

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 18-321

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): 08/21/18 **Filing Description:** Increase of Position Limits and Accountability Levels of Eight (8) European Natural Gas Futures Contracts and Amendments to Value Added Tax ("VAT") Rules of Four (4) Such Physically-Delivered 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 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)

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|-------------------------------------|---|----------------------|
| <input checked="" 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: See filing.

Rule Numbers: See filing.

August 21, 2018

VIA ELECTRONIC PORTAL

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

**Re: CFTC Regulation 40.2(a) Certification. Notification Regarding the Increase of Position Limits and Accountability Levels of Eight (8) European Natural Gas Futures Contracts and Amendments to the Value Added Tax (“VAT”) Rules of Four (4) Such Physically-Delivered Contracts.
NYMEX Submission No. 18-321**

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 spot month position limits and accountability levels of eight (8) European natural Gas futures contracts and additional amendments to the Value Added Tax (“VAT”) rules of four (4) such physically-delivered contracts (the “Contracts”) (collectively the “Rule Amendments”) effective Sunday, September 9, 2018 for trade date Monday, September 10, 2018. The position limit amendments will become effective commencing with the October 2018 contract month for the monthly futures and with the September calendar days for the daily futures (TTD and NBD).

(Additions are underscored, deletions are ~~struckthrough~~.)

Contract Title	NYMEX Rulebook Chapter	Code	Aggregate Into Futures Equivalent	Aggregate Into Ratio	Spot Month Position Limits	Accountability levels (Single Month and All Month)
Dutch TTF Natural Gas Daily Futures	1160	TTD	-	-	2,000 <u>6,000</u>	4,000 <u>8,000</u>
Dutch TTF Natural Gas Calendar Month Futures	1159	TTF	-	-	2,000 <u>6,000</u>	4,000 <u>8,000</u>
Dutch TTF Natural Gas (USD/MMBtu) (ICIS Heren) Front Month Futures	1003	TTE	-	-	550 <u>1,450</u>	5,000
Henry Hub TTF (ICIS Heren) Natural Gas Spread Futures	1005	THD	TTE	1 THD : 1 TTE <u>1 THD : - 1 TTE</u>	550 <u>1,450</u>	5,000
UK NBP Natural Gas Daily Futures	1158	NBD	-	-	1,750 <u>9,000</u>	3,500 <u>10,000</u>
UK NBP Natural Gas Calendar Month Futures	1157	UKG	-	-	1,750 <u>9,000</u>	3,500 <u>10,000</u>
UK NBP Natural Gas (USD/MMBtu) (ICIS Heren) Front Month Futures	1002	NBP	-	-	550 <u>2,700</u>	5,000
Henry Hub NBP (ICIS Heren) Natural Gas Spread Futures	1004	NYP	NBP	1 NYP : 1 NBP <u>NBP</u>	550 <u>2,700</u>	5,000

				1 NYP :- 1 NBP		
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The Position Limit, Position Accountability and Reportable Level Table (the “Table”) and Header Notes located in the Interpretations and Special Notices Section of Chapter 5 of the NYMEX Rulebook is being amended to reflect the changes in the position limits for the Contracts (see Exhibit A: Position Limit, Position Accountability, and Reportable Level Table in Chapter 5 of the NYMEX Rulebook (attached under a separate cover)). In addition, the Table is amended in order to correct the aggregation allocations for the Henry Hub NBP (ICIS Heren) Natural Gas Spread Futures contract (“NYP”) and the Henry Hub TTF (ICIS Heren) Natural Gas Spread Futures contract (“THD”). Both contracts should be noted in the “Spot-Month Aggregate Into Futures Equivalent Leg (2)” column in order to denote a negative correlation with respect to the base contracts they aggregate into. Please note that there currently is no open interest in the NYP and THD contracts.

Exhibit B below provides an updated the cash market overview and analysis of deliverable supply for the Contracts.

The Exchange will amend the VAT rules for the four (4) physically-delivered European natural gas contracts listed below to clarify responsibilities of Clearing Members in connection VAT treatment. Clearing Members are to provide appropriate information to the Clearing House prior to entry into any of these contracts in order for the Clearing House to determine the applicability of VAT¹. Amendments to the VAT rules remove the obligation of the Clearing House to provide VAT invoices to reflect the fact that a VAT invoice may not be issued by the Clearing House in certain circumstances.

Contract Title	Commodity Code	Rulebook Chapter
UK NBP Natural Gas Calendar Month Futures	UKG	1157
UK NBP Natural Gas Daily Futures	NBD	1158
Dutch TTF Natural Gas Calendar Month Futures	TTF	1159
Dutch TTF Natural Gas Daily Futures	TTD	1160

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 rule amendments may have some bearing on the following Core Principles:

- **Contract Not Readily Susceptible to Manipulation**: Due to the liquidity and robustness in the underlying physical markets, the contracts are not readily susceptible to manipulation.
- **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 amendments to the spot month position limits and accountability levels will be disseminated to the marketplace via a Market Surveillance Notice. In addition, the Exchange will publish a Special Executive Report (“SER”) to advise the marketplace of the Rule Amendments. The SER will be posted on the CME Group website.
- **Compliance with Rules**: The Rule Amendments provide additional clarity to participants with respect to VAT obligations and impose process requirements on participants designed to facilitate compliance with these obligations prior to entry into any of the Contracts.

¹ CME Clearing Advisory Notice 18-079 (<https://www.cmegroup.com/content/dam/cmegroup/notices/clearing/2018/02/Chadv18-079.pdf>) provided a reminder to Clearing Members and their customers to provide the Clearing House with VAT registration information prior to trading the Contracts. The proposed Rule Amendments seek to provide further clarification regarding this obligation.

Pursuant to Section 5c(c) of the Act and CFTC Regulations 40.6(a), the Exchange hereby certifies that the Rule Amendments comply with the Act, including regulations under the Act. There were no substantive opposing views to the proposal.

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: Exhibit A: Position Limits, Position Accountability and Reportable Level Table in Chapter 5 of the NYMEX Rulebook (attached under separate cover)
Exhibit B: Cash Market Overview and Analysis of Deliverable Supply
Exhibit C: Amendments to NYMEX Rulebook Chapters 1157, 1158, 1159 and 1160 (blackline format)

Exhibit A
Position Limits, Position Accountability and Reportable Level Table
in Chapter 5 of the NYMEX Rulebook

(attached under separate cover)

Exhibit B

Cash Market Overview and Analysis of the Deliverable Supply

Cash Market Overview

DATA SOURCES:

We have used the following data sources within this analysis and provided further information on each source below.

For Dutch TTF Natural Gas

Gasunie Transport Services (GTS), is a gas Transmission System Operator (TSO) operating in the Netherlands and is responsible for the management of the natural gas network in the country. Gasunie set up the Title Transfer Facility (“TTF”) virtual trading hub in 2003. It is the owner and operator of the Dutch gas transmission network and is responsible for the management, operation and development of the gas transport system in the country¹.

FOR UK NBP Natural Gas

National Grid² is the gas and power TSO operating in the United Kingdom and is responsible for the management of the natural gas network in the country. National Grid is the operator of the National Balancing Point (“NBP”), which serves as the central trading and balancing venue for natural gas market participants in the UK.

OFGEM³ is the Office of Gas and Electricity Markets in the UK. The agency is a non-ministerial government department and an independent National Regulatory Authority, recognized by EU Directives. The principal objective of OFGEM is to protect the interests of existing and future electricity and gas consumers, mainly by promoting competition in the market place. OFGEM publishes a range of reports to monitor wholesale energy markets in the UK.

¹ <https://www.gasunietransportservices.nl/en>

² <http://www2.nationalgrid.com>

³ <https://www.ofgem.gov.uk/>

The Dutch and UK Natural Gas markets

Overview

The European gas market has seen more than fifteen years of market liberalization. Historically, long term supply deals for the European markets were done on an oil-indexed basis. This is because there was a degree of price linkage between oil and gas, as the two could potentially compete against each other as generation fuel. However, oil for power generation has largely disappeared in Europe, and there are only very few applications in which the two fuels directly compete against each other: the economic justification for oil price linkage is much weaker than it was before. This has led to a gradual decline of oil-indexation as a pricing mechanism for long-term pipeline and LNG supply contracts. The decline of oil-indexation in contract pricing led to an equivalent increase in the use of hub pricing. This development first started in the UK in the early 2000's and was later followed by the continental European gas markets. NBP and TTF are the dominant virtual hubs for contract pricing, both for wholesale gas supply and for the purchase of gas for industrial and commercial use in Europe. TTF is used beyond the Dutch market, as it provides a benchmark reference for the Continental European gas markets: typically gas prices are highly positively correlated as physical infrastructure allows for arbitrage flows to greatly reduce regional price differences between most highly interconnected markets in Western Europe (including prices for Germany – Europe's largest consumer, France, Italy, Austria, etc)⁴.

The Dutch Natural Gas market

TTF refers to the Title Transfer Facility, a virtual trading hub for natural gas in the Netherlands. The TTF was set up by Gasunie in 2003. TTF participants exchange rights to natural gas via a nomination process within the TTF market area. Unlike Henry Hub, TTF is a purely virtual construct for nominal transfer of gas rights: there is no physical location for exchange as TTF represents gas injected into any part of the Dutch market area. Gas sold on TTF must have been previously injected into the Gasunie system. Trading on TTF means the transfer of ownership to gas within the Dutch grid system. While title transfer via a nomination is a bilateral process between Buyer and Seller, Gasunie needs to always know who owns the gas molecules in its system. The virtual title transfer should be consistent with physical gas flows: counterparties who bought rights to gas in the virtual trading zones physically import gas into the system via pipelines/ LNG cargoes, or withdrew gas from storage facilities and into the transportation grid. The corresponding TTF Sellers export gas into neighboring countries, deliver gas for local consumption or inject gas into storage facilities and out of the grid. Overall, participants are incentivized to balance their portfolio as they are levied a Balancing Charge against net imbalances between acquiring and disposing TTF nominations. GTS monitors the system and gas flows and may enter the market in its role as the "marginal balancer" if such actions are required. However, Gasunie will never enter the market for speculative or trading purposes beyond balancing transactions. TTF is firmly established as the main forward trading and risk management venue for Continental European Gas trading. On its website, GTS provides information how much volume is nominated on TTF and how many parties are active in a given month⁵. We base our Deliverable Supply Analysis on this data, as nominated volume on TTF represents readily available supply that may be used to fulfill delivery obligations via a corresponding nomination. A sufficient amount of nominated volume should indicate a mature market, in which participants can access TTF liquidity (to fulfill delivery obligations resulting from OTC and exchange activity) on a short-term basis.

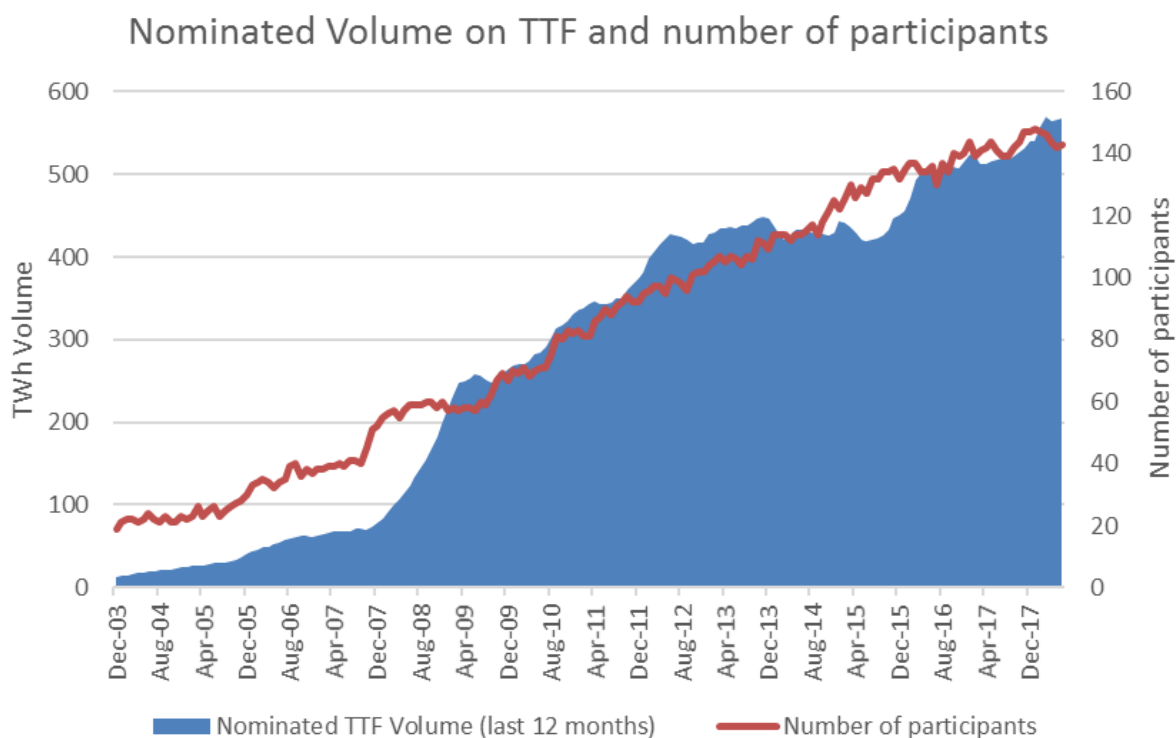
On its public website, GTS provides data on nominated TTF volume and the number of active participants on a monthly granularity. Below chart shows the historic evolution of nomination volumes and participants numbers since the launch of the virtual trading hub. It shows a very positive evolution of nomination volumes

⁴ For a detailed analysis of European Gas price correlation, see

<https://www.oxfordenergy.org/wpcms/wp-content/uploads/2013/10/NG-79.pdf>

⁵ <https://www.gasunietransportservices.nl/en/about-gts/publications>, "Development TTF data sheet". All subsequent TTF relevant data was taken from this source. Underlying data may be found in appendix.

and the number of active market participants since launch. Below chart tracks the data up to and including June 2018.



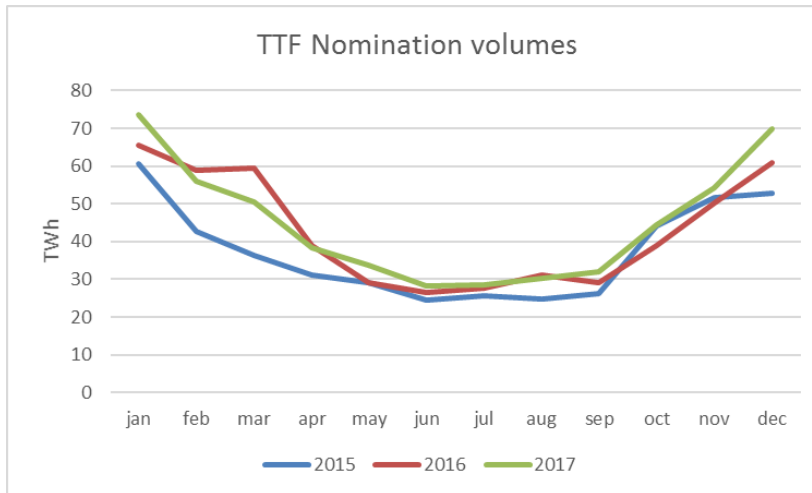
source: GTS website

The table below provides an overview how much volume was nominated in the last 3 full Calendar Years in Terawatt-hours (TWh). The data was converted from TWh into Terajoules and MMBtu using the following conversion factors: 1 TWh = 3,600 Terajoules, 1 Terajoule = 947.816 MMBtu. The MMBtu figure was also converted into units of 10,000 MMBtu, which is the standard lot size for Henry Hub natural gas (NG contract). The data is also shown in standard European monthly lots of 720 MWh⁶. Note that the underlying data on a monthly granularity is attached to the Appendix.

Nominated TTF Volume	2015	2016	2017	3y average
TWh	450	516	540	502
Terajoules	1,619,555	1,856,443	1,943,139	1,806,379
MMBtu	1,535,040,349	1,759,566,716	1,841,738,063	1,712,115,043
US Lots (1 lot = 10,000 MMBtu)	153,504	175,957	184,174	171,212
EU Lots (1 lot = 720 MWh)*	624,828	716,220	749,668	696,906
Source: GTS website				

⁶ When trading in MWh per hour, market convention is to define a standard monthly lot as a 30-day month, which results in a lot size of 720 MWh (which is equal to 24 hours' times 30 days). However, actual lot sizes vary from 672 MWh (for the month of February with 28 days) to 745 MWh (the month of October with 31 days plus one extra hour due to Daylight Savings time). 1 TWh is 10⁶ MWh.

Due to lower heating demand during summer months, TTF nominations are characterized by a pronounced seasonality. June is the month with the lowest average nomination compared to the monthly average: across the last three years, average June nominations accounted for 63% of average nominations across the entire three years.



Source: GTS website

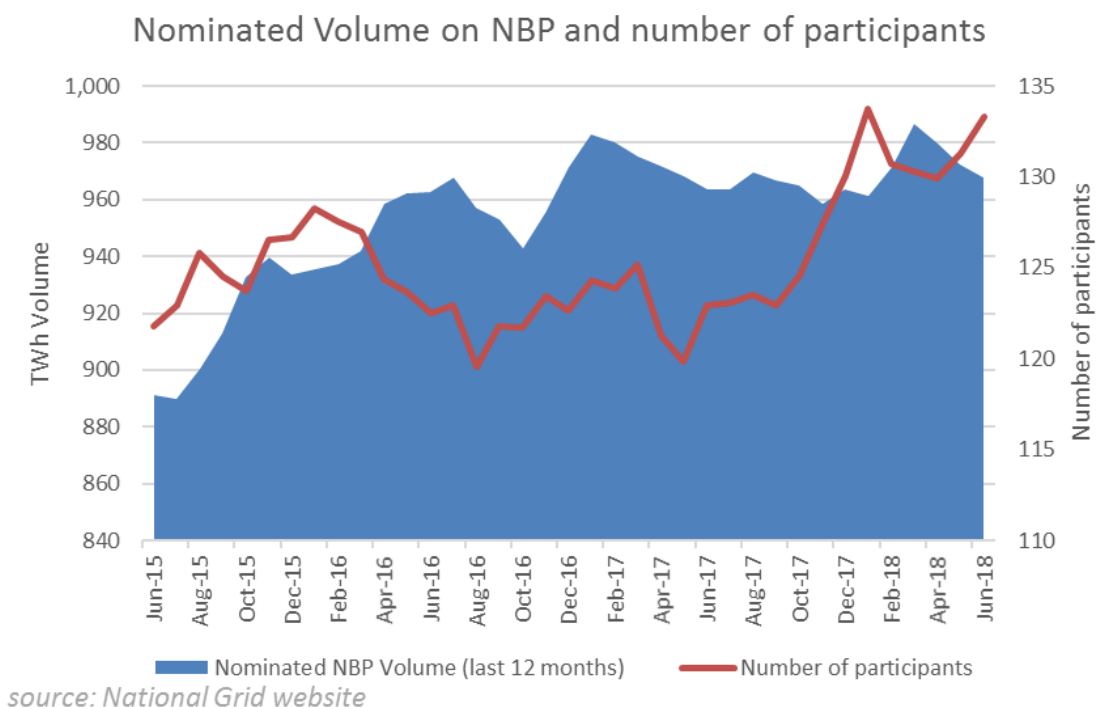
GTS also provides an overview of prevalent market liquidity. GTS tracks monthly churn rates across past years and documents the significant increase in TTF liquidity. The churn rate is defined as the total TTF volume traded across OTC and exchanges divided by the nominated TTF volume. A higher churn indicates a higher market liquidity and availability of natural gas.

Monthly Churn TTF			
	Minimum	Average	Maximum
2011	10x	18x	26x
2012	10x	20x	31x
2013	13x	20x	30x
2014	20x	34x	54x
2015	25x	40x	53x
2016	23x	46x	78x
2017	25x	42x	59x

Source: GTS website

The UK Natural Gas market

In the UK, NBP, the National Balancing Point, refers to a similar system operated by National Grid, the UK's power and gas transmission system operator. The UK was the first fully liberalized gas market in Europe and NBP has quickly become a significant forward trading and risk management venue for natural gas markets. Participants may engage in "title trade", which is the notional transfer of rights to gas within the UK's Transmission system. National Grid monitors the system and gas flows and may enter the market if balancing trades are required. Again, customers are incentivized to balance their portfolios ahead of gas flows as they are otherwise subject to imbalance charges. However, some system imbalance is unavoidable as for example domestic consumption is hard to exactly predict – for such balancing activities, National Grid enters the market as a marginal participant in order to balance its grid system. On its website, National Grid provides data on nominated volumes and on the number of market participants on a given day. Again, those figures represent volume available to be nominated against delivery obligations on the NBP. Such delivery obligations may result from OTC trades or exchange trading activity. On its public website, National Grid provides data on nominated volume and on the number of market participants on a daily granularity. Below chart shows how nominated volumes changed across the past 3 years⁷. The number of participants represents the average number of active participants in a given month.

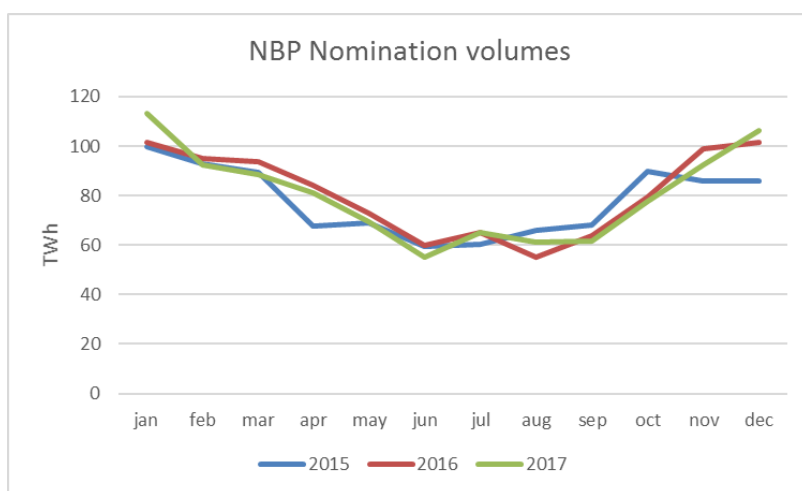


⁷ <http://mip-prod-web.azurewebsites.net/DataItemExplorer/Index> National Grid Data Item Explorer, UK Wholesale Gas Market Liquidity Data, Nominations, Input, Total, TWh. All subsequent NBP relevant data was taken from this source. Underlying data may be found in appendix.

The table below was based on the same data from National Grid. For NBP, the standard trading unit is 30,000 therms per monthly lot⁸. The underlying data is attached to the appendix (with the daily data aggregated into months for brevity):

Nominated NBP Volume	2015	2016	2017	3y average
TWh	934	971	964	956
Terajoules	3,361,022	3,496,540	3,468,691	3,442,084
MMBtu	3,185,630,352	3,314,076,519	3,287,680,563	3,262,462,478
US Lots (1 Lot = 10,000 MMBtu)	318,563	331,408	328,768	326,246
UK Lots (1 Lot = 30,000 therms)	1,061,877	1,104,692	1,095,894	1,087,487
Source: National Grid				

NBP nominations are also characterized by a pronounced seasonality. On average across the last 3 years (2015-2017), nominations have been the lowest in June: Average June nominations represented only 73% of the average monthly volume flowing through the hub across the entire period.



Source: National Grid⁹

OFGEM, the UK’s gas and power regulator¹⁰, publishes “Wholesale Markets Indicators” that show that churn rates in NBP (the ratio of spot and forward trading to delivered volume) have been stable across the last 6 years, and that ample liquidity was available to participants at all times.

Monthly Churn NBP			
	Minimum	Average	Maximum
2011	11x	19x	28x
2012	10x	21x	26x

⁸ Just like “European” MWh per hour monthly lots are referred to with a standard lot size of 720 MWh, UK monthly lots are computed based on a standard lot size of 30,000 therms (30 day months times 1,000 therms per day). 1 MMBtu is equal to 10 therms

⁹ <http://mip-prod-web.azurewebsites.net/DataItemExplorer/Index> National Grid Data Item Explorer, UK Wholesale Gas Market Liquidity Data, Nominations, Input, Total, TWh. Underlying data may be found in appendix.

¹⁰ <https://www.ofgem.gov.uk/data-portal/wholesale-market-indicators> under “Access and Liquidity”

2013	11x	18x	27x
2014	15x	25x	30x
2015	16x	23x	27x
2016	10x	22x	34x
2017	12x	23x	33x

Source: Ofgem

Analysis of Deliverable Supply

In estimating deliverable supply for the futures contracts, the Exchange relied on long-standing precedent, which provides that the key component in estimating deliverable supply is the portion of typical production and supply stocks that could reasonably be considered to be readily available for delivery. In its guidance on estimating deliverable supply, the Commodity Futures Trading Commission (“CFTC” or “Commission”) states:

In general, the term “deliverable supply” means 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. Typically, deliverable supply reflects the quantity of the commodity that potentially could be made available for sale on a spot basis at current prices at the contract’s delivery points. For a non-financial physical-delivery commodity contract, this estimate might represent product which is in storage at the delivery point(s) specified in the futures contract or can be moved economically into or through such points consistent with the delivery procedures set forth in the contract and which is available for sale on a spot basis within the marketing channels that normally are tributary to the delivery point(s).¹¹

For TTF and NBP, the basis for deliverable supply are the nominations executed on the UK and Dutch transmission systems. These figures include all nominations regardless whether those nominations are the result of spot trades or long-term transactions. No adjustment is made for term contracts, as both NBP and TTF markets are highly developed, fully liberalized and are characterized by high churn rates. The UK and the Netherlands’ natural gas markets are free from restrictions meaning that volumes between short and long-term supply are easily interchangeable. There is a high degree of flexible storage, gas pipelines to the continent and LNG infrastructure. Liquidity is created through a well-functioning spot exchange market and via the OTC broker market.

However, due to the seasonality of natural gas consumption, Exchange staff applied a reduction of DS to match the month with the lowest nomination flows. For the Dutch market, nominations are reduced by 37% to account for seasonality (because nominations in June account for 63% of the average monthly flows). For NBP, the applicable reduction is 27% (because nominations in June account for 73% of the average monthly flows).

For the **Dutch TTF Natural Gas Calendar Month Futures (commodity code TTF)**, an annual deliverable supply of 696,906 lots (in 720 MWh lot sizes) is equivalent to a monthly figure of 58,075 lots. After applying a reduction of 37%, the monthly figure is equal to 36,588 lots. The Exchange proposes a spot month position limit of 6,000 contracts, which represents 16.4% of the monthly Deliverable Supply.

A spot month limit for **the Dutch TTF Natural Gas Daily Futures (commodity code TTD)** is also proposed to be set at 6,000 contracts per day (based on a daily contract size of 24 MWh). Trades in the daily futures will aggregate into themselves for the purposes of spot limit calculation purposes. The proposed daily spot limit is below the 25% of deliverable supply threshold.

For the **Dutch TTF Natural Gas (USD/MMBtu) (ICIS Heren) Front Month Futures (commodity code TTE)**, an annual deliverable supply of 171,212 lots (in 10,000 MMBtu lot sizes) is equivalent to a monthly figure of 14,268 lots. After applying a reduction of 37%, the monthly figure is equal to 8,989 lots. The

¹¹ http://www.ecfr.gov/cgi-bin/text-idx?SID=74959c3dbae469e2efe0a42b45b8dfae&mc=true&node=ap17.1.38_11201.c&rqn=div9

Exchange proposes a spot month position limit of 1,450 contracts, which represents 16.1% of the monthly Deliverable Supply.

For the **Henry Hub TTF (ICIS Heren) Natural Gas Spread Futures (commodity code THD)**, an annual deliverable supply of 171,212 lots (in 10,000 MMBtu lot sizes) is equivalent to a monthly figure of 14,268 lots. After applying a reduction of 37%, the monthly figure is equal to 8,989 lots. The Exchange proposes a spot month position limit of 1,450 contracts, which represents 16.1% of the monthly Deliverable Supply. Positions in this contract will aggregate into the **Dutch TTF Natural Gas (USD/MMBtu) (ICIS Heren) Front Month Futures (commodity code TTE)**.

For the **UK NBP Natural Gas Calendar Month Futures (commodity code UKG)**, an annual deliverable supply of 1,087,487 lots (in 30,000 therm lot sizes) is equivalent to a monthly figure of 90,624 lots. After applying a reduction of 27%, the monthly figure is equal to 66,155 lots. The Exchange proposes a spot month position limit of 9,000 contracts, which represents 13.6% of the monthly Deliverable Supply.

A spot month limit for the **UK NBP Natural Gas Daily Futures (commodity code NBD)** is also proposed to be set at 9,000 contracts per day (based on a daily contract size of 1,000 therms). Trades in the daily futures will aggregate into themselves for the purposes of spot limit calculation purposes. The proposed daily spot limit is below the 25% of deliverable supply threshold.

For the **UK NBP Natural Gas (USD/MMBtu) (ICIS Heren) Front Month Futures (commodity code NBP)**, an annual deliverable supply of 326,246 lots (in 10,000 MMBtu lot sizes) is equivalent to a monthly figure of 27,187 lots. After applying a reduction of 27%, the monthly figure is equal to 19,847 lots. The Exchange proposes a spot month position limit of 2,700 contracts, which represents 13.6% of the monthly Deliverable Supply.

For the **Henry Hub NBP (ICIS Heren) Natural Gas Spread Futures (commodity code NYP)**, an annual deliverable supply of 326,246 lots (in 10,000 MMBtu lot sizes) is equivalent to a monthly figure of 27,187 lots. After applying a reduction of 27%, the monthly figure is equal to 19,847 lots. The Exchange proposes a spot month position limit of 2,700 contracts, which represents 13.6% of the monthly Deliverable Supply. Positions in this contract will aggregate into the **UK NBP Natural Gas (USD/MMBtu) (ICIS Heren) Front Month Futures (commodity code NBP)**.

Appendix – Nominations Data

TTF – source Gasunie

TTF	2015	2016	2017	Month Average		Haircut applicable
Jan	60.7	65.4	73.7	66.6	159%	
Feb	42.7	58.8	56.1	52.5	126%	
Mar	36.3	59.3	50.5	48.7	116%	
Apr	31.2	38.9	38.3	36.1	86%	
May	29.2	29.0	33.9	30.7	73%	
Jun	24.4	26.5	28.2	26.4	63%	37%
Jul	25.6	27.6	28.6	27.3	65%	
Aug	24.7	31.2	30.3	28.7	69%	
Sep	26.3	29.1	31.9	29.1	70%	
Oct	44.0	38.8	44.4	42.4	101%	
Nov	51.7	50.1	54.2	52.0	124%	
Dec	52.9	60.9	69.8	61.2	146%	
Average	37.5	43.0	45.0	41.8	100%	
Total	449.9	515.7	539.8	501.8		

NBP – source National Grid

NBP	2015	2016	2017	15-17 average		Haircut applicable
Jan	99.7	101.3	113.3	104.8	132%	
Feb	92.9	95.0	92.2	93.4	117%	
Mar	89.2	93.8	88.3	90.4	113%	
Apr	67.6	84.2	81.1	77.6	97%	
May	69.2	72.8	69.2	70.4	88%	
Jun	59.5	59.8	55.1	58.1	73%	27%
Jul	60.1	65.3	65.2	63.5	80%	
Aug	65.9	55.3	61.4	60.8	76%	
Sep	68.1	63.9	61.4	64.5	81%	
Oct	89.6	79.5	77.6	82.2	103%	
Nov	86.0	98.8	92.4	92.4	116%	
Dec	85.9	101.6	106.4	98.0	123%	
Average	77.8	80.9	80.3	79.7	100%	
Total	933.6	971.3	963.5	956.1		

Exhibit C

NYMEX Rulebook

(additions underlined; deletions overstruck)

Chapter 1157

UK NBP Natural Gas Calendar Month Futures

...

1157109. VAT

While contract prices shall be exclusive of any taxes or duties, should Value Added Tax (VAT) be payable on UK NBP Natural Gas Calendar Month Futures, the relevant buyer shall be responsible for ensuring that it accounts for such VAT to the relevant tax authority under the reverse charge procedure where applicable, ~~provided that the Clearing House issues it with a valid VAT invoice for the purchase.~~

Prior to entry into any UK NBP Natural Gas Calendar Month Futures Contract, Clearing Members must provide such information reasonably requested by the Clearing House for the purposes of determining the applicability of VAT or other taxes, including but not limited to valid VAT registration details, and for the purposes of accounting for any applicable taxes to a tax authority. The Clearing Member is deemed to represent and warrant that the information it has provided under this Rule is complete and accurate each time a contract is entered into.

Where VAT is due and payable and the reverse charge procedure does not apply, the buyer must make payment of such VAT to the Clearing House as seller at the same time as the payment of the purchase price ~~and the Clearing House shall issue it with a valid VAT invoice for the purchase.~~

Where the reverse charge procedure applies, the Clearing Member warrants and represents that the relevant buyer has a valid VAT registration and will account for any applicable VAT to the relevant tax authority under the reverse charge procedure. ~~Clearing Members must ensure that the buyer of natural gas provides the Clearing House with its valid VAT registration details prior to entry into any UK NBP Natural Gas Calendar Month Futures Contract, and the Clearing Member is deemed to represent and warrant that the information it has provided with respect to the buyer under this Rule is complete and accurate each time a contract is entered into.~~

Where the reverse charge procedure does not apply, the Clearing Member must notify the Clearing House prior to the entry into any UK NBP Natural Gas Calendar Month Futures contract ~~and the Clearing Member shall provide such information reasonably requested by the Clearing House for the purposes of accounting for any applicable VAT to a tax authority.~~

The Clearing Member agrees to indemnify the Clearing House in respect of any VAT, interest, penalties and associated costs of the Clearing House in the event that the Clearing House does not receive any applicable VAT from the relevant buyer when due under this rule.

...

The remainder of the rule is unchanged.

Chapter 1158 UK NBP Natural Gas Daily Futures

...

1158109. VAT

While contract prices shall be exclusive of any taxes or duties, should Value Added Tax (VAT) be payable on UK NBP Natural Gas Daily Futures, the relevant buyer shall be responsible for ensuring that it accounts for such VAT to the relevant tax authority under the reverse charge procedure where applicable, ~~provided that the Clearing House issues it with a valid VAT invoice for the purchase.~~

Prior to entry into any UK NBP Natural Gas Daily Futures Contract, Clearing Members must provide such information reasonably requested by the Clearing House for the purposes of determining the applicability of VAT or other taxes, including but not limited to valid VAT registration details, and for the purposes of accounting for any applicable taxes to a tax authority. The Clearing Member is deemed to represent and warrant that the information it has provided under this Rule is complete and accurate each time a contract is entered into.

Where VAT is due and payable and the reverse charge procedure does not apply, the buyer must make payment of such VAT to the Clearing House as seller at the same time as the payment of the purchase price ~~and the Clearing House shall issue it with a valid VAT invoice for the purchase.~~

Where the reverse charge procedure applies, the Clearing Member warrants and represents that the relevant buyer has a valid VAT registration and will account for any applicable VAT to the relevant tax authority under the reverse charge procedure. ~~Clearing Members must ensure that the buyer of natural gas provides the Clearing House with its valid VAT registration details prior to entry into any UK NBP Natural Gas Daily Futures Contract, and the Clearing Member is deemed to represent and warrant that the information it has provided with respect to the buyer under this Rule is complete and accurate each time a contract is entered into.~~

Where the reverse charge procedure does not apply, the Clearing Member must notify the Clearing House prior to the entry into any UK NBP Natural Gas Daily Futures contract ~~and the Clearing Member shall provide such information reasonably requested by the Clearing House for the purposes of accounting for any applicable VAT to a tax authority.~~

The Clearing Member agrees to indemnify the Clearing House in respect of any VAT, interest, penalties and associated costs of the Clearing House in the event that the Clearing House does not receive any applicable VAT from the relevant buyer when due under this rule.

...

The remainder of the rule is unchanged.

Chapter 1159 Dutch TTF Natural Gas Calendar Month Futures

...

1159109. VAT

While contract prices shall be exclusive of any taxes or duties, should Value Added Tax (VAT) be payable on Dutch TTF Natural Gas Calendar Month Futures, the relevant buyer shall be responsible for ensuring that it accounts for such VAT to the relevant tax authority under the reverse charge procedure where applicable, ~~provided that the Clearing House issues it with a valid VAT invoice for the purchase.~~

Prior to entry into any Dutch TTF Natural Gas Calendar Month Futures Contract, Clearing Members must provide such information reasonably requested by the Clearing House for the purposes of determining the applicability of VAT or other taxes, including but not limited to valid VAT registration details, and for the purposes of accounting for any applicable taxes to a tax authority. The Clearing Member is deemed to represent and warrant that the information it has provided under this Rule is complete and accurate each time a contract is entered into.

Where VAT is due and payable and the reverse charge procedure does not apply, including where VAT must be declared by the buyer under the rules for the place of supply for natural gas delivered within networks, the buyer must make payment of such VAT to the Clearing House as seller at the same time as the payment of the purchase price and the Clearing House shall issue it with a valid VAT invoice for the purchase.

Where the reverse charge procedure applies, the Clearing Member warrants and represents that the relevant buyer has a valid VAT registration and will account for any applicable VAT to the relevant tax authority under the reverse charge procedure. ~~Clearing Members must ensure that the buyer of natural gas provides the Clearing House with its valid VAT registration details prior to entry into any Dutch TTF Natural Gas Calendar Month Futures Contract, and the Clearing Member is deemed to represent and warrant that the information it has provided with respect to the buyer under this Rule is complete and accurate each time a contract is entered into.~~

Where

- (a) the reverse charge procedure is not applicable; or
- (b) the relevant buyer under a Dutch TTF Natural Gas Calendar Month Futures contract:
 - (i) is not domiciled and has no VAT registration within the Netherlands; and
 - (ii) is not a “trader” or “dealer” within the meaning of the rules for the place of supply for natural gas delivered within networks; and
 - (iii) uses Dutch TTF Natural Gas within the Netherlands, or

(c) the buyer intends to take physical delivery of Dutch TTF Natural Gas and such gas is not acquired for trading purposes.

the Clearing Member must notify the Clearing House prior to entry into any Dutch TTF Natural Gas Calendar Month Futures contract ~~and the Clearing Member shall provide such information reasonably requested by the Clearing House for the purposes of accounting for any applicable VAT to a tax authority.~~

The Clearing Member agrees to indemnify the Clearing House in respect of any VAT, interest, penalties and associated costs of the Clearing House in the event that the Clearing House does not receive any applicable VAT from the relevant buyer when due under this rule.

...

The remainder of the rule is unchanged.

Chapter 1160 Dutch TTF Natural Gas Daily Futures

...

1160109. VAT

While contract prices shall be exclusive of any taxes or duties, should Value Added Tax (VAT) be payable on Dutch TTF Natural Gas Daily Futures, the relevant buyer shall be responsible for ensuring that it accounts for such VAT to the relevant tax authority under the reverse charge procedure where applicable, ~~provided that the Clearing House issues it with a valid VAT invoice for the purchase.~~

Prior to entry into any Dutch TTF Natural Gas Daily Futures Contract, Clearing Members must provide such information reasonably requested by the Clearing House for the purposes of determining the applicability of VAT or other taxes, including but not limited to valid VAT registration details, and for the purposes of accounting for any applicable taxes to a tax authority. The Clearing Member is deemed to represent and warrant that the information it has provided under this Rule is complete and accurate each time a contract is entered into.

Where VAT is due and payable and the reverse charge procedure does not apply, including where VAT must be declared by the buyer under the rules for the place of supply for natural gas delivered within networks, the buyer must make payment of such VAT to the Clearing House as seller at the same time as the payment of the purchase price ~~and the Clearing House shall issue it with a valid VAT invoice for the purchase.~~

Where the reverse charge procedure applies, the Clearing Member warrants and represents that the relevant buyer has a valid VAT registration and will account for any applicable VAT to the relevant tax authority under the reverse charge procedure. ~~Clearing Members must ensure that the buyer of natural gas provides the Clearing House with its valid VAT registration details prior to entry into any Dutch TTF Natural Gas Daily Futures Contract, and the Clearing Member is deemed to represent and warrant that the information it has provided with respect to the buyer under this Rule is complete and accurate each time a contract is entered into.~~

Where

- (a) the reverse charge procedure is not applicable; or
- (b) the relevant buyer under a Dutch TTF Natural Gas Daily Futures contract:
 - (i) is not domiciled and has no VAT registration within the Netherlands; and
 - (ii) is not a “trader” or “dealer” within the meaning of the rules for the place of supply for natural gas delivered within networks; and
 - (iii) uses Dutch TTF Natural Gas within the Netherlands, or

(c) the buyer intends to take physical delivery of Dutch TTF Natural Gas and such gas is not acquired for trading purposes.

the Clearing Member must notify the Clearing House prior to entry into any Dutch TTF Natural Gas Daily Futures contract ~~and the Clearing Member shall provide such information reasonably requested by the Clearing House for the purposes of accounting for any applicable VAT to a tax authority.~~

The Clearing Member agrees to indemnify the Clearing House in respect of any VAT, interest, penalties and associated costs of the Clearing House in the event that the Clearing House does not receive any applicable VAT from the relevant buyer when due under this rule.

...

The remainder of the rule is unchanged.