

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 16-471

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): 12/02/2016 **Filing Description:** Initial Listing of Mini European Propane CIF ARA (Argus) Futures Contract

SPECIFY FILING TYPE

Please note only ONE choice allowed per Submission.

Organization Rules and Rule Amendments

- Certification § 40.6(a)
- Approval § 40.5(a)
- Notification § 40.6(d)
- Advance Notice of SIDCO Rule Change § 40.10(a)
- SIDCO Emergency Rule Change § 40.10(h)

Rule Numbers:

New Product

Please note only ONE product per Submission.

- Certification § 40.2(a)
- Certification Security Futures § 41.23(a)
- Certification Swap Class § 40.2(d)
- Approval § 40.3(a)
- Approval Security Futures § 41.23(b)
- Novel Derivative Product Notification § 40.12(a)
- Swap Submission § 39.5

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: Mini European Propane CIF ARA (Argus) Futures

Rule Numbers: 968



Christopher Bowen
 Managing Director and Chief Regulatory Counsel
 Legal Department

December 2, 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, DC 20581

RE: CFTC Regulation 40.2(a) Certification. Notification Regarding the Initial Listing of Mini European Propane CIF ARA (Argus) Futures Contract. NYMEX Submission No. 16-471

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 Mini European Propane CIF ARA (Argus) Futures contract (the “Contract”) as noted in the table below for trading on CME Globex and for submission into clearing via CME ClearPort, effective Sunday, December 18, 2016 for first trade date Monday, December 19, 2016.

Contract Title	Mini European Propane CIF ARA (Argus) Futures
Rulebook Chapter	968
CME Globex Code/Clearing Code	MPS
Listing Schedule	Monthly contracts listed for the current year and the next 3 calendar years. Monthly contracts for a new calendar year will be added following the termination of trading in the December contract of the current year.
Contract Size	100 metric tons
Settlement Method	Financial
Minimum Price Fluctuation	\$0.01
Value per Tick	\$1.00
First Listed Contract	January 2017
Block Trade Minimum Threshold	2 contracts
Termination of Trading	Trading terminates on the last business day of the contract month.
CME Globex Matching Algorithm	First In First Out (FIFO)

Trading and Clearing Hours

CME Globex and CME ClearPort	Sunday – Friday 6:00 p.m. – 5:00 p.m. (5:00 p.m. – 4:00 p.m. CT) with a 60-minute break each day beginning at 5:00 p.m. (4:00 p.m. CT).
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Exchange Fees:

	Member	Cross-Division	Non-Member	International Incentive Programs (IIP/IVIP)
Exchange Fees				
CME Globex	\$0.80	\$0.90	\$1.00	\$0.90
EFP	\$0.80		\$1.00	
Block	\$0.80		\$1.00	
EFR/EOO	\$0.80		\$1.00	
Agency Cross	\$0.80		\$1.00	

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

NYMEX is self-certifying block trading on these contracts with a minimum block threshold of two (2) contracts for the Contracts. The block level is consistent with the Exchange’s similar existing products.

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

Compliance with Rules: Trading in the Contract will be subject to all NYMEX Rules, including prohibitions against fraudulent, noncompetitive, unfair and abusive practices as outlined in Rule Chapter 4, the Exchange’s trade practice rules, the majority of which are contained in Chapter 5 and Chapter 8 of the 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 the Exchange’s Market Regulation Department. The Market Regulation Department has the authority to exercise its investigatory and enforcement power where potential rule violations are identified.

Contract Not Readily Subject to Manipulation: The Contract is not readily subject to manipulation because of their structural attributes, active underlying markets and reliance on well administered indexes. Final settlements are based on an index published by Argus Media (“Argus”) and sub-licensed to the Exchange.

Prevention of Market Disruption: Trading in the Contract will be subject to the 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 futures contract proposed herein will be subject to monitoring and surveillance by CME Group’s Market Regulation Department.

Position Limitations or Accountability: The speculative position limits for the Contract as demonstrated in this submission are consistent with the Commission’s guidance.

Availability of General Information: The Exchange will publish 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 and for clearing through 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 Contract will be cleared by the CME Clearing House, a derivatives clearing organization registered with the Commodity Futures Trading Commission and subject to all CFTC regulations related thereto.

Protection of Market Participants: NYMEX Rulebook Chapters 4 and 5 set forth multiple prohibitions that preclude intermediaries from disadvantaging their customers. These rules apply to trading in all of the Exchange's competitive trading venues.

Disciplinary Procedures: Chapter 4 of the Rulebook contains provisions that allow the Exchange to discipline, suspend or expel members or market participants that violate the Rulebook. Trading in 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 Contract 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 non-member 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 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.

Sincerely,

/s/ Christopher Bowen
Managing Director and Chief Regulatory Counsel

Attachments: Appendix A: NYMEX Rulebook Chapter
Appendix B: Position Limits, 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:

Chapter 968 Mini European Propane CIF ARA (Argus) Futures

968100. 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.

968101. CONTRACT SPECIFICATIONS

The Floating Price for each contract month is equal to the arithmetic average of the high and low quotations from Argus Media for Propane CIF ARA for each business day that is determined during the contract month.

968102. TRADING SPECIFICATIONS

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

968102.A. Trading Schedule

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

968102.B. Trading Unit

The contract quantity shall be 100 metric tons. Each contract shall be valued as the contract quantity (100) multiplied by the settlement price.

968102.C. Price Increments

Prices shall be quoted in U.S. dollars and cents per metric ton. The minimum price fluctuation shall be \$0.01 per metric ton. There shall be no maximum price fluctuation.

968102.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.

968102.E. Termination of Trading

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

968103. FINAL SETTLEMENT

Delivery 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.

968104. DISCLAIMER

NEITHER THE NEW YORK MERCANTILE EXCHANGE, INC. NOR ARGUS MEDIA GUARANTEE THE ACCURACY AND/OR COMPLETENESS OF THE INDEX OR ANY OF THE DATA INCLUDED THEREIN. NYMEX AND ARGUS MEDIA MAKE NO WARRANTIES, EXPRESS OR IMPLIED, AS TO THE RESULTS TO BE OBTAINED BY ANY PERSON OR ENTITY FROM USE OF THE INDEX, TRADING BASED ON THE INDEX, OR ANY DATA INCLUDED THEREIN IN CONNECTION

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Appendix B

Position Limits, 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

(additions are underscored)

Instrument	Globex code	Non-Reviewable Range (NRR) in Globex format	NRR including Unit of Measure
<u>Mini European Propane CIF ARA (Argus) Futures</u>	<u>MPS</u>	<u>200</u>	<u>\$2.00 per metric ton</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 one new European Propane Future for trading on CME Globex and for submission into clearing via CME ClearPort.

Contract name	Commodity code	Rulebook Chapter	Proposed Spot month limit*	Venues
Mini European Propane CIF ARA (Argus) Futures	MPS	968	50	CME Globex and CME ClearPort

*Limits are reflected on the basis of 1000mt contract

The proposed contract will be listed in units of 100 metric tons for trading purposes based on client demand for a smaller lot size to facilitate more precise hedging quantities that can't be accommodated with a larger contract size of 1,000 metric tons. Exchange staff conducted a review of the underlying cash market and deliverable supply of Propane in Northwest Europe.

Data sources:

The **Eurostat**¹ data is compiled by the statistical office of the European Union and aims to provide the EU with accurate statistics that enable comparisons between countries and regions. The statistical authorities in each individual member state are responsible for collecting the data. After verification and analysis, the individual authorities send the data to Eurostat who consolidate such data. In addition, Eurostat ensures that all parties are employing the same methodology in collecting and reporting data.

The final settlement price for the ARA Propane Future is based on the **Argus** assessment of the respective underlying physical market. Argus is a well-respected Price Reporting Agency in the Energy market and is a credible rival to Platts across many of the global markets which they cover. Argus is a well-respected price reporting agency in the Refined Products market and CME Group (parent company of New York Mercantile Exchange, Inc.) is a party to license agreements with Argus to utilize their pricing data.

¹ <http://ec.europa.eu/eurostat>

IOSCO Principles

Argus adheres to the set of principles published by IOSCO² which are a set of Principles that apply to each Oil Price Reporting Agency (PRA) with respect to their price assessment process. The latest external audit to verify that the Argus methodology that they apply to their price reporting adheres to the IOSCO principles was audited in September 2015 by Price Waterhouse Coopers (PWC).

The cif ARA LPG market:

Liquefied petroleum gas or LPG is the term for a group of products that is further split into Propane or Butane. They are flammable mixtures of hydrocarbon gases used as fuel in heating appliances, cooking equipment and vehicles. These two products form part of the light ends product suite, produced at an oil refinery resulting from the first cut of processing of a crude oil.

The most liquid European hub is Amsterdam-Rotterdam-Antwerp (ARA) where there are extensive storage facilities and refining capacity. In the UK, there is a large LPG terminal on Canvey Island³ in Essex (in the Southeast of England). Cargoes that are offered on a non-ARA related basis will be netted back using a price adjustment to account for the difference in the freight costs. LPGs are traded in both barges or coasters and large cargoes and there are two separate pricing points for each of these markets.

The growth in US shale production has resulted in a huge growth in the expansion of US LPG exports and significant volumes of imports are expected to show up in Europe (and Asia) The Oxford Institute of Energy studies noted in a 2014 report⁴ that the US has become of the world's biggest exporters of LPG. According to the US Energy Information Administration, exports⁵ of LPGs from the US were 956,000 b/d in July 2016 or the equivalent of 77,222 metric tons per day (using a conversion factor of 12.38 barrels per metric ton). This is the equivalent to 77 NYMEX lots for Propane Futures traded per day. From the US Gulf Coast, the typical cargo size is around 44,000 metric tons so this volume represents around 1.5 cargoes per day of export volume.

Eurostat reports LPG data for Europe per country rather than reporting a single data point for the Northwest European region. Propane and Butane both fall under this category therefore we have applied an appropriate split between both products. Based

² Argus Media – IOSCO attestation statement

<http://www.argusmedia.com/~media/da1a48fa57464572b9b9752b665761e8.ashx>

³ UK Canvey Island LPG storage – Calor Gas <https://www.calor.co.uk/news/calor-gas-delighted-to-unveil-new-road-on-canvey-island/>

⁴ <https://www.oxfordenergy.org/wpcms/wp-content/uploads/2014/07/The-US-Shale-Revolution-and-the-changes-in-LPG-Trading-Dynamics-A-Threat-to-the-GCC.pdf>

⁵ US EIA Data – LPG Exports from the US market

<http://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=p&s=mlp&f=m>

on our discussions with market participants with traders, both as end-users and producers, the consensus was that Propane represented about 60% of the total LPG volume with 40% as Butane.

The delivery point for the Propane is cif ARA. In the case of Propane this is using a delivery period of 10-20 days forward on an average cargo size of 20,500 metric tons. We consider cif ARA to be for delivery into Belgium, the Netherlands, Germany, France and the United Kingdom (UK). In the case of France and the UK, we have reduced the volume by 50% to reflect the delivery into ARA only since some locations within each country can't be considered as ARA (the other half of France is considered to be in the Mediterranean region). We have also reduced the UK numbers by 50% as around half of UK volumes are considered in the ARA with the remainder being domestic UK volumes.

According to the Eurostat data production, classified as transformation output from refineries, averaged around **570,000** metric tons of LPG per month or **7.05** million barrels per month over the period from May 2013 to April 2016. Additionally, Imports into the cif ARA region averaged around **744,000** metric tons of LPG per month or **9.21** million barrels per month over the period from May 2013 to April 2016.⁶

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.

The Eurostat data for LPG is referred to as Liquefied Petroleum Gas but the data is not broken down into Propane and Butane. Therefore, we have applied the ratio of 60% Propane with the remaining 40% as Butane to the Eurostat LPG figures. We have excluded the Butane figures as deliverable supply for this analysis.

The Propane conversion factor we have used to convert barrels to metric tons is 12.38 barrels per metric ton which is the factor that JODI⁷ uses. The monthly volume provided is divided by 30 (for the number of days in a month) in conversion to thousand metric tons per day.

We have reduced the production and import volumes for France and UK by 50% as a conservative measure. It is estimated that around half of the produced and imported volumes are considered as ARA volumes with the remainder being considered as Mediterranean volumes (in the case of France) and domestic UK volumes (for the UK).

⁶ <http://ec.europa.eu/eurostat/data/database> (Data. Database by Themes, Environment and Energy, Energy Quantities, Monthly Supply Data, Supply, transformation, consumption, Supply and transformation of oil- monthly data)

⁷ <https://www.jodidata.org/>

Based on our analysis of deliverable supply of Propane (and Butane), production volumes are about 570,000 metric tons per month on average (See full data in Appendix A, table 1). We have applied a 60:40 split to isolate the propane volumes and therefore production was 342,000 per month. Combined imports into Northwest Europe was 744,000 metric tons per month (see full data in Appendix A, table 2). We have applied a 60:40 split to isolate the propane and therefore imports were 446,400 metric tons per month. Total production and imports were 788,400 metric tons per month.

Therefore, the current spot month limit of 50 lots for the parent contract European Propane CIF ARA (Argus) Futures (PS) equates to 6.34% of the deliverable supply. The spot month limit for the new **Mini European Propane CIF ARA (Argus) Futures** will be 500 contract equivalents since the lot size for the mini contract is 100 metric tons which is 10 times smaller than the PS contract into which it will aggregate.

APPENDIX A

Eurostat Data: Monthly LPG (Propane (60% LPG) and Butane (40% LPG)) Data for the ARA Region

Table 1: LPG Production (in thousands of metric tons per month)

	Belgium	Germany	France*	Netherlands	United Kingdom*
May-2013	57	265	142	152	229
Jun-2013	66	266	142	152	238
Jul-2013	82	268	154	144	236
Aug-2013	75	253	133	155	217
Sep-2013	57	232	121	124	155
Oct-2013	18	199	80	93	118
Nov-2013	22	177	106	96	129
Dec-2013	36	179	95	139	166
Jan-2014	40	182	119	147	214
Feb-2014	42	180	124	121	178
Mar-2014	53	207	125	144	204
Apr-2014	67	242	127	175	220
May-2014	63	257	119	144	228
Jun-2014	59	232	118	120	214
Jul-2014	64	230	126	129	218
Aug-2014	66	248	158	138	198
Sep-2014	57	223	133	123	178
Oct-2014	76	179	114	112	180
Nov-2014	70	159	106	131	162
Dec-2014	49	179	107	147	182
Jan-2015	50	187	106	152	170
Feb-2015	38	194	125	152	163
Mar-2015	59	224	189	135	168
Apr-2015	63	259	144	144	193
May-2015	72	279	153	161	196
Jun-2015	68	270	125	151	188
Jul-2015	68	250	135	159	236
Aug-2015	57	250	125	147	206
Sep-2015	59	240	125	141	166
Oct-2015	45	160	135	135	195
Nov-2015	41	167	113	114	172

Dec-2015	51	176	104	143	165	
Jan-2016	51	176	118	154	179	
Feb-2016	55	185	129	142	150	
Mar-2016	56	243	156	126	174	
Apr-2016	58	245	163	126	212	
May 2013 to April 2016	56	218	64	138	94	570

*Data for France and UK has been reduced by 50%

Table 2: LPG Imports (in thousands of metric tons per month)

	Belgium	Germany	France*	Netherlands	United Kingdom*
May-2013	137	85	193	471	55
Jun-2013	146	76	163	372	64
Jul-2013	165	59	253	254	33
Aug-2013	161	66	153	448	8
Sep-2013	131	54	209	413	42
Oct-2013	136	82	335	468	11
Nov-2013	129	80	211	216	41
Dec-2013	140	104	366	171	31
Jan-2014	122	67	313	163	75
Feb-2014	108	56	337	259	55
Mar-2014	124	61	245	288	17
Apr-2014	149	44	200	349	51
May-2014	142	47	288	499	55
Jun-2014	210	45	326	310	28
Jul-2014	170	59	224	479	14
Aug-2014	194	60	244	526	10
Sep-2014	179	50	257	521	21
Oct-2014	149	68	344	471	7
Nov-2014	128	38	365	431	33
Dec-2014	150	74	370	366	52
Jan-2015	234	67	340	339	54
Feb-2015	229	76	316	286	30
Mar-2015	208	71	379	475	32
Apr-2015	210	59	279	177	44
May-2015	209	42	203	331	41
Jun-2015	217	52	208	284	42

Jul-2015	214	34	264	260	2
Aug-2015	248	44	171	368	67
Sep-2015	226	60	241	336	73
Oct-2015	194	67	312	370	11
Nov-2015	199	67	265	344	25
Dec-2015	186	87	357	370	78
Jan-2016	214	74	278	271	125
Feb-2016	223	90	330	262	155
Mar-2016	188	78	222	141	98
Apr-2016	172	75	206	308	137
May 2013 to April 2016	176	64	136	344	24
					744

*Data for France and UK has been reduced by 50%