

2010 FEB 5 AM 10 01

February 4, 2010

VIA E-MAIL

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

Re: Rule Certification. New York Mercantile Exchange, Inc. Submission # 10-030: Notification Regarding the Listing of Five New Petroleum Futures Contracts for Clearing and Trading on CME ClearPort® and Two Related Rule Amendments

Dear Mr. Stawick:

The New York Mercantile Exchange, Inc. ("NYMEX" or "Exchange") is notifying the Commodity Futures Trading Commission ("CFTC" or "Commission") that it is self-certifying the listing of five (5) new financially settled petroleum futures contracts for trading on the NYMEX trading floor and for submission for clearing through CME ClearPort. The contracts will be listed on Sunday, February 7, 2010 for trade date Monday, February 8, 2010.

The Exchange is also notifying the Commission that it is self-certifying amendments to two existing spread futures contracts. The amendments include revisions to (i) the contract titles such that the naming convention is consistent and that the titles accurately reflect the spreads offered under the contracts, (ii) the floating price rules such that the rules accurately reflect the existing methodology for the pricing of the contracts, (iii) the header titles for the contract listing rules such that the header accurately reflects the rule, (iv) the termination of trading rules such that the rules accurately reflect the termination of trading of the daily contracts, and (v) the exchange for related position rules such that such that the definitions and references are consistent with the harmonized rulebook. All rule amendments under this submission do not affect the value of the contracts and are administrative in nature.

The rule amendments and the five new petroleum futures contracts, commodity codes and rule chapters are as follows:

<u>New Contracts</u>	<u>Code</u>	<u>Rule Chapter</u>
Brent CFD (Platts) vs. Brent Third Month (Platts) Swap Futures	59	316
3.5% Fuel Oil Rdam vs. 3.5% FOB MED Spread (Platts) BALMO Swap Futures	63	605
1% Fuel Oil Rdam vs. 1% Fuel Oil NWE (Platts) Swap Futures	33	611
European Naphtha (Platts) Crack Spread BALMO Swap Futures	43	636
Northwest Europe Fuel Oil High-Low Sulfur Spread (Platts) BALMO Swap Futures	88	663
<u>Rule Amendments</u>		
Brent CFD (Platts) vs. Brent Second Month (Platts) Swap Futures	6W	699
Brent CFD (Platts) vs. Brent Front Month (Platts) Swap Futures	1C	319

The first listed month for the three BALMO Swap Futures (codes 43, 88, and 63) and the Brent CFD (Platts) vs. Brent Third Month (Platts) Swap Futures (code 59) contracts will be the February 2010 contract month. The three BALMO Swap Futures contracts will be listed for one month and the following month for 10 business days prior to the start of the contract month. The Brent CFD (Platts) vs. Brent Third Month (Platts) Swap Futures will be listed for four consecutive months.

The first listed month for the 1% Fuel Oil Rdam vs. 1% Fuel Oil NWE (Platts) Swap Futures (code 33) contract will be the March 2010 contract month. The 1% Fuel Oil Rdam vs. 1% Fuel Oil NWE (Platts) Swap Futures contract will be listed for 36 consecutive months.

The Exchange will allow exchange of futures for related position ("EFRP") transactions to be submitted through the CME ClearPort. The EFRP transactions will be governed by the provisions of Exchange Rule 538.

Although the supplemental market information for the new contracts attached herewith includes the recommended position limits for these contracts, a separate filing will be submitted to the Commission to self-certify those position limits.

Pursuant to Section 5c(c) of the Commodity Exchange Act ("Act") and CFTC Rules 40.2 and 40.6, the Exchange hereby certifies that the attached contracts and rule amendments comply with the Act, including regulations under the Act. The listing of the new contracts and the application of the rule amendments will become effective on February 8, 2010.

Should you have any questions concerning the above, please contact Daniel Brusstar at (212) 299-2604 or me at (312) 648-5422.

Sincerely,

/s/ Stephen M. Szarmack
Regulatory Counsel

Attachments: Contract terms and conditions
Supplemental Market Information

Chapter 611

1% Fuel Oil Rdam vs. 1% Fuel Oil NWE (Platts) Swap Futures

611.01 SCOPE

The provisions of these Rules shall apply to all contracts listed on the Exchange for cash settlement based on the Floating Price.

611.02 FLOATING PRICE

The Floating Price for each contract month is equal to the arithmetic average of the high and low quotations from Platts European Marketscan for 1% Fuel Oil under the heading "Barges FOB Rotterdam" minus "Cargoes FOB NWE" assessment for each business day that both are determined during the contract month.

611.03 CONTRACT QUANTITY AND VALUE

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.

611.04 CONTRACT MONTHS

Trading shall be conducted in contracts in such months as shall be determined by the Exchange.

611.05 PRICES AND FLUCTUATIONS

Prices shall be quoted in U.S. dollars and cents per metric ton. The minimum price fluctuation shall be \$0.001 per metric ton. There shall be no maximum price fluctuation.

611.06 TERMINATION OF TRADING

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

611.07 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.

611.08. EXCHANGE OF FUTURES FOR RELATED POSITION TRANSACTIONS

Any Exchange of Futures for Related Position (EFRP) transactions shall be governed by the provisions of Exchange Rule 538.

611.09 DISCLAIMER

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Chapter 636

European Naphtha (Platts) Crack Spread BALMO Swap Futures

636.01 SCOPE

The provisions of these rules shall apply to all contracts listed on the Exchange for cash settlement based on the Floating Price.

636.02 FLOATING PRICE

The Floating Price for each contract month is equal to the balance-of-month arithmetic average of the high and low quotations from the Platts European Marketscan for Naphtha Physical under the heading "Cargoes CIF NWE Basis ARA" minus the Brent Crude Oil (ICE) Futures first nearby contract settlement price starting from the selected start date through the end of the contract month, inclusively (using Non-common pricing).

The settlement price of the first nearby Brent Crude Oil (ICE) Futures contract month will be used except on the last day of trading for the expiring Brent Crude Oil (ICE) Futures contract when the settlement price of the second nearby contract month will be used.

For purposes of determining the Floating Price, the Platts Naphtha assessment price will be converted each day to U.S. dollars and cents per barrel, rounded to the nearest cent. The conversion factor will be 8.9 barrels per metric ton.

636.03 CONTRACT QUANTITY AND VALUE

The contract quantity shall be 1,000 U.S. barrels. Each contract shall be valued as the contract quantity (1,000) multiplied by the settlement price.

636.04 CONTRACT MONTHS

Trading shall be conducted in contracts in such months as shall be determined by the Exchange.

636.05 PRICES AND FLUCTUATIONS

Prices shall be quoted in U.S. dollars and cents per barrel. The minimum price fluctuation shall be \$0.001 per barrel. There shall be no maximum price fluctuation.

636.06 TERMINATION OF TRADING

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

636.07 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.

636.08. EXCHANGE OF FUTURES FOR RELATED POSITION TRANSACTIONS

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PROFITS OR INDIRECT, PUNITIVE, SPECIAL OR CONSEQUENTIAL DAMAGES (INCLUDING LOST PROFITS), EVEN IF NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES.

Chapter 663

Northwest Europe Fuel Oil High-Low Sulfur Spread (Platts) BALMO Swap Futures

663.01 SCOPE

The provisions of these rules shall apply to all contracts listed on the Exchange for cash settlement based on the Floating Price.

663.02 FLOATING PRICE

The Floating Price for each contract month is equal to the balance-of-month arithmetic average of the high and low quotations from the Platts European Marketscan for 1% Fuel Oil under the heading "Cargoes FOB NWE" minus the high and low quotations from Platts *European Marketscan* for 3.5% Fuel Oil under the heading "Barges FOB Rotterdam" starting from the selected start date through the end of the contract month, inclusively (using Non-common pricing).

663.03 CONTRACT QUANTITY AND VALUE

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.

663.04 CONTRACT MONTHS

Trading shall be conducted in contracts in such months as shall be determined by the Exchange.

663.05 PRICES AND FLUCTUATIONS

Prices shall be quoted in U.S. dollars and cents per barrel. The minimum price fluctuation shall be \$0.001 per metric ton. There shall be no maximum price fluctuation.

663.06 TERMINATION OF TRADING

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

663.07 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.

663.08. EXCHANGE OF FUTURES FOR RELATED POSITION TRANSACTIONS

Any Exchange of Futures for Related Position (EFRP) transactions shall be governed by the provisions of Exchange Rule 538.

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Chapter 605

3.5% Fuel Oil Rdam vs. 3.5% FOB MED Spread (Platts) BALMO Swap Futures

605.01 SCOPE

The provisions of these rules shall apply to all contracts listed on the Exchange for cash settlement based on the Floating Price.

605.02 FLOATING PRICE

The Floating Price for each contract month is equal to the balance-of-month arithmetic average of the high and low quotations from the Platts *European Marketscan* for 3.5% Fuel Oil under the heading "Cargoes FOB Med Basis Italy" minus 3.5% Fuel Oil under the heading "Barges FOB Rotterdam" starting from the selected start date through the end of the contract month, inclusively (using Non-common pricing).

605.03 CONTRACT QUANTITY AND VALUE

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.

605.04 CONTRACT MONTHS

Trading shall be conducted in contracts in such months as shall be determined by the Exchange.

605.05 PRICES AND FLUCTUATIONS

Prices shall be quoted in U.S. dollars and cents per barrel. The minimum price fluctuation shall be \$0.001 per metric ton. There shall be no maximum price fluctuation.

605.06 TERMINATION OF TRADING

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

605.07 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.

605.08. EXCHANGE OF FUTURES FOR RELATED POSITION TRANSACTIONS

Any Exchange of Futures for Related Position (EFRP) transactions shall be governed by the provisions of Exchange Rule 538.

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Chapter 316

Brent CFD (Platts) vs. Brent Third Month (Platts) Swap Futures

316.01 SCOPE

The provisions of these Rules shall apply to all contracts bought or sold on the Exchange for cash settlement based on the Floating Price.

316.02 FLOATING PRICE

The Floating Price for each Brent Contract for Differences (CFD) contract is the daily mid-point between the high and low quotations from the Platts Crude Oil Marketwire for the CFD assessment which is based on Dated Brent minus the third month Brent (also referred to BFOE) cash price for each business day that both prices are determined during the contract day.

316.03 CONTRACT QUANTITY AND VALUE

The contract quantity shall be 1,000 U.S. barrels. Each contract shall be valued as the contract quantity (1,000) multiplied by the settlement price.

316.04 CONTRACT DAYS

Trading shall be conducted in contracts in such duration as shall be determined by the Exchange.

316.05 PRICES AND FLUCTUATIONS

Prices shall be quoted in U.S. dollars and cents per barrel. The minimum price fluctuation shall be \$0.001 per barrel. There shall be no maximum price fluctuation.

316.06 TERMINATION OF TRADING

Trading shall cease at the close of the business day of the daily contract.

316.07 FINAL SETTLEMENT

Delivery under the contract shall be by cash settlement. Final settlement will be based on the Floating Price. The final settlement price will be the Floating Price calculated for each contract.

316.08 EXCHANGE OF FUTURES FOR RELATED POSITION TRANSACTIONS

Any Exchange of Futures for Related Position (EFRP) transactions shall be governed by the provisions of Exchange Rule 538.

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Chapter 699

Brent CFD (Platts) vs. Brent Second Month (Platts) Swap Futures

699.01. SCOPE

The provisions of these rules shall apply to all contracts bought or sold on the Exchange for cash settlement based on the Floating Price.

699.02. FLOATING PRICE

The Floating Price for each Brent Contract for Differences (CFD) contract is the ~~daily five (5) consecutive weekdays arithmetic average of the mid-point between the high and low quotations~~ from the Platts Crude Oil Marketwire for the CFD assessment which is based on Dated Brent minus the second month Brent (also referred to BFOE) cash price for each business day that both prices are determined during the contract ~~month~~day.

699.03. CONTRACT QUANTITY AND VALUE

The contract quantity shall be 1,000 U.S. barrels. Each contract shall be valued as the contract quantity (1,000) multiplied by the settlement price.

699.04. CONTRACT WEEKSDAYS

Trading shall be conducted in contracts in such duration as shall be determined by the Exchange.

699.05. PRICES AND FLUCTUATIONS

Prices shall be quoted in U.S. dollars and cents per barrel. The minimum price fluctuation shall be \$0.001 per barrel. There shall be no maximum price fluctuation.

699.06. TERMINATION OF TRADING

Trading shall cease ~~at the close of on the last the~~ business day ~~of the daily of the week of the~~ contract period.

699.07. 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.

699.08. ~~EXCHANGE OF FUTURES FOR, OR IN CONNECTION WITH, PRODUCT AND~~ ~~EXCHANGE OF FUTURES FOR, OR IN CONNECTION WITH, SWAP RELATED~~ POSITION TRANSACTIONS

~~Any Exchange of Futures for, or in Connection with, Product (EFP) Related Position (EFRP) transactions or Exchange of Futures for, or in Connection with, Swap Transactions (EFS) shall be governed by the provisions of Rules 6.21 and 6.21A, respectively 538.~~

699.09. DISCLAIMER

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Chapter 319

Brent CFD (Platts) vs. Brent Front Month (Platts) Swap Futures

319.01 SCOPE

The provisions of these rules shall apply to all contracts bought or sold on the Exchange for cash settlement based on the Floating Price.

319.02 FLOATING PRICE

The Floating Price for each Brent Contract for Differences (CFD) contract is the daily five (5) consecutive weekdays arithmetic average of the mid-point between the high and low quotations from the Platts Crude Oil Marketwire for the CFD assessment which is based on Dated Brent minus the first month Brent (also referred to BFOE) cash price for each business day that both prices are determined during the contract month day.

319.03 CONTRACT QUANTITY AND VALUE

The contract quantity shall be 1,000 U.S. barrels. Each contract shall be valued as the contract quantity (1,000) multiplied by the settlement price.

319.04 CONTRACT ~~MONTHS~~ DAYS

Trading shall be conducted in contracts in such duration as shall be determined by the Exchange.

319.05 PRICES AND FLUCTUATIONS

Prices shall be quoted in U.S. dollars and cents per barrel. The minimum price fluctuation shall be \$0.001 per barrel. There shall be no maximum price fluctuation.

319.06 TERMINATION OF TRADING

Trading shall cease at the close of -on the last the business day of the daily week of the contract period.

319.07 FINAL SETTLEMENT

Delivery under the contract shall be by cash settlement. Final settlement will be based on the Floating Price. The final settlement price will be the Floating Price calculated for each contract.

319.08 ~~EXCHANGE OF FUTURES FOR RELATED POSITION, OR IN CONNECTION WITH, PRODUCT AND EXCHANGE OF FUTURES FOR, OR IN CONNECTION WITH, SWAP~~ TRANSACTIONS

~~Any Exchange of Futures for, or in connection with, product-Related Position (EFRP) transactions or exchange of futures for, or in connection with, swap transactions (EFS) shall be governed by the provisions of Exchange Rules 6.21 and 6.21A, respectively 538.~~

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SUPPLEMENTAL MARKET INFORMATION

Price Sources: Platts

The price reporting services used for the final settlement of the new European petroleum futures contracts are Platts, and the IntercontinentalExchange ("ICE"). These price sources are the major pricing services that are used in the over-the-counter (OTC) market for pricing swap contracts, and the methodology utilized is well-known in the oil industry.

The New York Mercantile Exchange, Inc. ("NYMEX" or the "Exchange") has license agreements with Platts to utilize their pricing data. Platts has long-standing reputations in the industry in publishing price benchmarks that are fair and not manipulated. The pricing methodology for Platts is derived from telephone surveys and electronic data collected from multiple market participants to determine market value.

Brent Crude Oil Market

The Brent crude oil market represents a robust and liquid trading hub in Europe. Brent, which consists of a blend of four light, sweet crude oil grades from the North Sea: Brent; Forties; Oseberg; and Ekofisk (collectively known as "BFOE"), serves as an international benchmark grade. According to data collected by consulting firm Consilience Energy Advisory Group, the total production of BFOE, commonly called "Brent", is approximately 1.5 million barrels per day. The Brent cash market typically trades in cargo size units of 600,000 barrels. Pursuant to conversations with market participants, ten to fifteen cargo-size transactions are traded on a daily basis. Furthermore, Platts has confirmed that twenty to thirty active participants contribute daily to its price indices. These factors, among other things, contribute to a highly liquid BFOE cash market involving diverse commercial companies.

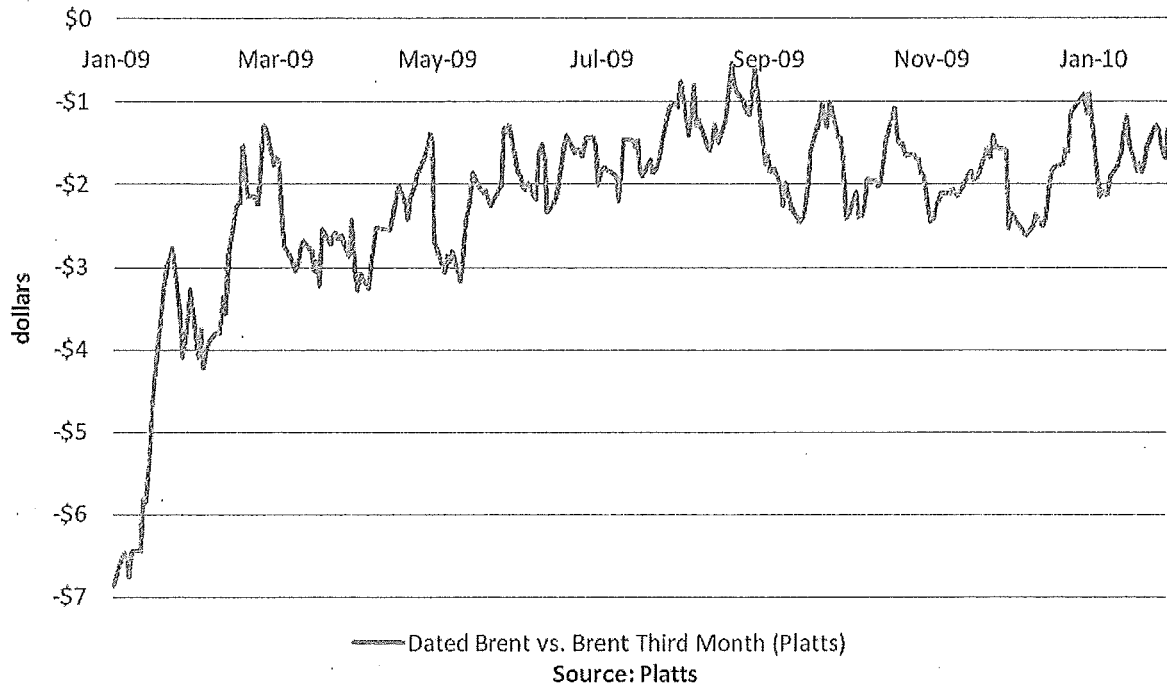
In the OTC swaps market, Brent is considered a highly liquid benchmark derivative instrument because of its daily trading volume of approximately seven million to ten million barrels. The typical OTC transaction size consists of 100,000 barrels, with 75 to 100 transactions traded daily in the OTC swaps market. The bid/ask spreads are typically in increments of 10 cents per barrel, which reflects robust liquidity in the OTC market. In addition, the Brent Futures market is highly liquid. The average daily trading volume in ICE's Brent Futures contract in 2008 consisted of more than 250,000 contracts, with open interest of over 550,000 contracts.

Brent Crude Oil Market Participants

The market participation in the Brent market is diverse and includes many of the same commercial entities that are active in the New York Harbor cash market. The Brent cash and OTC market's consist of at least 30 to 40 commercial companies, including the following:

<u>Refiners</u>	<u>Traders/End Users</u>	<u>Brokers</u>	<u>Financial (Swaps)</u>
ConocoPhillips	Hess Energy Trading	GFI Starsupply	Citibank
Valero	Vitol	PVM	Deutsche Bank
Shell	Glencore	Man Financial	Barclays
ExxonMobil	Arcadia	ICAP	BankAmerica
BP	Northville	Aspen Oil	Merrill Lynch
Total	Cargill	Prebon	
OMV	Morgan Stanley	TFS	
Repsol	Goldman Sachs	Amerex	
Chevron	Koch		
Marathon	Mabanaft		
Sunoco	Phibro		
AGIP	Arcadia		
	Mercuria		
	Sempre		
	Trafigura		
	RWE Trading		

Dated Brent vs. Brent Third Month (Platts)



Proposed Limits for the Brent CFD (Platts) vs. Brent Third Month (Platts) Swap Futures

The Exchange has set the spot month limit for the Brent CFD (Platts) vs. Brent Third Month (Platts) Swap Futures at 1,000 contracts, or one million barrels, which is less than 5% of the monthly deliverable supply of Brent crude oil in the European market.

European Fuel Oil Market

The European fuel oil market in Amsterdam-Rotterdam-Antwerp (ARA) represents the largest hub in Europe for petroleum products, with extensive storage capacity and refining capacity. The ARA market is a vibrant import and supply center for residual fuel oil, with around 600,000 barrels per day of fuel oil supplied by refineries in The Netherlands, Germany, and France. The ARA market is the main supply center for European fuel oil, which includes 1.5% fuel oil, 1.0% fuel oil, and 3.5% fuel oil. The demand for fuel oil in the ARA metropolitan area, which includes Netherlands, Germany and Northern France, is more than 500,000 barrels per day. The EIA compiles consumption data from the International Energy Agency on the European market in their *International Energy Annual* publication at the link below in Table 3.5:

<http://tonto.eia.doe.gov/cfapps/ipdbproject/IEDIndex3.cfm?tid=5&pid=54&aid=2>

The Energy Information Administration (EIA) provides import data for the ARA market in Table 1, which reflects fuel oil imports for the Netherlands at around 400,000 barrels per day. In addition, the EIA data in Table 1 (see below) shows local refinery production of fuel oil in the Netherlands at around 260,000 barrels per day. Therefore, the total supply of fuel oil in the ARA market is approximately 500,000 barrels per day (or equivalent to 75,000 Metric Tons per day).

The European fuel oil market is priced in units of dollars per metric ton. The conversion factor is 8.9 barrels per metric ton. The estimated trading volume of fuel oil (converted to barrel equivalents) in the ARA cash market is approximately 500,000 to 700,000 barrels per day. The typical transaction size is around 35,000 to 40,000 barrels. The volume of spot transactions is typically more than half of all cash transactions. There is active trading in forward cash deals and in the OTC swaps market. The bid/ask spreads are typically in increments of 50 cents per metric ton (or around 0.10 cents per gallon equivalent), which reflects robust liquidity in the cash market Table 1. (Selected Statistics for Fuel Oil: Europe).

Table 1. Selected Statistics for Fuel Oil: Europe.

(Thousand Barrels per Day)

Item and Region	2006	2007	2008	Average 2006-2008
Annual Consumption, Fuel Oil¹				
Europe	1987.849	NA	NA	NA
France	119.438	113.219	104.385	112.348
Germany	177.932	180.562	173.978	177.490
Netherlands	286.510	271.712	244.751	267.658
Annual Production, Fuel Oil²				
Europe	2196.680	NA	NA	NA
France	210.041	202.200	200.937	204.393
Germany	241.816	241.532	211.880	231.743
Netherlands	214.726	211.595	196.060	207.460

¹ EIA Consumption Data,

<http://tonto.eia.doe.gov/cfapps/ipdbproject/iedindex3.cfm?tid=5&pid=66&aid=2&cid=r3.&syid=2006&eyid=2008&unit=TBD>

² EIA Production Data,

<http://tonto.eia.doe.gov/cfapps/ipdbproject/iedindex3.cfm?tid=5&pid=66&aid=1&cid=r3.&syid=2006&eyid=2008&unit=TBD>

Table 1 (continued). Selected Statistics for Fuel Oil: Europe.

(Thousand Barrels per Day)

Item and Region	2006	2007	2008	Average 2006-2008
Imports, Fuel Oil³				
Europe	1057.670	NA	NA	NA
France	86.989	97.326	107.751	97.355
Germany	58.704	46.051	54.007	52.921
Netherlands	422.864	434.807	426.186	427.952
Exports, Fuel Oil⁴				
Europe	1166.962	NA	NA	NA
France	129.406	134.761	129.723	131.297
Germany	104.137	95.213	78.475	92.608
Netherlands	313.541	318.365	296.083	309.330

European Fuel Oil Market Participants

The market participation in European fuel oil is diverse and includes many of the same commercial entities that are active in the New York Harbor market. The European cash market and OTC market participants number 30 to 40 commercial companies. A partial listing is as follows:

<u>Refiners</u>	<u>Traders/End Users</u>	<u>Brokers</u>	<u>Financial (Swaps)</u>
ConocoPhillips	Sempra	GFI Starsupply	Citibank
Valero	Vitol	PVM	Deutsche Bank
Shell	Glencore	Man Financial	Barclays
ExxonMobil	Trafigura	ICAP	BankAmerica
BP	Northville	Aspen Oil	Merrill Lynch
Total	Cargill	GFI Spectron	
Koch Petroleum	Morgan Stanley	TFS	
Repsol	Goldman Sachs	Amerex	
CEPSA	Koch	Prebon	
Netherlands Refining	Mabanaft		
OMV	Phibro		
	Arcadia		
	Mercuria		

³ EIA Import Data,
<http://tonto.eia.doe.gov/cfapps/ipdbproject/iedindex3.cfm?tid=5&pid=66&aid=3&cid=r3.&syid=2006&eyid=2008&unit=TBPD>

⁴ EIA Export Data,
<http://tonto.eia.doe.gov/cfapps/ipdbproject/iedindex3.cfm?tid=5&pid=66&aid=4&cid=r3.&syid=2006&eyid=2008&unit=TBPD>

Typically, in the OTC market, balance-of-month (BALMO) swaps are used by market participants for pricing transactions in periods that are less than a full calendar month. BALMO swap futures contracts are cash-settled, and are settled similar to a calendar month swap using a specified index price, such as Platts price assessments, starting from the day of execution until the last day of the contract month. The user has the flexibility to select the start date (or first day) of the BALMO averaging period, and the last day of the period is the last business day of the contract month. In the OTC oil market, the BALMO swap is a useful hedging tool that allows the market participants and hedgers to customize the averaging period of the transaction to allow for partial-month average prices. The BALMO swap is similar in structure to a calendar month swap, except for the averaging period of the transaction. The BALMO swap contracts allow the user to customize the timing of a transaction to allow for partial-month average prices.

Proposed Speculative Limits for the 3.5% Fuel Oil Rdam vs. 3.5% FOB MED Spread (Platts) BALMO, 1% Fuel Oil Rdam vs. 1% Fuel Oil NWE (Platts) Swap Futures, and Northwest Europe Fuel Oil High-Low Sulfur Spread (Platts) BALMO Swap Futures

The Exchange has set the spot month limit for the 3.5% Fuel Oil Rdam vs. 3.5% FOB MED Spread (Platts) BALMO Swap, the 1% Fuel Oil Rdam vs. 1% Fuel Oil NWE Spread (Platts) Swap, and the Northwest Europe Fuel Oil High-Low Sulfur Spread (Platts) BALMO Swap Futures contracts at 150 contracts.

The spot month limit of 150 contracts is equivalent to approximately one million barrels, which is less than 10% of the monthly deliverable supply of fuel oil in the European market. Further, the Exchange will aggregate the spot month limit for the spread contract of 1% Fuel Oil Rdam vs. 1% Fuel Oil NWE (Platts) Spread Swap with the spot month expiration levels that are set for the underlying outright contracts. In addition, the two BALMO contracts will be aggregated with the underlying spread contracts.

European Naphtha Market

The European naphtha, distillate, and gasoline markets represent a large physical market, and the ARA region is the major European import hub for these transport fuels. The ARA is the largest gasoline market in Europe, with demand of over one million barrels per day.

Naphtha is used as a gasoline blending component that is part of the gasoline pool. Naphtha imports into Europe total over 300,000 barrels per day. The EIA compiles data on European naphtha imports under the category of "Motor Gasoline" refined products in Table 2 below. Further, Europe is a large importer of distillate, kerosene, and jet fuel with imports of approximately 3.0 million barrels per day⁵. The new European naphtha balance-of-month (BALMO) contract allows for partial-month average prices for existing calendar month swap futures contracts.

Table 2. Selected Statistics for Motor Gasoline: Europe.

(Thousand Barrels per Day)

Item and Region	2006	2007	2008	Average 2006-2008
Annual Consumption, Motor Gasoline ⁶				
Europe	2695.033	NA	NA	NA
France	236.137	225.466	207.814	223.139
Germany	523.301	492.921	474.934	497.052
Netherlands	97.164	99.616	97.637	98.139
Annual Production, Motor Gasoline ⁷				
Europe	3710.168	NA	NA	NA
France	401.942	389.230	386.836	392.670
Germany	626.871	609.863	587.347	608.027
Netherlands	319.340	319.507	247.863	295.570

Naphtha is traded in dollars per metric ton, which is equal to 8.9 barrels per ton. The estimated trading volume of naphtha in the European cash market (converted to barrel equivalents) is around 500,000 to 700,000 barrels per day. There is some trading in forward cash deals, with bid/ask spreads typically in increments of one-quarter cent to one-half cent. The OTC naphtha swaps market in Europe is very liquid with diverse market participation.

⁵ EIA Import Data,

<http://tonto.eia.doe.gov/cfapps/ipdbproject/iedindex3.cfm?tid=5&pid=65&aid=3&cid=r3,&syid=2006&eyid=2008&unit=TBDP>,

<http://tonto.eia.doe.gov/cfapps/ipdbproject/iedindex3.cfm?tid=5&pid=63&aid=3&cid=r3,&syid=2006&eyid=2008&unit=TBDP>,

<http://tonto.eia.doe.gov/cfapps/ipdbproject/iedindex3.cfm?tid=5&pid=64&aid=3&cid=r3,&syid=2006&eyid=2008&unit=TBDP>

⁶ EIA Consumption Data,

<http://tonto.eia.doe.gov/cfapps/ipdbproject/iedindex3.cfm?tid=5&pid=62&aid=2&cid=r3,&syid=2006&eyid=2008&unit=TBDP>

⁷ EIA Production Data

<http://tonto.eia.doe.gov/cfapps/ipdbproject/iedindex3.cfm?tid=5&pid=62&aid=1&cid=r3,&syid=2006&eyid=2008&unit=TBDP>

Table 2 (continued). Selected Statistics for Motor Gasoline: Europe.
(Thousand Barrels per Day)

Item and Region	2006	2007	2008	Average 2006- 2008
Imports, Motor Gasoline ⁸				
Europe	771.955	NA	NA	NA
France	13.752	12.018	17.000	14.257
Germany	49.542	41.417	37.194	42.718
Netherlands	243.457	278.182	333.055	284.898
Exports, Motor Gasoline ⁹				
Europe	1702.355	NA	NA	NA
France	161.661	147.123	182.599	163.794
Germany	129.690	125.500	132.707	129.299
Netherlands	400.530	427.084	482.666	436.760

The European cash market and OTC market participants are diverse and include 20 to 30 commercial companies. A partial listing is as follows:

<u>Refiners</u>	<u>Traders/End Users</u>	<u>Brokers</u>	<u>Financial (Swaps)</u>
ConocoPhillips	Semptra	GFI Starsupply	Citibank
Valero	Vitol	PVM	Deutsche Bank
Shell	Glencore	Man Financial	Barclays
ExxonMobil	Trafigura	ICAP	BankAmerica
BP	Northville	Aspen Oil	Merrill Lynch
Total	Cargill	GFI Spectron	
Koch Petroleum	Morgan Stanley	TFS	
Repsol	Goldman Sachs	Amerex	
CEPSA	Koch	Prebon	
Netherlands Refining	Mabanaft		
OMV	Phibro		
	Arcadia		
	Mercuria		

Proposed Limits for the European Naphtha (Platts) Crack Spread BALMO Swap Futures

The Exchange has set the spot month limit for the European Naphtha (Platts) Crack Spread BALMO Swap Futures at 150 contracts, or approximately 1.3 million barrels, which is less than 5% of the monthly deliverable supply of naphtha in the European market. Further, the Exchange will aggregate the spot month limit for this BALMO contract with the underlying European Naphtha Crack Spread Swap contract.

⁸ EIA Import Data,
<http://tonto.eia.doe.gov/cfapps/ipdbproject/iedindex3.cfm?tid=5&pid=62&aid=3&cid=r3.&syid=2006&eyid=2008&unit=TBD>

⁹ EIA Export Data,
<http://tonto.eia.doe.gov/cfapps/ipdbproject/iedindex3.cfm?tid=5&pid=62&aid=4&cid=r3.&syid=2006&eyid=2008&unit=TBD>