

**SUBMISSION COVER SHEET**

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

Registered Entity Identifier Code (optional): 18-201 (2 of 3)

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): 6/13/18 Filing Description: Initial Listing of Three Freight Route (Platts) 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

Official Product Name: See filing.

**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:

June 13, 2018

**VIA ELECTRONIC PORTAL**

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

**Re: CFTC Regulation 40.2(a) Certification. Notification Regarding the Initial Listing of Three (3) Freight Route (Platts) Futures Contracts. NYMEX Submission No. 18-201 (2 of 3)**

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 three (3) freight route futures (Platts) futures contracts (the “Contracts”) for trading on CME Globex and for submission for clearing via CME ClearPort, effective on Sunday, July 1, 2018 for trade date Monday, July 2, 2018, as set forth in the table below.

Contract Title	Rulebook Chapter	Clearing Code
Freight Route TC5 (Platts) BALMO Futures	879	THB
Freight Route TD3C (Platts) Futures	871	TD3
Freight Route TD3C (Platts) BALMO Futures	872	T3B

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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Exchange Fees:

Exchange Fees	Member	Non-Member	International Incentive Programs (IIP/IVIP)
CME Globex	\$2.60	\$3.25	\$2.90
EFP	\$2.60	\$3.25	
Block	\$2.60	\$3.25	
EFR/EOO	\$2.60	\$3.25	

<b>Processing Fees</b>	<b>Member</b>	<b>Non-Member</b>
Cash Settlement	\$0.50	\$0.50
<b>Other Fees</b>		
Facilitation Fee		\$0.60
Give-Up Surcharge		\$0.05
Position Adjustment/Transfer		\$0.10

As background, the BALMOs are look-alike contracts to the respective futures contracts, with a variation only in the final settlement calculation methodology, and consequently, the Exchange will aggregate the spot month position limits of the BALMO contracts with the underlying futures contracts.

In the futures contracts, the final settlement price is based on a simple average of the daily assessments during the contract month. In the BALMO contracts, the final settlement price is based on the average of the balance-of-month daily assessments during the contract month.

The Exchange is also notifying the CFTC that it is self-certifying the insertion of the terms and conditions for the three new 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. These 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 Exhibit 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 level of five (5) contracts for each of the newly listed contracts. These block levels align with all of the Exchange's futures contracts for wet freight routes.

Exhibit E provides the summary contract specifications.

The Exchange reviewed the designated contract market core principles ("Core Principles") as set forth in the Commodity Exchange Act ("CEA") and staff identified that the Contract 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.
- **Contracts Not Readily Subject to Manipulation:** The Contracts are based on a cash price series that is reflective of the underlying cash market and is commonly relied on and used as a reference price by cash market brokers and commercial market participants.
- **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 in 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 and for clearing through CME ClearPort. The CME Globex electronic trading venue provides for competitive and open execution of transactions. CME Globex affords the benefits of reliability and global connectivity.
- **Trade Information:** All requisite trade information for the Contracts will be included in the audit trail and is sufficient for the Market Regulation Department to monitor for market abuse.
- **Financial Integrity of Contracts:** 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 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 these products are 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 nonmembers to submit a claim for financial losses resulting from transactions on the Exchange to arbitration. A member named as a respondent in a claim submitted by a nonmember is required to participate in the arbitration pursuant to Chapter 6. Additionally, the Exchange requires that members resolve all disputes concerning transactions on the Exchange via arbitration.

Pursuant to Section 5c(c) of the Act and CFTC Regulation 40.2(a), the Exchange hereby certifies that the listing of the Contracts complies with the Act, including regulations under the Act. There were no substantive opposing views to the listing of the Contracts.

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](mailto:CMEGSubmissionInquiry@cmegroup.com).

Sincerely,

/s/ Christopher Bowen  
Managing Director and Chief Regulatory Counsel

Attachments: Exhibit A: NYMEX Rulebook Chapters  
Exhibit B: Position Limit, Position Accountability, and Reportable Level Table in  
Chapter 5 of the NYMEX Rulebook (attached under separate cover)  
Exhibit C: NYMEX Rule 588.H. – (“Globex Non-Reviewable Trading Ranges”) Table  
Exhibit D: Cash Market Overview and Analysis of Deliverable Supply  
Exhibit E: Summary of Contract Specifications

**EXHIBIT A**  
**NYMEX Rulebook Chapters**

**Chapter 879**  
**Freight Route TC5 (Platts) BALMO Futures**

**879100. 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.

**879101. CONTRACT SPECIFICATIONS**

The Floating Price for each contract month is equal to the balance-of-month arithmetic average of the rates for each business day that the TC5 Tanker Route for Arab Gulf to Japan 55,000 metric tons is published by the Platts over the contract month, converted to a US dollar per metric ton valuation at the prevailing Worldscale rate as published by Worldscale Association, starting from the selected start date through the end of the contract month.

**879102. 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.

**879102.A. Trading Schedule**

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

**879102.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.

**879102.C. Price Increments**

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

**879102.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.

**879102.E. Termination of Trading**

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

**879103. 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.

**879104. DISCLAIMER**

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## **Chapter 871 Freight Route TD3C (Platts) Futures**

### **871100. 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.

### **871101. CONTRACT SPECIFICATIONS**

The Floating Price for each contract month is equal to the arithmetic average of the rates for each business day that the TD3C Tanker Route (for 270,000 metric tons for Middle East Gulf to China) is published by Platts over the contract month, converted to a US dollar per metric ton valuation at the prevailing Worldscale rate as published by Worldscale Association.

### **871102. 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.

#### **871102.A. Trading Schedule**

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

#### **871102.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.

#### **871102.C. Price Increments**

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

#### **871102.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.

#### **871102.E. Termination of Trading**

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

### **871103. 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.

### **871104. DISCLAIMER**

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## **Chapter 872**

### **Freight Route TD3C (Platts) BALMO Futures**

#### **872100. 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.

#### **872101. CONTRACT SPECIFICATIONS**

The Floating Price for each contract month is equal to the balance-of-month arithmetic average of the rates for each business day that the TD3C Tanker Route (for 270,000 metric tons for Middle East Gulf to China) is published by Platts over the contract month, converted to a US dollar per metric ton valuation at the prevailing Worldscale rate as published by Worldscale Association, starting from the selected start date through the end of the contract month.

#### **872102. 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.

##### **872102.A. Trading Schedule**

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

##### **872102.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.

##### **872102.C. Price Increments**

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

##### **872102.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.

##### **872102.E. Termination of Trading**

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

#### **872103. 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.

#### **872104. DISCLAIMER**

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**EXHIBIT B**

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

(attached under separate cover)

## EXHIBIT C

### Amendments to 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	Spreads
<u>Freight Route TC5 (Platts) BALMO Futures</u>	<u>THB</u>	<u>\$0.20 per metric ton</u>	<u>2000</u>	<u>2000</u>	<u>N/A</u>
<u>Freight Route TD3C (Platts) Futures</u>	<u>TD3</u>	<u>\$0.20 per metric ton</u>	<u>2000</u>	<u>2000</u>	<u>N/A</u>
<u>Freight Route TD3C (Platts) BALMO Futures</u>	<u>T3B</u>	<u>\$0.20 per metric ton</u>	<u>2000</u>	<u>2000</u>	<u>N/A</u>

## **EXHIBIT D**

### **Cash Market Overview and Analysis of Deliverable Supply**

#### **Data Source**

The Exchange based its analysis of deliverable supply on data provided by the Review of Maritime Transport<sup>1</sup>, British Petroleum's Statistical Review of World Energy, and the Joint Oil Data Initiative<sup>2</sup>. The Review of Maritime Transport data are compiled by UNCTAD, a permanent inter-governmental body established by the United Nations General Assembly in 1964. The Review of Maritime Transport is one of UNCTAD's flagship publications, published since 1968. The Review provides analyses of structural and cyclical changes affecting seaborne trade, ports and shipping, as well as an extensive collection of statistical information. Its data are published in its Review of Maritime Transport annually, and is a reliable source for those looking to get the most complete and accurate data on the shipping transportation. We have referred to UNCTAD data in our analyses of global seaborne trade of crude oil and refined products. British Petroleum (BP) is a global energy business operating in more than 70 countries worldwide. It finds and produces oil and gas on land and offshore and moves energy around the globe. The BP Statistical Review of World Energy<sup>3</sup> provides high-quality objective and globally consistent data on world energy markets. The review is published annually using robust global data, and provides an objective overview of what happened to energy markets. We have referred to the BP data to supplement the UNCTAD data in our analyses of global seaborne trade of crude oil, and the BP data provides further granularity to enable the volumes transported along the specific freight routes to be estimated.

The Joint Oil Data Initiative (JODI)<sup>4</sup>, which was launched in April 2001 by six international organizations (Asia Pacific Economic Cooperation (APEC), Statistical Office of the European Communities (Eurostat), International Energy Agency (IEA), Latin American Energy Organization (OLADE), Organization of the Petroleum Exporting Countries (OPEC), United Nations Statistics Division (UNSD)), provides a reliable, freely accessible and comprehensive database of energy statistics. JODI's data is dependent upon what each country reports and in what timeframe. Participating countries complete a standard data table in JODI-Oil Questionnaire and/or JODI-Gas Questionnaire every month for the two most recent months (M-1 and M-2) and submit it to the JODI partner organization(s) of which it is a member. The respective organization compiles the data and forwards it to the IEF which is responsible for the JODI World Databases.

The final settlement prices for each of the proposed new contracts are based on the price assessment of the respective underlying physical markets as assessed and published by Platts<sup>5</sup>, a division of S&P Global ("Platts"). Platts is a leading global provider of energy, freight, 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. The freight rate assessments for Clean and Dirty tankers plying the East of Suez routes reflect the transactional value prevailing at 16:30 hours Singapore time. Platts freight assessments are derived from a review of fixtures

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

<sup>2</sup> In two related submissions, for Freight Route (Baltic) BALMO futures (SER 8111; CFTC 18-072) and Mini Freight Route (Baltic) futures (SER 8149; CFTC 18-198), UN Comtrade was the data source used instead of JODI, due to the nature of the routes.

<sup>3</sup> <https://www.bp.com/en/global/corporate/energy-economics/statistical-review-of-world-energy.html>

<sup>4</sup> JODI Database - <https://www.jodidata.org/>

<sup>5</sup> <https://www.platts.com/IM.Platts.Content/MethodologyReferences/MethodologySpecs/Freight-methodology.pdf>

(fully fixed or on subjects), and market levels reported, in the period since the previous set of assessments was published. Its aim is to reflect market activity, and to publish a representative value at which it believes chartering activity could occur, given movements in related markets. Platts gives priority to fully verified, transparent and firm data. The information is published in real time as it is received on Platts information services and Platts Global Alert, and is published daily in the Clean Tankerwire and Market Data Shipping reports.

## **Cash Market Overview**

### **Freight Market Overview**

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

UNCTAD estimates total international seaborne trade to equal 1,838 million tons for crude oil and 1,218 million tons for petroleum products in 2016. The 2016 figures represent an increase of 0.7% per annum over the year 2012 for crude oil, and an increase of 4.0% per annum for the same period for refined products. Overall, trade in oil and gas cargoes have grown at 2% per annum from 2012 to 2016.

The chartering of seaborne freight is a privately negotiated activity between the ship owner and the charterer, with each transaction having unique features. However standards have been established for the marketplace by trade associations, most notably the Baltic Exchange based in London.

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

There are two main types of vessel charter arrangement. Voyage charters involve the charterer hiring the vessel to carry a cargo between two specified ports. The freight payment for a voyage charter is assessed in terms of dollars per ton of cargo carried. Time charters involve the charterer hiring the vessel for a period of time, during which it can direct the movement of the vessel, although typically the vessel will follow a route between two ports. The freight payment for a time charter is assessed in terms of dollars per day of charter.

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

In order to develop the functioning of the freight market, Platts has developed standard definitions for freight routes which are frequently chartered. Platts collates market price data from shipbrokers and charterers on

these specified routes, and publishes market price assessments on a daily basis. Other price reporting agencies also collate and publish market price data, most notably Baltic Exchange, which is seen as the most relevant price reference for certain Pacific Ocean routes.

### **Specific Freight Routes**

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

Table 1: Description of Freight Routes by Platts<sup>6</sup>

Route Name used by CME	Platts Code	Platts Route Name	Description of Routes assessed by Platts
TC5	PFAEY10	Clean Arab Gulf-Japan 55kt LR1	55,000mt. Arab Gulf to Far East (Jubail to Chiba, Ruwais to Yokkaichi, Bandar Mahshahr to Yokohama). Loading date range 7-10 days from date of assessment. Double hull, age max 15 years. <sup>7</sup>
TD3C	AASLB00	Dirty Persian Gulf-China 270kt	270,000mt. Persian Gulf to China (Ras Tanura to Dalian, Basra to Ningbo, Min al-Ahmadi to Huangpu). Loading date range 10-35 days from date of assessment. Double hull, age max 15 years. <sup>8</sup>

Freight route TC5 is a benchmark route for condensate products, such as naphtha, loaded in the Middle East and delivered to the Far East. The description provided by Platts is the “Clean Tankers Arab Gulf-Japan LR1 55kt” route, assessed daily on a Worldscale and corresponding \$/mt basis. It takes into account a basket of load and discharge ports for arriving at the flat rate. These are Jubail-Chiba, Ruwais-Yokkaichi and Bandar Mahshahr-Yokohama. The Worldscale flat rate basket value is arrived at by taking the average of the Worldscale flat rates on these three voyages for any given calendar year. Platts has been assessing this route since April 1993.

Freight route TD3C is a benchmark route for crude oil, loaded in the Middle East and delivered to the Far East. The description provided by Platts is the “Dirty Tankers Persian Gulf-China 270kt” route, assessed daily on a Worldscale and corresponding \$/mt basis. It takes into account a basket of load and discharge ports for arriving at the flat rate. These are Ras Tanura – Dalian (via Quoin Island), Basra – Ningbo (via Quoin Island) and Nina al-Ahmadi – Huangpu (via Quoin Island). The Worldscale flat rate basket value is arrived at by taking the average of the Worldscale flat rates on these three voyages for any given calendar year. Platts has been assessing this route since January 2006.

The UNCTAD<sup>9</sup> estimates of total international seaborne trade for petroleum and gas products in millions of metric tons of cargo are in Table 2. British Petroleum provides more granular details of refined products transported along the routes in its BP Statistical Review of World Energy<sup>10</sup> reports.

<sup>6</sup> Source: S&P Global Platts

<sup>7</sup> The corresponding TC5 description by Baltic is “55,000mt CPP/UNL naphtha condensate. Middle East Gulf to Japan (Ras Tanura to Yokohama). Laydays cancelling 30/35 days from index date. Age max 15 yrs. 3.75% total commission”.

<sup>8</sup> The corresponding TD3C description by Baltic is “270,000mt. Middle East Gulf to China (Ras Tanura to Ningbo). Laydays/cancelling 15/30 days from index date. Age max 15 yrs. 3.75% total commission”.

<sup>9</sup> [http://unctad.org/en/Pages/Publications/Review-of-Maritime-Transport-\(Series\).aspx](http://unctad.org/en/Pages/Publications/Review-of-Maritime-Transport-(Series).aspx)

<sup>10</sup> <https://www.bp.com/en/global/corporate/energy-economics/statistical-review-of-world-energy.html>

Table 2: International Seaborne Trade, Petroleum Products

Seaborne Trade of Oil Products	Million Metric Tons			
	2014	2015	2016	Average
World <sup>11</sup>	1,118	1,171	1,218	1,169
Middle East to Far East <sup>12</sup>	50.0	50.7	65.4	55.4

Source: UNCTAD, BP Statistical Review of Energy Products

The UNCTAD estimates of total international seaborne trade for crude oil in millions of metric tons of cargo are as in Table 3. British Petroleum provides more granular details of refined products transported along the routes in its BP Statistical Review of World Energy reports.

Table 3: International Seaborne Trade, Crude Oil

Seaborne Trade of Crude Oil	Million Metric Tons			
	2014	2015	2016	Average
World	1,707	1,761	1,838	1,766
Middle East to Far East <sup>13</sup>	278.7 <sup>14</sup>	310.1	328.5	305.8

Source: UNCTAD, BP Statistical Review of Energy Products

### **Analysis of Deliverable Supply**

The Commission defines deliverable supply as the quantity of the commodity meeting a derivative contract's delivery specifications that can reasonably be expected to be readily available to short traders and saleable by long traders at its market value in normal cash marketing channels at the derivative contract's delivery points during the specified delivery period, barring abnormal movement in interstate commerce. (See Appendix C to 17 CFR part 38.

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

However, besides the tankers which ply the regional routes and utilize Platts assessments, the BP Statistics would have included other local tanker trade movements. Hence, a suitable proportion was applied to each of these routes in order to derive the deliverable supply relevant to each of the route assessments. Various

<sup>11</sup> The UNCTAD figures were used for World total. BP Statistics figures were used for the regional totals.

<sup>12</sup> BP Statistics did not break down between crude oil and petroleum products in 2014, and the figure was estimated based on the proportions in 2015 and 2016. For purposes of estimating the TC5 routes, the product volumes reported by BP Statistics have included points of origin in 'Iraq, Kuwait, Saudi, UAE, and Other Middle East' and destination points including 'China, India, Japan and Singapore' which the route passes through. BP lumped Taiwan and South Korea into "Other Asia Pacific".

<sup>13</sup> This is a conservative estimate as destination points included only China and Japan. See also earlier footnote.

<sup>14</sup> BP did not break down between crude and petroleum products for 2014, and this figure was estimated per Footnote 12.

data sources<sup>15</sup> were used to estimate proportions to be applied to the average trade volumes, as shown in Table 4.

Table 4: Summary of Estimates of Traded Volumes Along the Assessed Freight Routes

Middle East to Far East Seaborne route	Average Trade Volume (million MT) <sup>16</sup>	Freight Route	Estimated Deliverable Supply <sup>17</sup>	
			As % of Average Trade Volume	Volume (million MT)
Petroleum Products	55.4	TC5	93%	51.6
Crude Oil	305.8	TD3C	70%	214.0

Table 5 provides the volume figures on these routes in contract lots per month, and the proposed position limits as a percentage of the deliverable supply. The derivation of the deliverable supplies is detailed below.

The lot size for all the Futures and BALMO Futures contracts are 1,000 MT each. The position limits for the BALMO contracts are aggregated into their corresponding futures contracts (the 'Parent' contracts), which are all in 1,000 MT lot sizes. In the case of TD3C, both the futures and BALMO futures contracts are aggregated into the Freight Route (Baltic) futures contract.

Table 5: Proposed Position Limits as a Percentage of Deliverable Supply

Freight Route	Volume in million MT per year	Volume in thousand MT per month	Equivalent contract lots per month	Proposed position limit (lots)	Position limit as % of deliverable supply
TC5	51.6	4,303	4,303	1,000	23.2%
TD3C	214.0	17,836	17,836	2,500	14.0%

#### TC5 Route

TC5 is a petroleum product (particularly naphtha) freight route from the Middle East to the Far East transported by the product tankers (typically 55,000 dwt). The derivation of the Deliverable Supply is as follows.

The BP Statistics yielded an average figure of 58.1 million MT based on the period from 2015 to 2016. JODI has published figures for 2017, but the figures from China and Taiwan were not reported. BP has statistics for Japan and China but only up to 2016. Data from both BP Statistics and JODI were used to estimate the Deliverable Supply for the TC5 route, as shown in the table below.

Table 6: Calculation of Deliverable Supply of TC5

Petroleum Exports from Middle East to:					
Source: JODI	2014	2015	2016	2017	
Japan	19.8	21.1	18.8	20.8	
S Korea	24.2	23.3	23.0	23.6	

<sup>15</sup> MarineTraffic.com and China Customs data

<sup>16</sup> Source: BP Statistical Review of Energy 2015, 2016, 2017

<sup>17</sup> Proportions based on following supplementary sources: JODI for TC5, China and Japan ports data for TD3C.



<b>Source: BP Statistics</b>					
Japan	17.7	17.8	16.4		
China	3.4	3.4	15.0		
Other Asia	28.9	29.5	34.0	Average 2014-2016	
BP Sub-Total	50.0	50.7	65.4	55.4	

<b>Deliverable Supply</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>Average 2015-2017</b>
Japan (JODI) x 85%	16.9	17.9	16.0	17.7	17.2
S Korea (JODI)	24.2	23.3	23.0	23.6	23.3
China (BP)	3.4	3.4	15.0	15.0	11.1
Total	44.5	44.6	54.0	56.3	51.6

For Japan, an 15% discount was applied across the JODI figures for 2015 to 2017, to align with BP Statistics' figures. For South Korea, the JODI figures were used. For China, the BP Statistics figures were used; whereupon 2017's figure (not yet published by BP) was assumed to be equal to 2016's.<sup>18</sup>

It is known that Taiwan, alongside Japan and South Korea, are the three largest importers of naphtha in the world. However, Taiwan's figures are not available from BP nor JODI and thus not included in the calculations. As such, 51.6 million MT per year is a conservative estimate of the deliverable supply. The figure is equivalent to 4,303 thousand MT per month, or 4,303 lots of the Freight Route TC5 (Platts) BALMO futures contract (code: THB).

The current position limit of the expiring month positions is 1,000 lots. This figure represents 23.2% of the petroleum products exported from Middle East to Far East. The THB is aggregated into the underlying TC5 (Platts) futures contract (code: TH).

### TD3C Route

The 305.8 million MT of crude oil carried along the Middle East to Far East route are transported by Very Large Crude Carriers (VLCC, typically 250,000 dwt) and smaller crude oil tankers. TD3C represents the cargoes carried by the VLCCs. While the breakdown between VLCCs and the smaller tankers plying the route is not easily available, the number of tankers docked at the destination ports of the TD3C route can be used as a proxy estimate.

Snapshots of the VLCC versus smaller tankers were taken at the destination ports represented by the TD3C (Ningbo) and the old TD3 (Chiba) routes. Some of these tankers represent local tankers transferring oil from the VLCCs for redistribution, are not part of the Middle East to Far East fleet. Since one VLCC load (2 million barrels) can be transferred to about four tankers (500,000 barrel), at least 56 (4 times 14 VLCC) among the 102 small tankers can be removed from the equation. This means that, in the snapshot, the Middle East to Far East shipments are represented by 14 VLCCs and 46 or less small crude oil tankers. By tonnage, VLCCs therefore represent no less than 70% of the cargoes.

<sup>18</sup> Source: China Customs data for total Naphtha imports were 6.7m MT in 2016 and 6.7m in 2017, and 1.7m for Q1 2018 (which annualized to 6.7m). TC5 includes other refined products such as gasoline, diesel, gasoil etc. Based on the naphtha figures, it seems reasonable to assume that the volumes ascribed to TC5 in 2017 are similar to 2016.

Ships at Port <sup>19</sup>	VLCC	Small crude oil tankers			VLCC (dwt)	Small tankers (dwt)
		Total at port	Local ships	Long haul ships		
Ningbo	8	38	32	6 or less	2,000,000	360,000
Chiba	6	45	24	21 or less	1,500,000	1,260,000
Total	14	102	56	46 or less	3,500,000	1,620,000

Based on BP Statistics, the average amount of crude oil imported from Middle East to Japan between 2014 and 2016 was 305.8 million MT. An estimated 70% of that tonnage was carried by VLCCs, thus 214.0 million MT of crude oil was estimated as the deliverable supply representing the TD3C route.

Middle East to Japan/China (million MT)				
BP Statistics	2014	2015	2016	Average
China	153.2	170.4	184.1	175.4
Japan	125.5	139.7	144.4	147.0
<b>Far East Total</b>	<b>278.7</b>	<b>310.1</b>	<b>328.5</b>	<b>305.8</b>
<b>TD3C Route (70%)</b>				<b>214.0</b>

The estimated annual deliverable supply of 214.0 million MT per year is equivalent to 17,836 thousand MT per month, or 17,836 lots of the Freight Route TD3C (Platts) futures contract (code: TD3). The current position limit of 2,500 lots for the expiring month positions represents 14.0% of crude oil exported from Middle East to Far East. The TD3C (Platts) futures contract (code: TD3) and TD3C (Platts) Balmo futures contract (code: T3B) are aggregated into the TD3C (Baltic) futures contract (code: TL).

<sup>19</sup> <http://www.marinetraffic.com> Destinations Ningbo and Chiba. Snapshot of ships at port for 23 Jan 2018.

## EXHIBIT E

### Summary Contract Specifications

Contract Title	Freight Route TC5 (Platts) BALMO Futures
Commodity Code	THB
Rulebook Chapter	879
Contract Size	1,000 metric tons
Price Quotation	U.S. dollars and cents per metric ton
Minimum Price Fluctuation	\$0.0001 per metric ton
Value per Tick	\$0.10
Settlement Method	Financial
Listed Contracts	Monthly contracts listed for three (3) consecutive months.
Floating Price	The Floating Price for each contract month is equal to the balance-of-month arithmetic average of the rates for each business day that the TC5 Tanker Route for Arab Gulf to Japan 55,000 metric tons is published by the Platts over the contract month, converted to a US dollar per metric ton valuation at the prevailing Worldscale rate as published by Worldscale Association, starting from the selected start date through the end of the contract month
First Listed Month	July 2018
Termination of Trading	Trading shall cease at the close of trading on the last business day of the contract month
Block Trade Minimum Threshold	5 contracts
CME Globex Matching Algorithm	FIFO

Contract Title	Freight Route TD3C (Platts) Futures
Commodity Code	TD3
Rulebook Chapter	871
Contract Size	1,000 metric tons
Price Quotation	U.S. dollars and cents per metric ton
Minimum Price Fluctuation	\$0.0001 per metric ton
Value per Tick	\$0.10
Settlement Method	Financial
Listed Contracts	Monthly contracts listed for the current year and the next two (2) calendar years. Add monthly contracts for a new calendar year following the termination of trading in the December contract of the current year.
Floating Price	The Floating Price for each contract month is equal to the arithmetic average of the rates for each business day that the TD3C Tanker Route (for 270,000 metric tons for Middle East Gulf to China) is published by Platts over the contract month, converted to a US dollar per metric ton valuation at the prevailing Worldscale rate as published by Worldscale Association

First Listed Month	July 2018
Termination of Trading	Trading shall cease at the close of trading on the last business day of the contract month
Block Trade Minimum Threshold	5 contracts
CME Globex Matching Algorithm	FIFO

Contract Title	Freight Route TD3C (Platts) BALMO Futures
Commodity Code	T3B
Rulebook Chapter	872
Contract Size	1,000 metric tons
Price Quotation	U.S. dollars and cents per metric ton
Minimum Price Fluctuation	\$0.0001 per metric ton
Value per Tick	\$0.10
Settlement Method	Financial
Listed Contracts	Monthly contracts listed for three (3) consecutive months.
Floating Price	The Floating Price for each contract month is equal to the balance-of-month arithmetic average of the rates for each business day that the TD3C Tanker Route (for 270,000 metric tons for Middle East Gulf to China) is published by Platts over the contract month, converted to a US dollar per metric ton valuation at the prevailing Worldscale rate as published by Worldscale Association, starting from the selected start date through the end of the contract month
First Listed Month	July 2018
Termination of Trading	Trading shall cease at the close of trading on the last business day of the contract month
Block Trade Minimum Threshold	5 contracts
CME Globex Matching Algorithm	FIFO