

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 16-169 (1 of 4)

Organization: Chicago Mercantile Exchange Inc. ("CME")

Filing as a: DCM SEF DCO SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 06/23/16 **Filing Description:** Initial Listing of Four (4) Palm Oil Based 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 23, 2016

VIA ELECTRONIC PORTAL

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

**RE: CFTC Regulation 40.2(a) Certification. Notification Regarding the Initial Listing of Four (4) Palm-Based Contracts: USD Malaysian Crude Palm Oil Calendar Futures; USD Malaysian Crude Palm Oil Average Price Option; Bursa Malaysia Crude Palm Oil – Gasoil Spread Futures; USD Malaysian Palm Olein Calendar Futures.
CME Submission No. 16-169 (1 of 4)**

Dear Mr. Kirkpatrick:

Chicago Mercantile Exchange Inc. (“CME” or “Exchange”) is notifying the Commodity Futures Trading Commission (“CFTC” or “Commission”) that it is self-certifying the initial listing of USD Malaysian Crude Palm Oil Calendar Futures, USD Malaysian Crude Palm Oil Average Price Option, Bursa Malaysia Crude Palm Oil – Gasoil Spread Futures, and USD Malaysian Palm Olein Calendar Futures (the “Contracts”) for trading on CME Globex and for submission for clearing via CME ClearPort, effective on Sunday, July 10, 2016 for trade date Monday, July 11, 2016, as set forth below.

The Contract specifications are as follows:

Contract Title	USD Malaysian Crude Palm Oil Calendar Futures
Rulebook Chapter	204
Commodity Code	CPO
Underlying Futures Contract	Bursa Malaysia Crude Palm Oil Futures
Underlying Futures Contract Code	FCPO
Listing Schedule	Monthly contracts listed for 60 consecutive months
Contract Size	25 Metric Tons
Settlement Method	Financial
Minimum Price Fluctuation	\$0.25 per Metric Ton
Value per Tick	\$6.25
First Listed Contract	August 2016
Block Trade Minimum Threshold	10 contracts
Termination of Trading	Last business day of the contract month
CME Globex Matching Algorithm	F- FIFO

Contract Title	USD Malaysian Crude Palm Oil Average Price Option
Rulebook Chapter	204D
Commodity Code	POO
Underlying Futures Contract	USD Malaysian Crude Palm Oil Calendar Futures
Underlying Futures Contract Code	CPO

Listing Schedule	Monthly contracts listed for 12 consecutive months
Contract Size	25 Metric Tons
Option Type	European
Settlement Method	Financial
Minimum Price Fluctuation	\$0.10 per Metric Ton
Value per Tick	\$2.50
First Listed Contract	August 2016
Block Trade Minimum Threshold	10 contracts
Termination of Trading	Last business day of the contract month
CME Globex Matching Algorithm	O – Threshold Pro Rata

Contract Title	Bursa Malaysia Crude Palm Oil – Gasoil Spread Futures
Rulebook Chapter	204E
Commodity Code	POG
Underlying Futures Contract	Bursa Malaysia Crude Palm Oil Futures and ICE Low Sulphur Gasoil Futures
Underlying Futures Contract Code	FCPO and G
Listing Schedule	Monthly contracts listed for 12 consecutive months
Contract Size	25 Metric Tons
Settlement Method	Financial
Minimum Price Fluctuation	\$0.25 per Metric Ton
Value per Tick	\$6.25
First Listed Contract	August 2016
Block Trade Minimum Threshold	10 contracts
Termination of Trading	Last business day of the contract month
CME Globex Matching Algorithm	F – FIFO

Contract Title	USD Malaysian Palm Olein Calendar Futures
Rulebook Chapter	204C
Commodity Code	OPF
Price Reporting Product	Thompson Reuters Malaysian Refined, Bleached and Deodorized (RBD) Palm Olein – FOB
Listing Schedule	Monthly contracts listed for 23 consecutive months
Contract Size	25 Metric Tons
Settlement Method	Financial
Minimum Price Fluctuation	\$0.25 per Metric Ton
Value per Tick	\$6.25
First Listed Contract	August 2016
Block Trade Minimum Threshold	10 contracts
Termination of Trading	Last business day of the contract month
CME Globex Matching Algorithm	F – FIFO

Trading and Clearing Hours

CME Globex	Monday – Friday, 8:30 a.m. – 1:20 p.m. Central Time
CME ClearPort	Sunday – Friday 5:00 pm to 4:00 p.m. Central Time

Trading Fee Schedule

USD Malaysian Crude Palm Oil Calendar Futures, USD Malaysian Crude Palm Oil Average Price Option, and USD Malaysian Palm Olein Calendar Futures

Exchange Fee	Member	Lessees	Other / Non-Member
CME Globex	\$2.00	\$2.25	\$2.50
EFP/EFR*	\$2.00	\$2.25	\$2.50
Block	\$2.00	\$2.25	\$2.50
Delivery	\$2.00	\$2.25	\$2.50

CBOT Individual/Firm Members (Full), CME Equity Members, and CBOT Lessees (Full) will receive CME Lessee rates.

Other CME Processing Fees	Rate
106.D Lessee/106.H Brokerage	\$0.13
106.F Employee Brokerage	\$0.13
Floor / "New" Brokerage	\$0.04
Position Adjustments/Position Transfers	\$0.10
Give-Up Surcharge	\$0.05
Facilitation Fee	\$0.40

Bursa Malaysia Crude Palm Oil – Gasoil Spread Futures

Exchange Fee	Member	Lessees	Other / Non-Member
CME Globex	\$2.20	\$2.45	\$2.70
EFP/EFR*	\$2.20	\$2.45	\$2.70
Block	\$2.20	\$2.45	\$2.70
Delivery	\$2.20	\$2.45	\$2.70

CBOT Individual/Firm Members (Full), CME Equity Members, and CBOT Lessees (Full) will receive CME Lessee rates.

Other CME Processing Fees	Rate
106.D Lessee/106.H Brokerage	\$0.13
106.F Employee Brokerage	\$0.13
Floor / "New" Brokerage	\$0.04
Position Adjustments/Position Transfers	\$0.10
Give-Up Surcharge	\$0.05
Facilitation Fee	\$0.40

*EFP/EFR fees will be waived through September 30, 2016

The Exchange is also notifying the CFTC that it is self-certifying the insertion of the terms and conditions for the 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 CME Rulebook in relation to the listing of the new contracts. These terms and conditions establish the spot,

single- and all-month speculative position levels, reportable levels, and aggregation allocation for the new contracts. Please see Appendix B, attached under separate cover.

CME is also notifying the CFTC that it is self-certifying block trading on the Contracts with a minimum block threshold level of ten (10) contracts.

CME reviewed the derivatives clearing organization core principles (“Core Principles”) as set forth in the Commodity Exchange Act (“CEA” or “Act”) and identified that the modifications may have some bearing on the following Core Principles:

- Compliance with Rules: Trading in the Contracts will be subject to the rules in Rulebook Chapter 4 which includes prohibitions against fraudulent, noncompetitive, unfair and abusive practices. Additionally, trading will also be subject to the full range of trade practice rules, the majority of which are contained in Chapter 5 and Chapter 8 of the Rulebook. As with all products listed for trading on one of CME Group’s designated contract markets, activity in these products will be subject to extensive monitoring and surveillance by CME Group’s Market Regulation Department. The Market Regulation Department has the authority to exercise its investigatory and enforcement power where potential rule violations are identified.
- Contracts Not Readily Subject to Manipulation: Malaysia is one of the key global palm producers and exporters and represents an abundance of underlying supply. Additionally, the Malaysian Palm Oil Board, an entity that promotes the Malaysian palm oil market, provides an abundance of publically available production and stock data. The Bursa Malaysia Crude Palm Oil futures contract, which three of the Contracts are based, is deeply liquid and the global price discovery tool for crude palm oil.
- Prevention of Market Disruption: Trading in the Contracts will be subject to Rulebook Chapter 4, which include prohibitions on manipulation, price distortion and disruptions of the delivery or cash-settlement process. As with all products listed for trading on one of CME Group’s designated contract markets, activity in the new product will be subject to extensive monitoring and surveillance by CME Group’s Market Regulation Department.
- Position Limitations or Accountability: Conservative single- and all-month speculative position limits based on Commission speculative position limit Regulations outlined in Part 150.5 of the Act will be implemented.
- Emergency Authority: As with all CME Group futures and options products, the Exchange shall have full authority to act appropriately and as necessary in emergency situations.
- Availability of General Information: The Exchange will publish information on the contract’s specification on its website, together with daily trading volume, open interest and price information.
- Daily Publication of Trading Information: Trading volume, open interest and price information will be published daily on the Exchange’s website and via quote vendors.
- Execution of Transactions: The Contracts will be listed for trade electronically through CME Globex and the CME ClearPort platform. CME Globex trading venue provides for competitive and open execution of transactions. The CME ClearPort platform provides a competitive, open, and efficient mechanism for novating transactions that are competitively executed.
- Trade Information: All required trade information is included in the audit trail and is sufficient for the Market Regulation Department to monitor for market abuse.

- Financial Integrity of Contracts: All contracts traded on the Exchange will be cleared by the CME Clearing House which is a registered derivatives clearing organization with the Commission and is subject to all Commission regulations related thereto.
- Protection of Market Participants: Rulebook Chapters 4 and 5 contain multiple prohibitions precluding intermediaries from disadvantaging their customers. These rules apply to trading on all of the Exchange's competitive trading venues and will be applicable to transactions in all palm related futures and options.
- 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 rules. 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 this product 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. The rules in Chapter 6 allow 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 non-member is required to participate in the arbitration pursuant to the rules in 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 Contracts comply with the Act, including regulations under the Act. There were no substantive opposing views regarding the listing of the Contracts.

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

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

Sincerely,

/s/Christopher Bowen
 Managing Director and Chief Regulatory Counsel

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

APPENDIX A

CME Rulebook

Chapter 204

USD Malaysian Crude Palm Oil Calendar Futures

20400. SCOPE OF CHAPTER

This chapter is limited in application to USD Malaysian Crude Palm Oil Calendar futures. In addition to this chapter, the contract shall be subject to the general rules and regulations of the Exchange insofar as applicable.

20401. CONTRACT SPECIFICATIONS

20401.A. Trading Unit

The unit of trade shall be 25 metric tons.

20401.B. Hours

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

20401.C. Minimum Price Increments

Minimum price fluctuations shall be in multiples of USD \$0.25 per metric ton which shall equal USD \$6.25 per contract. Contracts shall not be made on any other price basis.

20401.D. Trading Schedule

The number of months in which trading may occur shall be at the discretion of the Exchange.

20401.E. 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.

20401.F. Last Trading Day

The last trading day for the contract deliverable in the current delivery month shall be the final settlement day as prescribed in Rule 20405.

20401.G. Liquidation during the Delivery Month

After trade in the contract in the current delivery month has ceased, in accordance with Rule 20401.F., outstanding contracts for such delivery shall be liquidated by cash settlement as prescribed in Rule 20402.

20402. CASH SETTLEMENT

Final settlement under these rules shall be on the final settlement day (as described in Rule 20405.) and shall be accomplished by cash settlement. Clearing members holding open positions in the contract at the time of termination of trade shall make payment to and receive payment through the Clearing House in accordance with normal variation settlement procedures based on a settlement price equal to the final settlement price (as described in Rule 20403.).

20403. FINAL SETTLEMENT PRICE AND DAILY SETTLEMENT DURING THE LAST MONTH OF TRADING

The final settlement price shall be determined on the final settlement day. The final settlement price shall be the cumulative average of the settlement prices for the third forward month FCPO contract traded on the Bursa Malaysia Derivatives Berhad for each trading day in the contract month converted to USD and rounded to the nearest \$0.25 using the USD/MYR spot rate.

For example, final settlement for a January contract month of the contract would be the cumulative average of the daily settlement prices for the third forward FCPO contract listed on the Bursa Malaysia Derivatives Berhad contract during the month of January, which in this example will comprise half of the March futures contract and half of the April futures contract, with the month roll determined by the Bursa Malaysia Derivatives Berhad listing and expiration cycle. These daily settlement prices are converted to USD and rounded to the nearest \$0.25 using the USD/MYR spot rate.

Daily settlement during the last month of trade shall be the cumulative average of each settlement price of the corresponding Bursa Malaysia Derivatives Berhad FCPO futures contract and converted to USD and rounded to the nearest \$0.25 weighting the current day's settlement price across each remaining trading day.

Settlement prices shall be generated each CME business day using the most recent available values from Bursa Malaysia Derivatives Berhad and the most recent USD/MYR spot rate. However, any settlement prices generated on a CME business day that is not also a Bursa Malaysia Derivatives Berhad business day will not be counted toward final settlement. Additionally, there will be no daily settlement prices generated on non-CME business days that are Bursa Malaysia Derivatives Berhad business days, but the Bursa Malaysia Derivatives Berhad settlement prices generated on such days will count toward final settlement and daily settlement during the last month of trade.

20404. DAILY SETTLEMENT PRICE

Daily settlement other than settlement on the final settlement day or during the last month of trade (as described in Rule 20403.) shall be the settlement price of the Bursa Malaysia Derivatives Berhad FCPO futures contract that is the third-forward month from the contract month converted to USD using USD/MYR forward rates and rounded to the nearest \$0.25. Daily settlement prices shall be generated each business day the CME is open using the most recent available Bursa Malaysia Derivatives Berhad FCPO futures prices and the latest available USD/MYR forward rates.

The Exchange may list the contract before corresponding Bursa Malaysia Derivatives Berhad FCPO futures contracts are listed. In such cases, daily settlements will be based on interpolation between contracts that are listed.

20405. FINAL SETTLEMENT DAY

The final settlement day shall be on the last CME business day of the contract month. However, should there be a Bursa Malaysia Derivatives Berhad business day during the contract month that follows the last CME business day of the contract month, then final settlement shall be on the first CME business day of the month following the contract month.

20406. DISCLAIMER

CHICAGO MERCANTILE EXCHANGE INC. ["CME"] HAS BEEN AUTHORIZED BY BURSA MALAYSIA DERIVATIVES BERHAD TO USE BURSA MALAYSIA CRUDE PALM OIL FUTURES CONTRACT SETTLEMENT PRICES ("FCPO SETTLEMENT PRICES") AS THE BASIS FOR SETTling THE CONTRACT TRADED ON CME AND TO REFER TO THE FCPO SETTLEMENT PRICES IN CONNECTION WITH CREATING, MARKETING, LISTING, TRADING, CLEARING AND SETTling THE CONTRACT. THE CONTRACT IS NOT IN ANY WAY SPONSORED, ENDORSED, SOLD OR PROMOTED BY BURSA

MALAYSIA DERIVATIVES BERHAD AND BURSA MALAYSIA DERIVATIVES BERHAD HAS NO OBLIGATIONS OR LIABILITY IN CONNECTION WITH THE CREATION, MARKETING, TRADING, CLEARING, SETTLEMENT AND/OR PROMOTION OF ANY SUCH CONTRACTS. FCPO SETTLEMENT PRICES ARE CALCULATED, COMPILED AND PUBLISHED SOLELY BY BURSA MALAYSIA DERIVATIVES BERHAD. HOWEVER, BURSA MALAYSIA DERIVATIVES BERHAD MAKES NO REPRESENTATIONS AND DISCLAIMS ALL EXPRESS, IMPLIED AND STATUTORY WARRANTIES OF ANY KIND, INCLUDING, BUT NOT LIMITED TO, REPRESENTATIONS AND WARRANTIES AS TO ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE. TO THE EXTENT PERMITTED BY APPLICABLE LAW, BURSA MALAYSIA DERIVATIVES BERHAD SHALL NOT BE LIABLE (WHETHER IN CONTRACT, NEGLIGENCE OR OTHERWISE) TO ANY PERSON FOR ANY ERROR IN THE FCPO SETTLEMENT PRICES, AND BURSA MALAYSIA DERIVATIVES BERHAD SHALL NOT BE UNDER ANY OBLIGATION TO ADVISE ANY PERSON OF ANY ERROR THEREIN. BURSA MALAYSIA DERIVATIVES BERHAD SHALL UNDER NO CIRCUMSTANCES BE LIABLE FOR ANY TYPE OF DAMAGES (INCLUDING BUT NOT LIMITED TO, DIRECT, INDIRECT, SPECIAL, CONSEQUENTIAL, INCIDENTAL, OR PUNITIVE DAMAGES WHATSOEVER OR ANY LOST PROFITS OR LOST OPPORTUNITY), EVEN IF BURSA MALAYSIA DERIVATIVES BERHAD HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

Chapter 204D

USD Malaysian Crude Palm Oil Average Price Option

204D00. SCOPE OF CHAPTER

This chapter is limited in application to USD Malaysian Crude Palm Oil Average Price Option. In addition to this chapter, the contract shall be subject to the general rules and regulations of the Exchange insofar as applicable.

204D01. OPTIONS CHARACTERISTICS

204D01.A. Trading Unit

The unit of trade shall be 25 metric tons.

204D01.B. Hours

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

204D01.C. Minimum Price Increments

Minimum price fluctuations shall be in multiples of USD \$0.10 per metric ton which shall equal USD \$2.50 per contract. Contracts shall not be made on any other price basis.

204D01.D. Price Limits

Malaysian Palm Oil Average Price Option is not subject to any price limits.

204D01.E. Trading Schedule

The number of months in which trading may occur shall be at the discretion of the Exchange.

204D01.F. Exercise Style

The contract is cash settled European-style option. The option cannot be exercised prior to expiration.

204D01.G. Exercise Prices

The exercise prices shall be stated in terms of dollars and cents per metric ton. For all contract months, exercise prices shall be at intervals of \$10.

At the commencement of option trading in a contract month, the Exchange shall list a strike closest to the previous day's average settlement price of the underlying futures contract (the at-the-money strike), and ten strikes in integral multiples of \$10 above and below the at-the-money strike. If the previous day's average settlement price of the underlying futures is midway between two strikes, the at-the-money strike shall be the larger of the two. Over time, new strikes will be added to ensure that ten strikes above and below the previous day's average settlement price in the underlying futures contract are listed every day.

The Exchange may modify the provisions governing the establishment of strike prices as it deems appropriate. The Exchange may modify the procedure for the introduction of strike prices as it deems appropriate in order to respond to market conditions.

204D01.H. 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.

204D01.I. Last Trading Day

The last trading day is the same as the final settlement day (as described in Rule 204D05.).

204D01.J. Liquidation during the Delivery Month

After trade in the contract in the current delivery month has ceased, in accordance with Rule 204D01.I., outstanding contracts for such delivery shall be liquidated by cash settlement as prescribed in Rule 204D02.

204D02. CASH SETTLEMENT

Final settlement under these rules shall be on the final settlement day (as described in Rule 204D05.) and shall be accomplished by cash settlement. Clearing members holding open positions in the contract at the time of termination of trade shall make payment to and receive payment through the Clearing House in accordance with normal settlement procedures based on a settlement price against the underlying average price (as described in Rule 204D03.).

204D03. FINAL SETTLEMENT PRICE

The final settlement price shall be determined on the final settlement day. The final settlement price shall be determined against the cumulative average of the settlement prices for the third forward month FCPO contract traded on the Bursa Malaysia for each trading day in the contract month converted to USD and rounded to the nearest \$0.25.

For example, final settlement for a January month of the contract would be determined against the cumulative average of the daily settlement prices for the third forward FCPO contract during the month of January, which in this example will comprise half of the March contract and half of the April contract, with the month roll determined by Bursa Malaysia listing and expiration cycle. These daily settlement prices are converted to USD and rounded to the nearest \$0.25.

Settlement prices shall be generated each CME business day using the most recent available Bursa Malaysia prices. However, any settlement prices generated on CME business days that is not also a Bursa Malaysia business day will not be counted toward final settlement. Additionally, there will be no daily settlement prices generated on non-CME business days that are Bursa Malaysia business day, but the Bursa Malaysia settlement prices generated on such days will count toward final settlement during the last month of trade.

204D04. FINAL SETTLEMENT DAY

The final settlement day for the contract shall be the last business day of the contract month. However, should there be a Bursa Malaysia business day during the contract month that follows the last CME business day of the contract month, then final settlement will be on the first CME business day of the month following the contract month.

204D05. DAILY SETTLEMENT PRICE

Daily settlement prices shall be determined by the Exchange based on broker quotes.

204D06. DISPUTES

All disputes between interested parties may be settled by arbitration as provided in the Rules.

204D07. DISCLAIMER

CHICAGO MERCANTILE EXCHANGE INC. ["CME"] HAS BEEN AUTHORIZED BY BURSA MALAYSIA DERIVATIVES BERHAD TO USE BURSA MALAYSIA CRUDE PALM OIL FUTURES CONTRACT SETTLEMENT PRICES ("FCPO SETTLEMENT PRICES") AS THE BASIS FOR SETTLING THE CONTRACT TRADED ON CME AND TO REFER TO THE FCPO SETTLEMENT PRICES IN CONNECTION WITH CREATING, MARKETING, LISTING, TRADING, CLEARING AND SETTLING THE CONTRACT. THE CONTRACT IS NOT IN ANY WAY SPONSORED, ENDORSED, SOLD OR PROMOTED BY BURSA

MALAYSIA DERIVATIVES BERHAD AND BURSA MALAYSIA DERIVATIVES BERHAD HAS NO OBLIGATIONS OR LIABILITY IN CONNECTION WITH THE CREATION, MARKETING, TRADING, CLEARING, SETTLEMENT AND/OR PROMOTION OF ANY SUCH CONTRACTS. FCPO SETTLEMENT PRICES ARE CALCULATED, COMPILED AND PUBLISHED SOLELY BY BURSA MALAYSIA DERIVATIVES BERHAD. HOWEVER, BURSA MALAYSIA DERIVATIVES BERHAD MAKES NO REPRESENTATIONS AND DISCLAIMS ALL EXPRESS, IMPLIED AND STATUTORY WARRANTIES OF ANY KIND, INCLUDING, BUT NOT LIMITED TO, REPRESENTATIONS AND WARRANTIES AS TO ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE. TO THE EXTENT PERMITTED BY APPLICABLE LAW, BURSA MALAYSIA DERIVATIVES BERHAD SHALL NOT BE LIABLE (WHETHER IN CONTRACT, NEGLIGENCE OR OTHERWISE) TO ANY PERSON FOR ANY ERROR IN THE FCPO SETTLEMENT PRICES, AND BURSA MALAYSIA DERIVATIVES BERHAD SHALL NOT BE UNDER ANY OBLIGATION TO ADVISE ANY PERSON OF ANY ERROR THEREIN. BURSA MALAYSIA DERIVATIVES BERHAD SHALL UNDER NO CIRCUMSTANCES BE LIABLE FOR ANY TYPE OF DAMAGES (INCLUDING BUT NOT LIMITED TO, DIRECT, INDIRECT, SPECIAL, CONSEQUENTIAL, INCIDENTAL, OR PUNITIVE DAMAGES WHATSOEVER OR ANY LOST PROFITS OR LOST OPPORTUNITY), EVEN IF BURSA MALAYSIA DERIVATIVES BERHAD HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

Chapter 204E

Bursa Malaysia Crude Palm Oil – Gasoil Spread Futures

204E00. SCOPE OF CHAPTER

This chapter is limited in application to Bursa Malaysia Crude Palm Oil – Gasoil Spread Futures. In addition to this chapter, the contract shall be subject to the general rules and regulations of the Exchange insofar as applicable.

204E01. CONTRACT SPECIFICATIONS

204E01.A. Trading Unit

The unit of trade shall be 25 metric tons.

204E01.B. Hours

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

204E01.C. Minimum Price Increments

Minimum price fluctuations shall be in multiples of USD \$0.25 per metric ton which shall equal USD \$6.25 per contract. Contracts shall not be made on any other price basis.

204E01.D. Price Limits

Malaysian Palm Oil – Gasoil Spread futures is not subject to any price limits.

204E01.E. Trading Schedule

The number of months in which trading may occur shall be at the discretion of the Exchange.

204E01.F. 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.

204E01.G. Last Trading Day

The last trading day is the same as the final settlement day (as described in Rule 204E04).

204E01.H. Liquidation during the Delivery Month

After trade in Malaysian Palm Oil – Gasoil Spread futures in the current delivery month has ceased, in accordance with Rule 204E01.G., outstanding contracts for such delivery shall be liquidated by cash settlement as prescribed in Rule 204E02.

204E02. CASH SETTLEMENT

Final settlement under these rules shall be on the final settlement day (as described in Rule 204E04.) and shall be accomplished by cash settlement. Clearing members holding open positions in the contract at the time of termination of trade shall make payment to and receive payment through the Clearing House in accordance with normal variation settlement procedures based on a settlement price equal to the final settlement price (as described in Rule 204E03.).

204E03. FINAL AND DAILY SETTLEMENT PRICES DURING THE LAST MONTH OF TRADING

The final settlement price shall be determined on the final settlement day. The final settlement price shall be equal to the cumulative average of the settlement prices for the third forward month FCPO contract traded on the Bursa Malaysia Derivatives Berhad for each trading day in the contract month converted to USD and rounded to the nearest \$0.25 using

the USD/MYR spot rate minus the cumulative average of the settlement prices for the first nearby month ICE Low Sulphur Gasoil Futures contract for each trading day in the contract month rounded to the nearest \$0.001 (using non-common pricing). The settlement prices of the first nearby contract month will be used except on the last day of trading for the expiring ICE Low Sulphur Gasoil Futures contracts when the settlement prices of the second nearby contracts will be used.

For example, the palm oil component of final settlement for a January contract month of the contract would reference the cumulative average of the daily settlement prices for the third forward FCPO contract listed on the Bursa Malaysia Derivatives Berhad contract during the month of January, which in this example will comprise half of the March futures contract and half of the April futures contract, with the month roll determined by the Bursa Malaysia Derivatives Berhad listing and expiration cycle. These daily settlement prices for palm oil component are converted to USD and rounded to the nearest \$0.25 using the USD/MYR spot rate. The gasoil component of final settlement for a January Malaysian Palm Oil – Gasoil Spread futures contract would reference the cumulative average of the daily settlement prices for the first nearby ICE Low Sulphur Gasoil futures contract during the month of January, which in this example will comprise half of the January futures contract and half of the February futures contract, with the month roll determined by the ICE Futures Europe listing and expiration cycle. These daily settlement prices for the gasoil component are rounded to the nearest \$0.001.

Daily settlement during the last month of trade shall be the cumulative average of each settlement price of the corresponding Bursa Malaysia Derivatives Berhad FCPO futures contract and converted to USD and rounded to the nearest \$0.25 weighting the current day's settlement price across each remaining trading day minus the cumulative average of each settlement prices of the corresponding ICE Low Sulphur Gasoil Futures contract and rounded to the nearest \$0.001 weighting the current day's settlement price across each remaining trading day. Then the daily settlement price for the spread shall be rounded to the nearest \$0.01.

Settlement prices shall be generated each CME business day using the most recent available values from ICE Futures Europe for Low Sulphur Gasoil futures and from Bursa Malaysia Derivatives Berhad and the most recent USD/MYR spot rate for Crude Palm Oil futures. However, any settlement prices generated on a CME business day that is not also a Bursa Malaysia Derivatives Berhad or ICE Futures Europe business day will not be counted toward final settlement. Additionally, there will be no daily settlement prices generated on non-CME business days that are Bursa Malaysia Derivatives Berhad or ICE Futures Europe business days, but the Bursa Malaysia Derivatives Berhad or ICE Futures Europe settlement prices generated on such days will count toward final settlement and daily settlement during the last month of trade.

204E04. FINAL SETTLEMENT DAY

The final settlement day shall be on the last CME business day of the contract month. However, should there be a Bursa Malaysia Derivatives Berhad or an ICE Futures Europe business day during the contract month that follows the last CME business day of the contract month, then final settlement shall be on the first CME business day of the month following the contract month.

204E05. DAILY SETTLEMENT PRICE

Daily settlement other than settlement on the final settlement day or during the last month of trade (as described in Rule 204E03.) shall be equal to the settlement price of the Bursa Malaysia Derivatives Berhad FCPO futures contract that is the third-forward month from the contract month converted to USD using USD/MYR forward rates and rounded to the nearest \$0.25 minus the settlement price of the ICE Low Sulphur Gasoil futures contract that is the first nearby month from the contract month and rounded to the nearest \$0.001. Then the daily settlement price for the spread shall be rounded to the nearest \$0.01. Daily settlement

prices shall be generated each business day the CME is open using the most recent available ICE Low Sulphur Gasoil futures prices and Bursa Malaysia Derivatives Berhad FCPO futures prices and the latest available USD/MYR forward rates.

204E06. DISCLAIMER

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Chapter 204C USD Malaysian Palm Olein Calendar Futures

204C00. SCOPE OF CHAPTER

This chapter is limited in application to USD Malaysian Palm Olein Calendar futures. In addition to this chapter, the contract shall be subject to the general rules and regulations of the Exchange insofar as applicable.

204C01. CONTRACT SPECIFICATIONS

204C01.A. Trading Unit

The unit of trade shall be 25 metric tons.

204C01.B. Hours

The hours of trading for this contract shall be determined by the Exchange.**204C01.C.**

Minimum Price Increments

Minimum price fluctuations shall be in multiples of USD \$0.25 per metric ton which shall equal USD \$6.25 per contract. Contracts shall not be made on any other price basis.

204C01.D. Trading Schedule

The number of months in which trading may occur shall be at the discretion of the Exchange.

204C01.E. 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.

204C01.F. Last Trading Day

The last trading day for the contract deliverable in the current delivery month shall be the final settlement day as prescribed in Rule 204C05.

204C01.G. Liquidation during the Delivery Month

After trading of the contract in the current delivery month has ceased, in accordance with Rule 204C01.F., outstanding contracts for such delivery shall be liquidated by cash settlement as prescribed in Rule 204C02.

204C02. CASH SETTLEMENT

Final settlement under these rules shall be on the final settlement day (as described in Rule 204C05.) and shall be accomplished by cash settlement. Clearing members holding open positions in the contract at the time of termination of trade shall make payment to and receive payment through the Clearing House in accordance with normal variation settlement procedures based on a settlement price equal to the final settlement price (as described in Rule 204C03.).

204C03. FINAL SETTLEMENT PRICE AND DAILY SETTLEMENT DURING THE LAST MONTH OF TRADING

The final settlement price shall be determined on the final settlement day. The final settlement price shall be the cumulative average of each Thomson Reuters "Malaysia RBD Palm Olein" third forward month closing time assessment for each business day of the contract month rounded to the nearest \$0.25.

For example, final settlement for a January contract month of the contract would be the cumulative average of the daily assessment prices for the third forward Thomson Reuters Malaysia RBD Palm Olein assessment during the month of January, which in this example will comprise half of the March assessment and half of the April assessment, with the month roll determined by the Thomson Reuters listing and expiration cycle. These daily settlement prices are rounded to the nearest \$0.25.

Daily settlement during the last month of trade shall be the cumulative average of each Thomson Reuters Malaysia RBD Palm Olein third forward month closing time assessment weighting the current day's settlement price across each remaining trading day and rounded to the nearest \$0.25.

Settlement prices shall be generated each CME business day using the most recent available Thomson Reuters Malaysia RBD Palm Olein values. However, any settlement prices generated on CME business days when Thomson Reuters does not publish a Malaysia RBD Palm Olein assessment will not be counted toward final settlement. Additionally, there will be no daily settlement prices generated on non-CME business days that are Thomson Reuters Malaysia RBD Palm Olein assessment days, but the Thomson Reuters Malaysia RBD Palm Olein assessments generated on such days will count toward final settlement and daily settlement during the last month of trade.

204C04. DAILY SETTLEMENT PRICE

Daily settlement other than settlement on the final settlement day or during the last month of trade (as described in Rule 204C03.) shall be the Thomson Reuters Malaysia RBD Palm Olein third forward month from the contract month assessment that day rounded to the nearest \$0.25.

Daily settlement prices shall be generated each business day the CME is open using the most recent available Thomson Reuters values.

204C05. FINAL SETTLEMENT DAY

The final settlement day shall be on the last CME business day of the contract month. However, should there be a Thomson Reuters Malaysia RBD Palm Olein assessment during the contract month that follows the last CME business day of the contract month, then final settlement shall be on the first CME business day of the month following the contract month.

204C06. DISCLAIMER

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APPENDIX B

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

(attached under separate cover)

APPENDIX C

CME Rulebook Chapter 5 ("Trading Qualifications and Practices")

Rule 588.H. – ("Globex Non-Reviewable Trading Ranges")

(additions are underscored)

Instrument Name	Globex Symbol	Globex Non-Reviewable Ranges (NRR)	NRR: Globex Format	NRR: Ticks
<u>USD Malaysian Crude Palm Oil Calendar Futures</u>	<u>CPO</u>	<u>\$15.00 per metric ton</u>	<u>1500</u>	<u>60</u>
<u>USD Malaysian Palm Olein Calendar Futures</u>	<u>OPF</u>	<u>\$15.00 per metric ton</u>	<u>1500</u>	<u>60</u>
<u>Bursa Malaysia Crude Palm Oil - GasOil Spread Futures</u>	<u>POG</u>	<u>\$15.00 per metric ton</u>	<u>1500</u>	<u>60</u>

Instrument Name	Bid/Ask Reasonability	Non-Reviewable Range (NRR)
<u>USD Malaysian Crude Palm Oil Average Price Option contract</u>	<u>The greater of the delta times the underlying futures' non-reviewable range or 20% of the fair value premium up to the underlying futures' non-reviewable range with a minimum reasonability of \$7.50</u>	<u>20% of premium up to 1/4 of the underlying futures' non-reviewable range with a minimum of 1 tick</u>

APPENDIX D

Cash Market Overview and Analysis of Deliverable Supply

Market Overview & Deliverable Supply Analysis–Malaysian Crude Palm Oil

Overview:

Palm oil is an edible vegetable oil derived from the pulp of the fruit of oil palms. It is naturally reddish in color due to high beta-carotene content, and should not be confused with palm kernel oil, which is derived from the kernel of the same fruit.

Palm oil is one of the few highly saturated vegetable fats and is semi-solid at room temperature. This is an important component, as many U.S. and global food companies are moving away from partially hydrogenated trans fats. Palm oil is a reasonable replacement for trans fats and is also attractive to the commercial food industry due to its relative low cost.

USDA estimates global palm oil production at 61.641 million metric tons in MY 2014/2015. Malaysian palm oil production is estimated at 19.879 million metric tons or over 32 percent of global production.

The USD Malaysian Crude Palm Oil Calendar futures contract ("Calendar Futures Contract) is settled to the Bursa Malaysia Derivatives Berhad (BMDB) Crude Palm Oil (FCPO) futures contract. Final settlement is the cumulative average of the settlement prices for the third forward month BMDB FCPO contract for each trading day in the contract month converted to USD and rounded to the nearest \$0.25 using the Persatuan Pasaran Kewangan Malaysia (PPKM) 11:00 am (Singapore time) MYR spot fixing.

Final Settlement - Bursa Malaysia Crude Palm Oil Futures:

The core referencing futures contract is the Bursa Malaysia Derivatives Berhad (BMDB)-listed Crude Palm Oil Futures (FCPO)¹ contract.

The BMDB FCPO contract, which is listed for trading on CME Globex, is a liquid, physically-delivered futures contract and is the same size (25 metric tons) as the proposed calendar futures (CPO) contract.

The Calendar Futures Contract prices the third-forward BMDB FCPO contract, thus, the Calendar Futures Contract expires prior to the corresponding BMDB FCPO contract becoming the spot contract.

Table 1 below illustrates total monthly BMDB FCPO futures volume.

Table 1. Total Monthly BMDB FCPO Volume (in futures contract equivalents)²

	2013	2014	2015	Average
January	779,381	636,727	1,087,543	834,550
February	514,345	713,041	804,750	677,379
March	694,255	957,366	996,940	882,854
April	648,401	761,627	969,886	793,305
May	608,679	663,737	721,014	664,477
June	555,068	780,386	814,504	716,653
July	847,772	791,448	767,611	802,277
August	692,887	874,814	1,001,794	856,498

¹ <http://www.bursamalaysia.com/market/derivatives/products/commodity-derivatives/crude-palm-oil-futures-fcpo>

² Source: Bloomberg

	2013	2014	2015	Average
September	587,238	1,067,210	1,031,817	895,422
October	732,211	953,407	1,038,522	908,047
November	696,967	856,432	842,978	798,792
December	563,164	975,416	823,014	787,198
Total Average				801,454

Over the past three calendar years, average monthly volume is 801,454 contracts.

Because the proposed calendar futures prices the third-forward BMDB FCPO contract, below are the monthly volume figures for only the third-forward month.

Table 2. Third-Forward Month BMDB FCPO Volume (in futures contract equivalents)

	2013	2014	2015	Average
January	369,505	284,683	553,195	402,461
February	259,963	350,442	410,143	340,183
March	341,058	481,608	561,824	461,497
April	350,842	400,564	529,148	426,851
May	303,226	352,167	372,496	342,630
June	290,922	382,435	424,947	366,101
July	427,674	341,489	401,939	390,367
August	339,848	399,062	492,074	410,328
September	302,791	474,539	533,814	437,048
October	392,938	490,085	590,481	491,168
November	358,662	465,792	455,796	426,750
December	300,831	499,762	449,336	416,643
Total Average				409,336

The average monthly volume for only the third-forward month is 409,336 contracts.

Bursa Malaysia changed their settlement procedures for FCPO futures on December 3, 2012³. Prior to that date, daily settlement was based on the last traded price within the final one-minute interval prior to market close provided that the last traded price fell within the bid-ask spread. On December 3, Bursa Malaysia adopted a Volume Weighted Average Price (VWAP) settlement process, similar to the process used by CME Group staff settling CBOT grain and oilseed contracts, for all actively traded months including the third forward month underlying the proposed calendar future. Now, settlement of the third forward BMDB FCPO futures contract is a VWAP of trades executed on CME Globex between 17:59:00 – 18:00:00 Malaysia Time. The VWAP was implemented to prevent end-of-day price manipulation that can distort the daily settlement price:

Malaysian Palm Oil Production and Estimation of Deliverable Supply:

Palm oil is produced from the fruit of palm trees. Palm trees continually bear fruit, so palm oil production is continuous. Malaysia is one of the world's major palm oil producers. Table 3 below provides Malaysian crude palm oil production over the past three calendar years.

³ <http://www.bursamalaysia.com/misc/system/assets/3889/circular-updates-271112.pdf>

Table 3. Total Malaysian Crude Palm Oil Production (in millions of metric tons)⁴

	2013	2014	2015	Average
January	1.602	1.509	1.161	1.424
February	1.297	1.276	1.122	1.232
March	1.325	1.497	1.495	1.439
April	1.367	1.556	1.693	1.539
May	1.384	1.657	1.811	1.617
June	1.417	1.570	1.764	1.584
July	1.675	1.666	1.816	1.719
August	1.735	2.032	2.051	1.939
September	1.912	1.897	1.959	1.923
October	1.972	1.893	2.037	1.967
November	1.861	1.751	1.654	1.755
December	1.669	1.365	1.399	1.478
Total Average				1.635

BMDB FCPO futures are deliverable in Port Tank Installations approved by Bursa Malaysia at the ports of Kelang, Penang/Butterworth, and Pasir Gudang (Johor). According to Bursa Malaysia and the Malaysia Palm Oil Board, crude palm oil production from the Peninsula Malaysia region of Malaysia predominately supplies these locations with oil, and that production in this region represents what can easily flow into the BMDB FCPO delivery market. Additionally, although the Malaysia Palm Oil Board does not maintain quality statistics on crude palm oil production, they indicate that virtually all Peninsula Malaysia production meets the minimum delivery specifications of BMDB FCPO futures; however, for this analysis it is assumed that only 90 percent of Peninsula Malaysia production meets BMDB FCPO requirements.

Table 4 below provides monthly Peninsula Malaysia production meeting the minimum delivery specifications of BMDB FCPO futures.

Table 4. Peninsula Malaysia Crude Palm Oil Production (1,000 MTs)⁵

	2013	2014	2015	Average
January	0.830	0.780	0.551	0.720
February	0.661	0.648	0.606	0.638
March	0.679	0.770	0.843	0.764
April	0.730	0.799	0.933	0.821
May	0.747	0.859	0.973	0.860
June	0.798	0.853	0.963	0.871
July	0.944	0.921	1.012	0.959
August	0.952	1.097	1.119	1.056
September	1.069	0.997	1.028	1.031
October	1.092	0.971	1.023	1.029
November	0.987	0.871	0.813	0.890
December	0.839	0.609	0.673	0.707

⁴ Source: Malaysian Palm Oil Board (<http://bepi.mpob.gov.my/index.php/statistics/production.html>).

⁵ Source: Malaysian Palm Oil Board (<http://bepi.mpob.gov.my/index.php/statistics/production.html>).

	2013	2014	2015	Average
Total Average				0.862

Peninsula Malaysia production data averages 862,000 tones. Assuming ten percent of this total does not meet BMDB FCPO delivery specifications results in deliverable supply, discounted by 10%, of 775,800 tons (average). According to the Malaysia Palm Oil Board, long-term agreements are extremely rare in Malaysian crude palm oil markets, and they do not believe any stocks would be precluded from delivery because of long-term agreements.

There is no evidence that ownership of stocks and/or storage would negatively impact deliverable supply; the market appears to be competitive with multiple market participants. For example, here is a list of firms approved by Bursa Malaysia to deliver on their FCPO futures contract. Please note that this is just a partial list of total market participants.

http://www.bursamalaysia.com/misc/system/assets/2429/PTI_2016.pdf

Based on this analysis, the deliverable supply of crude palm oil into the BMDB FCPO delivery system is 775,800 metric tons (31,032 contract equivalents). Looking only at stocks deliverable into the BMDB delivery system and using the spot-month speculative position limit formula of 25 percent of deliverable supply, then deliverable supply into the BMDB FCPO contract support a spot position limit of 7,758 contracts.

FX Conversion:

Deutsche Bank estimates the average daily volume in the spot MYR/USD FX market to be \$2.5 billion⁶.

Over a month with 20 trading days, the typical volume transacted in the spot MYR/USD FX market would be \$2.5 billion * 20 = \$50 billion. Current BMDB CPO prices are less than \$700 per ton. Someone holding the recommended non-spot position limit of 3,000 contracts (75,000 metric tons) at this price over the past 12 months would have exposure of \$52.5 million (70,000 * \$700). This exposure represents about 1/10th of one percent of the estimated MYR/USD spot market during a final month of clearing. Thus, someone with a maximum position in the Calendar Futures Contract would still have exposure that represents only a tiny fraction of the MYR/USD FX market, making currency manipulation extremely unlikely.

Speculative Position Limit Recommendation:

Based on the foregoing, the Exchange determined to set the spot month position limit for the USD Malaysian Crude Palm Oil Calendar Futures (Commodity code CPO; Rule chapter 204) at 3,000 contract equivalents, or just under 10% of the assessment of average deliverable supply of crude palm oil into the BMDB FCPO delivery system of 775,800 metric tons.

U.S. based futures single- and all-month position limits for established contracts are based on a CFTC formula that allows a non-spot limit of 10 percent of the first 25,000 contracts of month-end open interest in the previous calendar year plus 2.5 percent of all additional month-end open interest above 25,000 contracts. Using this formula, and looking at only the referencing Bursa Malaysia third-forward futures contract, 2015 month-end open interest averaged 46,932 contracts. This level would allow a single- and all-month position limit of up to 3,048 contracts $((25,000 * 0.10) + ((46,932 - 25,000) * 0.025))$. As such, the Exchange determined to set the single- and all-month combined speculative position limits at 3,000 contracts, with a reportable level of 25 contracts.

Additionally, the Exchange is listing a USD Malaysian Crude Palm Oil Average Price Option (Commodity Code POO; Rule chapter 204D). The option is cash settled, and is based on the same terms as the Malaysian Crude Palm Oil Calendar futures contract. As such, the average price option positions shall be aggregated with those of the USD Malaysian Crude Palm Oil Calendar Futures contract.

⁶ http://www.fullertreacymoney.com/system/data/files/PDFs/2014/December/19th/DB_SpecialReport_2014-12-18_GDPBD00000274565.pdf

Seasonality:

The Exchange evaluates seasonality on the deliverable supply across all USD Malaysian Crude Palm Oil Calendar Futures contract expirations. To the extent that 25 percent of any contract month's future estimated deliverable supply falls below the current spot month limit, the Exchange will evaluate whether there is a need to adjust the spot-month position limit for that corresponding contract month.

Cash Market Overview & Deliverable Supply Analysis: ICE Gasoil

Overview:

The Bursa Malaysia Crude Palm Oil – Gasoil Spread Futures (“POGO”) (Commodity code POG; Rule chapter 204E) is a futures contract on the spread between third forward Bursa Malaysia Crude Palm Oil futures (included above) and the first nearby ICE Gasoil futures. Crude palm oil is a major input into the production of biodiesel while gasoil is a major component of diesel fuel. Market participants trade the spread between Bursa Malaysia Crude Palm Oil futures and ICE Gasoil futures as a proxy for the difference between biodiesel and diesel prices.

The Exchange based its analysis of deliverable supply of low sulphur gasoil in Northwest Europe on data provided by Eurostat.

The Eurostat⁷ data is compiled by the statistical office of the European Union and aims to provide the EU with accurate statistics that enable comparisons between countries and regions. The statistical authorities in each individual member state are responsible for collecting the data. After verification and analysis, the individual authorities send the data to Eurostat who consolidate such data. In addition, Eurostat ensures that all parties are employing the same methodology in collecting and reporting data. The Exchange determined to use Eurostat data for gasoil and diesel blended with bio components in Northwest Europe because of the highly specialized statistical categories collected by Eurostat. These two products are very closely aligned in terms of sulphur content and refiners produce the lower sulphur content by means of blending. Therefore, the supply pool of distillate is representative of gasoil and diesel combined.

The final settlement price for the POGO contract is based on the settlement price of the Low Sulphur Gasoil Futures contract traded at ICE Futures Europe. Settlement prices are made public by ICE Futures Europe, a recognized investment exchange in the United Kingdom.

Production, Imports and Estimation of Deliverable Supply:

Distillate fuel oil is a general classification for one of the petroleum product categories produced by distillation operations, a boiling process that separate crude oil into fractions⁸. The lightest and the first fraction of distillate fuel is jet kerosene, followed by on-road diesel, heating oil/off-road diesel, and residual fuel oils. Products known as No.1 (on-road diesel), No.2 (off-road diesel, residential heating oil), and No.4 (commercial/industrial heating oil) oils are used in diesel engines, boilers, and power generators. Diesel⁹, also known as No. 2 Diesel Fuel, is a liquid petroleum product less volatile than gasoline and used as an energy source. The primary use is in the transportation sector. ULSD (Ultra Low Sulphur Diesel) contains a lower level of sulphur than heating oil. There are relatively stringent cold properties in ULSD that refiners have to satisfy, particularly in the winter, to be able to deal with the harsh winter temperatures in some regions. Cold properties prevent the diesel fuel from freezing. The main trading hub for ULSD or Diesel as it is sometimes referred is split according to whether the reference market is for Barges or Cargoes. With reference to the Barge market, the main trading hub is the Amsterdam-Rotterdam-Antwerp (ARA) region where extensive storage capacity and refining infrastructure exists. For example, both BP and Shell have large refineries located in close proximity to the port of Rotterdam and both plants have complex refining units meaning that they are able to supply a wide variety of refined products including ULSD.

⁷ <http://ec.europa.eu/eurostat>

⁸ <http://www.epa.gov/otaq/regs/nonroad/marine/ci/fr/dfuelrpt.pdf>

⁹ US EIA <http://www.eia.gov/tools/glossary/index.cfm?id=D>

The cargo market by its nature is more diverse however there are large accumulations of refining and storage centers at several ports in Northwest Europe which is broadly defined as the coastline between Bordeaux in France and Hamburg in Germany. We have classified Northwest Europe as Belgium, France, Germany and the Netherlands. Fifty (50) percent of French production is located in the Northwest Europe region and the remainder in the Mediterranean region. Therefore, the data for France have been halved to reflect this.

According to Eurostat data, Northwest European low sulphur gasoil production averaged 7.644 million tons per month over the three year period from 2013 to 2015 (See Table 5). Additionally, Northwest European low sulphur gasoil imports averaged 4.761 million tons per month (see Table 6) over the same period.

Eurostat¹⁰ breaks down the total distillate volumes into distinct categories of Road Diesel and Heating Oil and other Gasoil and provides a total diesel/gasoil number for refinery production and imports. Diesel and Gasoil, including Heating Oil, are essentially the same product and the differentiation between each product group is resulting from the blending process. Gasoil can be blended into Diesel and vice versa although there are some specifications in Diesel such as Cold Properties (the temperature at which Diesel freezes) that will vary depending on the country of consumption. We have looked at the refinery production and import data in Belgium, France (halved), Germany and the Netherlands for the period 2013 to 2015. We believe that this broadly represents a good sample of Northwest Europe and the statistics contain volumes from the 2nd largest refining market in Northwest Europe (the Netherlands) where refining capacity is estimated to be around 1.23 million barrels per day¹¹.

Table 5. Northwest Europe Diesel/Gasoil (with blended bio components) – Transformation output from refineries (production)¹²

(Monthly Average in Thousand Metric Tons)

		Belgium	Germany	France (Half)	Netherlands
2013	January	1,076	3,934	1,088	1,811
	February	976	3,586	1,017	1,493
	March	1,178	3,833	1,058	1,546
	April	1,069	3,348	1,104	1,640
	May	912	3,803	1,162	1,849
	June	910	3,815	1,201	1,740
	July	980	3,901	1,229	1,896
	August	937	3,655	1,141	1,876
	September	930	3,557	992	1,600
	October	607	3,872	894	1,460
	November	714	3,890	1,036	1,532
	December	815	3,898	904	1,697
2014	January	951	3,833	1,081	1,781
	February	905	3,481	959	1,626
	March	1,173	3,617	1,026	1,830
	April	1,183	3,705	1,065	1,856
	May	1,169	3,520	1,017	1,654
	June	1,037	3,200	1,006	1,434
	July	1,196	3,600	1,168	1,657

¹⁰ http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=nrg_102m&lang=en

¹¹ IEA Statistics – Energy Supply Security 2014 (table 4.18.1) – Key Data
https://www.iea.org/media/freepublications/security/EnergySupplySecurity2014_TheNetherlands.pdf

¹² <http://ec.europa.eu/eurostat/data/database> - Supply and transformation of oil – monthly data (nrg_102m)

		Belgium	Germany	France (Half)	Netherlands
	August	1,151	4,003	1,211	1,681
	September	1,111	3,755	1,084	1,749
	October	1,237	3,787	1,135	1,815
	November	1,128	3,770	1,070	1,832
	December	1,134	3,998	1,121	1,861
2015	January	1,155	3,927	1,117	1,950
	February	1,026	3,756	1,110	1,578
	March	1,095	3,705	1,226	1,698
	April	1,148	3,689	1,101	1,634
	May	1,165	4,033	1,071	2,037
	June	1,077	3,866	937	1,922
	July	1,192	3,799	1,086	1,990
	August	1,192	3,784	1,108	2,060
	September	1,126	3,743	1,156	2,015
	October	1,070	3,724	1,190	1,930
	November	973	3,705	1,089	1,618
	December	1,128	4,014	1,124	1,783
3 year Average (2013-2015)		1,051	3,753	1,086	1,754

Table 6. Northwest Europe - Diesel/Gasoil (with blended bio components) Import Volumes¹³

(Monthly Average in Thousand Metric Tons)

		Belgium	Germany	France (Half)	Netherlands
2013	January	738	1,152	1,110	1,294
	February	968	887	957	1,313
	March	905	1,322	1,071	1,597
	April	779	2,096	892	1,246
	May	1,226	1,750	991	1,679
	June	1,017	1,505	787	1,452
	July	943	1,441	1,025	1,707
	August	881	1,408	773	1,343
	September	1,023	1,548	948	1,707
	October	1,423	1,940	1,286	2,452
	November	1,143	1,815	963	1,678
	December	1,016	922	899	1,611
2014	January	910	1,055	1,293	1,525
	February	872	1,188	891	1,208
	March	836	1,267	822	1,089
	April	479	1,448	892	1,329
	May	669	1,390	835	1,287
	June	948	1,302	833	1,296
	July	531	1,386	1,054	1,335
	August	836	1,588	973	1,645

¹³ <http://ec.europa.eu/eurostat/data/database> - Supply and transformation of oil – monthly data (nrg_102m)

		Belgium	Germany	France (Half)	Netherlands
	September	1,058	1,562	965	1,569
	October	1,026	1,722	918	998
	November	895	1,684	806	1,008
	December	723	1,275	1,104	894
2015	January	1,042	1,540	1,090	1,426
	February	1,215	1,664	570	1,196
	March	794	1,605	1,161	1,631
	April	909	1,367	949	1,576
	May	879	1,176	826	1,788
	June	1,006	1,009	1,015	1,656
	July	813	1,431	1,096	1,036
	August	990	1,601	1,042	1,180
	September	964	1,811	1,026	922
	October	1,078	1,846	1,058	1,146
	November	764	1,893	855	1,387
	December	759	1,583	1,104	1,079
3 year Average (2013-2015)		918	1,477	969	1,397

The ICE Low Sulphur Gasoil Futures contract¹⁴ is a vibrant contract with average daily volumes close to 230,000 per day (based on the yearly average volumes for 2013-2015). Prior to the January 2015 delivery month, the specification reflected 0.1% Gasoil but was changed to Low Sulphur Gasoil from the February 2015 delivery month onwards, reflecting the most dominant supply grade into the market. In addition to this, there is an OTC market which is categorized as an EFP market which is the spread between the Platts physical market and the ICE Gasoil Futures contract. Volumes in the EFP markets for European Distillates have been falling, in part due to clients preferring to hedge directly in the ICE Futures market and leaving the spread between ICE and the Platts markets un-hedged due to the relatively small value differences between both markets.

The Exchange is not including stocks data in its analysis of deliverable supply. Stocks data tend to vary and we do not condition proposed amendments to position limits based on stock data. The basis of analysis of deliverable supply is based on the combined Diesel and Gasoil volumes (blended with bio components) for both production (transformation output from refineries) and imports. The combined number has been used because Diesel and Gasoil are interchangeable and each product can be blended at the refinery. The combined Diesel and Gasoil figures have been used for both refinery production and imports.

Further, the Exchange has determined not to adjust the deliverable supply estimate based on the spot availability because spot market liquidity is not restrictive and tends to vary depending on the market fundamentals of demand and supply. The typical term agreement in the cash market allows flexibility for re-trading of the contracted quantity in the spot market, so the term agreements do not restrict the potential deliverable supply. Also, the spot trading is not restricted in that it could increase if the market demand increases. Therefore, we believe that it is not necessary to adjust the deliverable supply estimate on the basis of spot trading activity as it does not restrict the deliverable supply, and spot trading volume can expand to allow for more supply to flow if needed in the spot market.

Based on the Eurostat data, the monthly deliverable supply of Diesel/Gasoil (blended with bio components) in Northwest Europe was 12.405 million tons over the average annual period of 2013 - 2015 which comprised of refinery production and imports in the Netherlands, Belgium, France (halved) and Germany. This equates to approximately 148 million metric tons per year.

¹⁴ ICE Low Sulphur Gasoil Futures specification - <https://www.theice.com/products/34361119>

As provided in the Cash Market Overview section above, total volume of Diesel and Gasoil (blended with bio components) is around 12 million metric tons per month or 480,000 contract equivalents (contract size: 25 metric tons). Twenty-five percent of the monthly deliverable supply is equivalent to 120,000 contracts.

Speculative Position Limit Recommendation:

Based on the foregoing, the Exchange determined to set the spot month position limit for the Bursa Malaysia Crude Palm Oil – Gasoil Spread Futures (Commodity code POG; Rule chapter 204E) at 3,000 contracts for Leg 1 of the spread and at 3,000 contracts, or 0.625% of the low sulphur gasoil deliverable supply for Leg 2 of the spread futures contract.

Additionally, the Exchange shall set single- and all-month combined speculative position limits for each leg of the spread contract at 3,000 contracts, with a reportable level of 25 contracts.

Seasonality:

The Exchange evaluates seasonality on the deliverable supply across all Bursa Malaysia Crude Palm Oil – Gasoil Spread Futures contract expirations. To the extent that 25 percent of any contract month's future estimated deliverable supply falls below the current spot month limit, the Exchange will evaluate whether there is a need to adjust the spot-month position limit for that corresponding contract month.

Market Overview & Deliverable Supply Analysis – Malaysian Palm Olein

Overview:

Palm oil products are made through the refining of crude palm oil. The first process is fractionation with crystallization and separation, which produces solid (stearin) and liquid (olein) fractions. Next, melting and degumming removes impurities and then the oil is filtered and bleached. Further refining removes smells and coloration and produces “refined bleached deodorized palm oil.” Additional fractionation produces palm olein used for cooking oil. Basically, palm olein is the refined cooking oil variant of crude palm oil.

The Malaysian Palm Olein calendar futures is settled based on the Thomson Reuters third-forward “Malaysia RBD Palm olein” assessment with final settlement being based on a month-long cumulative average of the daily Reuters assessments during the contract month for the Reuter’s third-forward month assessment (i.e., a monthly average price futures). The Palm Olein Calendar futures does not reference spot month assessments; instead it references the Reuters assessment for delivery in 3 months, which is an active term in the palm olein market.

Malaysian Palm Olein Production and Estimation of Deliverable Supply:

Table 7 below provides Malaysian RBD Palm Olein production over the past three calendar years.

Table 7. Malaysian RBD Palm Olein Production (in millions of metric tons)¹⁵

	2013	2014	2015	Average
Jan	0.883	0.806	0.642	0.777
Feb	0.764	0.759	0.467	0.663
Mar	0.910	0.825	0.772	0.836
Apr	0.883	0.742	0.802	0.809
May	0.865	0.861	0.918	0.881
Jun	0.836	0.905	0.913	0.885
Jul	0.940	0.794	0.893	0.876

¹⁵ Source: Malaysian Palm Oil Board (<http://bepi.mpob.gov.my/index.php/statistics/production.html>).

Aug	0.814	0.882	0.910	0.869
Sep	0.922	0.817	0.940	0.893
Oct	0.988	0.890	0.823	0.900
Nov	0.881	0.870	0.785	0.845
Dec	0.890	0.782	0.706	0.793
Total Average				0.835

Reuters assessments of Malaysian palm olein cover the full spectrum of the Malaysian refining industry, so countrywide palm olein production represents a baseline of deliverable supply based on the Reuters methodology. According to a major market participant, Reuters quality specifications for palm olein to be included in the assessment is industry standard quality and virtually all Malaysian palm olein production meets or exceeds that standard. Also, long-term agreements are unusual, and should not significantly affect deliverable supply. To measure deliverable supply conservatively, however, it is assumed here that only 90 percent of Malaysian palm olein production meets Reuters quality requirements and is not under long-term agreements.

Over the past three calendar years, Malaysian palm olein production has averaged 0.8356 million metric tons per month or 33,424 contracts. Reducing this estimate by 10 percent results in an estimate of monthly deliverable supply or 0.7520 million metric tons or 30,080 contracts. Using the CFTC spot-month methodology of 25 percent of deliverable supply would support spot limits of 7,520 contracts based on estimated deliverable supply across the entire crop year.

Speculative Position Limit Recommendation:

Based on the foregoing, the Exchange determined to set the spot month position limit for the USD Malaysian Palm Olein Calendar Futures (Commodity code OPF; Rule chapter 204C) at 1,000 contracts or 3.32% of deliverable supply.

The standard non-spot month limit level for new futures products is 1,000 contracts. A typical oilseed product contract, using CBOT Soybean Oil futures as an example, is just over 27 metric tons. Since Soybean Oil futures are similar in size to Palm Olein Calendar futures, the Exchange recommends the single- and all-month position limit level be set at 1,000 contracts, with a reportable level of 25 contracts.