



Sean M. Downey
Associate Director and Assistant General Counsel
Legal Department

February 22, 2012

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 40.2(a) Certification. Notification Regarding the Listing of Singapore Fuel Oil 180 cst vs. 380 cst Spread (Platts) BALMO Swap Futures Contract for Trading on the NYMEX Trading Floor and for Clearing through CME ClearPort NYMEX Submission 12-032

Dear Mr. Stawick:

The New York Mercantile Exchange, Inc. ("NYMEX" or the "Exchange") is notifying the Commodity Futures Trading Commission ("CFTC" or "Commission") that it is self-certifying the listing of one (1) new financially settled petroleum futures contract for trading on the NYMEX trading floor and for submission for clearing through CME ClearPort beginning on Sunday, February 26, 2012, for trade date Monday, February 27, 2012.

The contract title, commodity code, rule chapter, and specifications are provided below:

Contract	Code	Chapter
Singapore Fuel Oil 180 cst vs. 380 cst Spread (Platts) BALMO Swap Futures	MSD	1192

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

CONTRACT SPECIFICATIONS:

- **First Listed Month:** March 2012
- **Listing Period:** 1 month and the following month, listed 10 business days prior to the start of the contract month.
- **Contract Size:** 1,000 metric tons.
- **Termination of Trading:** Trading shall cease on the last trading day of the contract month.
- **Minimum Price Tick:** \$0.001 per metric ton.
- **Value per Tick:** \$1 per metric ton.
- **Final Settlement Price:** Settlement tick = \$0.001
- **Trading and Clearing Hours:**
CME ClearPort: Sunday – Friday 6:00 p.m. – 5:15 p.m. (5:00 p.m. – 4:15 p.m. Chicago Time/CT) with a 45-minute break each day beginning at 5:15 p.m. (4:15 p.m. CT).
Open Outcry: Monday – Friday 9:00 a.m. – 2:30 p.m. (8:00 a.m. – 1:30 p.m. CT).

• **Fees:**

Contract	Transaction / Clearing Fee		Cash Settlement Fee	
Singapore Fuel Oil 180 cst vs. 380 cst Spread (Platts) BALMO Swap Futures	Member	7.00	Member	6.00
	Non-Member	9.00	Non-Member	9.00
	Cross-Division	8.00		

The Exchange is also notifying the CFTC that it is self-certifying the insertion of the terms and conditions for the new the contract into 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 Exchange is also notifying the CFTC that it is self-certifying the insertion of the terms and conditions for the new Rulebook in relation to the listing of the new contract. These terms and conditions establish the diminishing balances, all month/any one month accountability levels, expiration month position limit, reportable level, and aggregation allocation for the new contract.

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

- Prevention of Market Disruption: Trading in this contract will be subject to Rulebook Chapters 4 and 7 which include prohibitions on manipulation, price distortion and disruptions of the delivery or cash-settlement process. As with all products listed for trading on one of CME Group's designated contract markets, activity in the new product will be subject to extensive monitoring and surveillance by CME Group's Market Regulation Department.
- Contracts not Readily Subject to Manipulation: The new contract is not readily subject to manipulation due to the deep liquidity and robustness in the underlying cash market, which provides diverse participation and sufficient spot transactions to support the final settlement index as assessed by Platts (methodology provided in the attached Cash Market Overview).
- Compliance with Rules: Trading in this contract will be subject to the rules in Rulebook Chapter 4 which includes prohibitions against fraudulent, noncompetitive, unfair and abusive practices. Additionally, trading in this contract will also be subject to the full range of trade practice rules, the majority of which are contained in Chapter 5 and Chapter 8 of the Rulebook. As with all products listed for trading on one of CME Group's designated contract markets, activity in the new product will be subject to extensive monitoring and surveillance by CME Group's Market Regulation Department. The Market Regulation Department has the authority to exercise its investigatory and enforcement power where potential rule violations are identified.
- Position Limitations or Accountability: The spot month position limits for the new spread contract is set at conservative levels that are approximately 18% (first leg of the spread) and 6% (second leg of the spread) of the monthly deliverable supply in the underlying Singapore fuel oil market.
- Availability of General Information: The Exchange will publish information on the contract's specification on its website, together with daily trading volume, open interest and price information.
- Daily Publication of Trading Information: Trading volume, open interest and price information will be published daily on the Exchange's website and via quote vendors.
- Financial Integrity of Contracts: All contracts traded on the Exchange will be cleared by the CME Clearing House which is a registered derivatives clearing organization with the Commission and is subject to all Commission regulations related thereto.

- Execution of Transactions: The new contract is dually listed for clearing through the CME ClearPort platform and on the NYMEX trading floor for open outcry trading. The CME ClearPort platform provides a competitive, open and efficient mechanism for novating transactions that are competitively executed by brokers. In addition, the NYMEX trading floor is available as an additional venue to provide for competitive and open execution of transactions.
- Trade Information: All required trade information is included in the audit trail and is sufficient for the Market Regulation Department to monitor for market abuse.
- Protection of Market Participants: Rulebook Chapters 4 and 5 contain multiple prohibitions precluding intermediaries from disadvantaging their customers. These rules apply to trading on all of the Exchange's competitive trading venues and will be applicable to transactions in this product.
- 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 rules. Trading in this 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 these this product is identified.
- Dispute Resolution: Disputes with respect to trading in this contract will be subject to the arbitration provisions set forth in Chapter 6 of the Rulebook. The rules in Chapter 6 allow 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 nonmember is required to participate in the arbitration pursuant to the rules in 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 Commodity Exchange Act ("Act") and CFTC Regulation 40.2, the Exchange hereby certifies that the attached contract complies with the Act, including regulations under the Act. There were no substantive opposing views to this proposal. A description of the cash market for this new product is attached.

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 (312) 930-8167 or Sean.Downey@cmegroup.com.

Sincerely,

/s/Sean M. Downey
Associate Director and Assistant General Counsel

Attachments:
Appendix A: Rule Chapter
Appendix B: Chapter 5 Table
Appendix C: Cash Market Overview and Analysis of Deliverable

Chapter 1192
Singapore Fuel Oil 180 cst vs. 380 cst Spread (Platts) BALMO Swap Futures

1192100. SCOPE OF CHAPTER

The provisions of these rules shall apply to all futures contracts bought or sold on the Exchange for cash settlement based on the Floating Price. The procedures for trading, clearing and cash settlement of this contract, and any other matters not specifically covered herein shall be governed by the general rules of the Exchange.

1192101. CONTRACT SPECIFICATIONS

The Floating Price for each contract month is equal to the arithmetic average of the high and low quotations from the Platts Asia-Pacific Marketscan for Singapore 180cst High Sulfur Fuel Oil (HSFO) (Waterborne Cargo) price minus the arithmetic average of the high and low quotations from the Platts Asia-Pacific Marketscan for Singapore 380cst HSFO for each business day that both are determined during the contract month starting from the selected start date through the end of the month, inclusive.

1192102. TRADING SPECIFICATIONS

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

1192102.A. Trading Schedule

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

1192102.B. Trading Unit

The contract quantity shall be one thousand (1,000) metric tons. Each contract shall be valued as the contract quantity (1,000) multiplied by the settlement price.

1192102.C. Price Increments

Prices shall be quoted in U.S. dollars and cents per metric ton. The minimum price fluctuation shall be \$0.001 (0.1¢) per metric ton.

1192102.D. Position Limits and Position Accountability

For purposes of calculating compliance with position limits, each contract will be aggregated with positions held in Singapore Fuel Oil 180cst (Platts) Calendar Swap futures and Singapore Fuel Oil 380cst (Platts) Swap futures. Each position in the contract will be calculated as a single position in the Singapore Fuel Oil 180cst (Platts) Calendar Swap futures contract and as a single position in the Singapore Fuel Oil 380cst (Platts) Swap futures contract.

For purposes of position limits and position accountability levels, contracts shall diminish ratably as the contract month progresses toward month end.

In accordance with Rule 559, no person shall own or control positions in excess of 500 (Singapore Fuel Oil 180cst (Platts) Calendar Swap futures)/150 (Singapore Fuel Oil 380cst (Platts) Swap futures) contracts net long or net short in the spot month.

In accordance with Rule 560:

1. the all-months accountability level shall be 5,000 (Singapore Fuel Oil 180cst (Platts) Calendar Swap futures)/1,500 (Singapore Fuel Oil 380cst (Platts) Swap futures) contracts net long or net short in all months combined;
2. the any-one month accountability level shall be 5,000 (Singapore Fuel Oil 180cst (Platts) Calendar Swap futures)/1,500 (Singapore Fuel Oil 380cst (Platts) Swap futures) contracts net long or net short in any single contract month excluding the spot month.

Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits

1192102.E. Termination of Trading

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

1192103. FINAL SETTLEMENT

Final settlement 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.

1192104. **DISCLAIMER**

NEITHER NEW YORK MERCANTILE EXCHANGE, INC. ("NYMEX") ITS AFFILIATES NOR PLATTS, A DIVISION OF THE MCGRAW-HILL COMPANIES, INC. ("PLATTS") GUARANTEES THE ACCURACY NOR COMPLETENESS OF THE PLATTS PRICE ASSESSMENT OR ANY OF THE DATA INCLUDED THEREIN.

NYMEX, ITS AFFILIATES OR PLATTS MAKE NO WARRANTIES, EXPRESS OR IMPLIED, AS TO THE RESULTS TO BE OBTAINED BY ANY PERSON OR ENTITY FROM USE OF THE PLATTS PRICE ASSESSMENT, TRADING AND/OR CLEARING BASED ON THE PLATTS PRICE ASSESSMENT, OR ANY DATA INCLUDED THEREIN IN CONNECTION WITH THE TRADING AND/OR CLEARING OF THE CONTRACT, OR, FOR ANY OTHER USE. NYMEX, ITS AFFILIATES AND PLATTS MAKE NO WARRANTIES, EXPRESS OR IMPLIED, AND HEREBY DISCLAIM ALL WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE WITH RESPECT TO THE PLATTS PRICE ASSESSMENT OR ANY DATA INCLUDED THEREIN. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT SHALL NYMEX, ITS AFFILIATES OR PLATTS HAVE ANY LIABILITY FOR ANY LOST PROFITS OR INDIRECT, PUNITIVE, SPECIAL OR CONSEQUENTIAL DAMAGES (INCLUDING LOST PROFITS), EVEN IF NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES.

"Platts," is a trademark of The McGraw-Hill Companies, Inc. and has been licensed for use by New York Mercantile Exchange, Inc. Platts does not sponsor, endorse, sell or promote the contract and Platts makes no recommendations concerning the advisability of investing in the contract.

NYMEX Rulebook Chapter 5 Position Limit Table
 (Bold/underline indicates additions)

<u>Contract Name</u>	<u>Rule Chapter</u>	<u>Commodity Code</u>	<u>Diminishing Balances Contracts</u>	<u>All Month Accountability Level</u>	<u>Any One Month Accountability Level</u>	<u>Expiration Month Limit</u>	<u>Reporting Level</u>	<u>Aggregate Into</u>	<u>Aggregate Into</u>
				<u>Rule 560</u>	<u>Rule 560</u>	<u>Rule 559</u>	<u>Rule 561</u>		
<i>Petroleum</i>									
<i>Asia/Pacific</i>									
<i>Singapore</i>									
<u>Singapore Fuel Oil 180 cst vs. 380 cst Spread (Platts) BALMO Swap Futures</u>	<u>1192</u>	<u>MSD</u>	*	<u>5,000/1,500</u>	<u>5,000/1,500</u>	<u>500/150</u>	<u>25</u>	<u>UA</u>	<u>SE</u>

CASH MARKET OVERVIEW

The New York Mercantile Exchange, Inc. ("NYMEX" or "Exchange") is self-certifying the listing of a balance of month ("BALMO") contract on an existing Singapore fuel oil spread contract – Singapore Fuel Oil 180 cst vs. 380 cst Spread (Platts) BALMO Swap futures, for trading on the NYMEX trading floor and for submission for clearing through CME ClearPort.

a) Definition of BALMO

The final settlement for the BALMO swap futures contract is equal to the balance-of-month arithmetic average of the mid-point between the high and low quotations from the specified index, starting from the selected start date through the end of the contract month, inclusive.

BALMO swap futures are used by market participants in the over-the-counter ("OTC") market for pricing transactions in periods that are less than a full calendar month. BALMO swap futures contracts are cash-settled, and are settled similarly to the settlement of a calendar month swap futures using a specified index price, such as the Platts price assessment, 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. The last day of the period is the last business day of the contract month.

In the OTC petroleum market, the BALMO swap futures model 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.

As stated above, the structure of the BALMO swap futures contract is similar to that of a calendar month swap futures, except for the averaging period of the transaction.

b) Background to the new contract

The addition of Singapore Fuel Oil 180 cst vs. 380 cst Spread (Platts) BALMO Swap futures will complement the existing Singapore Fuel Oil 180 cst vs. 380 cst Spread (Platts) Swap futures (SD)

contract, which is already listed for trading on the NYMEX trading floor and for submission for clearing through CME ClearPort.

The new contract addresses client requests for the ability to clear balance-of-month contracts as well as forward month contracts. Singapore Fuel Oil 180 cst vs. 380 cst Spread (Platts) Swap futures (SD) is one of the more actively traded Asian energy products listed on the Exchange.

c) Fuel oil as a traded commodity

Singapore 180cst and 380cst fuel oil are part of the "residual" fuel oil segment, which is used by utilities and the shipping industry. Residual fuel oil is also used as a refinery input to produce additional petroleum products.

The main trading hub for the Asian fuel oil market is Singapore, where extensive storage capacity and refining infrastructure exists. Singapore is a vibrant import/export center for petroleum products, and is also the primary location for energy trading firms. The Singapore petroleum markets are highly diverse and actively traded by refiners, traders, importers, and smaller distributors.

The U.S. Energy Information Administration ("EIA") data show consumption of fuel oil in Singapore is approximately 568,000 barrels per day, and refinery production of fuel oil is approximately 149,000 barrels per day for the average annual period of 2006 – 2008, which is the latest three-year period for which the EIA provides data. Further, the EIA provides import data for the Singapore market (see Table 2 below) at around 762,000 barrels per day and a robust export volume of almost 330,000 barrels per day for the same period. In its analysis of deliverable supply, the Exchange focused on data provided by the EIA for fuel oil consumption in Singapore from Table 1 below.

Table 1: Singapore Fuel Oil Consumption¹ (Thousand Barrels per Day)

'000 b/d	2003	2004	2005	2006	2007	2008
Singapore fuel oil consumption	460.8	455.2	490.0	529.5	553.8	619.2

¹ Data from the EIA:
<http://www.eia.gov/cfapps/ipdbproject/iedindex3.cfm?tid=5&pid=66&aid=2&cid=SN,&syid=2003&eyid=2009&unit=TBPD>

The Singapore fuel oil market is priced in units of dollars per metric ton and the conversion factor for the fuel oil crack spread is 6.35 barrels per metric ton.

There is active trading in forward cash deals and in the OTC swaps market. The bid/ask spreads are typically in increments of 10 cents per metric ton (or around 0.02 cents per gallon equivalent), which reflects robust liquidity in the cash market.

Table 2. Selected Statistics for Fuel Oil: Singapore

(Thousand Barrels per Day)

Singapore Residual Fuel Oil	2006	2007	2008	Average 2006-2008
Annual Consumption ²	529.5	553.8	619.2	567.5
Annual Production, Fuel Oil ³	168.5	151.6	125.9	148.7
Imports, Fuel Oil ⁴	683.9	712.4	889.6	762.0
Exports, Fuel Oil ⁵	287.1	310.9	392.4	330.1

d) Singapore fuel oil market participants

In the Asian OTC market, Singapore 180 and 380 cst fuel oil swaps typically trade as outright contracts. The Singapore fuel oil market is priced in units of dollars per metric ton. There is active trading in forward cash deals for cargoes. The bid/ask spreads are typically in increments of 10 cents per metric ton and there is a wide range of participants. Deals take place bilaterally, through OTC brokers and many are openly reported on the Platts screen pricing system.

The Singapore fuel oil (or residual fuel oil) market is actively traded, with estimated trading volume in the Singapore cash market at approximately 800,000 to one million barrels per day. The

² EIA Consumption Data,

<http://www.eia.gov/cfapps/ipdbproject/iedindex3.cfm?tid=5&pid=66&aid=2&cid=SN,&syid=2004&eyid=2009&unit=TB>

³ EIA Production (or Refinery Output) Data,

<http://www.eia.gov/cfapps/ipdbproject/iedindex3.cfm?tid=5&pid=66&aid=1&cid=SN,&syid=2004&eyid=2008&unit=TB>

⁴ EIA Import Data,

<http://www.eia.gov/cfapps/ipdbproject/iedindex3.cfm?tid=5&pid=66&aid=3&cid=SN,&syid=2004&eyid=2008&unit=TB>

⁵ EIA Export Data,

<http://www.eia.gov/cfapps/ipdbproject/iedindex3.cfm?tid=5&pid=66&aid=4&cid=SN,&syid=2004&eyid=2008&unit=TB>

typical transaction size is around 5,000 metric tons. The volume of spot transactions is more than half of all cash transactions. There is active trading in both forward cash deals and in OTC fuel oil swaps. The bid/ask spreads are typically in increments of 10 to 20 cents per metric ton, which shows robust liquidity in the cash market.

Furthermore, there is an active OTC swaps market with many market participants that utilize fuel oil swaps to hedge their fuel price risk. The market participation in Singapore is diverse and includes many of the same commercial entities that are active in the New York Harbor market. The Singapore cash market and OTC market participants include 30 to 40 commercial companies.

e) Price source for the Singapore fuel oil market

The Singapore Fuel Oil 180 cst vs. 380 cst Spread (Platts) BALMO Swap futures contract utilizes settlement indices supplied by Platts, a division of The McGraw-Hill Companies, Inc. ("Platts").

Platts is one of the major pricing services used in the OTC market for the pricing of swap contracts, and the methodology utilized by Platts is well-known in the oil industry. Their pricing methodology⁶ is derived from telephone surveys and electronic data collected from multiple market participants to determine market value. Platts has a long-standing reputation in the industry for price benchmarks that are fair and not manipulated.

Platts describes its business as follows: Platts is the leading global provider of energy and metals information, and the world's foremost source of price assessments in the physical energy markets. Since 1909, Platts has enabled the markets to operate with transparency and efficiency, and helped traders, risk managers, analysts, and industry leaders make better trading and business decisions⁷.

CME Group (parent company of New York Mercantile Exchange, Inc.) is a party to license agreements with Platts to utilize their pricing data.

⁶ <http://www.platts.com/IM.Platts.Content/MethodologyReferences/MethodologySpecs/asiaoilproductspecs.pdf>

⁷ For further information, see www.platts.com

ANALYSIS OF DELIVERABLE SUPPLY

Please note that for the new Singapore Fuel Oil 180 cst vs. 380 cst Spread (Platts) BALMO Swap futures contract, 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 initial launch of products, we would rather not condition recommended position limits based on stock data. Further, the Exchange has determined not to adjust the deliverable supply estimate based on the spot availability because spot market liquidity is not restrictive and tends to vary depending on the market fundamentals of demand and supply. The typical term agreement in the cash market allows flexibility for re-trading of the contracted quantity in the spot market, so the term agreements do not restrict the potential deliverable supply. Also, spot trading is not restricted in that it could increase if the market demand increases. Therefore, we believe that it is not necessary to adjust the deliverable supply estimate on the basis of the spot trading because this does not restrict the deliverable supply, and spot trading volume can expand to allow for more supply to flow if needed in the spot market.

The Exchange recommends implementing identical spot month position limits for the new BALMO contract as those currently set in the underlying spread contract and its respective outright futures contracts which compose the two legs of the spread. For the existing spread contract – Singapore Fuel Oil 180 cst vs. 380 cst Spread (Platts) Swap Futures (Chapter 667) – the Exchange has set the spot month position limit at 500/150 contracts, which is equivalent to 500,000/150,000 metric tons of fuel oil. We believe this position limit is conservative, when compared to the consumption of fuel oil in Singapore.

Based on the consumption data provided by the EIA (Table 1 above), the average fuel oil demand in Singapore for the three-year period from January 2006 to December 2008 was approximately 567,500 barrels per day, which is equivalent to 89,400 metric tons per day using the standard barrels-to-metric tons conversion rate of 6.35, or 2.7 million metric tons per month. This is equivalent to 2,700 contract equivalents for the underlying contract size of 1,000 metric tons. Thus, the existing spot month position limits of 500/150 contract units for the underlying Singapore Fuel Oil 380 cst (Platts) Swap futures contract represent approximately 18% and 6%, respectively, of the 2,700 contract equivalents of monthly supply.

Appendix C

For purposes of calculating compliance with position limits, each contract will be aggregated with positions held in Singapore Fuel Oil 180cst (Platts) Calendar Swap futures (UA) and Singapore Fuel Oil 380cst (Platts) Swap Futures (SE).

For purposes of position limits and position accountability levels, contracts shall diminish ratably as the contract month progresses toward month end.