

**SUBMISSION COVER SHEET**

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

**Registered Entity Identifier Code (optional):** 22-055 (2 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):** 09/01/22 **Filing Description:** Initial Listing of the Ethylene CFR NE Asia (ICIS) Futures and Propylene CFR NE Asia (ICIS) Futures Contracts

**SPECIFY FILING TYPE**

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

**Organization Rules and Rule Amendments**

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

**Rule Numbers:**

**New Product**

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

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

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

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

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

**Rule Numbers:**

September 1, 2022

**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. Initial Listing of the Ethylene CFR NE Asia (ICIS) Futures and Propylene CFR NE Asia (ICIS) Futures Contracts. NYMEX Submission No. 22-055 (2 of 2)**

Dear Mr. Kirkpatrick:

The New York Mercantile Exchange, Inc. (“NYMEX” or “Exchange”) is certifying to the Commodity Futures Trading Commission (“CFTC” or “Commission”) the initial listing of the Ethylene CFR NE Asia (ICIS) Futures and Propylene CFR NE Asia (ICIS) 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, October 2, 2022 for trade date Monday, October 3, 2022, as more specifically described below.

<b>Contract Title</b>	<b>Ethylene CFR NE Asia (ICIS) Futures</b>	<b>Propylene CFR NE Asia (ICIS) Futures</b>
<b>Commodity Code</b>	NA2	NA3
<b>Rulebook Chapter</b>	244	243
<b>Settlement Type</b>	Financial	
<b>Contract Size</b>	100 metric tons	
<b>Listing Schedule</b>	Monthly contracts listed for the current year and the next 2 calendar years	
<b>Minimum Price Fluctuation</b>	\$0.01 per metric ton	
<b>Value per tick</b>	\$1.00	
<b>First Listed Month</b>	October 2022	
<b>Block Trade Minimum Threshold</b>	5 contracts - subject to a 15-minute reporting window	
<b>Termination of Trading</b>	<p>Trading in January - November contract months shall terminate at the close of trading on the last Singapore business day of the contract month. If such day is not an Exchange business day, trading in the contract shall terminate on the Exchange business day immediately prior.</p> <p>Trading in the December contract month shall terminate at the close of trading on the last Singapore business day prior to the 25th calendar day of the month. If such day is not an Exchange business day, trading in the contract shall terminate on the Exchange business day immediately prior.</p>	

<b>CME Globex Matching Algorithm</b>	First-In, First-Out (FIFO)
<b>Trading and Clearing Hours</b>	<p><b>CME Globex Pre-Open:</b> Sunday 4:00 p.m. - 5:00 p.m. Central Time/CT Monday - Thursday 4:45 p.m. - 5:00 p.m. CT</p> <p><b>CME Globex:</b> Sunday - Friday 5:00 p.m. CT with a daily maintenance period from 4:00 p.m. - 5:00 p.m. CT</p> <p><b>CME ClearPort:</b> Sunday - Friday 5:00 p.m. - 4:00 p.m. CT with no reporting Monday - Thursday from 4:00 p.m. - 5:00 p.m. CT</p>

The Exchange is also certifying a minimum block threshold of 5 contracts which is comparable to similar Exchange futures contracts. The submission of blocks for these Contracts will be subject to a 15-minute reporting window.

The Exchange reviewed the designated contracts market core principles (“Core Principles”) as set forth in the Commodity Exchange Act (“CEA” or “Act”) and identified that the Contracts 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 the Contracts 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.
- **Contract Not Readily Subject to Manipulation:** The Contracts are not readily susceptible to manipulation and are based on cash price series that are reflective of the underlying cash market and are commonly relied on and used as a reference price by cash market brokers and commercial market participants.
- **Prevention of Market Disruption:** Trading in the Contracts 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 products will be subject to extensive 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 contract specifications, terms and conditions, as well as daily trading volume, open interest and price information for the Contracts.
- **Daily Publication of Trading Information:** The Exchange will publish information on contract 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 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 required 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 which is a registered derivatives clearing organization with the Commission and is subject to all Commission regulations related thereto.
- **Protection of Market Participants:** NYMEX 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 this product.
- **Disciplinary Procedures:** Chapter 4 of the Rulebook contains provisions that allow the Exchange to discipline, suspend or expel members or market participants that violate the rules. Trading in this 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 these products are identified.
- **Dispute Resolution:** Disputes with respect to trading in the Contracts will be subject to the arbitration provisions set forth in Chapter 6 of the Rulebook. The rules in Chapter 6 allow all 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 the rules in Chapter 6. Additionally, the Exchange requires that members resolve all disputes concerning transactions on the Exchange via arbitration.

Pursuant to Section 5c(c) of the Act and CFTC Regulation 40.2(a), the Exchange certifies that the Contracts 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](mailto:CMEGSubmissionInquiry@cmegroup.com).

Sincerely,

/s/ Christopher Bowen  
 Managing Director and Chief Regulatory Counsel

Attachments: Exhibit A: NYMEX Rulebook Chapter 243 and 244  
 Exhibit B: Position Limits, 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 (blackline format)  
 Exhibit D: Exchange Fees  
 Exhibit E: Cash Market Overview and Analysis of Deliverable Supply

## **Exhibit A**

### **NYMEX Rulebook Chapter 243 Propylene CFR NE Asia (ICIS) Futures**

#### **243100. SCOPE OF CHAPTER**

The provisions of these rules shall apply to all futures contracts bought or sold on the Exchange for cash settlement based on the Floating Price. The procedures for trading, clearing and cash settlement of this contract, and any other matters not specifically covered herein shall be governed by the general rules of the Exchange.

#### **243101. CONTRACT SPECIFICATIONS**

The Floating Price for each contract month shall be equal to the arithmetic average of the mid-points of the "Spot range assessment" for the Propylene Spot Price CFR NE Asia for all daily ICIS reports published during the contract month.

#### **243102. TRADING SPECIFICATIONS**

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

##### **243102.A. Trading Schedule**

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

##### **243102.B. Trading Unit**

The contract quantity shall be hundred (100) metric tons. Each contract shall be valued as the contract quantity (100) multiplied by the settlement price.

##### **243102.C. Price Increments**

Prices shall be quoted in US dollars and cents per metric ton. The minimum price fluctuation shall be \$0.01 per metric ton. There shall be no maximum price fluctuation.

##### **243102.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.

##### **243102.E. Termination of Trading**

Trading in January - November contract months shall terminate at the close of trading on the last Singapore business day of the contract month. If such day is not an Exchange business day, trading in the contract shall terminate on the Exchange business day immediately prior.

Trading in the December contract month shall terminate at the close of trading on the last Singapore business day prior to the 25<sup>th</sup> calendar day of the month. If such day is not an Exchange business day, trading in the contract shall terminate on the Exchange business day immediately prior.

**243103. FINAL SETTLEMENT**

Final settlement under the contract shall be by cash settlement. Final settlement, following termination of trading for a contract month, will be based on the Floating Price. The final settlement price will be the Floating Price calculated for each contract month.

**243104. DISCLAIMER**

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

## Chapter 244

### Ethylene CFR NE Asia (ICIS) Futures

#### **244100. SCOPE OF CHAPTER**

The provisions of these rules shall apply to all futures contracts bought or sold on the Exchange for cash settlement based on the Floating Price. The procedures for trading, clearing and cash settlement of this contract, and any other matters not specifically covered herein shall be governed by the general rules of the Exchange.

#### **244101. CONTRACT SPECIFICATIONS**

The Floating Price for each contract month shall be equal to the arithmetic average of the mid-points of the "Spot range assessment" for the Ethylene Spot Price CFR NE Asia for all daily ICIS reports published during the contract month.

#### **244102. TRADING SPECIFICATIONS**

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

##### **244102.A. Trading Schedule**

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

##### **244102.B. Trading Unit**

The contract quantity shall be hundred (100) metric tons. Each contract shall be valued as the contract quantity (100) multiplied by the settlement price.

##### **244102.C. Price Increments**

Prices shall be quoted in US dollars and cents per metric ton. The minimum price fluctuation shall be \$0.01 per metric ton. There shall be no maximum price fluctuation.

##### **244102.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.

##### **244102.E. Termination of Trading**

Trading in January - November contract months shall terminate at the close of trading on the last Singapore business day of the contract month. If such day is not an Exchange business day, trading in the contract shall terminate on the Exchange business day immediately prior.

Trading in the December contract month shall terminate at the close of trading on the last Singapore business day prior to the 25<sup>th</sup> calendar day of the month. If such day is not an Exchange business day, trading in the contract shall terminate on the Exchange business day immediately prior.

#### **244103. FINAL SETTLEMENT**

Final settlement under the contract shall be by cash settlement. Final settlement, following termination of trading for a contract month, will be based on the Floating Price. The final settlement price will be the Floating Price calculated for each contract month.

#### **244104. DISCLAIMER**

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

**Exhibit B**

**NYMEX Rulebook  
Chapter 5  
("Trading Qualifications and Practices")**

**Position Limits, Position Accountability and Reportable Level Table**  
(attached under separate cover)



**Exhibit C**

**NYMEX Rulebook  
Chapter 5  
("Trading Qualifications and Practices")**

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

(additions are underscored)

Instrument	Globex Symbol	Outrights		
		Globex Non-Reviewable Ranges (NRR)	NRR: Globex Format	NRR:Minimum Ticks
<u>Ethylene CFR NE Asia (ICIS) Futures</u>	<u>NA2</u>	<u>\$4.00 per metric ton</u>	<u>400</u>	<u>400</u>
<u>Propylene CFR NE Asia (ICIS) Futures</u>	<u>NA3</u>	<u>\$4.00 per metric ton</u>	<u>400</u>	<u>400</u>

## Exhibit D

### Exchange Fees

	<b>Member</b>	<b>Non-Member</b>
CME Globex	\$0.85	\$1.35
EFP	\$0.85	\$1.35
Block	\$0.85	\$1.35
EFR/EOO	\$0.85	\$1.35

<b>Processing Fees</b>	<b>Member</b>	<b>Non-Member</b>
Cash Settlement	\$0.10	\$0.10

<b>Other Processing Fees</b>	<b>Fee</b>
Facilitation Fee	\$0.60
Give-Up Surcharge	\$0.05
Position Adjustment/Position Transfer	\$0.10

## Exhibit E

### **Cash Market Overview and Analysis of Deliverable Supply**

#### **Data Source**

##### UN Comtrade

The United Nations Commodity Trade Statistics Database (UN Comtrade) is a repository of official trade statistics reported by statistical authorities of close to 200 countries or areas. The UN Comtrade Database provides free access to detailed global trade data. It contains annual trade statistics starting from 1962 and monthly trade statistics since 2010.

##### Korea Customs Service

Korea Customs Service (KCS) is the South Korea government agency for border control. Its mission is to protect national finance and economy, to prevent inflow of harming social safety and living standard and to promote legitimate international trade and travel. "Until late 70s, there had been a confusion both internally and externally as several government agencies of Korea had disseminated different trade statistics with their own standards, such as the statistics of Korea Customs Service based on the clearance, the statistics of Ministry of Commerce and Industry based on the money deposited, and statistics of Bank of Korea based on the international standards. Therefore, a unified trade statistic with the international standards was much needed, and the trade statistics of Korea Customs Service, which was compiled with the international standards, was officially designated as the international trade statistics of Korea at the council of ministers of economy held on 2nd July 1977."

##### CPT Single Window

The Custom Port Trade Single Window (CPT Single Window) is a project of the "Wisdom Environment" under the Ubiquitous Economy and Trade Network Plan by the Ministry of Finance, Taiwan. The project hopes to combine the professional experience and strength from customs clearance, examination/certification and port affairs-related authorities and private traders, under existing well-built automation of customs clearance. The goal is to promote and construct an optimal import/export operation environment with convenience and goods supply chain measuring up to the international economic and trade environment, reinforce import/export service efficiency and, in the end, enhance Taiwan's overall economic and trade competitiveness.

##### ICIS

ICIS (Independent Commodity Intelligence Services) is one of the largest petrochemical market information providers. The company provides pricing intelligence and news, forecast data, market analytics and independent consulting to buyers, sellers and analysts.

ICIS has a global staff of more than 500 employees across Houston, New York, London, Karlsruhe, Milan, Mumbai, Singapore, Guangzhou, Beijing, Shanghai, Dubai, Tokyo and Perth. Some 180 of its staff are journalists engaged in reporting market prices and news. ICIS has a compliance framework that along with its methodologies and business processes adheres to the requirements of the IOSCO PRA Principles. The

company's compliance with IOSCO principles was successfully reviewed by PwC for the eighth year running.<sup>1</sup>

## Cash Market Overview

Ethylene and propylene (also known as propene) are colorless gas chemical with odor and are flammable. Both ethylene and propylene are members of alkene class, a hydrocarbon with at least one carbon-to-carbon double bond. The ethylene molecular formula is  $H_2C=CH_2$ , and the propylene molecular formula is  $CH_3CHCH_2$ .

Ethylene is considered one of the most important petrochemical raw materials. It is called a “base chemical” because it is a feedstock for various other petrochemicals. Its major and immediate downstream uses are at manufacturing sites that produce plastic resins and chemicals that are components of the cosmetic, coatings, ink, paints, packaging and industrial cleanser industry. Ethylene is most commonly used in the production of polyethylene, which is also known as plastic, plastic resin or PE. Some other downstream products include polyethylene terephthalate (PET), polyvinyl chloride (PVC) and polystyrene (PS).

Similar to ethylene, propylene can be treated via polymerization, oxidation and hydration to create various downstream products including polypropylene (PP), acrylonitrile (ACN) and propylene oxide (PO), etc. Majority of the propylene is to produce polypropylene. PP is one of the most commonly used plastics and can be found used in a wide range of daily goods.

Asia is an important demand center for both ethylene and propylene in the world. In recent years, strong economic growth from the region has increased petrochemical products demand. Among the Asian countries, China is by far the largest importer of ethylene and propylene, accounting for roughly 40% of global trade flow. In addition to China, South Korea, Indonesia, Taiwan, and Japan are also main importers in the region.

The Contracts financially settles against the ICIS's ethylene and propylene spot price for CFR Northeast Asia. The prices reflect the cargoes value delivered into China, South Korea, Taiwan, and Japan.

The UN Comtrade database provides historical import data for global ethylene and propylene trade flows for China and Japan. The most recent data available is for 2021. Annual ethylene and propylene imports data for South Korea and Taiwan is available through Korea Customs Service and CPT Single Window services, respectively.

Table 1 contains the ethylene imports data for China, Taiwan, South Korea, and Japan for the past three years. Over the three-year period, total ethylene imports from these main importers averaged 2.819 million metric tons per year.

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<sup>1</sup> <https://www.icis.com/explore/press-releases/icis-meets-ioscos-pra-principles-for-the-eighth-consecutive-year/>

**Table 1: Ethylene Imports into China, Taiwan, South Korea and Japan<sup>2</sup>****Unit: Metric Tons**

	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>Average</b>
China	2,509,795	1,977,873	2,067,815	2,185,161
Taiwan	356,864	367,900	336,348	353,704
South Korea	108,900	283,398	207,107	199,802
Japan	71,363	89,057	79,806	80,075
<b>Total</b>	<b>3,046,922</b>	<b>2,718,228</b>	<b>2,691,076</b>	<b>2,818,742</b>

Table 2 contains the same imports data for propylene. Over the three-year period of 2019-2021, propylene imports from China, Taiwan, South Korea and Japan averaged 3.143 million metric tons per year.

**Table 2: Propylene Imports into China, Taiwan, South Korea and Japan<sup>3</sup>****Unit: Metric Tons**

	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>Average</b>
China	3,127,295	2,506,875	2,494,480	2,709,550
Taiwan	236,019	239,043	263,908	246,323
South Korea	132,058	124,480	104,683	120,407
Japan	47,181	40,222	111,758	66,387
<b>Total</b>	<b>3,542,553</b>	<b>2,910,620</b>	<b>2,974,829</b>	<b>3,142,667</b>

<sup>2</sup> <https://comtrade.un.org/data/>  
[https://unipass.customs.go.kr/ets/index\\_eng.do](https://unipass.customs.go.kr/ets/index_eng.do)  
<https://portal.sw.nat.gov.tw/APGA/GA30E>

Ethylene data is available under commodity code 290121

<sup>3</sup> <https://comtrade.un.org/data/>  
[https://unipass.customs.go.kr/ets/index\\_eng.do](https://unipass.customs.go.kr/ets/index_eng.do)  
<https://portal.sw.nat.gov.tw/APGA/GA30E>

Propylene data is available under commodity code 290122

## **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.

### **CFR Northeast Asia Index**

ICIS' ethylene CFR Northeast Asia Index assessment and propylene CFR Northeast Asia Index assessment measure ethylene and propylene cargoes delivered into China, Taiwan, South Korea and Japan. Therefore, for both ethylene and propylene CFR NE Asia Index, the Exchange based its analysis of deliverable supply on imports into China, Taiwan, South Korea and Japan of ethylene and propylene, respectively. Additionally, the Exchange considered the deliverable supply not subject to long term contracts and determined not to adjust the deliverable supply estimates based on the spot availability. 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.

The Exchange used the data for the three-year period 2019 - 2021 based on the published imports data by UN Comtrade, Korea Customs Service and CPT Single Window of Taiwan.

The deliverable supply of ethylene is 2.819 million metric tons per annum, or 235 thousand metric tons per month which equate to approximately 2,350 contract equivalents (contract size: 100 metric tons). Based on the deliverable supply for ethylene CFR NE Asia Index of 235 thousand metric tons or 2,350 contract equivalents, the Exchange proposes a spot month position limit of 500 lots for the Ethylene CFR NE Asia (ICIS) Futures which equates to around 21.3% of the total monthly deliverable supply.

The deliverable supply of propylene is 3.143 million metric tons per annum, or 262 thousand metric tons per month which equate to approximately 2,620 contract equivalents (contract size: 100 metric tons). Based on the deliverable supply for propylene CFR NE Asia Index of 262 thousand metric tons or 2,620 contract equivalents, the Exchange proposes a spot month position limit of 500 lots for the Ethylene CFR NE Asia (ICIS) Futures which equates to around 19.1% of the total monthly deliverable supply.