

**SUBMISSION COVER SHEET**

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

**Registered Entity Identifier Code (optional):** 20-243

**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):** 07/09/20    **Filing Description:** Initial Listing of the Freight Route TC17 (Baltic) Futures Contract

**SPECIFY FILING TYPE**

**Please note only ONE choice allowed per Submission.**

**Organization Rules and Rule Amendments**

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

**Rule Numbers:**

**New Product**

**Please note only ONE product per Submission.**

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

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

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

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

**Rule Numbers:**



**Christopher Bowen**  
 Managing Director and Chief Regulatory Counsel  
 Legal Department

July 9, 2020

**VIA ELECTRONIC PORTAL**

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

**Re: CFTC Regulation 40.2(a) Certification. Notification Regarding the Initial Listing of the Freight Route TC17 (Baltic) Futures Contract. NYMEX Submission No. 20-243**

Dear Mr. Kirkpatrick:

New York Mercantile Exchange, Inc. (“NYMEX” or “Exchange”) is certifying to the Commodity Futures Trading Commission (“CFTC” or “Commission”) the listing of two freight route TC17 (Baltic) futures contract (the “Contract”) for trading on the CME Globex electronic trading platform and for submission for clearing via CME ClearPort effective Sunday, July 26, 2020 for trade date Monday, July 27, 2020.

<b>Contract Title</b>	Freight Route TC17 (Baltic) Futures
<b>CME Globex and CME ClearPort Code</b>	T7C
<b>Rulebook Chapter</b>	685
<b>Settlement Type</b>	Financial
<b>Contract Size</b>	1,000 metric tons
<b>Pricing Quotation</b>	U.S. dollars and cents per metric ton
<b>Minimum Price Fluctuation</b>	\$0.0001 per metric ton
<b>Value Per Tick</b>	\$0.10
<b>First Listed Contract</b>	August 2020
<b>Termination of Trading</b>	January to November contract months: the last business day of the calendar month. December contract month: the 24th calendar day of the month, or if this is not a business day, the first preceding business day.
<b>Settlement Period</b>	January to November contract months: The Settlement Period shall be the full calendar month. December contract month: The Settlement Period shall be the period from and including the 1st calendar day of the month through to and including the 24th calendar day of the month.
<b>Listing Schedule</b>	Monthly contracts listed for the current year and the five (5) consecutive calendar years. Additional monthly contracts will be listed for a new calendar year following the termination of trading in the December of the current year.
<b>Block Trade Minimum Threshold</b>	5 contracts – subject to a minimum 15-minute reporting window
<b>CME Globex Match Algorithm</b>	First-In, First-Out (FIFO)

**Trading and Clearing Hours**

CME Globex	Sunday - Friday 6:00 p.m. - 5:00 p.m. Eastern Time/ET (5:00 p.m. - 4:00 p.m. Central Time/CT) with a 60-minute break each day beginning at 5:00 p.m. ET (4:00 p.m. CT)
CME Globex Pre-Open	Sunday 5:00 p.m. – 6:00 p.m. ET (4:00 p.m. – 5:00 p.m. CT) Monday – Friday 5.45 p.m. – 6:00 p.m. ET (4:45 p.m. to 5:00 p.m. CT).
CME ClearPort	Sunday - Friday 6:00 p.m. - 5:00 p.m. ET (5:00 p.m. - 4:00 p.m. CT) with a 60-minute break each day beginning at 5:00 p.m. ET (4:00 p.m. CT)

### **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>			
Cash Settlement		\$0.50	
Facilitation Fee		\$0.60	
Give-Up Surcharge		\$0.05	
Position Adjustment/Position Transfer		\$0.10	

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

In addition, NYMEX is self-certifying block trading on the Contract with a minimum block threshold of five (5) contracts, which represents 5,000 metric tons. This aligns with the existing freight futures contracts listed on NYMEX and matches the OTC market convention. The submission of blocks for these contracts will be subject to a 15-minute reporting period.

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 Contract will be subject to the rules in Rulebook Chapter 4 which includes prohibitions against fraudulent, noncompetitive, unfair and abusive practices. Additionally, trading in this Contract 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 this product will be subject to extensive monitoring and surveillance by CME Group’s Market Regulation Department. The Market Regulation Department has the authority to exercise its investigatory and enforcement power where potential rule violations are identified.

- **Contracts Not Readily Subject to Manipulation:** The Contract is not readily subject to manipulation because of its structural attributes, underlying market and reliance on a well administered index. The Contract final settles against an index based on market assessments published by Baltic and sub-licensed to the Exchange.
- **Prevention of Market Disruption:** Trading in the Contract will be subject to Rules of NYMEX, 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 Contract 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 Contract as demonstrated in this submission are consistent with the Commission's guidance.
- **Availability of General Information:** The Exchange will publish on its website information regarding the Contracts' specifications, terms, and conditions, as well as daily trading volume, open interest, and price information.
- **Daily Publication of Trading Information:** The Exchange will publish the Contracts' trading volumes, open interest levels, and price information daily on its website and through quote vendors for the Contracts.
- **Execution of Transactions:** The Contract will be listed for trading on the CME Globex electronic trading and for clearing through the CME ClearPort. The CME Globex 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 Contract will be included in the audit trail and is sufficient for the Market Regulation Department to monitor for market abuse.
- **Financial Integrity of Contract:** The Contract will be cleared by the CME Clearing House, a derivatives clearing organization registered with the CFTC 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 the contract will be subject to Chapter 4, and the Market Regulation Department has the authority to exercise its enforcement power in the event rule violations in the product are identified.
- **Dispute Resolution:** Disputes with respect to trading in the Contract will be subject to the arbitration provisions set forth in Chapter 6 of the Rulebook. Chapter 6 allows all non-members to submit a claim for financial losses resulting from transactions on the Exchange to arbitration. A member named as a respondent in a claim submitted by a nonmember is required to participate in the arbitration pursuant to Chapter 6. Additionally, the Exchange requires that members resolve all disputes concerning transactions on the Exchange via arbitration.

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

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 e-mail [CMEGSubmissionInquiry@cmegroup.com](mailto:CMEGSubmissionInquiry@cmegroup.com).

Sincerely,

/s/Christopher Bowen  
Managing Director and Chief Regulatory Counsel

Attachments: Exhibit A: NYMEX Rulebook Chapter 685  
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 A**  
**NYMEX Rulebook**  
**Chapter 685**  
**Freight Route TC17 (Baltic) Futures**

**685100. 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.

**685101. CONTRACT SPECIFICATIONS**

The Floating Price for each contract month is equal to the arithmetic average of the freight rate published each day during the Settlement Period by the Baltic Exchange for the TC17 freight route (i.e. Jubail to Dar es Salaam) for cargoes of 35,000 metric tons, or as subsequently amended) valued in Worldscale points multiplied by the applicable Worldscale flat rate for the TC17 route (as defined by Baltic Exchange). The Floating Price is determined by multiplying each daily freight rate by the applicable Worldscale flat (for that day), and subsequently calculating the average for the Settlement Period.

**685102. 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.

**685102.A. Trading Schedule**

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

**685102.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.

**685102.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.

**685102.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.

**685102.E. Settlement Period**

For contract months referenced to a calendar month January to November inclusive, the Settlement Period shall be the full calendar month. For contract months referenced to the December calendar month, the Settlement Period shall be the period from and including the 1st calendar day of the month through to and including the 24th calendar day of the month.

**685102.F. Termination of Trading**

**For contract months January to November inclusive:** Trading terminates on the last business day of the calendar month.

**For December contract months:** Trading terminates on the 24th calendar day of the month, or if this is not a business day, the first preceding business day.

**685103. 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.

**685104.**

**DISCLAIMER**

See [NYMEX/COMEX Chapter iv. \("DISCLAIMERS"\)](#) incorporated herein by reference.

**EXHIBIT B**

**NYMEX Rulebook**

**Chapter 5**

**(“Trading Qualifications and Practices”)**

**Position Limit, Position Accountability, and Reportable Level Table**

(attached under separate cover)



## EXHIBIT C

### NYMEX Rulebook

#### Chapter 5

#### ("Trading Qualifications and Practices")

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

(Additions are underscored.)

Instrument Name	Globex Symbol	Outright		
		Globex Non-Reviewable Ranges (NRR)	NRR: Globex Format	NRR: Ticks
<u>Freight Route TC17 (Baltic) Futures</u>	<u>ZTC</u>	<u>\$0.20 per metric ton</u>	<u>2000</u>	<u>2000</u>

## EXHIBIT D

### Cash Market Overview and Analysis of Deliverable Supply

New York Mercantile Exchange Inc (“NYMEX” or “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, Argus Media and the Turkish News Agency (as a supplementary data source to cross check the Argus data).

**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 is 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** 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 refined products, and the BP data provides further granularity to enable the volumes transported along the specific freight routes to be estimated.

The final settlement prices for the proposed new contract is based on freight route assessment by the Baltic Exchange (Baltic) for TC17 (a refined products route from Jubail to Dar es Salaam – 35,000 metric tons). NYMEX has a license agreement in place with the Baltic to use its index assessment in the Freight Futures contracts for TC17.

The Baltic Exchange appoints “panel reporting companies”, whose core obligations are to assess and report a professional judgment of the prevailing open market level for routes defined by the Baltic Exchange. To become a panel reporting company, the firm has to meet a set of criteria established by the Baltic Exchange. One key criterion is that the firm’s main business is shipbroking. Principals are excluded, as are brokers who are exclusive representatives of charterers who are particularly influential in relevant trades. The Baltic uses reporting panels because there is no independently verifiable ‘right’ or ‘wrong’ rate. Whilst care is taken to ensure the daily route assessments provide a fair valuation of the current market, levels at any particular time are ultimately a matter of judgment.

#### Freight Market Overview

According to the 2019 UNCTAD Report (Review of Maritime Transport)<sup>2</sup>, global tanker trade increased by 1.5% in 2018 to 3.19 billion tons. Trade in refined petroleum products was slowed down by falling imports from Brazil and Southeast Asia. World trade in crude oil was 1.9 billion tons in 2018, a growth rate of less than 1%. More broadly, crude oil shipments declined due to the supply issues in parts of the Middle East including OPEC member countries.

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<sup>1</sup> United Nations Conference on Trade and Development (UNCTAD) Review of Maritime Transport 2019 <https://unctad.org/en/pages/PublicationWebflyer.aspx?publicationid=2563>

<sup>2</sup> UNCTAD 2019 report <https://unctad.org/en/pages/PublicationWebflyer.aspx?publicationid=2563>

	2017	2018	Percentage change 2017–2018
Crude oil	1 874.6	1 886.2	0.6
Other tanker trade of which:	1 271.6	1 308.1	2.9
Liquefied natural gas	292	318	8.9
Liquefied petroleum gas	90	97	7.8
<b>Total tanker trade</b>	<b>3 146.2</b>	<b>3 194.3</b>	<b>1.5</b>

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<sup>3</sup> 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.

According to the UNCTAD a **Very Large Crude Carrier** is the term given to vessels with 200,000 deadweight tons (dwt) and above. These vessels typically carry crude oil on long sea-going voyages from regions like the USGC to Asia. **Suezmax** vessels are smaller in size than VLCCs, typically between 120,000 and 200,000 dwt, and are so named as they represent the largest tankers that can transit, the Suez Canal. **Aframax** vessels are typically between 80,000 and 119,999 dwt and **Panamax** tankers range from 60,000 to 79,999 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 defined time-period during which the charterer 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 which is set on an annual basis. This flat rate represents a fixed value in dollars per metric ton for a specific route. In some cases, market convention is to quote current tanker freight prices as a percentage of this flat rate figure (quoted in *Worldscale* points), rather than an explicit dollar value for each transaction. For example, if the flat rate is \$10 per ton for a specific route and the *worldscale* rate is WS120 then the USD 12/mt (when converted).

The Baltic has defined load and discharge ports for the freight routes and made this public via an Exchange circular. The Baltic uses a panel of freight brokers who are active in the market to provide an assessment of each freight route. Other Price Reporting Agencies such as Platts and Argus Media also collate and publish market price data.

### **Route TC17 – Jubail to Dar es Salaam**

<sup>3</sup> The Baltic Exchange <https://www.balticexchange.com/>

35,000 metric tons from Jubail to Dar es Salaam with lay days cancelling 10/20 days in advance. Max age 15 years.

According to the BP statistical review of world energy reports total imports of refined products from the Middle East to Africa. The discharge for this route is classified as Africa which includes ports beyond Tanzania in East Coast Africa. Therefore, the Exchange has made no further adjustments to the data as the panelist brokers that are active on this route consider discharge ports outside of East Africa and will reflect this data into the calculation of the TC17 route. Therefore, the Exchange does not believe that any further adjustments are required.

The breakdown on the data from BP does not separate out the regions within Africa and only breaks down the data from the load ports into Kuwait, Saudi Arabia, UAE and “other” Middle East.

**Table 1: Annual volumes of Product exports from the Middle East to Africa.**

**Unit: Thousand tons**

<b>Route</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>3-year average</b>
Middle East to Africa	20.1	23.8	24.2	22.7

**Source: BP Statistical Review of World Energy reports<sup>4</sup>**

The average volume of products transported from the Middle East to Africa was 22.7 million tons per year. This equates to 1.891 million tons per month or 1,891 monthly futures lots equivalent, based on a lot size of 1,000 metric tons.

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<sup>4</sup> BP Statistical Review of World Energy <https://www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/energy-economics/statistical-review/bp-stats-review-2019-full-report.pdf>

### Analysis of Deliverable Supply

The Commodity Futures Trading 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.

For the TC17 freight route, the Exchange used data from the BP statistical review of world energy reports 2017 to 2019 (covering the period 2016 to 2018). This data source was used as BP provides data on the volume of freight transported from the Middle East to Africa on an annualized basis measured in metric tons. Based on the BP statistics, total trade was 22.7 million tons per year or 1.891 million tons per month or 1,891 futures lots equivalent. The discharge for this route is classified as Africa which includes ports beyond Tanzania in East Coast Africa. Therefore, the Exchange has made no further adjustments to the data as the panelist brokers that are active on this route consider discharge ports outside of East Africa and will reflect this data into the calculation of the TC17 route. Therefore, the Exchange does not believe that any further adjustments are required.

In the freight markets, shipping fixtures are typically concluded "as and when" depending on regional requirements. Ships can be re-traded where market conditions change and for the oil itself, it can be transferred into storage or can be re-traded to other lifters. Therefore, the Exchange has not made any further adjustments to the deliverable supply to account for this.

For the contract **Freight Route TC17 (Baltic) Futures**, the Exchange has determined that on average the volume of products shipped from the Middle East to Africa was 22.7 million metric tons based on the three-year average data supplied in the BP Statistical Review of World Energy report. This equates to a monthly deliverable supply of 1.891 million tons per month or 1,891 futures lots equivalent based on a futures lot contract size of 1,000 metric tons. The Exchange proposes a spot month position limit of 400 lots which equates to 21.15% of the monthly deliverable supply.