

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 16-392 (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): 10/6/16 Filing Description: Initial Listing of Two (2) Petroleum 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

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 6, 2016

VIA ELECTRONIC PORTAL

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

Re: CFTC Regulation 40.2(a) Certification. Notification Regarding the Initial Listing of Two (2) Petroleum Futures Contracts. NYMEX Submission No. 16-392 (2 of 2)

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 two (2) petroleum futures contracts (the “Contracts”) for trading on CME Globex and for submission for clearing via CME ClearPort, effective on Sunday, October 23, 2016 for trade date Monday, October 24, 2016, as set forth below.

| Contract Title | NY RBOB (Argus) Gasoline Futures | NY RBOB (Argus) vs. RBOB Gasoline Futures |
|--------------------------------------|---|---|
| Rulebook Chapter | 1233 | 1234 |
| CME Globex/CME ClearPort Code | NYA | NYR |
| Listing Schedule | Monthly contracts listed for the 36 consecutive months. | Monthly contracts listed for the 36 consecutive months. |
| Contract Size | 42,000 Gallons | 42,000 Gallons |
| Settlement Method | Financial | Financial |
| Minimum Price Fluctuation | \$0.0001 | \$0.0001 |
| Value per Tick | \$4.20 | \$4.20 |
| First Listed Contract | December 2016 | December 2016 |
| Block Trade Minimum Threshold | 10 contracts | 10 contracts |
| Termination of Trading | Trading terminates on the last business day of the contract month | Trading terminates on the last business day of the contract month |
| CME Globex Matching Algorithm | First In, First Out (FIFO) | First In, First Out (FIFO) |

TRADING AND CLEARING HOURS:

300 Vesey Street New York, NY 10282 t 212 299 2200 f 212 299 2299 christopher.bowen@cmegroup.com cmegroup.com

| | |
|------------------------------|---|
| CME Globex and CME ClearPort | Sunday - Friday 6:00 p.m. - 5:00 p.m. (5:00 p.m. - 4:00 p.m. Chicago Time/CT) with a 60-minute break each day beginning at 5:00 p.m. (4:00 p.m. CT) |
|------------------------------|---|

TRADING AND CLEARING FEES:

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

| Processing Fees | Member | Non-Member |
|------------------------------|--------|------------|
| Cash Settlement | \$0.50 | \$0.50 |
| Other Fees | | |
| Facilitation Fee | \$0.40 | |
| Give-Up Surcharge | \$0.05 | |
| Position Adjustment/Transfer | \$0.10 | |

The Exchange is also notifying the CFTC that it is self-certifying the insertion of the terms and conditions for the two new futures 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 Appendix 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 ten (10) contracts. These block levels align with the Exchange's other and similar petroleum 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 Contracts 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.

Contracts Not Readily Subject to Manipulation: The Contracts are not readily subject to manipulation as a result of the deep liquidity and robustness of the underlying cash and related futures markets and the

Contracts' reliance on well administered indexes for settlement. Final settlement prices are based on indexes published by Argus Media and licensed to the Exchange.

Prevention of Market Disruption: Trading in the Contracts 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 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 in regard to 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 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 platform 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.

Trade Information: All requisite 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 Contracts: The Contracts 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 Contracts 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 Contracts complies with the Act, including regulations under the Act. There were no substantive opposing views to the listing of the Contracts.

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.

300 Vesey Street New York, NY 10282 t 212 299 2200 f 212 299 2299 christopher.bowen@cmegroup.com cmegroup.com

Sincerely,

/s/ Christopher Bowen
Managing Director and Chief Regulatory Counsel

Attachments: Appendix A: NYMEX Rulebook Chapters
Appendix B: Position Limit, Position Accountability, and Reportable Level Table in
Chapter 5 of the NYMEX Rulebook (attached under separate cover)
Appendix C: NYMEX Rule 588.H. – (“Globex Non-Reviewable Trading Ranges”) Table
Appendix D: Cash Market Overview and Analysis of Deliverable Supply

APPENDIX A

NYMEX Rulebook

Chapter 1233

NY RBOB (Argus) Gasoline Futures

1233100. 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.

1233101. 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 Argus Media for New York RBOB barge gasoline for each business day that it is determined during the contract month.

1233102. TRADING SPECIFICATIONS

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

1233102.A. Trading Schedule

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

1233102.B. Trading Unit

The contract quantity shall be 42,000 gallons. Each contract shall be valued as the contract quantity (1000) multiplied by the settlement price.

1233102.C. Price Increments

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

1233102.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.

1233102.E. Termination of Trading

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

1233103. 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.

1233104. DISCLAIMER

Argus Media ("Argus") licenses the New York Mercantile Exchange, Inc. ("NYMEX") to use various Argus price assessments in connection with the trading and/or clearing of the contract.

NYMEX, ITS AFFILIATES AND RIM MAKE NO WARRANTIES, EXPRESS OR IMPLIED, AS TO THE RESULTS TO BE OBTAINED BY ANY PERSON OR ENTITY FROM USE OF THE PRICE ASSESSMENT, TRADING AND/OR CLEARING BASED ON THE PRICE ASSESSMENT, OR ANY DATA INCLUDED THEREIN IN CONNECTION WITH THE TRADING AND/OR CLEARING OF THE CONTRACT, OR, FOR ANY OTHER USE. NYMEX, ITS AFFILIATES AND RIM INTELLIGENCE MAKE NO WARRANTIES, EXPRESS OR IMPLIED, AND HEREBY DISCLAIM ALL WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE WITH RESPECT TO THE PRICE ASSESSMENT OR ANY DATA INCLUDED THEREIN. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT SHALL NYMEX, ITS AFFILIATES OR RIM INTELLIGENCE HAVE ANY LIABILITY FOR ANY LOST PROFITS OR INDIRECT, PUNITIVE, SPECIAL OR CONSEQUENTIAL DAMAGES (INCLUDING LOST PROFITS), EVEN IF NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES.

Chapter 1234 NY RBOB (Argus) vs. RBOB Gasoline Futures

1234100. 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.

1234101. 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 Argus Media for New York RBOB barge gasoline minus the arithmetic average of the RBOB Gasoline futures first nearby contract month settlement price for each business day that both are determined during the contract month.

1234102. TRADING SPECIFICATIONS

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

1234102.A. Trading Schedule

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

1234102.B. Trading Unit

The contract quantity shall be 42,000 gallons. Each contract shall be valued as the contract quantity (1000) multiplied by the settlement price.

1234102.C. Price Increments

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

1234102.D. Position Limits, Exemptions, Position Accountability and Reportable Levels

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APPENDIX B

**Position Limit, Position Accountability, and Reportable Level Table in Chapter 5
of the NYMEX Rulebook**

(attached under separate cover)

APPENDIX C

Amendments to NYMEX Rule 588.H. – (“Globex Non-Reviewable Trading Ranges”) Table

(additions are underscored)

| Instrument Name | Globex Symbol | Globex Non-Reviewable Ranges (NRR) | NRR: Globex Format | NRR: Ticks |
|--|---------------|------------------------------------|--------------------|------------|
| | | | | |
| NY RBOB (Argus) Gasoline Futures | <u>NYA</u> | <u>\$0.0250 per gallon</u> | <u>250</u> | <u>250</u> |
| NY RBOB (Argus) vs. RBOB Gasoline Futures | <u>NYR</u> | <u>\$0.0250 per gallon</u> | <u>250</u> | <u>250</u> |

APPENDIX D

Cash Market Overview and Analysis of Deliverable Supply

New York Mercantile Exchange, Inc. ("NYMEX" or "Exchange") is self-certifying the listing of two financially-settled NY Harbor gasoline contracts. Exchange staff conducted a review of the underlying cash market and deliverable supply of RBOB gasoline in the New York Harbor area. The contract details are as follows:

| <u>Contract</u> | <u>Code</u> | <u>Rule Chapter</u> | <u>Proposed Spot Limit</u> |
|--|--------------------|----------------------------|-----------------------------------|
| NY RBOB (Argus) Gasoline Futures | NYA | 1233 | 1,000 contracts |
| NY RBOB (Argus) vs. RBOB Gasoline Futures | NYR | 1234 | 1,000/1,000 contracts |

For the NY RBOB (Argus) Gasoline Futures and NY RBOB (Argus) vs. RBOB Gasoline Futures contracts, the Exchange considered three components in evaluating deliverable supply estimates of RBOB Gasoline for the New York Harbor delivery location:

- (1) Refinery and Blender Production;
- (2) Pipeline flows and net receipts to the delivery area;
- (3) Storage levels in the delivery area.

The Exchange determined to use data collected by the U.S. Department of Energy ("DOE") Energy Information Administration ("EIA") for its analysis and evaluation of deliverable supply estimates for RBOB Gasoline in New York Harbor. The EIA provides detailed data on the key components of deliverable supply. The EIA provides such data on a weekly, monthly, and annual basis.

The final settlement price for the NY RBOB (Argus) Gasoline Futures and NY RBOB (Argus) vs. RBOB Gasoline Futures contracts is based on the assessment of the underlying NY Harbor barge physical markets as assessed and published by Argus, which is one of the price reporting agencies that are used in the cash market for pricing commercial contracts. The final settlement price for the NY RBOB (Argus) vs. RBOB Gasoline Futures contract is based on the Argus assessment of the underlying NY Harbor barge physical market.

ANALYSIS OF DELIVERABLE SUPPLY RBOB GASOLINE FUTURES

In estimating deliverable supply for the RBOB Gasoline Futures, New York Mercantile Exchange, Inc. (“NYMEX” or “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. The Commodity Futures Trading Commission (“CFTC” or “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. (See Appendix C to 17 CFR part 38.)

Methodology and Data Sources

The Exchange considered three components in evaluating deliverable supply estimates of RBOB Gasoline for the New York Harbor delivery location of the RBOB Gasoline Futures contract:

- (1) Refinery and Blender Production;
- (2) Pipeline flows and net receipts to the delivery area;
- (3) Storage levels in the delivery area.

The Exchange determined to use data collected by the U.S. Department of Energy (“DOE”) Energy Information Administration (“EIA”) for its analysis and evaluation of deliverable supply estimates for RBOB Gasoline in New York Harbor. The EIA provides detailed data on the key components of deliverable supply. The EIA provides such data on a weekly, monthly, and annual basis.

Introduction

The New York Harbor RBOB Gasoline Futures contract is the main benchmark used for pricing of gasoline in the U.S. petroleum products market. The U.S. gasoline market represents a large physical market, with total U.S. refinery capacity of 9.0 million to 9.5 million barrels per day of gasoline.

In the U.S. gasoline market, there are two main formulations for gasoline: Reformulated Gasoline and Conventional Gasoline, as required by a complex network of federal and state regulations. The U.S. Environmental Protection Agency (“EPA”) administers the Clean Air Act (“CAA”) requirements, and various state agencies regulate their own specific air rules. Under the CAA, the urban areas with the highest levels of smog pollution are required to use clean-burning Reformulated Gasoline blended with 10% ethanol. These urban areas include the entire Northeastern United States, California, Chicago, Atlanta, and Houston. These areas account for approximately 40% of U.S. gasoline demand. The 10% ethanol blending requirement in Reformulated Gasoline requires that the ethanol be segregated from the gasoline at the wholesale level in the pipeline distribution system. So in the wholesale market, the gasoline is shipped unfinished (without the ethanol) and it is called Reformulated Blendstock for Oxygen Blending (RBOB). The ethanol blending occurs at the last stage of the delivery process when the gasoline is loaded into the tanker truck for retail delivery.

New York Harbor Delivery Region

New England and the Central Atlantic Coast of the United States, collectively defined by the EIA as the “Northeast,” is a well-connected and integrated geographical region in terms of oil and products infrastructure. The region is part of the larger PADD 1¹ (Petroleum Administration Defense District), and

¹ <http://www.eia.gov/tools/glossary/index.cfm>

more specifically defined by PADD 1A (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont) and PADD1B (Delaware, District of Columbia, Maryland, New Jersey, New York, Pennsylvania).²

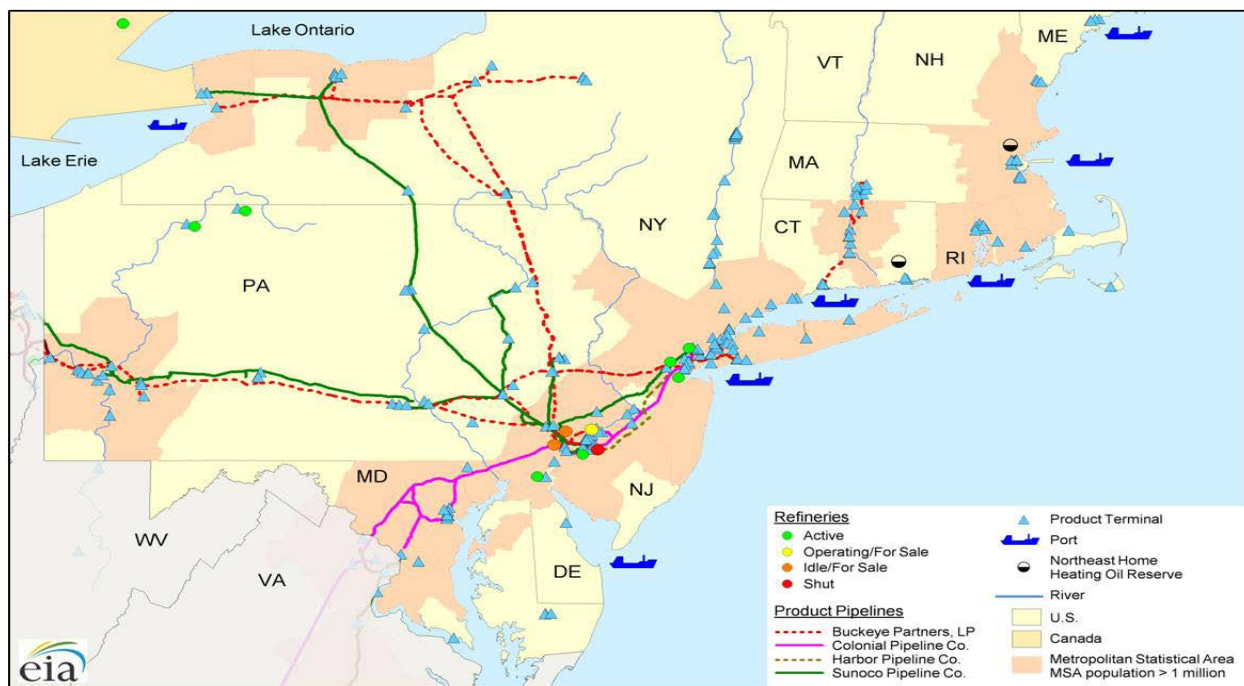
Located in both New York and New Jersey, the New York Harbor area is the largest oil importing and third largest container port in the nation, and is the main oil and refined products pricing and trading hub. Petroleum products in New York Harbor are supplied by refineries located in New Jersey, Delaware and Pennsylvania, all located within 100 miles of the New York Harbor area. East Coast refineries, a majority of which are located in New Jersey and Philadelphia, send products by local pipelines into New York Harbor.

Many of the petroleum products delivered to New York Harbor are redistributed to smaller ports where they supply local demand. In particular, the Hudson River, which meets the Atlantic Ocean in New York Harbor, provides a major inland water route for petroleum product barges supplying eastern New York and parts of western New England. Significant volumes are shipped to New England via barge from New York Harbor. On the other side of the state, western New York product markets are primarily supplied from Canada at the Port of Buffalo, and via the Buckeye and Sunoco pipeline systems from Pennsylvania and the Midwest³.

Refineries and Refinery Capacity Overview

The Colonial Pipeline is the largest refined products pipeline in the U.S. and a key products supply link for the Northeast. The pipeline connects the Northeast to refinery output from the U.S. Gulf Coast and foreign imports, principally from Canada, Virgin Islands, Caribbean and Europe. Colonial's network of pipelines crosses 13 states, serving more than 265 marketing terminals in the Southern and Eastern United States. The pipeline provides a link from the US Gulf Coast to the New York Harbor area through the south and across the Eastern seaboard. It generally takes from 14 to 24 days for a product batch on the Colonial Pipeline to get from Houston, Texas to the New York Harbor, with 18.5 days the average time. The Trainer, Marcus Hook and Philadelphia refineries are strategically located along the pipeline.

Figure 1 - Northeast Refined Products Market Logistics⁴



In 2011, Colonial Pipeline expanded the northern end of its Houston-to-New York system, adding 100,000 b/d of capacity. In addition, the company completed a series of system upgrades leading to more than

² <http://www.eia.gov/analysis/petroleum/nerefining/prelim/>

³ <http://205.254.135.7/state/state-energy-profiles-analysis.cfm?sid=NY>

⁴ <http://www.eia.gov/analysis/petroleum/nerefining/update/pdf/neprodmkts.pdf>

100,000 b/d of capacity for distillates⁵ specifically serving the New Jersey, Pennsylvania, and New York markets. Also, Colonial Pipeline added an additional 100,000 b/d of gasoline and distillates capacity in early 2013⁶ to meet demand on the northern portion of the line (Greensboro, NC to Linden, NJ).

In the U.S., there were 139 operating refineries and three idle refineries in the US with total atmospheric crude oil distillation capacity (ACDU) of 17.9 million barrels per day (bbl/d), a 101,000 bbl/d increase in capacity from January 1, 2013⁷. The East Coast (PADD 1) has nine refineries, which are currently operating, with 1.1 million barrels per day (b/d) of atmospheric crude distillation capacity. The region has 475,800 bbl/d of fluid catalytic cracking (FCC) capacity. PADD 1 includes all states in New England, the Mid-Atlantic, and the South Atlantic and is subdivided into three sub-PADDs.

- PADD 1A – New Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut
- PADD 1B – New York, Pennsylvania, New Jersey, Delaware, Maryland, Washington DC
- PADD 1C - West Virginia, Virginia, North Carolina, South Carolina, Georgia, Florida

Supply dynamics for each of the three sub-PADDs vary. PADD 1A, New England, has no refineries and relies on imports and transfers from other PADDs, primarily PADD 1B. PADD 1C, the South Atlantic, also has no operating refineries and relies primarily on pipeline transfers and marine shipments from PADD 3 and imports. PADD 1B is supplied by a combination of in-region refineries, transfers from other PADDs -- primarily from PADD 3 but also from PADD 2 -- and imports⁸. As stated above, the majority of PADD 1B refineries are located in New Jersey, Delaware and Pennsylvania, and within 100 miles of the New York Harbor area. These refineries are directly connected to the New York Harbor market by local pipelines and/or waterborne barges. A list of Northeast refineries is provided in Table 1.

Table 1 – Mid-Atlantic (PADD 1B) Refineries

| Name | State | Owner | Capacity | Status |
|------------------------|-------|---|------------------------------|---|
| Port Reading | NJ | Hess | 70,000 b/d | CLOSED |
| Marcus Hook | PA | Sunoco Logistics | 178,000 b/d | CLOSED. Being converted to NGL storage. |
| Delaware City Refinery | DE | PBF Energy | 182,200 b/d | Operational |
| Perth Amboy | NJ | Buckeye Partners | 80,000 b/d (Asphalt only) | Operational |
| Bayway Refinery | NJ | Phillips 66 Company | 238,000 b/d | Operational |
| Paulsboro Asphalt | NJ | Nustar Asphalt Refining | 70,000 b/d (Asphalt only) | Operational |
| Paulsboro Refining | NJ | PBF Energy LLC | 160,000 b/d | Operational |
| Bradford | PA | American Refining Group | 11,000 b/d | Operational |
| Philadelphia | PA | Philadelphia Energy Solutions/Carlyle Group | 335,000 b/d | Operational |
| Warren | PA | United Refining Inc. | 65,000 b/d | Operational |

⁵ http://www.eia.gov/pressroom/presentations/sieminski_10102012.pdf

⁶ <http://www.colpipe.com/home/news-media/press-releases/pressdetail?ID=7cb2e327-d0b3-6eb4-9c07-ff00009907dd>

⁷ <http://www.eia.gov/todayinenergy/detail.cfm?id=16911>

⁸ http://www.eia.gov/pressroom/testimonies/howard_03192012.pdf

| | | | | |
|---------|----|----------------------------------|-------------|-------------|
| Trainer | PA | Monroe Energy LLC/Delta Airlines | 185,000 b/d | Operational |
|---------|----|----------------------------------|-------------|-------------|

Deliverable Supply Estimates

A. Refinery and Blender Production

In recent years, Northeast refineries supplied about 40% of gasoline (and 60% of the ULSD) consumed in the Northeast. Net receipts from the Gulf Coast and imports supply the remainder of the market.⁹ The EIA provides gasoline production data for RBOB Gasoline that is produced by both refiners and blenders, under the category of “refiner and blender net production” as shown in Table 2 below. The majority of PADD 1 refineries are located in New Jersey, Delaware and Pennsylvania, with direct connection to the New York Harbor market by pipelines and/or waterborne barges. In addition, the “refiner and blender” category includes RBOB produced by blenders that use imported gasoline blending components.

Blenders are significant producers of RBOB gasoline, and a vast amount of RBOB blending components are sourced through imported gasoline blendstocks that enter via the New York Harbor. Generally gasoline blenders are large trading companies that operate in the global market, such as Vitol, Morgan Stanley, JP Morgan, Glencore, Cargill, Koch, Trafigura, and Northville. Given that the blenders’ production of RBOB is sourced from imported gasoline blending components, these imported components are imbedded in the category of “blender” production. Therefore, given that imported gasoline blending components are included in the “blender” production category, the Exchange will include only the EIA’s “Refiner and Blender Net Production” category as the key component of New York Harbor supply (and not *add* imports).

According to EIA data from 2013 through 2015, and as presented in Table 2 below, the three-year average of RBOB production by refiners and blenders in PADD 1 was 1.22 million barrels per day, or 36.6 million barrels per month. The RBOB gasoline that is produced in PADD 1 is in the vicinity of New York Harbor, and the majority of this RBOB is transshipped and/or stored in NYH terminals.

Table 2 – PADD 1 Production and Net Imports

| RBOB Gasoline, in thousand b/d | 2013 | 2014 | 2015 | Average |
|--|-------|-------|-------|--------------|
| Refinery and Blender Net Production ¹⁰ | 1,196 | 1,217 | 1,250 | 1,221 |
| Imports of RBOB Gasoline Blending Components ¹¹ | 186 | 132 | 167 | 162 |
| Exports ¹² | 0 | 0 | 0 | 0 |

In conversations with market participants, it was explained that a portion of the Philadelphia refinery production is used to supply the Pennsylvania market via the Buckeye Laurel Pipeline. Based on EIA’s prime supplier sales data¹³, the Exchange estimates that the gasoline supplied to Pennsylvania was approximately 200,000 barrels per day for the three-year period of 2013 through 2015. Therefore, the

⁹ http://www.eia.gov/pressroom/testimonies/howard_03192012.pdf

¹⁰ EIA, <http://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=WGRRPP12&f=W>

¹¹ EIA, http://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=pet&s=m_epobgrr_im0_r10-z00_mbbld&f=a

¹² EIA, <http://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=MGREXP11&f=M>

¹³ EIA Prime Supplier Sales Volumes by State, http://www.eia.gov/dnav/pet/pet_cons_prim_dcu_SPA_a.htm

Exchange reduced the total refinery and blender net production by 200,000 barrels per day to account for gasoline supplied to Pennsylvania directly from Philadelphia-area refineries. Consequently, the total refinery and blender net production available for the New York Harbor market is approximately 1.0 million barrels per day, which is equivalent to 30.0 million barrels per month.

Further, according to input from market participants, approximately 30% to 40% of RBOB production is committed to retail distribution networks, and the remaining portion is available for re-selling in the spot market. Therefore, at least 60% of PADD 1 production of RBOB would be available for re-selling in the New York Harbor spot market. Consequently, we estimate that approximately 18.0 million barrels of RBOB would be deliverable in New York Harbor.

The majority of gasoline imports into PADD 1 arrive in the New York Harbor area, the largest oil import hub in the US. According to industry sources, approximately 50% of PADD 1 imports occur in the New York Harbor area. According to EIA data from 2013 through 2015, average imports of RBOB blending components into PADD 1 were approximately 160,000 b/d. It is worth emphasizing that blenders have the flexibility to produce RBOB gasoline using either imported blending components or other gasoline blending components. However, as previously mentioned, to prevent potential double-counting of imported blending components with domestic as reported by the EIA, the Exchange will not use imports in its deliverable supply analysis.

Pipeline Flows and Net Receipts

The U.S. Gulf Coast, or PADD 3, refining capacity accounts for 50% of total US production of refined products, and provides approximately 284,000 b/d of RBOB gasoline to PADD 1 (See Table 3 below) via pipeline and water. However, the majority of PADD 1 pipeline receipts of RBOB from PADD 3 do not end up in the New York Harbor area as they are delivered at points further south of NYH in the Washington, DC metropolitan area. According to market participants, only about 25% to 30% of PADD 1 gasoline pipeline receipts are delivered to the New York Harbor area at Linden, NJ. Therefore, using the 25% estimate for RBOB pipeline shipments of 284,000 b/d, the pipeline supply to New York Harbor accounts for approximately 70,000 barrels per day, or 2.1 million barrels per month.

Table 3 – RBOB Movements from PADD 3 into PADD 1¹⁴

| Year | (Barrels per Day) |
|----------------|-------------------|
| 2013 | 273,989 |
| 2014 | 283,950 |
| 2015 | 294,303 |
| Average | 284,081 |

Inventories of Gasoline in the New York Harbor Market

New York Harbor has a petroleum bulk terminal storage capacity of over 75 million barrels, making it the largest petroleum product hub in the country. For the purposes of RBOB delivery in NY Harbor against the NYMEX RBOB Gasoline Futures contract, the Exchange has 13 approved delivery terminals. Based on conversations with these facilities the total cumulative working tank capacity for RBOB at all Exchange-approved delivery terminals equals 28,494,400 barrels. Table 4 below details the list of facilities approved by the Exchange.

Table 4 – RBOB Facilities in NY Harbor

| Name of Facility | Facility Code |
|--|---------------|
| PHILLIPS 66 - TREMLEY POINT | E78 |
| INTERNATIONAL MATEX TANK TERMINAL (IMTT) - BAYONNE | E79 |

¹⁴ EIA, Annual Data in barrels per day, http://www.eia.gov/dnav/pet/pet_move_ptb_dc_R10-R30_mbbbl_a.htm

| | |
|-----------------------------------|-----|
| BUCKEYE PERTH AMBOY TERMINAL LLC | E80 |
| CITGO - LINDEN | E82 |
| KINDER MORGAN - CARTERET | E85 |
| BUCKEYE PORT READING TERMINAL LLC | E86 |
| MOTIVA ENTERPRISES LLC - SEWAREN | E89 |
| ST TERMINAL – LINDEN | E91 |
| KINDER MORGAN - PERTH AMBOY | E94 |
| KINDER MORGAN - STATEN ISLAND | E95 |
| BUCKEYE RARITAN BAY TERMINAL LLC | E96 |
| PHILLIPS 66 - BAY WAY | E97 |
| CENTER POINT TERMINAL NEWARK, LLC | E99 |

The three-year average of gasoline stocks held in the Central Atlantic region, or PADD1b, including New York, New Jersey, and Pennsylvania is approximately 30.3 million barrels (See Table 5 below). According to market participants, the New York Harbor RBOB market accounts for 25% to 30% of the inventories reported in EIA's PADD 1B inventory statistics. Using a conservative estimate of 25% of PADD 1b inventories, the average stock level of gasoline is estimated to be about 7.6 million barrels in New York Harbor. Based on estimates from industry experts, we determined that the operational minimum levels for storage tanks in the New York Harbor area are approximately 10%. Therefore, the Exchange estimates that approximately 750,000 barrels of the approximately 7.6 million barrels of stored gasoline in New York Harbor is used for operations, leaving 6.8 million barrels available for spot month delivery from inventory.

Table 5 – Gasoline Stocks in PADD 1B¹⁵

| Year | Inventory (in Thousand Barrels) |
|----------------|---------------------------------|
| 2013 | 31,531 |
| 2014 | 28,773 |
| 2015 | 31,695 |
| Average | 30,333 |

While the EIA does not report RBOB blending component stocks data for PADD 1B specifically, weekly statistics are provided for PADD 1. Accordingly, stocks of RBOB blending components in PADD 1 averaged approximately 18.8 million barrels in 2013-2015¹⁶.

ANALYSIS OF DELIVERABLE SUPPLY

Based on the above analysis, the Exchange determined at this time to base its estimates of deliverable supply on the sum of:

- A. Refinery and Blender Production = 18.0 million barrel
- B. Pipeline flows to the delivery area = 2.1 million barrels
- C. Storage levels in the delivery area = 6.8 million barrels

The spot month position limits for the contracts proposed herein shall be 1,000 contracts. The Exchange estimates the monthly deliverable supply of RBOB gasoline in the New York Harbor to be approximately

¹⁵ http://www.eia.gov/dnav/pet/pet_stoc_wstk_dcu_r1y_w.htm

¹⁶ http://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=pet&s=m_epobgrr_sae_r10_mbb&f=m

26.9 million barrels, which is equivalent to **26,900** contracts per month (contract size 42,000 gallons or 1,000 barrels). Therefore, the spot month limit of 1,000 contracts represents 3.7% of the monthly deliverable supply.

For position limit purposes, the NY RBOB (Argus) Gasoline Futures (code NYA) shall aggregate into the currently listed NY RBOB (Platts) Financial Futures (Rule Chapter 562, Commodity Code RY). The two legs of the NY RBOB (Argus) vs. RBOB Gasoline Futures Contract (code NYR) shall aggregate into the following two underlying parent contracts: NY RBOB (Platts) Financial Futures and RBOB Gasoline Last Day Financial Futures Contract (Rule Chapter 830, Commodity Code 27). The existing spot month position limits for each of NY RBOB (Platts) Financial Futures and RBOB Gasoline Last Day Financial Futures Contract is 1,000 contracts, which represents 3.7% of the monthly deliverable supply of RBOB gasoline in New York Harbor.

APPENDIX

A. PADD 1, Refiner and Blender Production¹⁷ (Monthly Average using Weekly Data in Thousands B/D)

| Year | Month | Total |
|-------------|--------------|--------------|
| 2013 | Jan | 1,095 |
| | Feb | 1,125 |
| | Mar | 1,157 |
| | Apr | 1,200 |
| | May | 1,241 |
| | Jun | 1,279 |
| | Jul | 1,265 |
| | Aug | 1,235 |
| | Sep | 1,173 |
| | Oct | 1,189 |
| | Nov | 1,200 |
| | Dec | 1,177 |
| 2014 | Jan | 1,107 |
| | Feb | 1,140 |
| | Mar | 1,185 |
| | Apr | 1,218 |
| | May | 1,251 |
| | Jun | 1,279 |
| | Jul | 1,263 |
| | Aug | 1,252 |
| | Sep | 1,230 |
| | Oct | 1,223 |
| | Nov | 1,228 |
| | Dec | 1,233 |
| 2015 | Jan | 1,178 |
| | Feb | 1,176 |
| | Mar | 1,195 |
| | Apr | 1,194 |
| | May | 1,269 |
| | Jun | 1,309 |
| | Jul | 1,292 |
| | Aug | 1,307 |
| | Sep | 1,274 |
| | Oct | 1,273 |
| | Nov | 1,256 |
| | Dec | 1,268 |

B. PADD 1B (Central Atlantic) Total Gasoline Stocks¹⁸

| | |
|---|--|
| Monthly Averages based on Weekly Stocks of Gasoline (Thousand Barrels) | |
|---|--|

¹⁷ <http://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=WGRRPP12&f=W>

¹⁸ http://www.eia.gov/dnav/pet/pet_stoc_wstk_dcu_r1y_w.htm

| Year | | |
|-------------|-----|--------|
| 2013 | Jan | 27,785 |
| | Feb | 33,009 |
| | Mar | 33,254 |
| | Apr | 32,564 |
| | May | 33,535 |
| | Jun | 32,820 |
| | Jul | 29,789 |
| | Aug | 30,038 |
| | Sep | 29,423 |
| | Oct | 30,405 |
| | Nov | 26,113 |
| | Dec | 27,436 |
| 2014 | Jan | 31,419 |
| | Feb | 31,481 |
| | Mar | 30,570 |
| | Apr | 28,589 |
| | May | 29,369 |
| | Jun | 30,032 |
| | Jul | 30,664 |
| | Aug | 29,445 |
| | Sep | 26,912 |
| | Oct | 25,058 |
| | Nov | 24,548 |
| | Dec | 27,141 |
| 2015 | Jan | 34,349 |
| | Feb | 37,506 |
| | Mar | 36,773 |
| | Apr | 35,686 |
| | May | 33,838 |
| | Jun | 28,800 |
| | Jul | 27,854 |
| | Aug | 28,521 |
| | Sep | 29,039 |
| | Oct | 31,631 |
| | Nov | 27,827 |
| | Dec | 28,304 |