

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 16-248

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): August 5, 2016 Filing Description: Amendments to Freight Route TD3 (Baltic) Futures Contract

SPECIFY FILING TYPE

Please note only ONE choice allowed per Submission.

Organization Rules and Rule Amendments

- Certification § 40.6(a)
- Approval § 40.5(a)
- Notification § 40.6(d)
- Advance Notice of SIDCO Rule Change § 40.10(a)
- SIDCO Emergency Rule Change § 40.10(h)

Rule Numbers:

New Product

Please note only ONE product per Submission.

- Certification § 40.2(a)
- Certification Security Futures § 41.23(a)
- Certification Swap Class § 40.2(d)
- Approval § 40.3(a)
- Approval Security Futures § 41.23(b)
- Novel Derivative Product Notification § 40.12(a)
- Swap Submission § 39.5

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

- Certification § 40.6(a)
- Certification Made Available to Trade Determination § 40.6(a)
- Certification Security Futures § 41.24(a)
- Delisting (No Open Interest) § 40.6(a)
- Approval § 40.5(a)
- Approval Made Available to Trade Determination § 40.5(a)
- Approval Security Futures § 41.24(c)
- Approval Amendments to enumerated agricultural products § 40.4(a), § 40.5(a)
- "Non-Material Agricultural Rule Change" § 40.4(b)(5)
- Notification § 40.6(d)

Official Name(s) of Product(s) Affected: **Freight Route TD3 (Baltic) Futures**

Rule Numbers: **684**

August 5, 2016

VIA ELECTRONIC PORTAL

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

Re: CFTC Regulation 40.6(a) Certification. Notification Regarding Amendments to the Tanker Freight Route TD3 (Baltic) Futures Contract. NYMEX Submission No. 16-248

Dear Mr. Kirkpatrick:

New York Mercantile Exchange, Inc. (“NYMEX” or “Exchange”) is notifying the Commodity Futures Trading Commission (“CFTC” or “Commission”) that it is self-certifying amendments to the Freight Route TD3 (Baltic) Futures contract (the “Contract”) effective on Sunday, August 21, 2016, for trade date Monday, August 22, 2016 commencing with the January 2018 contract month and beyond. Concurrent with the amendments to the Contract on Sunday, August 21, 2016 for trade date Monday, August 22, 2016, the Exchange will also commence listing contract months, as noted below, which were temporarily suspended (see NYMEX Submission No. 15-530 dated December 21, 2015).

Product Title	NYMEX Rulebook Chapter	CME Globex and CME ClearPort Code	Current Listing Schedule	Amended Listing Schedule (as of August 22, 2016)
Freight Route TD3 (Baltic) Futures	684	TL	Monthly contracts listed through and including December 2017	Monthly contracts listed for the current year plus next two calendar years

By way of background, in 2015, NYMEX was advised that the Baltic Exchange intended to amend contract specifications commencing with the January 2018 contract month and beyond. As a result, the Exchange implemented amendments to the Contract (see NYMEX Submission 15-484 dated December 21, 2015) in anticipation of the Baltic Exchange’s announcement of the amendments.

Specifically, the Baltic Exchange announced its intention to introduce an equivalent route, to be named TD3C, and advised the market that derivatives trades with expiries of January 2018 and later should be based on the new TD3C route.

To facilitate the migration from TD3 to TD3C, the Baltic Exchange commenced live reporting of the TD3C on April 4, 2016. The forward curve for TD3 from April 4, 2016 will be on a combined basis. For FFA settlement dates up to December 2017 it will be basis the existing TD3 contract (Japan discharge) and for FFA settlement dates after January 2, 2018 it will utilize the new TD3C contract (China discharge). The Baltic Exchange will cease publishing the spot rate for TD3 on December 22, 2017, and all settlements after January 2, 2018 will be basis the TD3C contract. Forward curves for TD3 (Japan discharge) will not be published beyond December 2017. From January 2, 2018, the Baltic Exchange will publish a spot rate for TD3C only, and will only publish the forward curves for TD3C.

The method of transition applied by the Baltic Exchange enables NYMEX to list the new contract months referencing the TD3C starting from the January 2018 contract, as an extension of the current TL futures. Thus, the NYMEX contract code TL will remain unchanged, and a separate submission will be made to rename the contract as Freight Route TD3C (Baltic) Futures with effect from January 1, 2018.

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, diminishing balance and aggregation allocation for the Contract.

The Exchange reviewed the designated contract market core principles (“Core Principles”) as set forth in the Commodity Exchange Act (“Act” or “CEA”) and identified that the amendments 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 include prohibitions against fraudulent, noncompetitive, unfair and abusive practices. Additionally, trading in this futures contract will also be subject to the full panoply 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 the new 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 Susceptible to Manipulation: The Contract is not readily susceptible to manipulation due to the structure of the underlying price assessment methodology administered by the Baltic Exchange, which incorporates data from a diverse number of market sources.
- Prevention of Market Disruption: Trading in the Contract will be subject to the Rules of NYMEX 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: The spot-month speculative position limits for the contract are set at less than the threshold of 25% of the deliverable supply in the respective underlying market.
- Availability of General Information: The Exchange will publish information on the Contract’s specifications 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.
- Financial Integrity of Contracts: The Contract 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.
- Execution of Transactions: The new contract will be listed for trading on CME Globex and the NYMEX trading floor and for clearing through the CME ClearPort platform. The CME ClearPort platform provides a competitive, open and efficient mechanism for novating transactions that are competitively executed by brokers. The CME Globex electronic trading platform provides for a competitive and open execution of transactions due to its advanced functionality, high reliability

and global connectivity. Establishing non-reviewable trading ranges for Globex trades in the products facilitate price discovery in the products by encouraging narrow bid/ask spreads. In addition, the NYMEX trading floor continues to be available as a trading venue and provide for competitive and open execution of transactions.

- 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.
- 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 the subject contracts.
- 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 subject 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 this contract are identified.

Pursuant to Section 5c(c) of the Act and CFTC Regulation 40.6(a), the Exchange hereby certifies that the attached contract complies with the Act, including regulations under the Act. A description of the cash market for this new product is attached in Appendix C.

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

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

Sincerely,

/s/ Christopher Bowen
Managing Director and Chief Regulatory Counsel

Attachments: Appendix A: Rule Chapter (blackline format)
Appendix B: Position Limit, Position Accountability, and Reportable Level Table in Chapter 5 of the NYMEX Rulebook (attached under separate cover)
Appendix C: Cash Market Overview and Analysis of Deliverable Supply

APPENDIX A

NYMEX Rulebook

Chapter 684

(For Contract Months up to and Including December 2017)

Freight Route TD3 (Baltic) Futures

(Commencing with the January 2018 Contract Month and Beyond)

Freight Route TD3C (Baltic) Futures

684.01. SCOPE

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

684.02. FLOATING PRICE

~~The Floating Price for each contract month is equal to the arithmetic average of the rates for each business day that the TD3 Tanker Route (for 265,000 metric tons for Middle East Gulf to Japan) is published by the Baltic Exchange over the contract month. If for any reason the Baltic Exchange cannot provide any rate required for establishing the Floating Price, then the Forward Freight Agreement Brokers Association (FFABA) may be instructed by either party to form a panel to establish any rate which will be binding on both parties.~~

(For Contract Months up to and Including December 2017)

The Floating Price for each contract month is equal to the arithmetic average of the rates for each business day that the TD3 Tanker Route (for 265,000 metric tons for Middle East Gulf to Japan) is published by the Baltic Exchange over the contract month, converted to a US dollar per metric ton valuation at the prevailing Worldscale rate as published by Worldscale Association.

(For Contract Months Commencing with January 2018 and Beyond)

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

If for any reason the Baltic Exchange cannot provide any rate required for establishing the Floating Price, then the Forward Freight Agreement Brokers Association (FFABA) may be instructed by either party to form a panel to establish any rate which will be binding on both parties.

684.03. CONTRACT QUANTITY AND VALUE

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.

684.04. CONTRACT MONTHS

Trading shall be conducted in contracts in such months as shall be determined by the Board of Directors.

684.05. PRICES AND FLUCTUATIONS

Prices shall be quoted in U.S. dollars and cents per metric ton. The minimum price fluctuation shall be \$0.0001 per metric ton. There shall be no maximum price fluctuation.

684.06. TERMINATION OF TRADING

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

684.07. FINAL SETTLEMENT

Delivery 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.

684.08. RESERVED

684.09. DISCLAIMER

The Baltic Exchange licenses New York Mercantile Exchange, Inc. ("NYMEX") to use various Baltic Exchange price assessments in connection with the trading or posting of the contracts.

NEITHER NYMEX, ITS AFFILIATES, NOR THE BALTIC EXCHANGE GUARANTEES THE ACCURACY AND/OR COMPLETENESS OF THE INDEX OR ANY OF THE DATA INCLUDED THEREIN. NYMEX, ITS AFFILIATES AND THE BALTIC EXCHANGE MAKE NO WARRANTIES, EXPRESS OR IMPLIED, AS TO THE RESULTS TO BE OBTAINED BY ANY PERSON OR ENTITY FROM USE OF THE INDEX, TRADING BASED ON THE INDEX, OR ANY DATA INCLUDED THEREIN IN CONNECTION WITH THE TRADING OF THE CONTRACTS, OR, FOR ANY OTHER USE. NYMEX, ITS AFFILIATES AND THE BALTIC EXCHANGE MAKE NO WARRANTIES, EXPRESS OR IMPLIED, AND HEREBY DISCLAIM ALL WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE WITH RESPECT TO THE INDEX OR ANY DATA INCLUDED THEREIN. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT SHALL NYMEX, ITS AFFILIATES OR THE BALTIC EXCHANGE HAVE ANY LIABILITY FOR ANY LOST PROFITS OR INDIRECT, PUNITIVE, SPECIAL OR CONSEQUENTIAL DAMAGES (INCLUDING LOST PROFITS), EVEN IF NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGE.

APPENDIX B

Position Limit, Position Accountability, and Reportable Level Table in Chapter 5

of the NYMEX Rulebook

(attached under separate cover)

APPENDIX C

Cash Market Overview

New York Mercantile Exchange, Inc. ("NYMEX" or "Exchange") is self-certifying amendments to the Freight Route TD3 (Baltic) futures contract (Code: TL). The product referenced in this submission is related to the shipping freight market for the transportation of crude oil from the Middle East to Asia by Very Large Crude Carriers (VLCC).

a) Price Source: Baltic Exchange

The price reporting service used for the contract's final settlement price is the Baltic Exchange. The Baltic Exchange is one of the major price reporting services that are used in the over-the-counter (OTC) market for pricing freight contracts and the methodology utilized is well-known in the freight transportation industry. The Baltic Exchange has a long-standing reputation in the industry in publishing price benchmarks that are fair and not manipulated. Their pricing methodology is derived from telephone surveys and electronic data collected from multiple market participants to determine market value¹. NYMEX has entered into a license agreement with the Baltic Exchange to utilize its pricing data.

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

In order to develop the functioning of the freight market, the Baltic Exchange has developed standard definitions for freight routes which are frequently chartered across the various vessel sizes. The Baltic Exchange collates market price data from shipbrokers on these specified routes, and publishes market price assessments on a daily basis. In addition the Baltic Exchange calculates and publishes an average price for the dollar/day time charter for each major vessel size.

b) VLCC freight market

The chartering of seaborne freight is a privately negotiated activity between the ship owner and the charterer, with each transaction having unique features. However standards have been established for the marketplace by trade associations, most notably the Baltic Exchange based in London. The size of a vessel is measured by its deadweight tonnage ('dwt'), which is a measure of the weight in metric tons a vessel can safely carry, including cargo, fuel, water etc.

The United Nations Conference on Trade and Development ("UNCTAD") Review of Maritime Transport 2015² estimates that a total of 1.71 to 1.86 billion tons of crude oil were transported by sea in 2014, the latest year of data published by UNCTAD.

¹ Baltic Exchange's methodology for assessing the wet freight routes and LPG routes can be found online at <http://www.balticexchange.com/market-information/methodology.shtml>

² http://unctad.org/en/PublicationsLibrary/rmt2015_en.pdf page 8

Seaborne crude oil is transported by oil tankers, a merchant ship designed for the bulk transport of oil. There are broadly two types of oil tankers – crude tankers which carry unrefined crude oil from point of extraction to refineries, and product tankers which move oil products from refineries to consumer markets.

Crude oil tankers are classified by size. The tankers plying the Middle East to Asia routes are typically the larger “supertankers” whose displacement range from 200,000 dwt to 320,000 dwt and are referred to as Very Large Crude Carriers or VLCC. The two most common routes defined by the Baltic Exchange and operated by VLCCs are the TD1 (from Arabic Gulf to US Gulf) and the TD3 (from Arabic Gulf to Japan) routes. A revised route TD3C (from Arabic Gulf to China) is expected to replace the TD3 in 2018 and is the subject matter of this analysis.

ANALYSIS OF DELIVERABLE SUPPLY

a) Middle East to Asia Crude Oil Freight Market

The Baltic Exchange TD3C is a crude oil tanker freight price assessment. The assessment is for a standardized VLCC of 270,000 dwt which is used for transporting crude oil loaded at the Middle East port at Ras Tanura and discharged at the Chinese port at Ningbo. The TD3C is representative of the crude oil cargo trade on VLCC vessels from the Middle East to North Asia region (in particular China and Japan).

Table 1 shows the total crude oil seaborne traded globally, and in Asia, estimated by UNCTAD in its Review of Maritime Transport. The Middle East region accounted for 56% of all crude oil loadings and the Asia region accounted for 43% of all crude oil unloadings from 2012 to 2014.

Table 1: Seaborne Crude Oil Trade (millions of metric tons)

Year	World Exports	Middle East Exports	Asia Imports
2008	1,785	1,002	566
2009	1,711	917	636
2010	1,788	940	652
2011	1,760	980	698
2012	1,786	975	726
2013	1,738	985	767
2014	1,710	984	768

Source: UNCTAD Review of Maritime Transport 2015 ³, BP Statistical Review of World Energy⁴

A more granular breakdown by BP Statistical Review of World Energy⁵ indicated that the total amount of crude oil exported out of the Middle East and into China and Japan in 2014 were 3.46 and 3.17 million barrels per day (mbpd) respectively. The respective annualized figures are 172 and 157 million metric tons (MT) per year (applying a conversion factor of 49.8 from bpd to MT per year).

³ Review of Maritime Transport 2015, Chapter 1, Table 1.4 http://unctad.org/en/PublicationsLibrary/rmt2015_en.pdf

⁴ BP Statistical Review of World Energy, <http://www.bp.com/content/dam/bp/pdf/energy-economics/statistical-review-2015/bp-statistical-review-of-world-energy-2015-full-report.pdf>

⁵ <http://www.bp.com/content/dam/bp/pdf/energy-economics/statistical-review-2015/bp-statistical-review-of-world-energy-2015-full-report.pdf> page 18, intra-area movements 2014

IHS, a global information company⁶, publishes an assessment of the number of vessels currently in service in each freight cargo market. In respect of VLCC vessels, defined as between 200,000 dwt and 320,000 dwt, the total number of vessels in service, as of 20 May 2016 is 617 vessels with an average tonnage of 306,000 dwt⁷. An additional 83 VLCCs are on order or under construction.

b) Proposed Position Limits

The Exchange will continue to apply a position limit to spot month positions in the futures contract, and in addition will apply accountability levels to the non-expiring months of the futures contracts.

According to BP Statistical Review of World Energy⁸, the total amount of crude oil represented by the TD3 route (Middle East to Japan) was 159 million MT from 2012 to 2014, and that represented by the TD3C route (Middle East to China) was 166 million MT. This translates to 13.8 million MT and 13.3 million MT per month respectively.

Table 2: Seaborne Crude Oil from Middle East to Japan and China (millions of metric tons)

Middle East to	Japan	China
2012 ⁹	176	144
2013 ¹⁰	164	162
2014 ¹¹	157	172
Average	166	159

The size of the NYMEX Freight Route TD3 (Baltic) Futures contract (product code: TL) is 1,000 metric tons. The spot month position limit of the TL contract is 2,500 contracts, which is equal to 18.1% of the deliverable supply based on the TD3 route.

The new listed contract months for the TL contract, starting from the January 2018 contract, will reference the TD3C route. The proposed spot month position limit for the TL contract remains as 2,500 contracts, which is equal to 18.8% of the deliverable supply based on the TD3C route.

Amendments to the Position Limit, Position Accountability and Reportable Level Table located in the Interpretations and Special Notices section of Chapter 5 of the NYMEX Rulebook in relation to the listing of the contracts will be self-certified under separate cover.

⁶ See <http://www.ihs.com/about/index.aspx>

⁷ Source: IHS via Bloomberg LP. See data provided on Bloomberg page FLET <Go>

⁸ <http://www.bp.com/content/dam/bp/pdf/energy-economics/statistical-review-2015/bp-statistical-review-of-world-energy-2015-full-report.pdf>
page 18, intra-area movements 2014

⁹ http://www.bp.com/content/dam/bp-country/fr_fr/Documents/Rapportsetpublications/statistical_review_of_world_energy_2013.pdf

¹⁰ http://www.bp.com/content/dam/bp-country/de_de/PDFs/brochures/BP-statistical-review-of-world-energy-2014-full-report.pdf

¹¹ <http://www.bp.com/content/dam/bp/pdf/energy-economics/statistical-review-2015/bp-statistical-review-of-world-energy-2015-full-report.pdf>