



February 18, 2010

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OFFICE OF THE SECRETARIAT  
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**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 #10-048:  
Notification Regarding the Listing of Gulf Coast No. 6 Fuel Oil 3.0% (Platts)  
Average Price Option Contract on NYMEX Trading Floor and CME ClearPort®**

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 a Gulf Coast No. 6 Fuel Oil 3.0% (Platts) Average Price Option contract which represents an option on the Exchange's Gulf Coast No. 6 Fuel Oil 3.0% (Platts) Swap Futures contract. This option contract will have a final settlement based on the average price from Platts for Gulf Coast No.6 Fuel Oil.

The Gulf Coast No. 6 Fuel Oil 3.0% (Platts) Average Price Option contract will be listed for open outcry trading during the hours of 9:00 a.m. to 2:30 p.m. (New York Prevailing time) Monday through Friday, except on Exchange holidays. The contract will also be listed for clearing through CME ClearPort for submission of an exchange of Exchange energy options for, or in connection with, an over-the-counter ("OTC") energy options product (hereinafter an exchange of options for options or "EOO") transaction pursuant to NYMEX Rule 538, from 6:00 p.m. Sundays through 5:15 p.m. Fridays (New York Prevailing time), with a 45-minute break each day between 5:15 p.m. and 6:00 p.m., except on Exchange holidays.

The following will be the contract terms:

Rule Chapter: 604

Ticker Symbol: FG

Monthly Contract Listings: The Gulf Coast No. 6 Fuel Oil 3.0% (Platts) Average Price Option contract will be listed beginning with the March 2010 contract month. The Exchange will list the contract up to 52 consecutive contract months. Upon expiration of the March 2010 contract, a new calendar month will be listed.

Type of Option: Gulf Coast No. 6 Fuel Oil 3.0% (Platts) Average Price Option contract is a financially settled European-style option. The option cannot be exercised prior to expiration.

The Gulf Coast No. 6 Fuel Oil 3.0% (Platts) Average Price Option Contract will be listed for open outcry trading on the NYMEX trading floor and for clearing through CME ClearPort beginning with trade date Monday, February 22, 2010.

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 contract complies with the Act, including regulations under the Act.

Should you have any questions concerning the above, please contact Bob Biolsi at 212-299-2610 or me at (312) 648-5422.

Sincerely,

/s/ Stephen M. Szarmack  
Regulatory Counsel

Attachments: Contract terms and conditions  
Supplemental Market Information

8095

## Chapter 604

### Gulf Coast No. 6 Fuel Oil 3.0% (Platts) Average Price Option

#### 604.01 EXPIRATION

A Gulf Coast No. 6 Fuel Oil 3.0% (Platts) Average Price Option contract shall expire on the last business day of the contract month.

#### 604.02 TYPE OF OPTION

Gulf Coast No. 6 Fuel Oil 3.0% (Platts) Average Price Option contract is a financially settled European-style option. The option cannot be exercised prior to expiration.

#### 604.03 TRADING UNIT

On expiration of a call option, the option will be financially settled by subtracting the strike price from the underlying settlement price of the Gulf Coast No. 6 Fuel Oil 3.0% (Platts) Swap Futures contract times 1,000 barrels, or zero, whichever is greater. On expiration of a put option, the option will be financially settled by subtracting the underlying settlement price of the Gulf Coast No. 6 Fuel Oil 3.0% (Platts) Swap Futures contract from the strike price times 1,000 barrels, or zero, whichever is greater.

#### 604.04 HOURS OF TRADING

The option contract is available for open outcry trading on the Exchange trading floor between 9:00 a.m. and 2:30 p.m. (New York Prevailing time) Monday through Friday, except on Exchange Holidays.

The option contract is available for clearing through CME ClearPort<sup>®</sup> from 6:00 p.m. Sundays through 5:15 p.m. Fridays (New York Prevailing time), with a 45-minute break each day between 5:15 p.m. and 6:00 p.m., except on Exchange Holidays.

#### 604.05 STRIKE PRICES

Trading shall be conducted for options with strike prices in increments as set forth below.

- (A) On the first business day of trading in an option contract month, trading shall be at the following strike prices: (i) the previous day's settlement price for the underlying Gulf Coast No. 6 Fuel Oil 3.0% (Platts) Swap Futures contract rounded off to the nearest five-cent increment, unless such settlement price is precisely midway between two five-cent increments in which case it shall be rounded off to the lower five-cent increment; (ii) the twenty strike prices which are twenty five-cent increments higher than the strike price described in section (i) of this Rule 604.05(A); and (iii) the twenty strike prices which are twenty five-cent increments lower than the strike price described in section (i) of this Rule 604.05(A).
- (B) Thereafter, on any business day prior to the expiration of the option, new strike prices for both puts and calls will be added, such that at all times there will be at least twenty five-cent increment strike prices above and below the at-the-money strike price available for trading in all option contract months. The at-the-money strike price will be determined in accordance with the procedures set forth in Subsection (A) of this Rule 604.05.
- (C) Notwithstanding the provisions of subsections (A) and (B) of this Rule, if the Exchange determines that trading in financially settled Gulf Coast No. 6 Fuel Oil 3.0% (Platts) Average Price Option contract will be facilitated thereby, the Exchange may, by resolution, change the increments between strike prices, the number of strike prices which shall be traded on the first day in any new option contract month, the number of new strike prices which will be introduced on each business day or the period preceding the expiration of a Gulf Coast No. 6 Fuel Oil 3.0% (Platts) Average Price Option contract in which no new strike prices may be introduced.

#### 604.06 TRADING MONTHS

Trading shall be conducted in the months determined by the Exchange. Trading shall commence on the day fixed by resolution of the Exchange.

**604.07**

**PRICES**

Prices shall be quoted in dollars and cents per barrel. A cabinet trade may occur at the price of \$0.001 per barrel or \$1.00, however, if it results in the liquidation of positions of both parties to the trade.

**604.08**

**ABSENCE OF PRICE FLUCTUATION LIMITATIONS**

Trading in Gulf Coast No. 6 Fuel Oil 3.0% (Platts) Average Price Option contract shall not be subject to price fluctuation limitations.

## SUPPLEMENTAL MARKET INFORMATION

### I. Futures Market

The underlying futures for the proposed Gulf Coast No.6 Fuel Oil 3.0% (Platts) Average Price Option contract is the Gulf Coast No.6 Fuel Oil 3.0% (Platts) Swap Futures. The market in the underlying swap futures for this contract is very active. The proposed average price option is intended to complement the futures contract and serve as a hedging instrument and allow commercial interests to have upside potential while at the same time limit potential commercial losses from adverse price fluctuations. Please find below a recent history of the volumes for the underlying swap futures contract listed on the Exchange. The volume presented in Table 1 below indicates the increased market interest as quantified by the average daily volume which has grown enormously in recent years. The continued growth of the underlying futures market upholds and justifies the need to complement the hedging with the listing of an option. Options offer an asymmetric hedging tool to complement the symmetry of swap futures while the active futures allow dealers and other market makers to create a liquid options market commensurate with the futures.

**Table 1**

<b>Gulf Coast No.6 Fuel Oil 3.0% (Platts) Swap Futures</b>		
<b>Month</b>	<b>Average Daily Volume</b>	<b>Barrel Equivalent</b>
Jan-2008	278.45	278,450
Feb-2008	202.79	202,789
Mar-2008	200.74	200,737
Apr-2008	216.73	216,727
May-2008	352.90	352,905
Jun-2008	270.43	270,429
Jul-2008	245.73	245,727
Aug-2008	289.33	289,333
Sep-2008	808.14	808,143
Oct-2008	1,768.52	1,768,522
Nov-2008	2,106.58	2,106,579
Dec-2008	1,848.14	1,848,136
Jan-2009	2,231.10	2,231,100
Feb-2009	2,328.63	2,328,632
Mar-2009	2,935.36	2,935,364
Apr-2009	2,300.62	2,300,619
May-2009	2,351.95	2,351,950
Jun-2009	2,703.50	2,703,500
Jul-2009	2,322.23	2,322,227
Aug-2009	2,508.95	2,508,952
Sep-2009	4,553.38	4,553,381
Oct-2009	2,813.55	2,813,545
Nov-2009	3,078.60	3,078,600
Dec-2009	2,376.91	2,376,909
<b>Average</b>	<b>1,712.22</b>	<b>1,712,219.04</b>

## II. Over-the-Counter Market

There is an active over-the-counter (OTC) forward market in fuel oil. In the OTC market, the typical trade size of a swap contract is 12,000 barrels for a calendar year. The liquidity in the OTC swaps market is robust as it has been estimated to trade at an average daily volume of 2,500-5,000 NYMEX contract equivalents.

There are numerous participants in the natural gas OTC market including but not limited to, commercial participants, trading firms, and financial intermediaries. A select group representing the aforementioned categories of participants is listed below:

<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	Total	ICAP	BankAmerica
BP	Northville	Aspen Oil	JP Morgan
Total	Cargill	GFI Spectron	
Koch Petroleum	Morgan Stanley	TFS	
Repsol	Goldman Sachs	Amerex	
CEPSA	RWE Trading	Tullet Prebon	
Netherlands Refining	Mabanaft	United	
OMV	Phibro		
Lukoil (Russia)	Arcadia		
Statoil (Norway)	Mercuria		
MOL Hungary	Sempra		

## III. Fuel Oil Market

Gulf Coast No. 6 Fuel Oil 3.0% sulfur is primarily used by industrial plants to generate heat or electricity. The following are some salient measures of the cash market for Fuel oil in the U.S. as well as the U.S. Gulf Coast.

### Production

Fuel oil in the United States is domestically produced in the Gulf Coast and exported to other parts of the U.S. and abroad. Fuel Oil is also imported.

According to the Energy Information Agency (EIA) of the Department of Energy, monthly Gulf Coast Fuel Oil production overall is reported in Table 2 below or at the following link:

[http://tonto.eia.doe.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=MRERX\\_R30\\_1&f=M](http://tonto.eia.doe.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=MRERX_R30_1&f=M)

Production data is represented in contract equivalents (1,000 barrel) per month.

**Table 2**

<b>Month</b>	<b>Refinery and Blender Net Production (Thousand Barrels)</b>
Jan-2008	7,900
Feb-2008	9,137
Mar-2008	9,850
Apr-2008	9,873
May-2008	12,050
Jun-2008	10,809
Jul-2008	8,604
Aug-2008	8,597
Sep-2008	5,527
Oct-2008	9,136
Nov-2008	8,390
Dec-2008	8,895
Jan-2009	8,349
Feb-2009	7,462
Mar-2009	7,412
Apr-2009	6,516
May-2009	8,959
Jun-2009	9,092
Jul-2009	9,417
Aug-2009	10,897
Sep-2009	9,975
Oct-2009	10,773
Nov-2009	10,927

In Table 3 below, the EIA provides production data from PADDs other than the Gulf Coast as well as imports and exports.

**Table 3**

Month	Net Receipts from Other PADDs (Thousand Barrels) <sup>1</sup>	Imports (Thousand Barrels) <sup>2</sup>	Exports (Thousand Barrels) <sup>3</sup>
Jan-2008	328	4,568	7,997
Feb-2008	248	2,654	7,976
Mar-2008	99	4,380	10,458
Apr-2008	(518)	2,695	8,612
May-2008	(847)	3,667	8,036
Jun-2008	(823)	5,320	7,938
Jul-2008	(803)	3,910	7,241
Aug-2008	(811)	3,715	7,559
Sep-2008	(796)	1,770	4,561
Oct-2008	(191)	3,147	7,258
Nov-2008	214	2,042	7,337
Dec-2008	(18)	2,134	8,195
Jan-2009	38	3,017	7,878
Feb-2009	(345)	1,658	5,429
Mar-2009	187	5,036	9,095
Apr-2009	(566)	4,644	6,745
May-2009	106	6,178	8,864
Jun-2009	489	4,114	10,017
Jul-2009	(48)	3,466	12,182
Aug-2009	262	1,101	10,393
Sep-2009	344	1,963	9,924
Oct-2009	908	1,875	11,570
Nov-2009	483	2,546	9,384

Overall, fuel oil is exported from the Gulf Coast to other parts of the U.S. as well as other countries. Consequently the NYMEX swap futures underlying the proposed option has become a major source of hedging activity. Due to its international exposure, its hedging purpose goes beyond just domestic production.

<sup>1</sup> <http://tonto.eia.doe.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=MRENRP31&f=M>

<sup>2</sup> <http://tonto.eia.doe.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=MREIMP31&f=M>

<sup>3</sup> <http://tonto.eia.doe.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=MREEXP31&f=M>



Table 4 below illustrates the stock of No. 6 Fuel Oil as provided by the EIA.

**Table 4**

<b>Month</b>	<b>Ending Stock Level (Thousand barrels)<sup>4</sup></b>
Jan-2008	16,285
Feb-2008	17,679
Mar-2008	18,612
Apr-2008	16,649
May-2008	16,888
Jun-2008	18,894
Jul-2008	16,649
Aug-2008	17,594
Sep-2008	18,408
Oct-2008	18,489
Nov-2008	18,025
Dec-2008	16,442
Jan-2009	15,409
Feb-2009	18,753
Mar-2009	17,905
Apr-2009	15,634
May-2009	17,550
Jun-2009	16,527
Jul-2009	16,401
Aug-2009	14,258
Sep-2009	15,749
Oct-2009	14,491
Nov-2009	17,347

Inventories of No. 6 Fuel Oil fluctuate thus exposing commercial interests to price risk. The Exchange intends to list the proposed average price option in order to complement the underlying swap futures in hedging this risk efficiently without the inherent credit risk of the over-the-counter market.

<sup>4</sup> <http://tonto.eia.doe.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=MRESTP31&f=M>