Christopher Bowen
Managing Director and Chief Regulatory Counsel
Legal Department

January 15, 2014

VIA E-MAIL

Ms. Melissa Jurgens
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, D.C. 20581

RE: CFTC Regulation 40.6(a) Certification. Notification of Amendments to Product Titles and Floating Price Rules of Two (2) Group Three Unleaded Gasoline (Platts) Futures Contracts. NYMEX Submission No. 14-020

Dear Ms. Jurgens:

The New York Mercantile Exchange, Inc. ("NYMEX" or "Exchange") is notifying the Commodity Futures Trading Commission ("CFTC" or "Commission") that it is self-certifying rule amendments for the Group Three Unleaded Gasoline (Platts) Futures (rulebook chapter: 322; commodity code A9) and the Group Three Unleaded Gasoline (Platts) vs. RBOB Futures (rulebook chapter 323; commodity code A8), effective on Thursday, January 30, 2014 for trade date Friday, January 31, 2014. The Exchange is implementing changes to the product titles and the floating price rules as a result of the phase-out of the existing grade of unleaded gasoline. The existing grade is being replaced by a similar gasoline grade, namely "sub-octane" gasoline that specifies the addition of a 10% blend of ethanol.

These rule amendments will become effective beginning with the January 2014 contract month. The holders of open interest positions in the Group Three Unleaded Gasoline (Platts) vs. RBOB Futures (code A8) contracted have consented to the rule amendments. There is no open interest in the Group Three Unleaded Gasoline (Platts) Futures (code A2) contract.

These rule amendments are in response to a change in the underlying gasoline market, because the existing grade of finished unleaded gasoline has been phased-out, due to the federal mandate that requires the increasing use of ethanol as specified in the Renewable Fuel Standard (RFS). Consequently, the unleaded gasoline assessment has been replaced by a similar grade of gasoline, called "sub-octane," which requires the addition of ethanol. Under the RFS mandate, companies are required to utilize an increasing share of ethanol and other renewable fuels in the production of gasoline, and as a result the gasoline market has transitioned to the use of "sub-octane" gasoline which requires the addition of a 10% blend of ethanol.

NYMEX business staff responsible for the rule amendment and the Exchange legal department collectively reviewed the designated contract market core principles ("Core Principles") as set forth in the Commodity Exchange Act ("Act" or "CEA"). During the review, Exchange staff identified that the rule amendments may have some bearing on the following Core Principles:

- Daily Publication of Trading Information: NYMEX will continue to comply with this Core Principle by making public daily information on settlement prices, volume, open interest, and opening and closing ranges for the futures contract listed above.
- Availability of General Information: Pursuant to the Exchange's obligations under this core principle, on or prior to the effective date of the rule amendments, the Exchange will publish the amendment to floating price to the marketplace via Special Executive Report.

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- Contract Not Readily Susceptible to Manipulation: Pursuant to the Exchange's obligations under this core principle, the revised settlement index is based on the monthly average of the daily Platts assessments, which include transactions, bids, and offers. Therefore, the contract is not readily susceptible to manipulation.

Pursuant to Section 5c(c) of the Act and CFTC Regulation 40.6(a), the Exchange hereby certifies that the listing rule amendments comply with the Act, including regulations under the Act. The open interest holders have provided written approval of their consent to the rule amendments, and there were no substantive opposing views to this proposal.

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 Christopher.Bowen@cmegroup.com.

Sincerely,

/s/ Christopher Bowen
Managing Director and Chief Regulatory Counsel

Attachments: Appendix A: Rule Amendments
Appendix B: Cash Market Overview and Analysis of Deliverable Supply
Appendix C: NYMEX Chapter 5 Position Limit Table (attached under separate cover)

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Appendix A

(bold/underline indicates addition; strikethrough indicates deletion)

Chapter 322
Group Three ~~Unleaded~~ Sub-octane Gasoline (Platts) Futures

322.02 FLOATING PRICE
The Floating Price for each contract month is equal to the arithmetic average of the Platts Group Three **Sub-octane** ~~Unleaded~~ gasoline mean for each business day that the Floating Price is determined during the contract month.

Chapter 323
Group Three ~~Unleaded~~ Sub-octane Gasoline (Platts) vs. RBOB Gasoline Futures

323.02 FLOATING PRICE
The Floating Price for each contract month is equal to the arithmetic average of Platts Group Three **Sub-octane** ~~Unleaded~~ Gasoline mean minus the NYMEX RBOB Gasoline Futures first nearby contract month settlement price for each business day that both prices are determined during the contract month.
For purposes of determining the Floating Price, the Platts Group Three Sub-octane ~~Unleaded~~ Gasoline mean will be rounded each day to the nearest thousandth of a cent.

Appendix B

Cash Market Overview and Analysis of Deliverable Supply

The Group Three gasoline market refers to the refining and trading hub that exists in Tulsa, Oklahoma which is the main supply point for the Midwest region of the U.S. There are eight refineries in Oklahoma and Kansas that are directly linked to the Tulsa hub via pipeline. In addition, the Explorer pipeline is a major pipeline connecting Houston to the Tulsa market, and then an additional pipeline segment that connects from Tulsa to Chicago. The Explorer pipeline transports petroleum products including gasoline, diesel fuel and jet fuel from the Gulf Coast refineries into the Tulsa and Chicago markets. The southern part of the system has a current capacity of 660,000 barrels per day, and the northern system north of Tulsa has a current capacity of 450,000 barrels per day (see the Explorer pipeline map at the link below).

http://www.expl.com/Pipeline/Map

The "unleaded" grade of gasoline has been phased out of the Group Three market, and replaced by "sub-octane" grade, which refers to the conventional gasoline blendstock that requires the addition of 10% ethanol, similar to the conventional blendstock referred to as CBOB. In the wholesale gasoline market, the sub-octane grade is shipped unfinished, and the 10% ethanol is blended at the last stage of the delivery process when the gasoline is loaded into the tanker truck for retail delivery.

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http://www.platts.com/subscriber-notes-details/21914932

Consumption and Production

The U.S. Department of Energy's Energy Information Administration (EIA), provides consumption and production statistics for the Midwest area, which is called the PADD 2 district, which encompasses the several states in the Midwest with significant refining capacity, including Oklahoma, Kansas, and Illinois. Table 1 below reflects the EIA data for consumption and production data within the PADD 2 region. Over the period from 2011-2013, total gasoline consumption averaged nearly 2.5 million barrels per day, with approximately 85% of PADD 2 gasoline consumption consisting of conventional gasoline blended with ethanol, also referred to as "sub-octane" grade in the wholesale market. Further, for the 2011-2013 period, PADD 2 refinery production of motor gasoline averaged 2.0 million barrels per day, which is equivalent to 60 million barrels per month.

Table 1. Key Gasoline Statistics: Oklahoma, Kansas, Missouri (PADD 2)[1]

(Thousand Barrels per Day)

[1] EIA Refiner and Blender Net Production:
http://www.eia.gov/dnav/pet/pet_pnp_refp_dc_r2c_mbblpd_m.htm

EIA Consumption Data http://www.eia.gov/dnav/pet/pet_cons_prim_dcu_SOK_m.htm
(Please note that the header "Product Supplied" is a measure of Consumption and Sales in the particular region)

Item and Region	2011	2012	2013	Average 2011-2013
Refinery and Blender Net Production of Conventional Motor Gasoline with Fuel Ethanol (Annual Average of Monthly Data)	2,464	2,460	2,493	2,472
Consumption, (Product Supplied by Prime Supplier), Conventional Gasoline (Annual Average of Monthly Data)	2,093	2,088	2,114	2,098
	85%	85%	85%	85%
Refiner and Blender Net Production, Conventional Gasoline Blended with Ethanol (Annual Average of Weekly Data)	1,796	1,870	1,924	2,022

Table 1. Key Statistics for Gasoline: United States Midwest (PADD 2)

(Thousand Barrels per Day)

Inventories

Table 2 below provides monthly EIA data for PADD 2 inventories for Conventional gasoline blended with ethanol (CBOB) which also is referred to as "sub-octane" gasoline. Over the annual period of 2011 to present, PADD 2 stocks varied from a high of 24 million barrels in December 2013 to a low of 12.7 million barrels in March 2011. According to the most recent EIA data, gasoline inventory levels were at 24 million barrels in December 2013.

Table 2. Gasoline: PADD 2 Stocks, Conventional Gasoline blended with Ethanol (CBOB).[2]

(Thousand Barrels)

	2011	2012	2013
January	13,960	14,985	15,474
February	13,169	15,211	14,748
March	12,687	13,753	15,852
April	12,985	14,112	15,020
May	13,633	13,466	13,963
June	14,678	14,086	13,869
July	14,811	14,460	14,254
August	13,068	14,296	14,010
September	13,241	14,516	21,700
October	12,870	13,536	21,801
November	12,892	13,758	22,278
December	14,307	15,811	24,015

Cash Market Activity

[2] EIA Inventory Data, http://www.eia.gov/dnav/pet/pet_stoc_wstk_dcu_r20_w.htm

Platts started the Group Three Sub-octane gasoline assessment in September 2013 as a replacement for the unleaded gasoline assessment, which was discontinued on December 31, 2013. We have obtained data for the Sub-octane assessment from its start in September 2013 through December 2013. The Platts price reporters monitor the Group Three Sub-octane gasoline market during the trading day for transactions, bids, and offers as reported via telephone or electronic media by multiple market participants. The Group Three gasoline is not assessed in the Platts MOC window. The end of day assessment is based on deals, bids, and offers at the end of the day. The final settlement index is based on the monthly average of the daily Platts assessments, which include transactions, bids, and offers.

According to the volume and transaction data that the Exchange analyzed for the period of September 2013 through December 2013, the average trading volume was 67,500 barrels per day. The typical size of each transaction is 25,000 barrels, but there were frequent transactions done in 10,000 barrel lots. There were a few trading days when there were no transactions during the trading day for the period of September through December 2013. In our estimate of average number of transactions per day, we looked at the calculation based on 10,000 barrel lot size and 25,000 barrel lot size. The average number of transactions per day was 7 transactions based on the transaction size of 10,000 barrels; alternatively, the average number of transactions per day was 3 transactions based on the 25,000 barrel size

On average, there are 8 to 10 active commercial participants in the Group Three gasoline market There is active trading in forward cash deals on the Explorer Pipeline (which links Houston with the Tulsa market). The bid/ask spreads are typically in increments of one-quarter cent, although this can tighten to one-tenth cent spreads when the cash market is active. The cash market is actively quoted by dozens of cash brokers.

Analysis of Deliverable Supply

In its analysis of deliverable supply, the Exchange concentrated on data for the Midwest region (PADD 2) refinery production for gasoline, which is the main supply point for the Group Three market. At this time, the Exchange is not including stocks data in its analysis of deliverable supply. Stocks data tend to vary and, at least upon launch of products, we do not condition recommended position limits based on stock data.

For the two Group Three unleaded gasoline contracts, the existing spot month position limits are 1,000 contracts for the A8 and A9 futures contracts. The Group Three Unleaded Gasoline (Platts) Futures (code A9) is an outright contract, and does not aggregate into another contract. The Group Three Unleaded Gasoline (Platts) vs. RBOB Futures (code A8) aggregates into the two legs: the A9 contract and the RBOB financial futures contract, (code 27).

The deliverable supply analysis for Group Three (Tulsa) market is focused on the Midwest gasoline production capacity in PADD 2 using the EIA data in Table 1 above. Based on the refinery production data, we have estimated the total conventional gasoline supply in the Midwest area was approximately 2.0 million barrels per day, which is equivalent to 60 million barrels per month or 60,000 contract equivalents (contract size: 1,000 barrels). Thus, the spot month position limits of 1,000 contract units, which is equivalent to one million barrels, is approximately 1.5% of the 60,000 contract equivalents of monthly supply for the Group Three gasoline contracts

The deliverable supply analysis for the RBOB leg of the A8 contract has been recently updated. The Exchange estimates the monthly deliverable supply of RBOB gasoline to the New York Harbor to be approximately 29 million barrels, which is equivalent to 29,000 contracts per month. Thus, the spot month position limits of 1,000 contract units, which is equivalent to one million barrels, is approximately 3.5% of the 29,000 contract equivalents of monthly supply for the RBOB leg of the A9 contract.

Appendix C

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

(attached under separate cover)

Contract Name	Rule Chapter	Commodity Code	Contract Size	Contract Units	Type
Group Three ~~Unleaded~~ **Sub-Octane** Gasoline (Platts) vs. RBOB Gasoline Futures	323	A8	42,000	Gallons	Futures
Group Three ~~Unleaded~~ **Sub-Octane** Gasoline (Platts) Futures	322	A9	42,000	Gallons	Futures

Settlement	Group	Diminishing Balance Contract	Reporting Level	Spot-Month position comprised of futures and deliveries	Spot-Month Aggregate Into Futures Equivalent Leg (1)	Spot-Month Aggregate Into Futures Equivalent Leg (2)	Spot-Month Aggregate Into Ratio Leg (1)
Financially Settled Futures	Refined Products	Y	25		A9	27	1 A8 : 1 A9
Financially Settled Futures	Refined Products	Y	25		A9		

Spot-Month Aggregate Into Ratio Leg (2)	Spot-Month Accountability Level	Daily Accountability Level (For Daily Contract)	Initial Spot-Month Limit (In Net Futures Equivalents) Leg (1) / Leg (2)
1 A8 : -1 27			1,000/1,000
			1,000

Spot-Month
Initial Spot-Month Limit Effective Date
For A9: Close of trading 3 business days prior to last trading day of the contract and for 27: Close of trading 3 business days prior to last trading day of the con
Close of trading 3 business days prior to last trading day of the contract

	Single Month							
Spot-Month Limit (In Contract Units) Leg (1) / Leg (2)	Single Month Aggregate Into Futures Equivalent Leg (1)	Single Month Aggregate Into Futures Equivalent Leg (2)	Single Month Aggregate Into Ratio Leg (1)	Single Month Aggregate Into Ratio Leg (2)	Single Month Accountability Level Leg (1) / Leg (2)	Single Month Limit (In Net Futures Equivalents) Leg (1) / Leg (2)	All Month Aggregate Into Futures Equivalent Leg (1)	All Month Aggregate Into Futures Equivalent Leg (2)
42,000,000/42,000,000	A9	27	1 A8 : 1 A9	1 A8 : -1 27	5,000/5,000		A9	27
42,000,000	A9				5,000		A9	

All Month

All Month Aggregate Into Ratio Leg (1)	All Month Aggregate Into Ratio Leg (2)	All Month Accountability Level Leg (1) / Leg (2)	All Month Limit (In Net Futures Equivalents) Leg (1) / Leg (2)
1 A8 : 1 A9	1 A8 : -1 27	7,000/7,000	
		7,000	