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Registered Entity Identifier Code (optional): 15-390

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): 09/08/15 Filing Description: Increasing Spot Month Limits of Low Sulphur Gasoil Futures and Option Contracts in NYMEX Chapter 5 Position Limits, Position Accountability and Reportable Level Table

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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

Official Product Name:

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: See filing.

Rule Numbers: See filing.

Christopher Bowen
Managing Director and Chief Regulatory Counsel
Legal Department

September 8, 2015

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 40.6(a) Certification. Notification Regarding Increasing Spot Month Limits of Low Sulphur Gasoil Futures and Option Contracts in NYMEX Chapter 5 Position Limits, Position Accountability and Reportable Level Table. NYMEX Submission No. 15-390

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 NYMEX Rulebook Chapter 5 Position Limits, Position Accountability and Reportable Level Table to increase the spot month position limits for the European Low Sulphur Gasoil (1000mt) Bullet Futures (Rule Chapter 561, Commodity Code BG) and European Low Sulphur Gasoil Financial Futures (Rule Chapter 728, Commodity Code GX). As a result of the amendments to the spot month position limits for the above-referenced contracts, the Exchange is amending the spot month limits of forty (40) futures and option contracts which aggregate into the above-referenced contracts for position limit purposes. A comprehensive list of all impacted contracts can be found in Appendix A, attached under separate cover. This submission shall be effective on trade date September 23, 2015. The amendments to the spot month position limits for the contracts listed in Appendix A shall take effect commencing with the November 2015 contract month and beyond.

In addition, the Exchange is notifying the Commission that it is self-certifying an amendment to the aggregation allocation for European Low Sulphur Gasoil (100mt) Bullet Futures (Rule Chapter 712, Commodity Code 7F) such that it aggregates into the European Low Sulphur Gasoil (1000mt) Bullet Futures as the terms and conditions of the two contracts are identical with the exception of the contract sizes.

The Exchange reviewed the designated contract market core principles ("Core Principles") as set forth in the Commodity Exchange Act ("Act") and identified that the amendments to NYMEX Rulebook Chapter 5 Position Limits, Position Accountability and Reportable Level Table may have some bearing on the following Core Principles:

- Contracts not Readily Subject to Manipulation: Due to the liquidity and robustness in the underlying physical market, the contracts are not readily subject to manipulation as illustrated in the enclosed Cash Market Overview.
- Position Limitations or Accountability: The spot-month speculative position limits for the contracts are set at less than the threshold of 25% of the deliverable supply in the underlying market, as illustrated in the enclosed Analysis of Deliverable Supply.
- Availability of General Information: The information contained herein will be disseminated to the marketplace via CME Group Market Surveillance Notice. The Exchange will publish information on

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the contracts' specifications on its website, together with daily trading volume, open interest, and price information.

Pursuant to Section 5c(c) of the Act and CFTC Regulation 40.6(a), the Exchange hereby certifies that the position limit amendments comply with the Act, including regulations under the Act. There were no substantive opposing views to this proposal. A cash market overview and analysis of deliverable supply is attached hereto as Appendix B.

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: Appendix A – Amendments to NYMEX Chapter 5 - Position Limits, Position Accountability and Reportable Level Table (under separate cover)

Appendix B – Cash Market Overview and Analysis of Deliverable Supply

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Appendix A

NYMEX Chapter 5
Position Limits, Position Accountability and Reportable Level Table

(Attached under separate cover)

Appendix B

Cash Market Overview and Analysis of the Deliverable Supply

Exchange staff conducted a review of the underlying cash markets and deliverable supply of low sulphur gasoil in Northwest Europe. Based on the analysis presented herein, the Exchange determined to increase the spot month limits for its **European Low Sulphur Gasoil (1000mt) Bullet Futures** (Rule Chapter 561, Commodity Code BG) and **European Low Sulphur Gasoil Financial Futures** (Rule Chapter 728, Commodity Code GX) and their respective child contracts. Additionally, the Exchange is amending the aggregation allocation for **European Low Sulphur Gasoil (100mt) Bullet Futures** (Rule Chapter 712, Commodity Code 7F) such that it aggregates into the European Low Sulphur Gasoil (1000mt) Bullet Futures as the two contracts are identical with the exception of the contract sizes.

Data Sources

The Exchange based its analysis of deliverable supply of low sulphur gasoil in Northwest Europe on data provided by Eurostat.

The **Eurostat**[1] data is compiled by the statistical office of the European Union and aims to provide the EU with accurate statistics that enable comparisons between countries and regions. The statistical authorities in each individual member state are responsible for collecting the data. After verification and analysis, the individual authorities send the data to Eurostat who consolidate such data. In addition, Eurostat ensures that all parties are employing the same methodology in collecting and reporting data. The Exchange determined to use Eurostat data for gasoil and diesel blended with bio components in Northwest Europe because of the highly specialized statistical categories collected by Eurostat. These two products are very closely aligned in terms of sulphur content and refiners produce the lower sulphur content by means of blending. Therefore, the supply pool of distillate is representative of gasoil and diesel combined.

The final settlement price for the **European Low Sulphur Gasoil (1000mt) Bullet Futures** (BG) and **European Low Sulphur Gasoil Financial Futures** (GX) are based on the settlement price of the Gasoil Futures contract traded at ICE Futures Europe. Settlement prices are made public by ICE Futures Europe, a recognised investment exchange in the United Kingdom.

Cash Market Overview – Northwest Europe (NWE) Low Sulphur Gasoil Market

Distillate fuel oil is a general classification for one of the petroleum product categories produced by distillation operations, a boiling process that separate crude oil into fractions[2]. The lightest and the first fraction of distillate fuel is jet kerosene, followed by on-road diesel, heating oil/off-road diesel, and residual fuel oils. Products known as No.1 (on-road diesel), No.2 (off-road diesel, residential heating oil), and No.4 (commercial/industrial heating oil) oils are used in diesel engines, boilers, and power generators. Diesel[3], also known as No. 2 Diesel Fuel, is a liquid petroleum product less volatile than gasoline and used as an energy source. The primary use is in the transportation sector. ULSD (Ultra Low Sulphur Diesel) contains a lower level of sulphur than heating oil. There are relatively stringent cold properties in ULSD that refiners have to satisfy, particularly in the winter, to be able to deal with the harsh winter temperatures in some regions. Cold properties prevent the diesel fuel from freezing. The main trading hub for ULSD or Diesel as it is sometimes referred is split according to whether the reference market is for Barges or Cargoes. With reference to the Barge market, the main trading hub is the Amsterdam-Rotterdam-Antwerp (ARA) region where extensive storage capacity and refining

[1] http://ec.europa.eu/eurostat
[2] http://www.epa.gov/otaq/regs/nonroad/marine/ci/fr/dfuelrpt.pdf
[3] US EIA http://www.eia.gov/tools/glossary/index.cfm?id=D

infrastructure exists. For example, both BP and Shell have large refineries located in close proximity to the port of Rotterdam and both plants have complex refining units meaning that they are able to supply a wide variety of refined products including ULSD.

The cargo market by its nature is more diverse however there are large accumulations of refining and storage centres at several ports in Northwest Europe which is broadly defined as the coastline between Bordeaux in France and Hamburg in Germany. We have classified Northwest Europe as Belgium, France, Germany and the Netherlands. Fifty (50) percent of French production is located in the Northwest Europe region and the remainder in the Mediterranean region. Therefore, the data for France have been halved to reflect this.

According to Eurostat data, Northwest European low sulphur gasoil production averaged 7.581 million tons per month over the three year period from 2012 to 2014 (See table 1). Additionally, Northwest European low sulphur gasoil imports averaged 4.507 million tons per month (see table 2) over the same period.

Eurostat[4] breaks down the total distillate volumes into distinct categories of Road Diesel and Heating Oil and other Gasoil and provides a total diesel/gasoil number for refinery production and imports. Diesel and Gasoil, including Heating Oil, are essentially the same product and the differentiation between each product group is resulting from the blending process. Gasoil can be blended into Diesel and vice versa although there are some specifications in Diesel such as Cold Properties (the temperature at which Diesel freezes) that will vary depending on the country of consumption. We have looked at the refinery production and import data in Belgium, France (halved), Germany and the Netherlands for the period 2012 to 2014. For illustrative purposes, we have also shown the data through March 2015 however it should be noted that Germany has not reported volumes for February or March 2015 and the Netherlands did not report for March 2015. We believe that this broadly represents a good sample of Northwest Europe and the statistics contain volumes from the 2nd largest refining market in Northwest Europe (the Netherlands) where refining capacity is estimated to be around 1.23 million barrels per day[5].

The ICE Low Sulphur Gasoil Futures contract[6] is a vibrant contract with average daily volumes close to 230,000 per day (based on the yearly average volumes for 2012-2014). Prior to the January 2015 delivery month, the specification reflected 0.1% Gasoil but was changed to Low Sulphur Gasoil from the February 2015 delivery month onwards, reflecting the most dominant supply grade into the market. In addition to this, there is an OTC market which is categorized as an EFP market which is the spread between the Platts physical market and the ICE Gasoil Futures contract. Volumes in the EFP markets for European Distillates have been falling, in part due to clients preferring to hedge directly in the ICE Futures market and leaving the spread between ICE and the Platts markets un-hedged due to the relatively small value differences between both markets.

[4] http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=nrg_102m&lang=en

[5] IEA Statistics – Energy Supply Security 2014 (table 4.18.1) – Key Data
https://www.iea.org/media/freepublications/security/EnergySupplySecurity2014_TheNetherlands.pdf

[6] ICE Low Sulphur Gasoil Futures specification - https://www.theice.com/products/34361119

Analysis of Deliverable Supply

Consistent with Core Principle 3 of the Commodity Exchange Act, Appendix C of Part 38, the Exchange based the definition of deliverable supply for the **European Low Sulphur Gasoil (1000mt) Bullet Futures** (BG) and **European Low Sulphur Gasoil Financial Futures** (GX) on production and imports into Northwest Europe which gives an accurate representation of the amount of product that is available to each market in Northwest Europe. Below is the guidance provided for in Appendix C.

> [t]he term "deliverable supply" generally 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.[7]

The Exchange is not including stocks data in its analysis of deliverable supply. Stocks data tend to vary and we do not condition proposed amendments to position limits based on stock data. The basis of analysis of deliverable supply is based on the combined Diesel and Gasoil volumes (blended with bio components) for both production (transformation output from refineries) and imports. The combined number has been used because Diesel and Gasoil are interchangeable and each product can be blended at the refinery. The combined Diesel and Gasoil figures have been used for both refinery production and imports.

Further, the Exchange has determined not to adjust the deliverable supply estimate based on the spot availability because spot market liquidity is not restrictive and tends to vary depending on the market fundamentals of demand and supply. The typical term agreement in the cash market allows flexibility for re-trading of the contracted quantity in the spot market, so the term agreements do not restrict the potential deliverable supply. Also, the spot trading is not restricted in that it could increase if the market demand increases. Therefore, we believe that it is not necessary to adjust the deliverable supply estimate on the basis of spot trading activity as it does not restrict the deliverable supply, and spot trading volume can expand to allow for more supply to flow if needed in the spot market.

Based on the Eurostat data, the monthly deliverable supply of Diesel/Gasoil (blended with bio components) in Northwest Europe was 12.088 million tons over the average annual period of 2012 - 2014 which comprised of refinery production and imports in the Netherlands, Belgium, France (halved) and Germany. This equates to approximately 145 million metric tons per year.

As such, the Exchange determined to increase the spot month limits for each of **European Low Sulphur Gasoil (1000mt) Bullet Futures** (BG) and **European Low Sulphur Gasoil Financial Futures** (GX) and the futures and option contracts that aggregate into them from 1,000 futures contract equivalents to 1,500 futures contract equivalents or 12.4% of monthly deliverable supply.

The deliverable supply is higher now due to the fact that Diesel has become the dominant supply grade in Northwest Europe and Gasoil can be blended into it (and vice-versa). As provided in the Cash Market Overview section above, total volume of Diesel and Gasoil (blended with bio components) is around 12 million metric tons per month or 12,000 contract equivalents (contract size: 1000mt). Thus the current spot month position limits of 1,000 futures contract equivalents is approximately 8.27% of the monthly deliverable supply.

[7] http://www.cftc.gov/ucm/groups/public/@lrfederalregister/documents/file/2012-12746a.pdf

Table 1. Northwest Europe Diesel/Gasoil (with blended bio components) – Transformation output from refineries (production)[8]

(Monthly Average in Thousand Metric Tons)

		Belgium	Germany	France (Half)	Netherlands
2012	January	1,050	3,846	1,181	1,883
	February	959	3,661	1,008	1,706
	March	1,011	3,610	1,035	1,792
	April	1,048	3,627	972	1,764
	May	1,273	3,673	1,015	1,854
	June	1,121	3,388	1,144	1,662
	July	1,166	3,771	1,282	1,855
	August	1,151	3,972	1,218	1,823
	September	981	3,983	1,024	1,667
	October	999	4,031	1,058	1,273
	November	1,201	4,075	1,029	1,370
	December	1,276	4,051	1,127	1,717
2013	January	1,076	3,934	1,088	1,811
	February	976	3,586	1,017	1,493
	March	1,178	3,833	1,058	1,546
	April	1,069	3,348	1,104	1,640
	May	912	3,803	1,162	1,849
	June	910	3,815	1,201	1,740
	July	980	3,901	1,229	1,896
	August	937	3,655	1,141	1,876
	September	930	3,557	992	1,600
	October	607	3,872	894	1,460
	November	714	3,890	1,036	1,532
	December	815	3,898	904	1,697
2014	January	951	3,833	1,081	1,781
	February	905	3,481	959	1,626
	March	1,173	3,617	1,026	1,830
	April	1,183	3,705	1,065	1,856
	May	1,169	3,520	1,017	1,654
	June	1,037	3,200	1,006	1,434
	July	1,196	3,600	1,168	1,657
	August	1,151	4,003	1,211	1,681
	September	1,111	3,755	1,084	1,749
	October	1,237	3,787	1,135	1,815
	November	1,128	3,770	1,070	1,832
	December	1,134	3,998	1,121	1,861

[8] http://ec.europa.eu/eurostat/data/database - Supply and transformation of oil – monthly data (nrg_102m)

		Belgium	Germany	France (Half)	Netherlands
3 year Average (2012-2014)		**1,048**	**3,751**	**1,079**	**1,702**
2015	**January**	1,184	3,913	1,117	1,950
	February	1,130	3,746	1,107	1,578
	March	1,087	3705	1,226	1,698
	April	1,127	3689	1,100	1634
	May	1,171	:	1,071	:

Table 2. Northwest Europe - Diesel/Gasoil (with blended bio components) Import Volumes[9]

(Monthly Average in Thousand Metric Tons)

		Belgium	Germany	France (Half)	Netherlands
2012	January	461	811	859	1,586
	February	568	1,151	965	1,397
	March	496	822	1,302	1,769
	April	378	611	907	1,039
	May	420	730	801	952
	June	507	1,248	784	1,636
	July	414	1,452	857	1,481
	August	431	716	1,143	1,426
	September	589	767	964	1,105
	October	641	1,333	967	1,857
	November	637	1,645	870	2,150
	December	753	1,086	1,117	1,818
2013	January	738	1,152	1,110	1,294
	February	968	887	957	1,313
	March	905	1,322	1,071	1,597
	April	779	2,096	892	1,246
	May	1,226	1,750	991	1,679
	June	1,017	1,505	787	1,452
	July	943	1,441	1,025	1,707
	August	881	1,408	773	1,343
	September	1,023	1,548	948	1,707
	October	1,423	1,940	1,286	2,452
	November	1,143	1,815	963	1,678
	December	1,016	922	899	1,611
2014	January	910	1,055	1,293	1,525
	February	872	1,188	891	1,208
	March	836	1,267	822	1,089
	April	479	1,448	892	1,329
	May	669	1,390	835	1,287
	June	948	1,302	833	1,296
	July	531	1,386	1,054	1,335
	August	836	1,588	973	1,645
	September	1,058	1,562	965	1,569
	October	1,026	1,722	918	998
	November	895	1,684	806	1,008
	December	723	1,275	1,104	894

[9] http://ec.europa.eu/eurostat/data/database - Supply and transformation of oil – monthly data (nrg_102m)

		Belgium	Germany	France (Half)	Netherlands
3 year Average (2012-2014)		**782**	**1,306**	**962**	**1,458**
2015	**January**	788	1,493	1,119	1,426
	February	1,051	1,626	606	1,196
	March	770	1594	1,192	1,631
	April	863	1352	949	1576
	May	836		851	