

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 21-485 (1 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): 11/24/21 Filing Description: Initial Listing of Two (2) Freight (Baltic) 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:

November 24, 2021

VIA ELECTRONIC PORTAL

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

**Re: CFTC Regulation 40.2(a) Certification. Initial Listing of Two (2) Freight (Baltic) Futures Contracts.
 NYMEX Submission No. 21-485 (1 of 2)**

Dear Mr. Kirkpatrick:

New York Mercantile Exchange, Inc. (“NYMEX” or “Exchange”) is certifying to the Commodity Futures Trading Commission (“CFTC” or “Commission”) the listing of two (2) freight (“Baltic”) 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, December 12, 2021 for trade date Monday, December 13, 2021.

Contract Title	Freight Route South Korea to Singapore (TC11) (Baltic) Futures
CME Globex and CME ClearPort Code	TC1
Rulebook Chapter	1101
Settlement Type	Financial
Contract Size	1,000 metric tons
Pricing Quotation	U.S. dollars and cents per metric ton
Minimum Price Fluctuation	\$0.0001 per metric ton
Value Per Tick	\$0.10
First Listed Contract	December 2021
Termination of Trading	January to November contract months: the last business day of the calendar month. December contract month: the 24th calendar day of the month, or if this is not a business day, the first preceding business day.
Settlement Period	January to November contract months: The Settlement Period shall be the full calendar month. December contract month: The Settlement Period shall be the period from and including the 1st calendar day of the month through to and including the 24th calendar day of the month.
Listing Schedule	Monthly contracts listed for the current year and the five (5) consecutive calendar years. Additional monthly contracts will be listed for a new calendar year following the termination of trading in the December of the current year.
Block Trade Minimum Threshold	5 contracts – subject to a minimum 15-minute reporting window
CME Globex Match Algorithm	First-In, First-Out (FIFO)

Contract Title	Freight Route South Korea to Singapore (TC11) (Baltic) BALMO Futures
CME Globex and CME ClearPort Code	T1B
Rulebook Chapter	1102
Settlement Type	Financial
Contract Size	1,000 metric tons
Pricing Quotation	U.S. dollars and cents per metric ton
Minimum Price Fluctuation	\$0.0001 per metric ton
Value Per Tick	\$0.10
First Listed Contract	December 2021
Termination of Trading	January to November contract months: the last business day of the calendar month. December contract month: the 24th calendar day of the month, or if this is not a business day, the first preceding business day.
Settlement Period	January to November contract months: The Settlement Period shall be the full calendar month. December contract month: The Settlement Period shall be the period from and including the 1st calendar day of the month through to and including the 24th calendar day of the month.

Trading and Clearing Hours

CME Globex	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 a 60-minute break each day beginning at 5:00 p.m. ET (4:00 p.m. CT)
CME Globex Pre-Open	Sunday 5:00 p.m. – 6:00 p.m. ET (4:00 p.m. – 5:00 p.m. CT) Monday – Friday 5:45 p.m. – 6:00 p.m. ET (4:45 p.m. to 5:00 p.m. CT)
CME ClearPort	Sunday - Friday 6:00 p.m. - 5:00 p.m. ET (5:00 p.m. - 4:00 p.m. CT) with a 60-minute break each day beginning at 5:00 p.m. ET (4:00 p.m. CT)

Exchange Fees

	Member	Non-Member	International Incentive Programs (IIP/IVIP)
CME Globex	\$2.60	\$3.25	\$2.90
EFP	\$2.60	\$3.25	
Block	\$2.60	\$3.25	
EFR/EOO	\$2.60	\$3.25	

Processing Fees	
Cash Settlement	\$0.50
Facilitation Fee	\$0.60
Give-Up Surcharge	\$0.05
Position Adjustment/Position Transfer	\$0.10

In addition, NYMEX is certifying block trading on the Contracts with a minimum block threshold of five (5) contracts, which represents 5,000 metric tons. This aligns with the existing freight futures contracts listed on NYMEX as well as the over the counter (“OTC”) market convention.

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 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 this Contract will also be subject to the full range 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 this 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.
- **Contracts Not Readily Subject to Manipulation**: The Contracts are not readily subject to manipulation because of its structural attributes, underlying market and reliance on a well administered index. The Contracts final settle against an index based on market assessments published by Baltic and licensed to the Exchange.
- **Prevention of Market Disruption**: Trading in the Contracts will be subject to Rules of NYMEX, 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 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 regarding the Contracts’ specifications, terms, and conditions, as well as daily trading volume, open interest, and price information.
- **Daily Publication of Trading Information**: The Exchange will publish the Contracts’ 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 the 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 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 Contract**: The Contracts will be cleared by the CME Clearing House, a derivatives clearing organization registered with the CFTC 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 the 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 the product 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 non-members 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 listing the Contracts complies with the Act, including regulations under the Act. There were no substantive opposing views to 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 e-mail CMEGSubmissionInquiry@cmegroup.com.

Sincerely,

/s/Christopher Bowen
Managing Director and Chief Regulatory Counsel

Attachments: Exhibit A: NYMEX Rulebook Chapters
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 1101

Freight Route South Korea to Singapore (TC11) (Baltic) Futures

1101100. 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.

1101101. CONTRACT SPECIFICATIONS

The Floating Price for each contract month is equal to the arithmetic average of the USD per metric ton rate for the TC11 freight route (South Korea to Singapore for cargoes of 40,000 metric tons or as subsequently amended) provided by the Baltic Exchange for each day that it is provided during the Settlement Period.

The USD per metric ton rate is calculated by the Baltic Exchange from the published value in Worldscale points multiplied by the applicable Worldscale flat rate for the specified route.

1101102. TRADING SPECIFICATIONS

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

1101102.A. Trading Schedule

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

1101102.B. Trading Unit

The contract quantity shall be 1,000 metric tons. Each contract shall be valued as the contract quantity (1,000) multiplied by the settlement price.

1101102.C. Price Increments

Prices shall be quoted in U.S. dollars and cents per metric ton. The minimum price fluctuation shall be \$0.0001 per metric ton.

1101102.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.

1101102.E. Settlement Period

For contract months referenced to a calendar month January to November inclusive, the Settlement Period shall be the full calendar month. For contract months referenced to the December calendar month, the Settlement Period shall be the period from and including the 1st calendar day of the month through to and including the 24th calendar day of the month.

1101102.F. Termination of Trading

For contract months January to November inclusive: Trading terminates on the last business day of the calendar month.

For December contract months: Trading terminates on the 24th calendar day of the month, or if this is not a business day, the first preceding business day.

1101103. 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.

1101104. DISCLAIMER

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

Chapter 1102

Freight Route South Korea to Singapore (TC11) (Baltic) BALMO Futures

1102100. 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.

1102101. CONTRACT SPECIFICATIONS

The Floating Price for each contract month is equal to the balance of month arithmetic average of the USD per metric ton rate for the TC11 freight route (South Korea to Singapore for cargoes of 40,000 metric tons or as subsequently amended) provided by the Baltic Exchange for each day that it is provided during the Settlement Period.

The USD per metric ton rate is calculated by the Baltic Exchange from the published value in Worldscale points multiplied by the applicable Worldscale flat rate for the specified route.

1102102. TRADING SPECIFICATIONS

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

1102102.A. Trading Schedule

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

1102102.B. Trading Unit

The contract quantity shall be 1,000 metric tons. Each contract shall be valued as the contract quantity (1,000) multiplied by the settlement price.

1102102.C. Price Increments

Prices shall be quoted in U.S. dollars and cents per metric ton. The minimum price fluctuation shall be \$0.0001 per metric ton.

1102102.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.

1102102.E. Settlement Period

For contract months referenced to a calendar month January to November inclusive, the Settlement Period shall be the full calendar month. For contract months referenced to the December calendar month, the Settlement Period shall be the period from and including the 1st calendar day of the month through to and including the 24th calendar day of the month.

1102102.F. Termination of Trading

For contract months January to November inclusive: Trading terminates on the last business day of the calendar month.

For December contract months: Trading terminates on the 24th calendar day of the month, or if this is not a business day, the first preceding business day.

1102103. 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.

1102104. 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

(under separate cover)

EXHIBIT C

NYMEX Rulebook

Chapter 5

(“Trading Qualifications and Practices”)

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

(additions underscored)

Instrument Name	Globex Symbol	Outright		
		Globex Non-Reviewable Ranges (NRR)	NRR: Globex Format	NRR: Ticks
<u>Freight Route South Korea to Singapore (TC11) (Baltic) Futures</u>	<u>TC1</u>	<u>\$0.20 per metric ton</u>	<u>2000</u>	<u>2000</u>
<u>Freight Route South Korea to Singapore (TC11) (Baltic) BALMO Futures</u>	<u>T1B</u>	<u>\$0.20 per metric ton</u>	<u>2000</u>	<u>2000</u>

EXHIBIT D

Cash Market Overview and Analysis of Deliverable Supply

Data Sources:

The Exchange has based its analysis of deliverable supply on data provided by the United Nations Review of Maritime Transport (“UNCTAD”) and British Petroleum Statistical Review of World Energy (BP Review World Energy).

The Review of Maritime Transport data are compiled by UNCTAD, a permanent inter-governmental body established by the United Nations General Assembly in 1964. The Review of Maritime Transport is one of UNCTAD’s flagship publications, published since 1968. The Review provides analyses of structural and cyclical changes affecting seaborne trade, ports and shipping, as well as an extensive collection of statistical information. Its data is published in its Review of Maritime Transport annually; and is a reliable source for those looking to get the most complete and accurate data on the shipping transportation. We have referred to UNCTAD data in our analyses of global seaborne trade of crude oil and refined products. British Petroleum (BP) is a global energy business operating in more than 70 countries worldwide. It finds and produces oil and gas on land and offshore and moves energy around the globe.

The **BP Statistical Review of World Energy** provides high-quality objective and globally consistent data on world energy markets. The review is published annually using robust global data; and provides an objective overview of what happened to energy markets. We have referred to the BP data to supplement the UNCTAD data in our analyses of global seaborne trade of crude oil and refined products, and the BP data provides further granularity to enable the volumes transported along the specific freight routes to be estimated.

The **Joint Oil Data Initiative (JODI)** was launched in 2001 and provides a set of reliable oil statistics that are compiled by several well-respected international organisations – APEC, Eurostat, IEA, OLADE, OPEC and the UNSD. The data is collected on a monthly basis, primarily via a series of questionnaires to key industry participants and published on the JODI website.

The final settlement price for the futures will be the Baltic’s index value for TC11 which is a clean refined products tanker route from South Korea to Singapore.

Freight Market Overview

Tanker freight is a key component to the global trade in crude oil and refined products where large number of cargoes are exported between producing and consuming regions. UNCTAD data shows that between 2018 and 2019 the total volume of crude oil trade decline by around 1.1% year on year, in part due to the cuts in OPEC supply and disruptions affecting exports from several oil exporting countries. However, exports from the U.S and Brazil to Asia have been more robust and UNCTAD showed that the total volumes had increased over 10% year on year in 2019. Higher volumes of refinery maintenance limited trade in refined products and chemicals where overall volumes trade declined by 0.9%. In contrast, natural gas trade increased by 10.8% on the back of new project start-ups in the United States, Canada and Australia. According to the UNCTAD a **Very Large Crude Carrier** is the term given to vessels with 200,000 deadweight tons (dwt) and above. These vessels typically carry crude oil on long sea-going voyages from regions like the USGC to Asia. **Suezmax** vessels are smaller in size than VLCCs, typically between 120,000 and 200,000 dwt, and are so named as they represent the largest tankers that can transit, the Suez Canal. **Aframax** vessels are typically between 80,000 and 119,999 dwt and **Panamax** tankers range from 60,000 to 79,999 dwt. In the smaller categories, **Medium Range tankers** are typically between 40,000 and 64,999 dwt and **short-range Handy tankers** are typically between 25,000 and 39,000 dwt¹.

¹ UNCTAD 2020 – Review of World shipping report https://unctad.org/system/files/official-document/rmt2020_en.pdf

There are two main types of vessel charter arrangement. Voyage charters involve the charterer hiring the vessel to carry a cargo between two specified ports. The freight payment for a voyage charter is assessed in terms of dollars per ton of cargo carried.

Freight Index – TC11 South Korea to Singapore

The Baltic index for TC11 represents the value of shipping a 40,000mt of refined products from South Korea to Singapore.

In the BP statistical review of world energy total intra area volumes for crude oil and products are reported in million tonnes. The BP data covers the flow of products from China and Japan to Singapore but the exports for South Korea are not available. Total exports from China and Japan to Singapore for refined products are as follows.

Freight volumes exported to Singapore

Route	2018	2019	2020	3-year average*
China to Singapore	14.9	15	12.6	14.16
Japan to Singapore	2.1	1.4	1.8	1.76
Total volume	17	16.4	14.6	16

*data shown in million tonnes

Source: BP Statistical Review of World Energy

Data on the total volume of exports for refined products by month is available from the Joint Oil Data Initiative (JODI) reports data covering South Korea, China and Japan. The data is shown in the table below and is expressed in thousand metric tons.

Total volume of refined product exports**

	12 months to July 2019	12 months to July 2020	12 months to July 2021	3-year average
South Korea	67,729	62,973	54,920	61,874
China	62,973	67,021	66,948	65,647
Japan	17,710	15,731	9,052	14,164
Total Exports	148,412	145,725	130,920	141,686

**data shown in 1000 metric tons

Using the JODI and BP Statistical Review data it is possible to calculate what percentage of the total exports are destined for Singapore for China and Japan. Based on the data, there is around 22% of the total Chinese exports and 12% of the total Japan exports that are shipped to Singapore. Using this calculation, the Exchange notes that approximately 22% of total South Korean exports of 61.8 million tons are exported to Singapore which represents around 13.6 million tons. When added to the China and Japan flows, it is likely that total South Korea, China and Japan flows to Singapore which represents approximately 29.6 million tons per year.

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. (See Appendix C to 17 CFR part 38).

To calculate the basis of deliverable supply, the Exchange has used the flows of refined products from South Korea, Japan and China using the data from the BP statistical review of world energy and JODI. Shipments from these locations are broadly interchangeable and the charterers will often seek charter party options for multi-centre loads for any of the loading origins from the shipowners. For this reason, the data from South Korea, China and Japan has been used.

The BP data does not break out the product flows from South Korea to Singapore, so the Exchange has used the total volume of product exports from South Korea and used the same percentage of total product exports that China product flows represent. The total level of product exports from both China and South Korea are broadly similar so using the same percentage is a conservative approach. A figure of 22% has been applied to the total product exports from South Korea and China to give a derived value of the shipment volume from these load port origins to Singapore. Using this approach, the Exchange has calculated a total deliverable supply for refined product flows from South Korea, China and Japan into Singapore at 29.6 million tons per annum or 2.46 million tons per month or 2,466 futures contracts equivalent.

In the freight markets, shipping fixtures are typically concluded "as and when" depending on regional requirements. Ships can be re-traded where market conditions change and for the oil itself, it can be transferred into storage or can be re-traded to other lifters. Therefore, the Exchange has not made any further adjustments to the deliverable supply to account for this.

The spot month will become effective at the close of trading three (3) business days prior to the last day of trading of the contract.

For the contract **Freight Route South Korea to Singapore (TC11) (Baltic) Futures**, the Exchange has determined that on average the volume of products shipped into Singapore was 29.6 million tons per year or 2.46 million tons per month using the data for the period 2018 to 2020. On a futures contract equivalent basis, assuming 1 contract = 1,000 metric tons of freight, this equates to 2,460 contracts. The Exchange proposes a spot month position limit of 500 contracts which equates to 20.32% of the monthly deliverable supply.

Positions in the **Freight Route South Korea to Singapore (TC11) (Baltic) BALMO Futures** will aggregate into the Freight Route South Korea to Singapore (TC11) (Baltic) Futures. For the parent contract, the Exchange has determined that on average the volume of products shipped into Singapore was 29.6 million tons per year or 2.46 million tons per month using the data for the period 2018 to 2020. On a futures contract equivalent basis, assuming 1 contract = 1,000 metric tons of freight, this equates to 2,460 contracts. The Exchange proposes a spot month position limit of 500 contracts which equates to 20.32% of the monthly deliverable supply.