

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 18-453

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): 12/10/18 **Filing Description:** Increase of Position Limits of Three (3) Brent Futures Contracts and Related Amendments to Aggregated Futures and Options 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: See filing.

Rule Numbers: See filing.

December 10, 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, DC 20581

Re: CFTC Regulation 40.6(a) Certification. Notification Regarding Increase of Spot Month Position Limits of Three (3) Brent Futures Contracts and Related Amendments to Aggregated Futures and Options Contracts. NYMEX Submission No. 18-453

Dear Mr. Kirkpatrick:

New York Mercantile Exchange, Inc. (“NYMEX” or “Exchange”) is notifying the Commodity Futures Trading Commission (“CFTC” or “Commission”) that it is self-certifying amendments to the spot month position limits of three (3) Brent futures contracts (the “Parent Contracts”) as noted in the table below. The tables further below provide the related spot month position limits amendments to the ninety-four (94) futures and options contracts which aggregate into the Parent Contracts (collectively, the “Rule Amendments”). This submission shall become effective on Wednesday, December 26, 2018.

The increased spot month position limits for UB and the contacts that aggregate into it shall become effective at the close of business on Monday, January 28, 2019 and commencing with the lead month (January 2019) and beyond. The increased spot month position limits for BB and the contracts that aggregate into it shall become effective at the close of business on Friday, January 25, 2019 and commencing with the lead month (March 2019) and beyond. The increased spot month limits for BZ and the contracts that aggregate into it shall become effective at the close of business on Monday, January 28, 2019 and commencing with the lead month (March 2019) and beyond.

Contract Title	NYMEX Rulebook Chapter	Commodity Code	Current Spot Month Position Limits	Amended Spot Month Position Limits
Brent Crude Oil Last Day Financial Futures	698	BZ	4,000	<u>5,000</u>
Dated Brent (Platts) Financial Futures	647	UB	4,000	<u>5,000</u>
Brent Crude Oil Penultimate Financial Futures	692	BB	4,000	<u>5,000</u>

Contracts which aggregate into the Parent Contracts

Contracts which Aggregate into the Brent Last Day Financial Futures Contract (Commodity Code: BZ)

Contract Title	NYMEX Rulebook Chapter	Commodity Code	Current Spot Month Position Limits	Amended Spot Month Position Limits
Brent Calendar Spread Option (One Month)	394	AA	4,000	<u>5,000</u>
Brent Calendar Spread Option (Two Month)	394	AB	4,000	<u>5,000</u>
Brent Calendar Spread Option (Three Month)	394	AC	4,000	<u>5,000</u>
Brent Calendar Spread Option (Six Month)	394	AM	4,000	<u>5,000</u>
Brent Calendar Spread Option (Twelve Month)	394	AZ	4,000	<u>5,000</u>
Brent Crude Oil Last Day Financial Calendar Spread Option (One Month)	398	9C	4,000/4,000	<u>5,000/5,000</u>
Brent Crude Oil Last Day Financial Calendar Spread Option (Six Month)	398	9L	4,000/4,000	<u>5,000/5,000</u>
Brent Crude Oil Last Day Financial Calendar Spread Option (Three Month)	398	9D	4,000/4,000	<u>5,000/5,000</u>
Brent Crude Oil Last Day Financial Calendar Spread Option (Twelve Month)	398	9Y	4,000/4,000	<u>5,000/5,000</u>
Brent Crude Oil Last Day Financial Calendar Spread Option (Two Month)	398	9B	4,000/4,000	<u>5,000/5,000</u>
Brent Crude Oil Option	376	OS	4,000	<u>5,000</u>
Brent Crude Oil European Financial Option	378	BE	4,000	<u>5,000</u>
Brent Crude Oil Futures-Style Margin Option	504	BZO	4,000	<u>5,000</u>
Brent Crude Oil Weekly Option - week 1	1007	BW1	4,000	<u>5,000</u>
Brent Crude Oil Weekly Option - week 2	1007	BW2	4,000	<u>5,000</u>
Brent Crude Oil Weekly Option - week 3	1007	BW3	4,000	<u>5,000</u>
Brent Crude Oil Weekly Option - week 4	1007	BW4	4,000	<u>5,000</u>
Brent Crude Oil Weekly Option - week 5	1007	BW5	4,000	<u>5,000</u>

Contracts which Aggregate into the Dated Brent (Platts) Financial Futures Contract (Commodity Code: UB)

Contract Title	NYMEX Rulebook Chapter	Commodity Code	Current Spot Month Position Limits	Amended Spot Month Position Limits
Dated Brent (Platts) vs. Brent Second Month (BFOE) (Platts) Daily CFD Futures	316	59	4,000/4,000	<u>5,000/5,000</u>
Dated Brent (Platts) to Frontline Brent Futures	695	FY	4,000/4,000	<u>5,000/5,000</u>
Dated Brent (Platts) vs. Brent First Month (BFOE) (Platts) Daily CFD Futures	699	6W	4,000/4,000	<u>5,000/5,000</u>
Dated Brent (Platts) Daily Futures	714	7G	4,000	<u>5,000</u>
Mini Dated Brent (Platts) Financial Futures	993	MDB	4,000	<u>5,000</u>
Dated Brent (Platts) BALMO Futures	1193	DBB	4,000	<u>5,000</u>
Dated Brent (Platts) Average Price Option	1078	DBP	4,000	<u>5,000</u>
CPC Blend CIF Med Cargoes (Platts) vs. Dated Brent (Platts) Futures	228	CPD	4,000/4,000	4,000/ <u>5,000</u>
Urals Med (Platts) vs. Dated Brent (Platts) CFD Futures	226	UMD	1,500/4,000	1,500/ <u>5,000</u>
Urals North (Platts) vs. Dated Brent (Platts) CFD Futures	227	UNS	4,000/4,000	4,000/ <u>5,000</u>
Urals Med (Platts) vs. Dated Brent (Platts) CFD BALMO Futures	1214	UMB	1,500/4,000	1,500/ <u>5,000</u>
Urals North (Platts) vs. Dated Brent (Platts) CFD BALMO Futures	1215	UNB	4,000/4,000	4,000/ <u>5,000</u>
CPC Blend CIF Med Cargoes (Platts) vs. Dated Brent (Platts) BALMO Futures	1216	CCM	4,000/4,000	4,000/ <u>5,000</u>

Contracts which Aggregate into the Brent Crude Penultimate Financial Futures Contract (Commodity Code: BB)

Contract Title	NYMEX Rulebook Chapter	Commodity Code	Current Spot Month Position Limits	Amended Spot Month Position Limits
Brent Crude Oil Average Price Option	379	BA	4,000	<u>5,000</u>
Brent Crude Oil BALMO Futures	481	J9	4,000	<u>5,000</u>
Brent Financial Futures	696	CY	4,000	<u>5,000</u>
Brent Crude Oil vs. Dubai Crude Oil (Platts) Futures	697	DB	4,000/5,000	<u>5,000/5,000</u>
Brent Crude Oil vs. Dubai Crude Oil (Platts) BALMO Futures	1087	BDB	4,000/5,000	<u>5,000/5,000</u>

Brent Option on Calendar Futures Strip	826	BPC	4,000	<u>5,000</u>
Brent Option on Quarterly Futures Strip	827	BQP	4,000	<u>5,000</u>
Daily Brent Crude Oil Option	870	ODB	4,000	<u>5,000</u>
Mini Brent Financial Futures	992	MBC	4,000	<u>5,000</u>
Brent (Euro Denominated) Financial Futures	1055	IBE	4,000	<u>5,000</u>
Brent (Singapore Marker) Futures	1122	IBS	4,000	<u>5,000</u>
WTI-Brent Crude Oil Spread Option	377	BV	3,000/4,000	3,000/ <u>5,000</u>
WTI-Brent Bullet Futures	693	BY	3,000/4,000	3,000/ <u>5,000</u>
WTI-Brent Financial Futures	694	BK	3,000/4,000	3,000/ <u>5,000</u>
WTI Houston (Argus) vs. Brent Trade Month Futures	1311	WHB	3,000/4,000	3,000/ <u>5,000</u>
WTI Houston (Argus) vs. Brent Calendar Month Futures	1312	WBR	3,000/4,000	3,000/ <u>5,000</u>
Mars (Argus) vs. Brent Trade Month Futures	1319	MBM	3,000/4,000	3,000/ <u>5,000</u>
Mars (Argus) vs. Brent Calendar Month Futures	1320	MAB	3,000/4,000	3,000/ <u>5,000</u>
Dated Brent (Platts) to Frontline Brent BALMO Futures	831	FE	4,000/4,000	<u>5,000/5,000</u>
WTI Midland (Argus) vs. Brent Trade Month Futures	1313	WMB	3,000/4,000	3,000/ <u>5,000</u>
WTI Midland (Argus) vs. Brent Calendar Month Futures	1314	WMR	3,000/4,000	3,000/ <u>5,000</u>
LLS (Argus) vs. Brent BALMO Futures	314	LBB	3,000/4,000	3,000/ <u>5,000</u>
LLS (Argus) vs. Brent Financial Futures	317	LLR	3,000/4,000	3,000/ <u>5,000</u>
LLS (Argus) vs. Brent Crude Oil Average Price Option	1129	LRO	3,000/4,000	3,000/ <u>5,000</u>
NY Harbor ULSD Brent Crack Spread Futures	1097	HOB	1,000/4,000	1,000/ <u>5,000</u>
RBOB Gasoline Brent Crack Spread Average Price Option	545	RBC	1,000/4,000	1,000/ <u>5,000</u>
RBOB Gasoline Brent Crack Spread Futures	1096	RBB	1,000/4,000	1,000/ <u>5,000</u>
Singapore Mogas 92 Unleaded (Platts) Brent Crack Spread Futures	1085	1NB	1,000/4,000	1,000/ <u>5,000</u>
Gasoline 10 ppm FOB MED (Platts) Crack Spread Futures	1198	GKS	100/4,000	100/ <u>5,000</u>
Argus Gasoline Eurobob Oxy Barges NWE Crack Spread (1000mt) Futures	146	EOB	500/4,000	500/ <u>5,000</u>

Gasoline Euro-bob Oxy NWE Barges (Argus) Crack Spread Average Price Option	530	GCE	500/4,000	500/ <u>5,000</u>
Gasoline Euro-bob Oxy NWE Barges (Argus) Crack Spread Futures	732	7K	500/4,000	500/ <u>5,000</u>
Gasoline Euro-bob Oxy NWE Barges (Argus) Crack Spread BALMO Futures	733	7I	500/4,000	500/ <u>5,000</u>
Mini Argus Gasoline Eurobob Oxy Barges NWE Crack Spread (100mt) Futures	1175	MAC	500/4,000	500/ <u>5,000</u>
Gasoline Eurobob Non-Oxy NWE Barges (Argus) Crack Spread Futures	1029	GNS	150/4,000	150/ <u>5,000</u>
Low Sulphur Gasoil Crack Spread (1000mt) Financial Futures	143	GOC	1,500/4,000	1,500/ <u>5,000</u>
European Low Sulphur Gasoil Brent Crack Spread Futures	710	GZ	1,500/4,000	1,500/ <u>5,000</u>
European Low Sulphur Gasoil Brent Crack Spread BALMO Futures	1060	ESB	1,500/4,000	1,500/ <u>5,000</u>
Low Sulphur Gasoil Crack Spread (1000mt) BALMO Financial Futures	1061	ESS	1,500/4,000	1,500/ <u>5,000</u>
European Low Sulphur Gasoil Brent Crack Spread Average Price Option	710A	3U	1,500/4,000	1,500/ <u>5,000</u>
Gulf Coast HSFO (Platts) Brent Crack Spread Futures	1098	GCI	1,000/4,000	1,000/ <u>5,000</u>
Singapore Fuel Oil 380cst (Platts) Brent Crack Spread (1000mt) Average Price Option	252	SCO	500/4,000	500/ <u>5,000</u>
Singapore Fuel Oil 380cst (Platts) Brent Crack Spread (1000mt) Futures	1110	SF3	500/4,000	500/ <u>5,000</u>
Singapore Fuel Oil 180cst (Platts) Brent Crack Spread (1000mt) Futures	749	SF1	500/4,000	500/ <u>5,000</u>
Singapore Fuel Oil 180 cst (Platts) 6.35 Brent Crack Spread Futures	1093	STR	500/4,000	500/ <u>5,000</u>
1.0% Fuel Oil Cargoes FOB NWE (Platts) Crack Spread (1000mt) Futures	142	FVB	150/4,000	150/ <u>5,000</u>
1% Fuel Oil Cargoes FOB NWE (Platts) Crack Spread Futures	727	FI	150/4,000	150/ <u>5,000</u>
Mini 1% Fuel Oil Cargoes FOB NWE (Platts) Crack Spread (100mt) Futures	988	MNS	150/4,000	150/ <u>5,000</u>
3.5% Fuel Oil Cargoes FOB MED (Platts) Crack Spread Futures	735	FL	150/4,000	150/ <u>5,000</u>

3.5% Fuel Oil Cargoes FOB MED (Platts) Crack Spread BALMO Futures	1205	FOA	150/4,000	150/ <u>5,000</u>
Japan C&F Naphtha (Platts) Brent Crack Spread Futures	580	JB	500/4,000	500/ <u>5,000</u>
Jet Fuel Cargoes CIF NWE (Platts) Crack Spread Futures	1056	JFC	300/4,000	300/ <u>5,000</u>
Jet Fuel Cargoes CIF NWE (Platts) Crack Spread BALMO Futures	1057	JFB	300/4,000	300/ <u>5,000</u>
Naphtha Cargoes CIF NWE (Platts) Crack Spread (1000mt) Futures	148	NOB	500/4,000	500/ <u>5,000</u>
Naphtha Cargoes CIF NWE (Platts) Crack Spread (1000mt) BALMO Futures	149	NBB	500/4,000	500/ <u>5,000</u>
European Naphtha (Platts) Crack Spread BALMO Futures	636	43	500/4,000	500/ <u>5,000</u>
European Naphtha (Platts) Crack Spread Futures	713	EN	500/4,000	500/ <u>5,000</u>
Mini Naphtha Cargoes CIF NWE (Argus) Crack Spread (100mt) Futures	1203	NCC	500/4,000	500/ <u>5,000</u>
3.5% Fuel Oil Barges FOB Rdam (Platts) Crack Spread (1000mt) Futures	141	BOB	500/4,000	500/ <u>5,000</u>
3.5 % Fuel Oil Barges FOB Rdam (Platts) Crack Spread (1000mt) Average Price Option	253	BCO	500/4,000	500/ <u>5,000</u>
3.5% Fuel Oil Barges FOB Rdam (Platts) Crack Spread Futures	726	FO	500/4,000	500/ <u>5,000</u>
Mini 3.5% Fuel Oil Barges FOB Rdam (Platts) Crack Spread (100mt) Futures	987	MFR	500/4,000	500/ <u>5,000</u>
3.5% Fuel Oil Barges FOB Rdam (Platts) Crack Spread BALMO Futures	1204	FCB	500/4,000	500/ <u>5,000</u>

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 is being amended to reflect the changes in the position limits for the Contracts (see Exhibit A: Position Limit, Position Accountability, and Reportable Level Table in Chapter 5 of the NYMEX Rulebook (attached under a separate cover.)

Exhibit B below provides an updated the cash market overview and analysis of deliverable supply for the Contracts.

The Exchange reviewed the designated contract market core principles (“Core Principles”) as set forth in the Commodity Exchange Act (“Act” or “CEA”) and identified that the rule amendments may have some bearing on the following Core Principles:

- **Contract Not Readily Susceptible to Manipulation:** Due to the liquidity and robustness in the underlying physical market, the contracts are not readily susceptible to manipulation.

- **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 information contained herein will be disseminated to the marketplace via Special Executive Report. The Exchange will publish information on the contract specifications on its website, together with daily trading volume, open interest, and price information.

Pursuant to Section 5c(c) of the Act and CFTC Regulation 40.6(a), the Exchange hereby certifies that the Rule Amendments comply with the Act, including regulations under the Act. There were no substantive opposing views to the proposal.

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

Should you have any questions concerning the above, please contact the undersigned at (212) 299-2200 or via e-mail at CMEGSubmissionInquiry@cmegroup.com.

Sincerely,

/s/ Christopher Bowen
Managing Director and Chief Regulatory Counsel

Attachments: Exhibit A: Position Limits, Position Accountability and Reportable Level Table in Chapter 5 of the NYMEX Rulebook (attached under separate cover)
Exhibit B: Cash Market Overview and Analysis of Deliverable Supply

Exhibit A

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

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

Exhibit B

Cash Market Overview and Deliverable Supply

Data Sources:

Bloomberg data for the Brent was used as the basis of the analysis for both the Dated Brent and the Mediterranean Dated Brent (strip). They compile total loaded volumes of BFOE (Brent, Forties, Oseberg and Ekofisk) by calendar month and is displayed via the Bloomberg terminal. This was adjusted to reflect the addition of Troll crude oil last year. The total loaded volume figures, referred to as BFOET have been applied from January 2018 onwards.

Market activity:

Brent

The North Sea market is comprised of a series of smaller oil fields in the UK and Norwegian North oil sectors. Each of the “satellite fields” connect into the large production systems referred to as Brent, Forties, Oseberg or Ekofisk. Norwegian crude oil Troll was added to the basket of Brent deliverable streams from January 2018¹.

The most important streams in the North Sea are Brent, Forties, Oseberg and Ekofisk and Troll. Each stream has a principle operator that is responsible for the day to the day control of the operations including the scheduling of the cargoes based on the production from each of the smaller producing fields. The Brent, Forties, Oseberg, Ekofisk and Troll fields are known as BFOET and they underpin the Brent complex and are the key grades of oil that make up the trading of Dated Brent – an international crude oil physical benchmark price. The five BFOET fields lie in the North Sea. Brent and Forties are in the UK sector, whilst Ekofisk, Oseberg and Troll are in the Norwegian sector.

The core of the Brent market is a forward cash market consisting of the trading of cargoes of any of the BFOET streams for delivery beyond month ahead, with no specific dates assigned for loading. The cargoes traded are 600,000 barrels and, in the forward market, the precise loading dates are not provided, only the delivery month i.e. December BFOET Cargo. However, the commercial contracts, which are standardized, underlying the forward market specify that the minimum notification a seller must provide to a buyer is 10 days, but the standard range is between 10 days and month ahead. After a holder of a BFOET forward notifies the buyer as to the loading date and which stream is being loaded, the contract is now considered to have moved from the forward market to the Dated Brent market, historically this moment is referred to as the cargo going “wet” i.e. it has loading dates attached to it and can therefore be sold as a Dated Brent cargo.

The Brent cash market is essentially a reseller market where buyers either: resell the oil to someone else; transport the cargo and resell it later; or transport the cargo to consume it. Most of the sales in the Brent market are conducted as spot-market transactions; in fact, Brent cargoes in the physical market are estimated to trade 10 or more times. Typically, there is a chronology of sales and purchases of crude oil in the Brent cash market that starts with a sale from the equity producer in a spot market transaction and finishes with a purchase by an end-user to consume the crude oil. Equity producers typically utilize the robust spot market to sell their BFOET production at the cargo loading terminal, as a “Free on Board” (FOB) delivery. Traders play an active role in the Brent market as middlemen with the expressed responsibility of reselling the oil. Further, the refiners typically rely on the spot market to purchase Brent crude oil, because there is vibrant liquidity in the spot market, and hence, the refiners have developed a preference for short-term spot market purchases, rather than long-term contracts. This applies to refiners affiliated with equity producers as well as those not affiliated; this is the standard practice, established and institutionalized over the past 34 years.

¹ Platts press release – Troll into Brent basket <https://www.platts.com/pressreleases/2017/022017>

Production of BFOE has been declining over the past few years due to the cost of drilling and the returns on investment compared to other regions in the world. This was one of the main reasons why the Troll crude stream was added to the Brent basket. All the Brent grades are segregated blends delivered at different locations in the North Sea, and each can be substituted by the seller in the BFOET cash market (“the forward market”).

Quality adjustments ensure that all the grades within the basket can be delivered to a buyer under the standardized forward contract. The nomination period in the forward market was changed in March 2015 by Platts to 10 days to month ahead from 10 to 25 days and the futures expiry dates were aligned with this schedule in January 2016 (for the March 2016 delivery month). The Futures, traded on ICE Futures Europe and NYMEX align to the month ahead nomination basis. The process of moving from a forward to the physical market where a forward Brent cargo becomes a physical North Sea Dated Brent cargo happens as follows:

1. Refiners, producers and traders enter into a forward agreement for a specific month.
2. The Operator of each field being Shell for Brent; Ineos for Forties (in November 2017); ConocoPhillips for Oseberg and Statoil for Ekofisk and Troll will announce the loading programs for each contract month a few days prior to the beginning of the month (one month prior) to each loading month (i.e. cargoes in the delivery month start to load). For example, for a June 2018 contract month, the field operators will announce the loading schedules a few days prior to the beginning of April 2018. The equity producers will begin the chain of nominating cargoes to buyers (or they can decide to keep the cargo). A buyer benefiting from a nomination can keep the cargo or pass it to another player with whom it has another forward contract.
3. Buyers trade the cash BFOET on the basis that they will accept any cargo as nominated, provided it is done so within the agreed notice period (10 days to month ahead) by 4pm London time. Any cargo not nominated by this time will remain with the participant last notified. After 4pm London time, the cargo becomes wet physical with precise loading dates attached.
4. Cargoes that are wet physical will be sold as a Dated Brent cargo with cargo loading dates between 10 days and month ahead (forward).

Chart below shows the makeup of the fields in the Forties pipeline system (FPS) which is currently operated by INEOS following its sale in April 2017². The deal was finalized on November 1, 2017. There are over 50 offshore fields that flow through within the FPS. The delivery point for Forties crude oil is Hound Point, which is on the East coast of Scotland a short distance from the UK oil capital Aberdeen. Forties is a blended crude oil from all the fields that feed into it.

² BP Press Release – Forties Pipeline System sale to INEOS
<https://www.bp.com/en/global/corporate/media/press-releases/bp-to-sell-forties-pipeline-system-to-ineos.html>



The blend changed at the beginning of 2007 when crude oil from the Buzzard field began to flow into it. Crucially Buzzard is now the largest field within the FPS. Buzzard crude oil is a medium gravity, sour crude oil with an API of 32.6° and a sulphur content of 1.44% therefore the yield is very similar to that of Urals crude oil (from Russia). The INEOS FPS produces a forward estimate, based on the field operators of the volume of crude oil to be available in the system as well as the % blend of Buzzard crude within the Forties blend as this will affect the outright price of Forties crude oil, due to the sourer nature of the Buzzard crude oil stream. Due to the inclusion of Buzzard, the value of Forties has generally always been the cheapest of the four grades to deliver into Dated Brent as a dated cargo.

Table 4. The volume of Buzzard crude in the Forties Blend Estimates³

Date	Buzzard percentage in Forties	Forties Blend un-stabilized crude oil (kbd)
November 18	31.4%	432.8
December 18	31.3%	436.7
January 19	32.5%	430.2
February 19	33.1%	411.8

Bloomberg LP (“Bloomberg”) provides details of the loading programs for the five (5) key fields that make up BFOET. These are Brent, Forties, Oseberg, Ekofisk and Troll which on a combined basis comprise the Brent market. Based on the most recent 3-year average of the Bloomberg data on BFOET loadings (from February 2016 to January 2019), total loadings of the 5 grades was 1,031,638 barrels per day, which is equivalent to approximately 30.94 million barrels per month.

The Monthly loading schedule of Brent, Forties, Oseberg, Ekofisk and Troll is shown in **Appendix A**.

³ Ineos Forties Pipeline System – Forties Blend Assay <https://www.ineos.com/businesses/ineos-ps/business/forties-blend-quality/>

Analysis of Deliverable Supply

In estimating deliverable supply for the futures contract, the 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. In its guidance on estimating deliverable supply, the Commodity Futures Trading Commission (“CFTC” or “Commission”) states:

In general, the term “deliverable supply” means the quantity of the commodity meeting a derivative contract’s delivery specifications that can reasonably be expected to be readily available to short traders and saleable by long traders at its market value in normal cash marketing channels at the derivative contract’s delivery points during the specified delivery period, barring abnormal movement in interstate commerce. Typically, deliverable supply reflects the quantity of the commodity that potentially could be made available for sale on a spot basis at current prices at the contract’s delivery points. For a non-financial physical-delivery commodity contract, this estimate might represent product which is in storage at the delivery point(s) specified in the futures contract or can be moved economically into or through such points consistent with the delivery procedures set forth in the contract and which is available for sale on a spot basis within the marketing channels that normally are tributary to the delivery point(s).⁴

In the North Sea, term supply contracts do exist such as the one for the Petroineos refinery in Grangemouth however, in a typical term agreement in the cash market there is a provision that allows flexibility for re-trading of the contracted quantity in the spot market. We have made an adjustment to the deliverable supply to reflect the purchases made by the refinery. However, importantly these cargoes can be re-sold by the refinery during a period of maintenance for example or where poor refining margins may cut throughput of crude oil.

Brent Crude Oil

The basis of the deliverable supply estimate in the Brent market is the loaded volumes of Brent, Forties, Oseberg, Ekofisk and Troll in the North Sea (loading programs are announced in advance of the month of loading and therefore January 2019 data has been released by the field operators from the beginning of December 2018). The loaded volumes have been analyzed by grade since the beginning of 2016. The Exchange has determined that the volume of loaded barrels of BFOET crude oil from Brent, Forties, Oseberg, Ekofisk, and Troll best meets the definition of supply readily available for delivery. The Exchange has reduced the deliverable supply of Forties to account for the long-term commitment for crude oil purchases by the Grangemouth refinery and using this, the Exchange has determined a “net delivered” volume for the underlying grades. The Grangemouth oil refinery is located close to the delivery point of the Forties pipeline and volumes from the outer fields are connected directly via a series of pipelines to the refinery⁵. Based on the Bloomberg data on BFOET loadings (February 2016 to January 2019), total loadings of BFOET crude oil was 1,031,638 barrels per day or 30.94 million barrels per month. This equates to 30,940 contract equivalents (contract size 1,000 barrels). Further, to account for the crude oil purchases by the Grangemouth refinery, the deliverable supply would be reduced by 3 million barrels⁶ per month⁷. Therefore, the total deliverable supply of BFOET is approximately 27.94 million barrels per month which is equivalent to 27,940 contracts.

⁴ http://www.ecfr.gov/cgi-bin/text-idx?SID=74959c3dbae469e2efe0a42b45b8dfae&mc=true&node=ap17.1.38_11201.c&rgn=div9

⁵ <https://www.ineos.com/businesses/ineos-fps/technical/technical-information/> - Ineos Forties Pipeline system

⁶ UKPia – Petroineos Grangemouth Refinery capacity http://www.ukpia.com/industry_information/refining-and-uk-refineries/Petroineos-grangemouth-refinery.aspx

⁷ Market suggests 50% of the processing capacity for Grangemouth is Forties therefore we have reduced the deliverable supply of Forties by 3-million barrels per month (the full capacity of the refinery is 6 million barrels per month).

Based on this data, the Exchange proposes an increase to the spot month position limit to 5,000 lots or 5 million barrels, which equates to around 17.89% of the monthly deliverable supply, up from around 14.31% of deliverable supply at 4,000 lots (based on the current level of deliverable supply).

Appendix A

Monthly loaded production volumes of Brent, Forties, Oseberg and Ekofisk and Troll crude oil.

Source: Bloomberg data

Units: Barrels per day

Source: Bloomberg (Brent: LOSDRBTT Index, Forties: LOSDFRTT, Oseberg: LOSDOSET, Ekofisk: LOSDEKFT and Troll: LOSDTLLT) Index

	Brent	Forties	Oseberg	Ekofisk	Troll	Total BFOET
Jan-16	116,129	445,161	116,129	296,774	193,548	1,167,741
Feb-16	124,138	413,793	124,138	288,621	227,586	1,178,276
Mar-16	116,129	425,806	96,774	232,258	232,258	1,103,225
Apr-16	120,000	400,000	120,000	320,000	200,000	1,160,000
May-16	116,129	464,516	80,000	212,903	212,903	1,086,451
Jun-16	140,000	380,000	160,000	80,000	180,000	940,000
Jul-16	96,774	387,097	96,774	232,258	212,903	1,025,806
Aug-16	116,129	348,387	96,774	251,613	232,258	1,045,161
Sep-16	100,000	320,000	100,000	260,000	266,667	1,046,667
Oct-16	77,419	329,032	120,000	270,968	290,323	1,087,742
Nov-16	100,000	420,000	100,000	260,000	260,000	1,140,000
Dec-16	58,065	464,516	116,129	270,968	251,613	1,161,291
Jan-17	96,774	483,871	135,484	270,968	232,258	1,219,355
Feb-17	107,143	407,143	128,571	257,143	192,857	1,092,857
Mar-17	96,774	425,806	135,484	251,613	193,548	1,103,225
Apr-17	80,000	420,000	120,000	260,000	220,000	1,100,000
May-17	116,129	445,161	154,839	290,323	212,903	1,219,355
Jun-17	80,000	420,000	140,000	260,000	200,000	1,100,000
Jul-17	77,419	406,452	116,129	251,613	193,548	1,045,161
Aug-17	77,419	270,968	116,129	251,613	212,903	929,032

Sep-17	80,000	360,000	100,000	260,000	180,000	980,000
Oct-17	77,419	425,806	116,129	251,613	212,903	1,083,870
Nov-17	80,000	420,000	80,000	220,000	200,000	1,000,000
Dec-17	96,774	154,839	116,129	232,258	212,903	812,903
Jan-18	58,065	406,452	116,129	232,258	161,742	974,646
Feb-18	85,714	385,714	85,714	235,714	192,857	985,713
Mar-18	96,774	367,742	96,774	270,968	193,548	1,025,806
Apr-18	60,000	400,000	60,000	260,000	198,867	978,867
May-18	77,419	406,452	38,710	270,968	174,194	967,743
Jun-18	80,000	340,000	100,000	260,000	180,000	960,000
Jul-18	77,419	348,387	77,419	232,258	212,903	948,386
Aug-18	96,774	251,613	116,129	232,258	193,548	890,322
Sep-18	100,000	360,000	100,000	300,000	160,000	1,020,000
Oct-18	58,065	367,742	77,419	232,258	193,548	929,032
Nov-18	120,000	380,000	80,000	200,000	160,000	940,000
Dec-18	58,065	290,323	77,419	251,613	232,258	909,678
Jan-19	77,419	348,387	116,129	270,968	135,484	948,387
3-year average	91,010	379,056	105,870	249,611	206,091	1,031,638