

**SUBMISSION COVER SHEET**

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

Registered Entity Identifier Code (optional): 18-315

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): 10/02/18 Filing Description: Initial Listing of MTBE FOB Singapore (Platts) 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

Official Product Name: See filing.

**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:

October 2, 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, D.C. 20581

**Re: CFTC Regulation 40.2(a) Certification. Notification Regarding the Initial Listing of the MTBE FOB Singapore (Platts) Futures Contract. NYMEX Submission No. 18-315**

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 the initial listing of MTBE FOB Singapore (Platts) Futures contract (the “Contract”) for trading on the CME Globex electronic trading platform and for submission for clearing via CME ClearPort, effective on Sunday, October 21, 2018 for trade date Monday, October 22, 2018, as more specifically described below.

**Contract Specifications**

Contract Title	MTBE FOB Singapore (Platts) Futures
Commodity Code	1NM
Rulebook Chapter	725
Contract Size	100 metric tons
Price Quotation	U.S. dollars and cents per metric ton
Minimum Price Fluctuation	\$0.01 per metric ton
Value per Tick	\$1.00
Settlement Method	Financial
Listing Schedule	Monthly contracts listed for 36 consecutive months
Floating Price	The Floating Price for each contract month is equal to the arithmetic average of the mid-point of the high and low quotations for MTBE FOB Singapore published by Platts for each day that is determined during the contract month
First Listed Contract Month	November 2018
Termination of Trading	Trading shall cease on the last business day of the contract month
Block Trade Minimum Threshold	2 contracts
CME Globex Matching Algorithm	FIFO

## Trading and Clearing Hours

CME Globex and CME ClearPort: Sunday – Friday 6:00 p.m. – 5:00 p.m. Eastern Time/ET (5:00 p.m. – 4:00 p.m. Central Time/CT) with an hour break each day beginning at 5:00 p.m. ET (4:00 p.m. CT).

## Exchange Fees

Exchange Fees	Member	Non-Member	International Incentive Programs (IIP/IVIP)
CME Globex	\$0.85	\$1.35	\$1.10
EFP	\$0.85	\$1.35	
Block	\$0.85	\$1.35	
EFR/EOO	\$0.85	\$1.35	

Processing Fees	Member	Non-Member
Cash Settlement	\$0.10	\$0.10

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

The Exchange is also notifying the CFTC that it is self-certifying the insertion of the terms and conditions for the three new contracts into the Position Limit, Position Accountability and Reportable Level Table and Header Notes located in the Interpretations and Special Notices Section of Chapter 5 of the NYMEX Rulebook in relation to the listing of the new contracts. These terms and conditions establish the all month/any one month accountability levels, expiration month position limit, reportable level, and aggregation allocation for the new contract. Please see Exhibit B, attached under separate cover.

NYMEX is also notifying the CFTC that it is self-certifying block trading on the Contract with a minimum block threshold level of two (2) contracts which is aligned with the Exchange's similar futures contracts.

The Exchange reviewed the designated contract market core principles ("Core Principles") as set forth in the Commodity Exchange Act ("CEA") and staff identified that the Contract may have some bearing on the following Core Principles:

- Compliance with Rules:** Trading in the Contract will be subject to all NYMEX Rules, including prohibitions against fraudulent, noncompetitive, unfair and abusive practices as outlined in NYMEX Rule Chapter 4, the Exchange's trade practice rules, the majority of which are contained in Chapter 5 and Chapter 8 of the NYMEX Rulebook, and the dispute resolution and arbitration procedures of NYMEX Rule Chapter 6. As with all products listed for trading on one of CME Group's designated contract markets, trading activity in the Contracts will be subject to 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 Contract is based on a cash price series that is reflective of the underlying cash market and is commonly relied on and used as a reference price by cash market brokers and commercial market participants.

- **Prevention of Market Disruption**: Trading in the Contract will be subject to the Rules of the Exchange, which include prohibitions on manipulation, price distortion, and disruption to the cash settlement process. As with any new product listed for trading on a CME Group designated contract market, trading activity in the futures contracts proposed herein will be subject to monitoring and surveillance by CME Group's Market Regulation Department.
- **Position Limitations or Accountability**: The speculative position limits for the Contract as demonstrated in this submission are consistent with the Commission's guidance.
- **Availability of General Information**: The Exchange will publish information on the Contracts' specifications on its website, together with daily trading volume, open interest and price information. In addition, the Exchange will advise the marketplace of the launch of the Contracts by releasing a Special Executive Report ("SER"). The SER will also be posted on CME Group's website.
- **Daily Publication of Trading Information**: The Exchange will publish contract trading volumes, open interest levels, and price information daily on its website and through quote vendors for the Contract.
- **Execution of Transactions**: The Contract will be listed for trading on the CME Globex electronic trading platform and New York Trading Floor, and for clearing through the CME ClearPort platform. The CME Globex trading venue provides for competitive and open execution of transactions. CME Globex affords the benefits of reliability and global connectivity. The CME ClearPort platform provides a competitive, open and efficient mechanism for novating transactions that are competitively executed by brokers.
- **Trade Information**: All requisite trade information for the Contract will be included in the audit trail and is sufficient for the Market Regulation Department to monitor for market abuse.
- **Financial Integrity of Contracts**: The Contract will be cleared by the CME Clearing House, a derivatives clearing organization registered with the Commodity Futures Trading Commission and subject to all CFTC regulations related thereto.
- **Protection of Market Participants**: NYMEX Rulebook Chapters 4 and 5 set forth multiple prohibitions that preclude intermediaries from disadvantaging their customers. These rules apply to trading in all of the Exchange's competitive trading venues.
- **Disciplinary Procedures**: Chapter 4 of the Rulebook contains provisions that allow the Exchange to discipline, suspend or expel members or market participants that violate the Rulebook. Trading in these 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 these products are identified.
- **Dispute Resolution**: Disputes with respect to trading in the Contract will be subject to the arbitration provisions set forth in Chapter 6 of the Rulebook. Chapter 6 allows all nonmembers to submit a claim for financial losses resulting from transactions on the Exchange to arbitration. A member named as a respondent in a claim submitted by a nonmember is required to participate in the arbitration pursuant to Chapter 6. Additionally, the Exchange requires that members resolve all disputes concerning transactions on the Exchange via arbitration.

Pursuant to Section 5c(c) of the Act and CFTC Regulation 40.2(a), the Exchange hereby certifies that the listing of the Contract complies with the Act, including regulations under the Act. There were no substantive opposing views to the listing of the Contract.

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

Should you have any questions concerning the above, please contact the undersigned at (212) 299-2200 or 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  
Exhibit B: Position Limit, Position Accountability, and Reportable Level Table in  
Chapter 5 of the NYMEX Rulebook (attached under separate cover)  
Exhibit C: NYMEX Rule 588.H. – (“Globex Non-Reviewable Trading Ranges”) Table  
Exhibit D: Cash Market Overview and Analysis of Deliverable Supply

## **Exhibit A**

### **NYMEX Rulebook**

#### **Chapter 725**

#### **MTBE FOB Singapore (Platts) Futures**

**725100. SCOPE OF CHAPTER**

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

**725101. CONTRACT SPECIFICATIONS**

The Floating Price for each contract month is equal to the arithmetic average of the mid-point of the high and low quotations from the MTBE FOB Singapore price assessments, published by Platts for each business day that it is determined during the contract month.

**725102. TRADING SPECIFICATIONS**

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

**725102.A. Trading Schedule**

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

**725102.B. Trading Unit**

The contract quantity shall be one hundred (100) metric tons.

**725102.C. Price Increments**

Prices shall be quoted in U.S. dollars and cents per metric. The minimum price fluctuation shall be \$0.01 per metric ton.

**725102.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.

**725102.E. Termination of Trading**

Trading terminates on the last business day of the contract month.

**725103. FINAL SETTLEMENT**

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

**725104. DISCLAIMER**

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

**Exhibit B**

**NYMEX Rulebook**

**Chapter 5**

**(“Trading Qualifications and Practices”)**

**Position Limit, Position Accountability, and Reportable Level Table**

(attached under separate cover)

**Exhibit C**

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

**Amendments to NYMEX Rule 588.H.**

**("Globex Non-Reviewable Trading Ranges") Table**

(additions are underscored)

Outright					Spreads	
Instrument Name	Globex Symbol	Globex Non-Reviewable Ranges (NRR)	NRR: Globex Format	NRR: Ticks	NRR: Globex Format	NRR: Minimum Outright Ticks
<u>MTBE FOB Singapore (Platts) Futures</u>	<u>1NM</u>	<u>\$5.00 per metric ton</u>	<u>500</u>	<u>500</u>		Each leg evaluated as an outright



## **Exhibit D**

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

#### **Data Sources**

The Exchange based its analysis of deliverable supply on data provided by the United Nations Commodity Trade Statistics Database and by Platts.

##### United Nations Commodity Trade Statistics database (“UN Comtrade”)

UN Comtrade<sup>1</sup> is a repository of official trade statistics reported by statistical authorities of close to 200 countries or areas. The database provides free access to detailed global trade data. It contains annual trade statistics starting from 1962 and monthly trade statistics since 2010. Over 170 reporter countries/areas provide the UN Comtrade (United Nations International Trade Statistics Database) with national international trade statistical data, detailed by commodities countries and partner countries. It contains over 3 billion data records dating back to 1962 and is publicly available on the internet. Commodities are reported in HS codes and classified according to SITC. The UN Comtrade data for the MTBE volumes which are imported into, and exported from, Singapore, were referred to for purposes of calculating the deliverable supply volumes representing the MTBE FOB Singapore futures contract.

##### Platts

The final settlement prices for each of the proposed new contract are based on the price assessment of the underlying MTBE FOB Singapore physical markets as assessed and published by Platts<sup>2</sup>, a division of S&P Global ("Platts"). Platts is a leading global provider of energy, freight, petrochemicals, metals and agriculture information, and a premier source of benchmark price assessments for those commodity markets. Since 1909, Platts has provided information and insights that help customers make sound trading and business decisions and enable the markets to perform with greater transparency and efficiency. Platts gives priority to fully verified, transparent and firm data. The information is published in real time as it is received on Platts information services and Platts Global Alert.

#### **Cash Market Overview**

Tetraethyl lead (commonly referred to simply as Lead) was previously added to gasoline as an oxygenate additive to reduce engine knocking. Lead was gradually phased out globally in the 1970s as part of clean air legislation, and replaced by Ethanol and Methyl-Tert-Butyl Ether (or MTBE). Despite its potential benefits on air quality, MTBE is highly soluble in water and therefore runs the risk of contaminating public water systems if gasoline was spilled on the ground or leaked out of underground storage tanks. In the U.S., most companies switched to using Ethanol and have effectively stopped using MTBE as a gasoline additive. Most of the U.S. production of MTBE are exported.

MTBE is still used as a gasoline additive in Asia, and Asia now accounts for 54%<sup>3</sup> of the global demand of MTBE, with China accounting for 82%<sup>4</sup> of the Asia MTBE market. The MTBE market in Asia is expected to continue to expand at 4 to 5% per annum.

Asia and the Middle East are leading producers of MTBE, at 12.0 and 5.4 million MT respectively in 2016, as shown in Figure 1. Although Asia has the largest MTBE production capacity the world, many of the producers are also net importers of MTBE. This includes China, Taiwan, South Korea, Singapore and Malaysia. The major producer in the Middle East is Saudi Arabia, and most of its production is exported to China and Singapore.

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<sup>1</sup> <https://comtrade.un.org/>

<sup>2</sup> <https://www.platts.com/IM.Platts.Content/MethodologyReferences/MethodologySpecs/asian-petrochemicals-methodology.pdf>

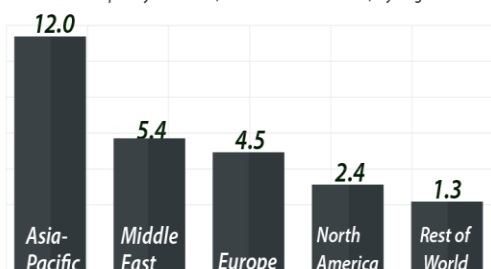
<sup>3</sup> <https://mcgroup.co.uk/researches/methyl-tertiary-butyl-ether-mtbe>

<sup>4</sup> <https://www.prnewswire.com/news-releases/methyl-tertiary-butyl-ether-mtbe-market---asia-pacific-industry-analysis-2016---2026-transparency-market-research-597562371.html>

Figure 1: Global MTBE Production Capacity by Geographical Regions

**Asia-Pacific: The Leading Producer of MTBE**

Production Capacity of MTBE (In Million Metric Tons) by Region: 2016



Source: Strategyr – Market Research Report Collections

In terms of trade movements, Saudi Arabia exported over 5 million MT/year of MTBE from 2014 to 2016, of which 3.5 million MT were destined for the Asia markets, as shown in Table 1.

Table 1: MTBE Exports<sup>5</sup> from Saudi Arabia to Major Asia Countries

Metric Tonnes	2014	2015	2016	3-year Average
China	2,465,362	2,690,214	2,313,528	2,489,701
Singapore	1,204,121	971,364	720,856	965,447
India	378,947	376,869	422,119	392,645
South Korea	431,347	268,659	251,329	317,112

Source: UN Comtrade. 2014 to 2016 figures were used, as 2017 was incomplete.

Singapore serves as a transshipment hub for seaborne MTBE cargoes. Cargoes from the Middle East bound for North East Asia typically pass through Singapore<sup>6</sup>. For purposes of analyzing the proposed MTBE FOB Singapore contract, the focus is on the MTBE imports into<sup>7</sup> and exports out of Singapore.

Table 2: MTBE Trade Flows Through Singapore

Metric Tons	2014	2015	2016	3-year Average
Exports out from Singapore	254,223	247,684	239,173	247,027
Imports into Singapore	1,419,013	1,047,227	773,355	1,079,866
Total Trade through SG	1,673,236	1,294,913	1,012,528	1,673,236

Source: UN Comtrade data: “All” selected as “Reporter”, “Singapore” selected as “Partner”.

## **Analysis of Deliverable Supply**

<sup>5</sup> HS code: 2909.

<sup>6</sup> Taiwan is also a major producer and exporter of MTBE, and its cargoes pass through Singapore en route to ASEAN destinations. UN Comtrade did not report Taiwan figures, and as such Taiwan was excluded in the analysis.

<sup>7</sup> Although an FOB contract usually refers to exports, “imports into Singapore” are included in the analysis, as it is a proxy to the “re-exports” out of Singapore. This is explained in the Analysis of Deliverable Supply section.

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<sup>8</sup>

The Platts MTBE FOB Singapore assessments measure MTBE cargoes that move through the ports in Singapore. The relevant figures would be the Exports and Re-Exports out of the Singapore ports. Therefore, the Exchange has based its analysis of deliverable supply for Singapore MTBE on Exports and imports (as these represent a proxy for domestic export and re-export respectively). The table for Exports and imports are shown in Table 3. The average from 2014 to 2016 is 1,326,892 MT/year, which is the latest period available. This is calculated as follows.

As Singapore's domestic gasoline consumption is about 18,000 barrels/day<sup>9</sup>, it is estimated that Singapore consumes about 80,000 MT/year of MTBE. This can be easily met by its domestic MTBE production<sup>10</sup>, therefore the volumes shipped into the transit hub of Singapore are largely re-exported as the volumes exceed domestic requirements. Singapore's domestic MTBE production is not publicly reported, but likely to well exceed 200,000 MT<sup>11</sup>. Hence, the 247,027 MT average "exports" shown in Table 3 can probably be ascribed to its domestic production. The amount of MTBE imported into Singapore would therefore be almost entirely re-exported out of Singapore, i.e. more than 1,079,866 MT.

**Table 3: MTBE Imports and Exports Passing Through Singapore Straits**

Singapore Trades (metric tons)	2014	2015	2016	3-year Avg
Imports into Singapore				
Saudi Arabia	1,204,121	971,364	720,856	965,447
Others	214,892	75,865	52,499	114,419
Imports (proxy to Re-Exports)	1,419,013	1,047,229	773,355	1,079,866
Exports out of Singapore				
Malaysia	170,604	144,993	153,640	156,412
China	44,161	58,751	53,129	52,013
Others	39,458	43,940	32,404	38,602
Exports (proxy to Domestic Production)	254,223	247,684	239,173	247,027
Domestic Production + Re-Exports	1,673,236	1,294,913	1,012,528	1,326,892

Source: UN Comtrade

The average volume of MTBE exports from Saudi Arabia to China was 2.5 million MT over the period 2014-2016, based on UN Comtrade data. MTBE is transported by Medium Range tankers (MR) and ships would typically dock in Singapore or Malaysia to re-bunker.

Saudi shipments to Singapore accounted for about 39% of the total volumes with the remaining 61% of the Saudi volumes sold directly to China. Given that Singapore MTBE requirements of about 80,000 MT/year can be met by domestic production, the amount of Saudi volumes sold to Singapore (965,447mt) can be assumed to be re-exported elsewhere, with most of them expected to be re-exported to China.

**Table 4: Selective MTBE Trade Movements Passing Through Singapore Straits**

<sup>8</sup> <http://www.cftc.gov/ucm/groups/public/@lfederalregister/documents/file/2011-28809a.pdf>

<sup>9</sup> <https://www.straitstimes.com/singapore/transport/spore-petrol-usage-set-to-hit-record-despite-fewer-vehicles> Singapore's gasoline consumption was 6.45 million barrels in 2017 ~ 800,000 MT/year or 18,000 bpd. Estimated MTBE consumption in Singapore is 10% of gasoline consumption ~ 80,000 MT.

<sup>10</sup> <http://www.pcs.com.sg/plant-facilities-products/>

<sup>11</sup> The two largest refiners are PCS and SRC, both comparable in size. PCS has an operational output of 140,000 MT. So total MTBE production in Singapore likely exceeded 280,000 MT. Assuming 80,000 MT domestic consumption, domestic exports would be more than 200,000 MT.

Selected Trades (metric tons)	2014	2015	2016	3-year Avg
Saudi Arabia to Singapore	1,204,121	971,364	720,856	965,447
Saudi Arabia to China	2,465,362	2,690,214	2,313,528	2,489,701

Source: UN Comtrade

Based on discussions with market participants, it is estimated that about half of the MTBE trades are on a term basis, as the gasoline blenders who already have fixed term cargoes would also want to ensure that a reasonable proportion of their MTBE requirements are secured. A haircut of 50% is applied to the trade volumes in deriving the deliverable supply into the futures contract.

The deliverable supply of MTBE in Singapore is approximately 55,287 metric tons per month. This equates to 553 contract month equivalents based on a contract size of 100 metric tons. Therefore, based on the deliverable supply data, the Exchange proposes a spot month limit of 120 lots for the **MTBE FOB Singapore (Platts) Futures** (commodity code 1NM) which equates to 21.7% of the monthly deliverable supply of 55,287 metric tons (553 lots).

A summary of the calculation is shown in the table below.

Table 5: Calculation of Position Limits for MTBE FOB Singapore (Platts)

Description	Value
Total Trades through Singapore (MT/year)	1,326,892
Deliverable Supply (MT/year)	663,446
Deliverable Supply (MT/month)	55,287
Deliverable Supply (contract units/month)	553
Proposed Position Limit (contract units)	120
Position Limit as percentage of Deliverable Supply	21.7%