

**SUBMISSION COVER SHEET**

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

**Registered Entity Identifier Code (optional):** 20-251 (1 of 2)

**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):** 07/30/2020 **Filing Description:** Initial Listing of Two (2) Singapore Gasoil vs. Marine Fuel (Platts) Spread Futures Contracts

**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:**

July 30, 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 Two (2) Singapore Gasoil vs. Marine Fuel (Platts) Spread Futures Contracts. NYMEX Submission No. 20-251**

Dear Mr. Kirkpatrick:

New York Mercantile Exchange, Inc. ("NYMEX" or "Exchange") is certifying to the Commodity Futures Trading Commission ("CFTC" or "Commission") the initial listing of two (2) Singapore Gasoil vs. Marine Fuel (Platts) Spread Futures contracts (the "Contracts") for trading on the CME Globex electronic trading platform ("CME Globex") and for submission for clearing via CME ClearPort effective Sunday, August 16, 2020 for trade date Monday, August 17, 2020.

**Contract Specifications**

<b>Contract Title</b>	Singapore Gasoil (Platts) vs. Singapore Marine Fuel 0.5% (Platts) Spread Futures
<b>Commodity Code</b>	GMS
<b>Rulebook Chapter</b>	1153
<b>Settlement Type</b>	Financial
<b>Contract Size</b>	1,000 metric tons
<b>Listing Schedule</b>	Monthly contracts listed for the current year and the next three (3) calendar years. Add monthly contracts for a new calendar year following the termination of trading in the December contract of the current year.
<b>Minimum Price Fluctuation</b>	\$0.001 U.S. dollars per metric ton
<b>Value per tick</b>	\$1
<b>First Listed Month</b>	September 2020
<b>Block Trade Minimum Threshold</b>	5 contracts - subject to a 15-minute reporting window
<b>Termination of Trading</b>	Trading shall cease on the last Singapore business day of the month. If such day is not an Exchange business day, the contract should terminate on the preceding Exchange business day.
<b>CME Globex Matching Algorithm</b>	First-In, First-Out (FIFO)

<b>Contract Title</b>	Singapore Gasoil (Platts) vs. Singapore Marine Fuel 0.5% (Platts) Spread BALMO Futures
<b>Commodity Code</b>	GMB
<b>Rulebook Chapter</b>	1154
<b>Settlement Type</b>	Financial
<b>Contract Size</b>	1,000 metric tons
<b>Listing Schedule</b>	BALMO contracts listed for 3 consecutive months.
<b>Minimum Price Fluctuation</b>	\$0.001 U.S. dollars per metric ton
<b>Value per tick</b>	\$1
<b>First Listed Month</b>	September 2020
<b>Block Trade Minimum Threshold</b>	5 contracts - subject to a 15-minute reporting window
<b>Termination of Trading</b>	Trading shall cease on the last Singapore business day of the month. If such day is not an Exchange business day, the contract should terminate on the preceding Exchange business day.
<b>CME Globex Matching Algorithm</b>	First-In, First-Out (FIFO)

#### Trading and Clearing Hours:

<b>CME Globex</b>	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)
<b>CME Globex Pre-Open</b>	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. - 5:00 p.m. CT).
<b>CME ClearPort</b>	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:

	<b>Member</b>	<b>Non-Member</b>	<b>International Incentive Programs (IIP/IVIP)</b>
<b>CME Globex</b>	<b>\$7.00</b>	<b>\$9.00</b>	\$8.00
<b>EFP</b>	<b>\$7.00</b>	<b>\$9.00</b>	
<b>Block</b>	<b>\$7.00</b>	<b>\$9.00</b>	
<b>EFR/EOO</b>	<b>\$7.00</b>	<b>\$9.00</b>	
<b>Processing Fees</b>		<b>Member</b>	<b>Non-Member</b>
Cash Settlement		\$1.00	\$1.00
Facilitation Fee		\$0.60	
Give-Up Surcharge		\$0.05	
Position Adjustment/Position Transfer		\$0.10	

The Exchange is also certifying to the CFTC the insertion of the terms and conditions for the new futures contracts into the Position Limit, Position Accountability and Reportable Level Table and Header Notes located in the Interpretations and Special Notices Section of Chapter 5 of the NYMEX Rulebook in relation to the listing of the new 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 Appendix B, attached under separate cover.

In addition, NYMEX is 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 fuel oil 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 Contracts 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 Contracts are not readily subject to manipulation because of its structural attributes, underlying market and reliance on a well administered index. The Contracts final settles against an index based on market assessments published by Platts and sub-licensed to the Exchange.
- **Prevention of Market Disruption:** Trading in the Contracts 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 Contracts proposed herein will be subject to monitoring and surveillance by CME Group’s Market Regulation Department.
- **Position Limitations or Accountability:** The speculative position limits for the Contracts as demonstrated in this submission are consistent with the Commission’s guidance.
- **Availability of General Information:** The Exchange will publish on its website information 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 Contracts 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 Contracts will be included in the audit trail and is sufficient for the Market Regulation Department to monitor for market abuse.

- **Financial Integrity of Contract:** The Contracts will be cleared by the CME Clearing House, a derivatives clearing organization registered with the 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 Contracts will be subject to the arbitration provisions set forth in Chapter 6 of the Rulebook. Chapter 6 allows all nonmembers to submit a claim for financial losses resulting from transactions on the Exchange to arbitration. A member named as a respondent in a claim submitted by a nonmember is required to participate in the arbitration pursuant to Chapter 6. Additionally, the Exchange requires that members resolve all disputes concerning transactions on the Exchange via arbitration.

Pursuant to Section 5c(c) of the Act and CFTC Regulation 40.2(a), the Exchange hereby certifies that listing the Contracts 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 Chapters  
Exhibit B: Position Limit, Position Accountability, and Reportable Level Table in Chapter 5 of the NYMEX Rulebook (attached under separate cover)  
Exhibit C: NYMEX Rule 588.H. – (“Globex Non-Reviewable Trading Ranges”) Table  
Exhibit D: Cash Market Overview and Analysis of Deliverable Supply (attached under separate cover) (confidential treatment requested)

**EXHIBIT A**  
**NYMEX Rulebook**  
**Chapter 1153**

**Singapore Gasoil (Platts) vs. Singapore Marine Fuel 0.5% (Platts) Spread Futures**

**1153100. SCOPE OF CHAPTER**

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

**1153101. CONTRACT SPECIFICATIONS**

The Floating Price for each contract month is equal to the arithmetic average of the mid-point of the high and low quotations from Platts Asia-Pacific Marketscan for Singapore Physical Cargoes of Gasoil for each business day that it is determined during the contract month minus the arithmetic average of the mid-point of the high and low quotations from Platts Asia-Pacific Marketscan under the heading "Marine Fuel" for "0.5% FOB Singapore cargo" for each business day that it is determined during the contract month. For purposes of determining the Floating Price, the Platts Gasoil FOB Singapore price will be converted each day to U.S. dollars and cents per metric ton. The conversion factor will be 7.45 barrels per metric ton.

**1153102. TRADING SPECIFICATIONS**

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

**1153102.A. Trading Schedule**

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

**1153102.B. Trading Unit**

The contract quantity shall be one thousand (1,000) metric tons.

**1153102.C. Price Increments**

Prices shall be quoted in U.S. dollars and cents per metric ton. The minimum price fluctuation shall be \$0.001 per metric ton.

**1153102.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.

**1153102.E. Termination of Trading**

Trading terminates on the last Singapore business day of the contract month. If such day is not an Exchange business day, trading shall terminate on the Exchange business day prior.

**1153103. FINAL SETTLEMENT**

Final settlement under the contract shall be by cash settlement. The final settlement price will be the Floating Price calculated for each contract month.

**1153104. DISCLAIMER**

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

## Chapter 1154

### Singapore Gasoil (Platts) vs. Singapore Marine Fuel 0.5% (Platts) Spread BALMO Futures

#### 1154100. SCOPE OF CHAPTER

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

#### 1154101. CONTRACT SPECIFICATIONS

The Floating Price for each contract month is equal to the balance-of-month arithmetic average of the high and low quotations from Platts Asia-Pacific Marketscan for Singapore Physical Cargoes of Gasoil for each business day that it is determined starting from the selected start date through the end of the contract month, minus the balance-of-month arithmetic average of the mid-point of the high and low quotations from Platts Asia-Pacific Marketscan under the heading "Marine Fuel" for "0.5% FOB Singapore cargo" for each business day that it is determined starting from the selected start date through the end of the contract month. For purposes of determining the Floating Price, the Platts Gasoil FOB Singapore price will be converted each day to U.S. dollars and cents per metric ton. The conversion factor will be 7.45 barrels per metric ton.

#### 1154102. TRADING SPECIFICATIONS

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

##### 1154102.A. Trading Schedule

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

##### 1154102.B. Trading Unit

The contract quantity shall be one thousand (1,000) metric tons.

##### 1154102.C. Price Increments

Prices shall be quoted in U.S. dollars and cents per metric ton. The minimum price fluctuation shall be \$0.001 per metric ton.

##### 1154102.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.

##### 1154102.E. Termination of Trading

Trading terminates on the last Singapore business day of the contract month. If such day is not an Exchange business day, trading shall terminate on the Exchange business day prior.

#### 1154103. FINAL SETTLEMENT

Final settlement under the contract shall be by cash settlement. The final settlement price will be the Floating Price calculated for each contract month.

#### 1154104. 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 underscored)

Instrument Name	Globex Symbol	Outright		
		Globex Non-Reviewable Ranges (NRR)	NRR: Globex Format	NRR: Ticks
<u>Singapore Gasoil (Platts) vs. Singapore Marine Fuel 0.5% (Platts) Spread Futures</u>	<u>GMS</u>	<u>\$2.00 per metric ton</u>	<u>2000</u>	<u>2000</u>
<u>Singapore Gasoil (Platts) vs. Singapore Marine Fuel 0.5% (Platts) Spread BALMO Futures</u>	<u>GMB</u>	<u>\$2.00 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") is certifying the listing of two (2) Singapore Gasoil vs. Marine Fuel (Platts) Spread Futures for trading on CME Globex and for submission into clearing via CME ClearPort.

<b>Contract Title</b>	<b>Commodity Code</b>	<b>Rulebook Chapter</b>
Singapore Gasoil (Platts) vs. Singapore Marine Fuel 0.5% (Platts) Spread Futures	GMS	1153
Singapore Gasoil (Platts) vs. Singapore Marine Fuel 0.5% (Platts) Spread BALMO Futures	GMB	1154

The proposed futures contracts will be listed in units of 1,000 metric tons. To support this launch, Exchange staff conducted a review of the underlying cash market and deliverable supply of Singapore gasoil and fuel oil.

#### **Data sources:**

The Exchange based its analysis of Singapore gasoil deliverable supply on data provided by Singapore Energy Market Authority (EMA)<sup>1</sup>. The EMA data is compiled by the Singapore Government and covers statistics on Production, Consumption, Stocks, Imports and Exports within the Energy sector in Singapore. This data is constantly being updated and is a reliable source for those looking to get the most complete and accurate data from this vibrant energy trading hub. We have referred to the EMA data in our analysis highlighting the Singapore Gasoil Market as it is the best and most reliable data source for this country's activity.

The Exchange based its analysis of Singapore marine fuel deliverable supply on data provided by the Maritime and Port Authority of Singapore (MPA)<sup>2</sup>. The MPA is a statutory board the Ministry of Transport of the Government of Singapore with the mission to develop and promote Singapore as a premier global hub port and an international maritime centre, and to advance and safeguard Singapore's strategic maritime interests. MPA regulates and manages port and marine services, facilities and activities within the Singapore waters.

The final settlement prices for each of the proposed new contracts are based on the price assessment of the respective underlying physical markets as assessed and published by Platts, a division of S&P Global ("Platts"). Platts is a leading global provider of energy, petrochemicals, metals and agriculture information, and a premier source of benchmark price assessments for those commodity markets. Since 1909, Platts has provided information and insights that help customers make sound trading and business decisions and enable the markets to perform with greater transparency and efficiency. Platts' assessment methodologies for the Singapore refined products<sup>3</sup> are available on its website.

#### **Market Overview:**

Singapore, possessing extensive storage capacity and appropriate refining infrastructure, is the main trading hub for the Asian petroleum market. The Singapore petroleum markets are extremely diverse and

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<sup>1</sup> <https://www.ema.gov.sg/index.aspx>

<sup>2</sup> <https://www.mpa.gov.sg/web/portal/home/about-mpa>

<sup>3</sup> <https://www.spglobal.com/platts/en/our-methodology/methodology-specifications/oil/asia-pacific-and-middle-east-refined-oil-products>

actively traded by refiners, traders, importers and smaller distributors, which explains the numerous energy trading firms located there. The country is also a vibrant import and export center for petroleum products, as a result, the majority of Asian refined products is sold in relation to the Singapore price.

## Singapore Gasoil

Singapore Gasoil by Platts is used as the pricing basis for physical and derivatives trading in the region. The Gasoil price is also the main price reference for the vibrant East-West Gasoil trade.

There are different grades by sulfur content in the Singapore gasoil market. In January 2018, Platts amended the maximum sulfur content specified for the flagship Singapore Gasoil assessment to 10 ppm from the earlier 0.05% (500 ppm). Since then the market had gradually transitioned to the lower sulfur grade. 500 ppm grade continued to trade but now majority of gasoil traded in Singapore is of 10 ppm sulfur content.

The EMA publishes Singapore exports data for gasoil up to year 2018. According to the EMA data, Singapore gasoil exports averaged around 24,973 ktoe (kiloton of oil equivalent) per year over the three-year period from 2016 to 2018. This equates to 198.7 million barrels per year or 16.56 million barrels per month.

As the data is shown in ktoe, the Exchange has shown the calculation to derive the exports volume in barrels, based on the calorific value for the gasoil and a conversion factor of 7.45 barrels per ton as barrels is the common unit for the Singapore market. The calculation is as follows:

$$\text{Mtoe} \times \frac{4.87 \times 10^4 \text{TJ}}{1 \text{ Mtoe}} \times \frac{1000 \text{ GJ}}{1 \text{TJ}} \times \frac{1 \text{ t}}{45.6 \text{ GJ}} \times 7.45 = \text{barrels}$$

### Singapore Gas/Diesel Oil Exports Volume

Source: Singapore Energy Markets Authority (EMA)<sup>4</sup>

Singapore Gas/Diesel Oil	2016	2017	2018	Average
Exports (in ktoe)	25,527	25,422	23,971	<b>24,973</b>
Exports (in million barrels)	203.10	202.27	190.73	<b>198.70</b>

## Singapore Fuel Oil and Marine Fuel 0.5% Sulfur

Fuel oil is classified as a residual fuel that is produced from crude oil. Fuel oil is often used for electricity generation and for powering ships. It is also used as feedstocks by more sophisticated refineries to be further refined into lighter and or lower sulfur petroleum products for the transportation sector. There are three main grades of fuel oils in the Singapore market, namely high sulfur fuel oil 380 cst, high sulfur fuel oil 180 cst and marine fuel 0.5% sulfur content. While the two high sulfur fuel oils in general have multiple applications, the marine fuel 0.5%S is typically used for ship bunkering.

The Port of Singapore is a major bunkering hub for the Asian market. According to the Maritime and Port Authority<sup>5</sup>, a vessel arrives or leaves Singapore every 2-3 minutes. The port is also the top bunkering location in the world with ships opting to re-fuel there before sailing to other international markets. On an annual basis around 130,000 ships stop in Singapore.

The MPA publishes bunker sales volumes by month and by year for all the different bunker fuel qualities that are sold to the shipping companies. Before the new sulfur regulation by International Maritime Organization (IMO), the most prominent grade of bunker fuel in Singapore was the 380CST fuel, which is

<sup>4</sup> [https://www.ema.gov.sg/cmsmedia/Publications\\_and\\_Statistics/Statistics/21RSU.pdf](https://www.ema.gov.sg/cmsmedia/Publications_and_Statistics/Statistics/21RSU.pdf)

<sup>5</sup> <https://www.mpa.gov.sg/web/portal/home/maritime-singapore/introduction-to-maritime-singapore/facts-and-trivia>

categorized as MFO (Marine Fuel Oil) by MPA. The new IMO mandate, which took effect in January 2020, requires all shipping companies to reduce their sulfur emission to a maximum of 0.5%. This in turn drove up the demand and consumption of low sulfur bunker fuel (0.5% sulfur content), referred to as LSFO (Low Sulfur Fuel Oil) by MPA.

Table below shows the annual bunker sales volume in 2017 and 2018, as well as monthly sales in 2019 and 2020. The total fuel oil bunker sales averaged about 3.8 million tons per month for the period of 2017 through May 2020. Before 2020, the LSFO grade was not required hence the volume was limited. In 2020 with the new sulfur cap in effect, the low sulfur fuel oil has increased and averaged 2.85 million tons per month, which represents 79.5% of the total fuel oil bunker sales.

#### Singapore Bunker Sales Volume

Units: thousand tonnes

Source: Maritime and Port Authority of Singapore (MPA)

	<b>MFO</b>	<b>LSFO</b>	<b>Total Fuel Oil</b>	<b>LSFO %</b>
<b>2017</b>	48,158.3	145.7	48,304.0	0.30%
<b>2018</b>	46,671.8	332.0	47,003.8	0.71%
<b>2019</b>				
Jan	3,793.8	32.6	3,826.4	0.85%
Feb	3,398.7	42.6	3,441.3	1.24%
Mar	3,714.9	60.5	3,775.4	1.60%
Apr	3,325.9	54.1	3,379.9	1.60%
May	3,576.1	59.7	3,635.8	1.64%
Jun	3,528.0	68.4	3,596.3	1.90%
Jul	3,490.7	64.2	3,554.9	1.81%
Aug	3,248.6	77.9	3,326.5	2.34%
Sep	3,322.2	173.5	3,495.7	4.96%
Oct	2,776.3	569.9	3,346.2	17.03%
Nov	1,889.5	1,645.5	3,535.0	46.55%
Dec	1,271.6	2,630.3	3,901.9	67.41%
<b>2020</b>				
Jan	<b>764.3</b>	<b>3,111.0</b>	<b>3,875.4</b>	<b>80.28%</b>
Feb	<b>619.9</b>	<b>2,712.0</b>	<b>3,331.8</b>	<b>81.40%</b>
Mar	<b>738.4</b>	<b>2,909.2</b>	<b>3,647.6</b>	<b>79.76%</b>
Apr	<b>771.2</b>	<b>2,854.8</b>	<b>3,626.0</b>	<b>78.73%</b>
May	<b>785.3</b>	<b>2,652.7</b>	<b>3,438.0</b>	<b>77.16%</b>

## Analysis of Deliverable Supply

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

### **Singapore Gasoil**

The Exchange based its analysis of Singapore gasoil deliverable supply on exports by EMA for the three-year period of 2016-2018. Singapore is a major export hub for gasoil and majority of the product in Singapore is being exported. Therefore, the exports is used as a proxy of the availability of gasoil in Singapore. Additionally, the Exchange determined not to adjust the deliverable supply estimates based on the spot availability because spot market liquidity is not restrictive and tends to vary depending on the market fundamentals of supply and demand. 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.

According to the EMA, Singapore exports of gasoil averaged about to 198.7 million barrels per year or 16.56 million barrels per month. The EMA however does not distinguish between high and low sulfur gasoil so the Exchange reviewed the volume of physical transaction data to determine an appropriate split. Based on traded volumes in the Platts assessment process, the Exchange has estimated the 10 ppm gasoil grade to be around 85% of the total gasoil market, while the 500 ppm and 2500 ppm grades account for about 10% and 5%, respectively. Therefore, the deliverable supply of Singapore Gasoil 10 ppm is around 14.07 million barrels per month, which equate to approximately 14,070 contract equivalents (contract size: 1,000 barrels).

### **Singapore Marine Fuel 0.5%S**

The Exchange estimated the Singapore marine fuel 0.5%S deliverable supply by applying LSFO bunker sales market share in 2020 to the total fuel oil bunker sales volume in the last three years. The Exchange chose not to base its analysis on simple average of LSFO bunker sales during the three-year period because the calculation is misleading. The new IMO sulfur requirement took effect in January 2020 and the low sulfur fuel was not required in 2019 and prior. Therefore, data before 2020 do not reflect the current market structure due to different regulation requirements. Additionally, the Exchange determined not to adjust the deliverable supply estimates based on the spot availability because spot market liquidity is not restrictive and tends to vary depending on the market fundamentals of supply and demand. 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.

According to the MPA, in 2020 the LSFO bunker sales averaged about 2.85 million tons per month, which accounted for 79.5% of total fuel oil bunker sales in Singapore. The average monthly total fuel oil bunker sales was 3.8 million tons. This equates to a deliverable supply of Singapore marine fuel 0.5%S of about 3.02 million tons per month, or approximately 3,020 contract equivalents (contract size: 1,000 metric tons).

### **Spot Month Position Limits**

The proposed **Singapore Gasoil (Platts) vs Singapore Marine Fuel 0.5% (Platts) Spread Futures** and **Singapore Gasoil (Platts) vs Singapore Marine Fuel 0.5% (Platts) Spread BALMO Futures** are traded in 1,000 metric ton lots. The two new spread contracts represent the price differential in dollar per metric ton term of the existing Singapore Gasoil (Platts) Futures (Code SG) and Singapore FOB Marine Fuel 0.5% (Platts) Futures (Code S5F) listed by the Exchange. Therefore, positions in the **Singapore Gasoil (Platts) vs Singapore Marine Fuel 0.5% (Platts) Spread Futures** and **Singapore Gasoil (Platts) vs Singapore Marine Fuel 0.5% (Platts) Spread BALMO Futures** will aggregate into the individual legs in Singapore Gasoil (Platts) Futures and Singapore FOB Marine Fuel 0.5% (Platts) Futures. The aggregation into

Singapore Gasoil (Platts) Futures should apply a conversion factor of 7.45 barrels per ton as the outright contract is traded in unit of 1,000 barrel per lot.

The deliverable supply of Singapore Gasoil is estimated at 14.07 million barrels per month, which is equivalent to 14,070 contracts. The current spot month limits for Singapore Gasoil (Platts) Futures is 1,000 lots, which is approximately 7.1% of the monthly deliverable supply.

The deliverable supply of Singapore marine fuel 0.5% sulfur is estimated at 3.02 million barrels per month, which is equivalent to 3,020 contracts. The current spot month limits for Singapore Gasoil (Platts) Futures is 500 lots, which is approximately 16.6% of the monthly deliverable supply.