$0.001 per MMBtu. There shall be no maximum price fluctuation.

1002102.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.

1002102.E. Termination of Trading

In respect of a contract month, trading shall cease on the 3rd US business day immediately preceding the first calendar day of the contract month. If that day is not a London business day, it shall cease on the first preceding business day which is both a US and a London Business Day. On the last trading day, the trading shall terminate at 16:30 hours London prevailing time.

1002103. 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.

1002104.

DISCLAIMER

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NYMEX and ICIS Heren 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 and ICIS Heren 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 or ICIS Heren 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 damages.

Chapter 1003

Dutch TTF Natural Gas (USD/MMBtu) (ICIS Heren) Front Month Futures

1003100. 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.

1003101. CONTRACT SPECIFICATIONS

The Floating Price for each contract month will be determined with reference to the midpoint between the bid and offer quotations for the TTF price assessment in US dollars per million British thermal units for the contract month, published by ICIS Heren in the European Spot Gas Market report on the Last Trading Day.

For the avoidance of doubt, the calculated Floating Price will be rounded to three decimal places.

1003102. TRADING SPECIFICATIONS

Contracts shall be listed for a series of contract months. The number of months open for trading at any given time shall be determined by the Exchange.

1003102.A. Trading Schedule

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

1003102.B. Trading Unit

The contract quantity shall be 10,000 MMBtu (million British thermal units). Each contract shall be valued as the contract quantity (10,000) multiplied by the settlement price.

1003102.C. Price Increments

Prices shall be quoted in U.S. dollars and cents per MMBtu. The minimum price fluctuation shall be \$0.001 per MMBtu. There shall be no maximum price fluctuation.

1003102.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.

1003102.E. Termination of Trading

In respect of a contract month, trading shall cease on the 3rd US business day immediately preceding the first calendar day of the contract month. If that day is not a London business day, it shall cease on the first preceding business day which is both a US and a London Business Day. On the last trading day, the trading shall terminate at 16:30 hours London prevailing time.

1003103. 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.

1003104. DISCLAIMER

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product. Neither Exchange nor ICIS Heren guarantees the accuracy and/or completeness of the index or any of the data included therein.

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Chapter 1004

Henry Hub NBP (ICIS Heren) Natural Gas Spread Futures

1004100. 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.

1004101. CONTRACT SPECIFICATIONS

The Floating Price for each contract month is equal to the Henry Hub price minus the NBP price. The Floating Price for each contract month will be determined with reference to the Volume Weighted Average price of the NYMEX Henry Hub Natural Gas Futures (NG) contract for the corresponding contract month during the period 16:00:00 to 16:29:59 London prevailing time and with reference to the midpoint between the bid and offer quotations for the NBP price assessment in US dollars per million British thermal units for the contract month, published by ICIS Heren in the European Spot Gas Market report on the Last Trading Day. For the avoidance of doubt, the calculated Floating Price will be rounded to three decimal places.

1004102. TRADING SPECIFICATIONS

Contracts shall be listed for a series of contract months. The number of months open for trading at any given time shall be determined by the Exchange.

1004102.A. Trading Schedule

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

1004102.B. Trading Unit

The contract quantity shall be 10,000 MMBtu (million British thermal units). Each contract shall be valued as the contract quantity (10,000) multiplied by the settlement price.

1004102.C. Price Increments

Prices shall be quoted in U.S. dollars and cents per MMBtu. The minimum price fluctuation shall be \$0.001 per MMBtu. There shall be no maximum price fluctuation.

1004102.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.

1004102.E. Termination of Trading

In respect of a contract month, trading shall cease on the 3rd US business day immediately preceding the first calendar day of the contract month. If that day is not a London business day, it shall cease on the first preceding business day which is both a US and a London Business Day. On the last trading day, the trading shall terminate at 16:30 hours London prevailing time.

1004103. 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.

1004104.

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NYMEX and ICIS Heren 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 and ICIS Heren 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 or ICIS Heren 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 damages.

Chapter 1005

Henry Hub TTF (ICIS Heren) Natural Gas Spread Futures

1005100. 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.

1005101. CONTRACT SPECIFICATIONS

The Floating Price for each contract month is equal to the Henry Hub price minus the TTF price. The Floating Price for each contract month will be determined with reference to the Volume Weighted Average price of the NYMEX Henry Hub Natural Gas Futures (NG) contract for the corresponding contract month during the period 16:00:00 to 16:29:59 London prevailing time and with reference to the midpoint between the bid and offer quotations for the TTF price assessment in US dollars per million British thermal units for the contract month, published by ICIS Heren in the European Spot Gas Market report on the Last Trading Day. For the avoidance of doubt, the calculated Floating Price will be rounded to three decimal places.

1005102. TRADING SPECIFICATIONS

Contracts shall be listed for a series of contract months. The number of months open for trading at any given time shall be determined by the Exchange.

1005102.A. Trading Schedule

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

1005102.B. Trading Unit

The contract quantity shall be 10,000 MMBtu (million British thermal units). Each contract shall be valued as the contract quantity (10,000) multiplied by the settlement price.

1005102.C. Price Increments

Prices shall be quoted in U.S. dollars and cents per MMBtu. The minimum price fluctuation shall be \$0.001 per MMBtu. There shall be no maximum price fluctuation.

1005102.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.

1005102.E. Termination of Trading

In respect of a Contract Month, trading shall cease on the 3rd US business day immediately preceding the first calendar day of the contract month. If that day is not a London business day, it shall cease on the first preceding business day which is both a US and a London Business Day. On the last trading day, the trading shall terminate at 16:30 hours London prevailing time.

1005103. 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.

1005104.

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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)

Instrument Name	Globex Symbol	Globex Non-Reviewable Ranges (NRR)	NRR: Globex Format	NRR: Ticks
<u>UK NBP Natural Gas (USD/MMBtu) (ICIS Heren) Front Month Futures</u>	<u>NBP</u>	<u>\$.10 per MMBtu</u>	<u>100</u>	<u>100</u>
<u>Dutch TTF Natural Gas (USD/MMBtu) (ICIS Heren) Front Month Futures</u>	<u>TTE</u>	<u>\$.10 per MMBtu</u>	<u>100</u>	<u>100</u>
<u>Henry Hub NBP (ICIS Heren) Natural Gas Spread Futures</u>	<u>NYP</u>	<u>\$.10 per MMBtu</u>	<u>100</u>	<u>100</u>
<u>Henry Hub TTF (ICIS Heren) Natural Gas Spread Futures</u>	<u>THD</u>	<u>\$.10 per MMBtu</u>	<u>100</u>	<u>100</u>

Appendix D

Cash Market Overview and Deliverable Supply

New York Mercantile Exchange, Inc. (“NYMEX” or “Exchange”) staff proposes the listing of the following four futures contracts:

Contract Title	Commodity Code
UK NBP Natural Gas (USD/MMBtu) (ICIS Heren) Front Month Futures	NBP
Dutch TTF Natural Gas (USD/MMBtu) (ICIS Heren) Front Month Futures	TTE
Henry Hub NBP (ICIS Heren) Natural Gas Spread Futures	NYP
Henry Hub TTF (ICIS Heren) Natural Gas Spread Futures	THD

The contracts will be listed on NYMEX and will be available for trading via CME Globex, and for submission into clearing via CME ClearPort. The contracts are scheduled to launch on Sunday, May 21, 2017 for trade date Monday, May 22, 2017.

The table below contains the proposed spot month position limit based on the corresponding deliverable supply analysis:

Contract Title	Commodity Code	Rulebook Chapter	Proposed Spot-Month Limit
UK NBP Natural Gas (USD/MMBtu) (ICIS Heren) Front Month Futures	NBP	1002	550
Dutch TTF Natural Gas (USD/MMBtu) (ICIS Heren) Front Month Futures	TTE	1003	550
Henry Hub NBP (ICIS Heren) Natural Gas Spread Futures	NYP	1004	550
Henry Hub TTF (ICIS Heren) Natural Gas Spread Futures	THD	1005	550

Data Sources:

FOR TTF

Gas Transport Services (GTS), is a gas Transmission System Operator (TSO) operating in the Netherlands and is responsible for the management of the natural gas network in the country. Gasunie set up the Title Transfer Facility (“TTF”) virtual trading hub in 2003. It is the owner and operator of the Dutch gas transmission network and is responsible for the management, operation and development of the gas transport system in the country¹.

FOR NBP

National Grid² is the gas and power TSO operating in the United Kingdom and is responsible for the management of the natural gas network in the country. In particular, National Grid is the operator of the

¹ <https://www.gasunietransportservices.nl/en>

² <http://www2.nationalgrid.com>

National Balancing Point (“NBP”), which serves as the central trading and balancing venue for natural gas market participants in the UK.

OFGEM³ is the Office of Gas and Electricity Markets in the UK. The agency is a non-ministerial government department and an independent National Regulatory Authority, recognized by EU Directives. The principal objective of OFGEM is to protect the interests of existing and future electricity and gas consumers, mainly by promoting competition in the market place. OFGEM publishes a range of reports to monitor wholesale energy markets in the UK.

³ <https://www.ofgem.gov.uk/>

The Dutch and UK Natural Gas markets

Overview

The European gas market has seen more than fifteen (15) years of market liberalization. Historically, long term supply deals for the European markets were done on an oil-indexed basis. This is because there was a degree of price linkage between oil and gas, as the two could potentially compete against each other as generation fuel. However, oil for power generation has largely disappeared in Europe, and there are only very few applications in which the two fuels directly compete against each other: the economic justification for oil price linkage is much weaker than it was before. This has led to a gradual decline of oil-indexation as a pricing mechanism for long-term pipeline and LNG supply contracts. The decline of oil-indexation in contract pricing led to an equivalent increase in the use of hub pricing. This development first started in the UK in the early 2000's and was later followed by the continental European gas markets. NBP and TTF are the dominant virtual hubs for contract pricing, both for wholesale gas supply and for the purchase of gas for industrial and commercial use in Europe. In particular, TTF is used beyond the Dutch market, as it provides a benchmark reference for the Continental European gas markets: typically gas prices are highly positively correlated as physical infrastructure allows for arbitrage flows to greatly reduce regional price differences between most highly interconnected markets in Western Europe (including prices for Germany – Europe's largest consumer, France, Italy, Austria, etc)⁴.

Dutch Natural Gas

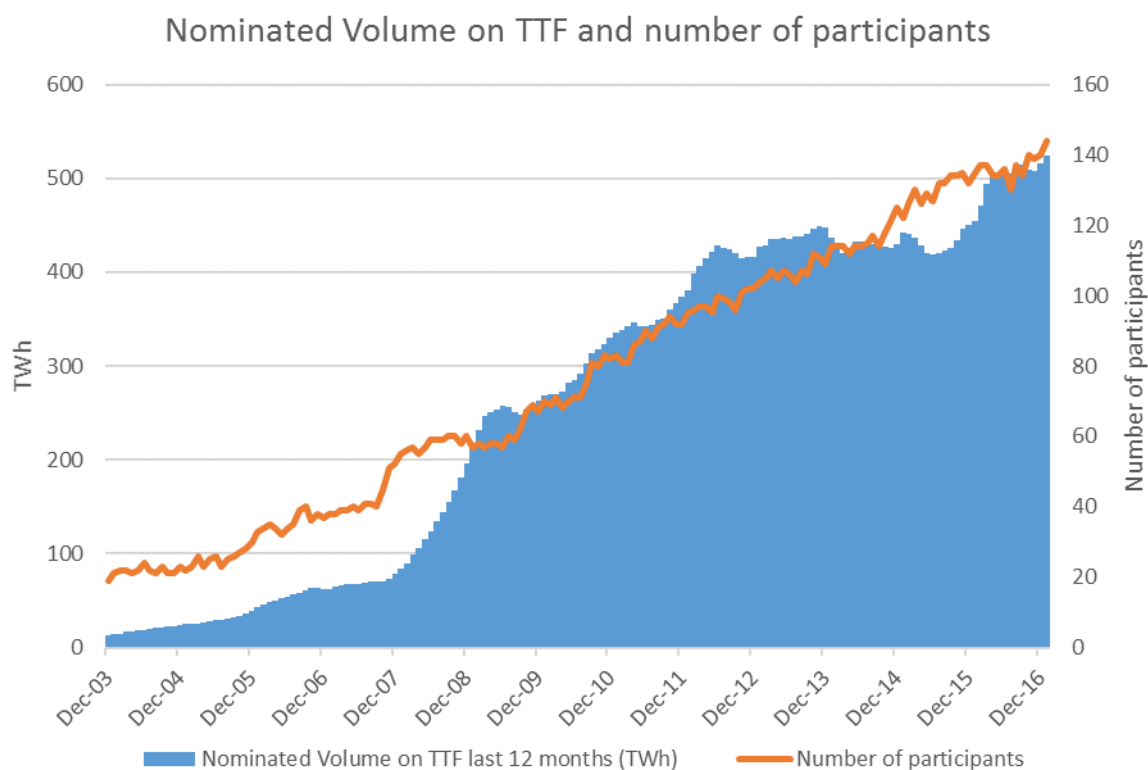
TTF refers to the Title Transfer Facility, a virtual trading hub for natural gas in the Netherlands. The TTF was set up by Gasunie in 2003. TTF participants exchange rights to natural gas via a nomination process within the TTF market area. Unlike Henry Hub, TTF is a purely virtual construct for nominal transfer of gas rights: there is no physical location for exchange as TTF represents gas injected into any part of the Dutch market area. Gas sold on TTF must have been previously injected into the Gasunie system. Trading on TTF means the transfer of ownership to gas within the Dutch grid system. While title transfer via a nomination is a bilateral process between Buyer and Seller, GTS needs to always know who owns the gas molecules in its system. The virtual title transfer should be consistent with physical gas flows: counterparties who bought rights to gas in the virtual trading zones physically import gas into the system via pipelines/ LNG cargoes, or withdrew gas from storage facilities and into the transportation grid. The corresponding TTF Sellers export gas into neighboring countries, deliver gas for local consumption or inject gas into storage facilities and out of the grid. Overall, participants are incentivized to balance their portfolio as they are levied a Balancing Charge against net imbalances between acquiring and disposing TTF nominations. GTS monitors the system and gas flows and may enter the market in its role as the "marginal balancer" if such actions are required. However, Gasunie will never enter the market for speculative or trading purposes beyond balancing transactions. TTF is firmly established as the main forward trading and risk management venue for Continental European Gas trading. On its website, GTS provides information how much volume is nominated on TTF and how many parties are active in a given month⁵. The Exchange bases deliverable supply analysis on this data, as nominated volume on TTF represents readily available supply that may be used to fulfill delivery obligations via a corresponding nomination. A sufficient amount of nominated volume should indicate a mature market, in which participants can access TTF liquidity (to fulfill delivery obligations resulting from OTC and exchange activity) on a short-term basis.

On its public website, GTS provides data on nominated TTF volume and the number of active participants on a monthly granularity. Below chart shows the historic evolution of nomination volumes and participants

⁴ For a detailed analysis of European Gas price correlation, see <https://www.oxfordenergy.org/wpcms/wp-content/uploads/2013/10/NG-79.pdf>

⁵ <https://www.gasunietransportservices.nl/en/about-gts/publications>

numbers since the launch of the virtual trading hub. It shows a very positive evolution of nomination volumes and the number of active market participants since launch.



source: GTS website

Below tables gives an overview how much volume was nominated in the last 3 full calendar years in TWh. The data was converted from TWh into Terajoules and MMBtu using the following conversion factors: 1 TWh = 3,600 Terajoules, 1 Terajoule = 947.816 MMBtu. Finally, the MMBtu figure was converted into units of 10,000 MMBtu, which is the lot size proposed by the Exchange for the new contracts. Note that the underlying data on a monthly granularity is attached to the Appendix. Note that data is published on a monthly basis and is available up to and including the prior month (January 2017) at the time of writing (in appendix).

Nominated TTF Volume	2014	2015	2016	3y average
TWh	430	450	516	465
Terajoules	1,548,306	1,619,555	1,856,443	1,674,768
MMBtu	1,467,511,029	1,535,042,095	1,759,568,716	1,587,373,947
Lots (1 lot = 10,000 MMBtu)	146,751	153,504	175,957	158,737
Source: GTS website				

A yearly average of approximately 158,000 lots suggests a monthly average of deliverable supply in the order of ~13,000 lots. However, the Exchange took into account that a significant proportion of the nominated volume represents volume that is being nominated to fulfill long-term contract obligations, which would not necessarily automatically be available for sale on a spot basis. To estimate the amount of volume available on a spot basis, the Exchange proposes to use spot exchange volume as a guide. PEGAS⁶,

⁶ <http://www.pegas-trading.com/en/>

owned by the European Energy Exchange EEX⁷, offers spot trading products for TTF and has become the most important platform for TTF spot trading. Spot trading refers to delivery in the near-term (within month) with most of the volume being done on a “Day-Ahead” basis, which means delivery of the traded gas to be made via nominations for the next Calendar Day. In the European markets, physical spot trading mostly occurs on spot exchanges, as it allows anonymous trading and the pooling of liquidity for near-term balancing purposes.

	2014	2015	2016	3y average
Nominated TTF Volume TWh *	430	450	516	465
PEGAS TTF Spot Trading Volume TWh **	67	124	183	125
Ratio Spot Trading/ Nominations	16%	28%	35%	26%
Source: * GTS website, ** EEX⁸				

Exchange spot trading activity has greatly increased in relation to the amount of nominations being made on TTF, this increase being driven by significantly higher volume exchanged on PEGAS. All else being equal, an increase in the ratio of spot trading volume to total nominated volume increases the accessibility of the TTF for sale on a Spot basis.

UK Natural Gas

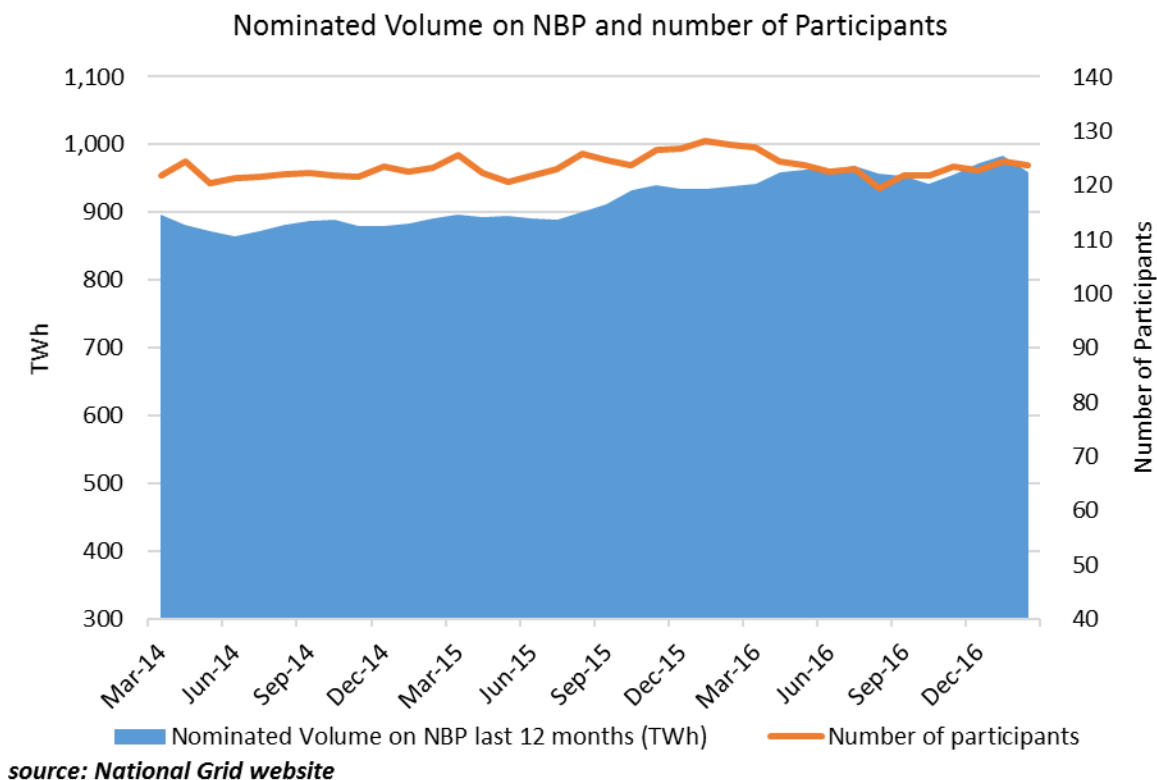
In the UK, NBP, the National Balancing Point, refers to a similar system operated by National Grid, the UK’s power and gas transmission system operator. The UK was the first fully liberalized gas market in Europe and NBP has quickly become a significant forward trading and risk management venue for natural gas markets. Participants may engage in “title trade”, which is the notional transfer of rights to gas within the UK’s Transmission system. National Grid monitors the system and gas flows and may enter the market if balancing trades are required. Again, customers are incentivized to balance their portfolios ahead of gas flows as they are otherwise subject to imbalance charges. However, some system imbalance is unavoidable as for example domestic consumption is hard to exactly predict – for such balancing activities, National Grid enters the market as a marginal participant in order to balance its grid system. On its website, National Grid provides data on nominated volumes and on the number of market participants on a given day. Again,

⁷ <https://www.eex.com/en/>

⁸ <https://www.eex.com/en/about/eex/annual-report> and <https://www.eex.com/blob/7152/7f7df85c657e2576483fae192cc606ab/1-20140605-pegas-eex-powernext-cooperation-in-natural-gas-pdf-data.pdf>

those figures represent volume available to be nominated against delivery obligations on the NBP. Such delivery obligations may result from OTC trades or exchange trading activity.

On its public website, National Grid provides data on nominated volume and on the number of market participants on a daily granularity. Below chart shows how nominated volumes changed across the past 3 years. The number of participants represents the average active participation in a given month.



The table below was based on the same data from National Grid and is using the same conversion factors as describe above for TTF. The underlying data is attached to the appendix (with the daily data aggregated into months for the sake of brevity):

Nominated NBP Volume	2014	2015	2016	3y average
TWh	879	934	971	928
Terajoules	3,164,164	3,361,022	3,496,540	3,340,575
MMBtu	2,999,048,866	3,185,633,974	3,314,080,287	3,166,254,376
Lots (1 Lot = 10,000 MMBtu)	299,905	318,563	331,408	316,625
Source: National Grid⁹				

⁹ <http://www2.nationalgrid.com/uk/industry-information/gas-transmission-operational-data/data-item-explorer/>

Please see in the appendix, where I describe the steps taken to extract the numbers

A yearly average of approximately 316,000 lots is equivalent to a monthly average of ~26,000 lots of nominations. It is considered that a large part of that nominations will have been scheduled as part of contractual obligations resulting from long-term trading and procurement activities. Using a method that replicates the approach taken for the deliverable supply analysis of the TTF market, volume traded on the NBP spot exchange is considered, namely the OCM (“on the day Commodity market”) operated by ICE ENDEX, to estimate deliverable supply. National Grid publishes regular OCM updates which include OCM volume charts¹⁰. In addition, OFGEM publishes “interactive wholesale market indicators”¹¹ which include ICE ENDEX (OCM) trading volume by month (data available up to and including September 2016). OFGEM data is published in BCM (billion cubic meters of gas), which was converted into TWh using a ratio of 1 BCM = 10.46 TWh¹²

By Calendar Year	2014	2015	2016	3y average
Nominated NBP Volume TWh *	879	934	971	928
OCM Spot Trading Volume TWh **	126	105	77***	not meaningful
Ratio OCM Spot Trading/ Nominations	14%	11%	not meaningful	not meaningful
<i>Source: * National Grid, ** OFGEM</i>				
<i>***Note that 2016 data was only available up to September 2016.</i>				

Because OCM data on the OFGEM website is only available up to September 2016: Instead of using Calendar Year, below table uses “gas years” (October Year N to September Year N+1) in order to compute three full years of data.

By Gas Year	2013-2014	2014-2015	2015-2016	3y average
Nominated NBP Volume TWh *	886	913	953	917
OCM Spot Trading Volume TWh **	128	112	103	114
Ratio OCM Spot Trading/ Nominations	14%	12%	11%	12%
<i>Source: * National Grid, ** OFGEM</i>				

¹⁰ <http://www2.nationalgrid.com/WorkArea/DownloadAsset.aspx?id=44951> and <http://www2.nationalgrid.com/WorkArea/DownloadAsset.aspx?id=8589936694>

¹¹ <https://www.ofgem.gov.uk/data-portal/wholesale-market-indicators> under “Access and Liquidity”, Gas trading volumes and monthly churn ratio by Platform

¹² 1 BCM is 35.7 * 10^{^12} BTU, 1 BTU is 1/3412 KWh. 1 KWh is 10^{^9} TWh. See <http://www.bp.com/content/dam/bp/excel/energy-economics/statistical-review-2015/bp-stats-review-conversion-factors.xlsx>

Analysis of Deliverable Supply

In estimating deliverable supply for the futures contracts, the Exchange relied on long-standing precedent, which provides that the key component in estimating deliverable supply is the portion of typical production and supply stocks that could reasonably be considered to be readily available for delivery.

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.

For TTF and NBP, the basis for deliverable supply are the nominations executed on the UK and Dutch transmission systems. These figures include all nominations regardless whether those nominations are the result of spot trades or long-term transactions. To exclude long-term transactions from the total nominations available, the Exchange applies a reduction to the TSO nominations of 80% for the Dutch market and 90% for the UK market.

For the Dutch market, based on the spot trading figures and the ratios between spot trading and nominations (26% on average across the last 3 years), the Exchange proposes to define 20% of the monthly average of 13,000 lots nominated to be available on a short-term basis. The monthly deliverable supply would be 2,600 lots per month (20% of 13,000). Given the increased volume traded on the spot platform operated by PEGAS and the growing volume on TTF, the Exchange estimates that this percentage figure is conservative. In addition, the Exchange believes this estimate of deliverable supply to be at the lower end of the range because it does not consider significant OTC bilateral activity in the day-ahead markets, which adds a further layer of supply deliverable on a short-term/ spot basis.

For the UK market, based on the spot trading figures and the ratios between spot trading and nominations (12% on average across the last 3 full gas years), the Exchange proposes to define 10% of the monthly average of 26,000 lots to be available for supply on a short-term basis. The monthly deliverable supply would be 2,600 lots per month (10% of 26,000). Because the NBP is an established mature market, the Exchange believes that this estimate is a reasonable approximation of the deliverable supply for NBP. Again, the Exchange believes it to be a conservative estimate because OTC bilateral volume traded on a day-ahead basis is not captured but will be available on a short-term basis for delivery purposes.

Using the 20% figure for the Dutch and 10% for the UK, the Exchange calculated the monthly deliverable supply volume into both markets as 2,600 contracts. This is the volume of gas that could be readily available for nomination on a month ahead basis for the UK and the Netherlands.

The spot month position limit for the Dutch TTF Natural Gas (USD/MMBtu) (ICIS Heren) Front Month Futures (commodity code TTE) and for the Henry Hub TTF (ICIS Heren) Natural Gas Spread Futures (commodity code THD) is proposed as 550 contracts which represents 21.2% of the monthly deliverable supply of 2,600 lots and is below the 25% of deliverable supply threshold.

The spot month position limit for the UK NBP Natural Gas (USD/MMBtu) (ICIS Heren) Front Month Futures (commodity code NBP) and for the Henry Hub NBP (ICIS Heren) Natural Gas Spread Futures (commodity code NYP) is proposed as 550 contracts which represents 21.2% of the monthly deliverable supply of 2,600 lots which is also below the 25% of deliverable supply threshold.

Appendix

TTF Data (source: GTS website)

	2013		2014		2015		2016	
	Volume TWh	Participants	Volume TWh	Participants	Volume TWh	Participants	Volume TWh	Participants
January	58	104	48	114	61	122	65	135
February	54	105	44	114	43	126	59	137
March	48	107	41	114	36	130	59	137
April	33	105	38	112	31	126	39	134
May	31	107	38	114	29	129	29	134
June	26	106	25	114	24	127	27	136
July	25	104	24	115	26	132	28	130
August	25	107	23	117	25	132	31	137
September	24	106	23	114	26	134	29	134
October	37	112	36	118	44	134	39	140
November	42	111	39	121	52	135	50	139
December	44	109	49	125	53	132	61	140

NBP Data (source: National Grid website): Nominations

	2013		2014		2015		2016	
	Volume TWh	Participants	Volume TWh	Participants	Volume TWh	Participants	Volume TWh	Participants
January	109	119	95	120	100	123	101	128
February	101	118	85	121	93	123	95	128
March	108	118	84	122	89	126	94	127
April	88	116	72	120	68	122	84	124
May	76	117	67	120	69	121	73	124
June	71	116	62	121	59	122	60	123
July	53	119	61	122	60	123	65	123
August	46	119	55	122	66	126	55	120
September	51	119	56	122	68	125	64	122
October	66	119	69	122	90	124	79	122
November	89	120	79	121	86	127	99	123
December	92	120	92	123	86	127	102	123

NBP Data (source: OFGEM): ICE ENDEX volume

Volume BCM	2013	2014	2015	2016
January	1.07	0.91	0.94	0.87
February	1.01	0.99	0.93	0.76
March	1.52	1.03	0.92	0.97
April	1.11	1.15	0.86	0.93
May	1.09	1.11	0.88	0.88
June	1.21	0.94	0.76	0.79
July	1.06	0.95	0.70	0.71
August	1.10	0.97	0.87	0.72

September	1.14	0.95	0.76	0.72
October	1.07	1.11	0.76	
November	1.05	0.99	0.90	
December	1.11	0.95	0.79	