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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 # 11-068R:  
Notification Regarding the Listing of Six (6) New Singapore Gasoil Futures  
Contracts for Trading on the NYMEX Trading Floor and for Clearing through CME  
ClearPort®**

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 six (6) new financially settled petroleum futures contracts for trading on the NYMEX trading floor and for submission for clearing through CME ClearPort beginning on Sunday, February 27, 2011, for trade date Monday, February 28, 2011.

The contract titles, commodity codes, rule chapters, and specifications are provided below.

Contract	Code	Rule Chapter
Singapore Gasoil 10 ppm (Platts) Swap Futures	STF	860
Singapore Gasoil 0.05% Sulfur (Platts) Swap Futures	SZF	861
Singapore Gasoil 10 ppm vs. 0.5% Sulfur Spread (Platts) Swap Futures	STZ	862
Singapore Gasoil 0.05% vs. 0.5% Sulfur Spread (Platts) Swap Futures	SZZ	863
Singapore Gasoil 10 ppm (Platts) BALMO Swap Futures	STL	864
Singapore Gasoil 0.05% Sulfur (Platts) BALMO Swap Futures	SZL	865

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

**CONTRACT SPECIFICATIONS SUMMARY**

- **First Listed Month:** March 2011
- **Listing Period:** STF, SZF, STZ, SZZ = 36 consecutive months;  
STL, SZL = One month and the following month listed 10 business days prior to the start of the contract month.
- **Contract Size:** 1,000 Barrels

- **Termination of Trading:** Trading shall cease on the last business day of the contract month.
- **Minimum Price Intervals:** Minimum price tick = \$0.001
- **Value per Tick:** \$1.00 (per barrel)
- **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:**

<u>Contract</u>	<u>CME ClearPort Rates</u>		<u>NY Trading Floor Rates</u>		<u>Cash Settlement Fee</u>	
Singapore Gasoil 10 ppm (Platts) Swap Futures	Member	\$0.85	Member	\$0.85	Member	\$0.85
	Non-Member	\$1.25	Non-Member	\$1.25	Non-Member	\$1.25
			Blended Floor	\$1.05		
Singapore Gasoil 0.05% Sulfur (Platts) Swap Futures	Member	\$0.85	Member	\$0.85	Member	\$0.85
	Non-Member	\$1.25	Non-Member	\$1.25	Non-Member	\$1.25
			Blended Floor	\$1.05		
Singapore Gasoil 10 ppm vs. 0.5% Sulfur Spread (Platts) Swap Futures	Member	\$0.85	Member	\$0.85	Member	\$0.85
	Non-Member	\$1.25	Non-Member	\$1.25	Non-Member	\$1.25
			Blended Floor	\$1.05		
Singapore Gasoil 0.05% vs. 0.5% Sulfur Spread (Platts) Swap Futures	Member	\$0.85	Member	\$0.85	Member	\$0.85
	Non-Member	\$1.25	Non-Member	\$1.25	Non-Member	\$1.25
			Blended Floor	\$1.05		
Singapore Gasoil 10 ppm (Platts) BALMO Swap Futures	Member	\$0.85	Member	\$0.85	Member	\$0.85
	Non-Member	\$1.25	Non-Member	\$1.25	Non-Member	\$1.25
			Blended Floor	\$1.05		
Singapore Gasoil 0.05% Sulfur (Platts) BALMO Swap Futures	Member	\$0.85	Member	\$0.85	Member	\$0.85
	Non-Member	\$1.25	Non-Member	\$1.25	Non-Member	\$1.25
			Blended Floor	\$1.05		

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 comply with the Act, including regulations under the Act. There were no substantive opposing views to this proposal. This submission will be made effective on trade date February 28, 2011.

Should you have any questions concerning the above, please contact Daniel Brusstar at (212) 299-2604 or the undersigned at (212) 299-2207.

Sincerely,

/s/ Felix Khalatnikov  
Dir & Assoc General Counsel

Attachments: Contract terms and conditions  
Cash Market Overview and Analysis of Deliverable Supply

**Chapter 860**  
**Singapore Gasoil 10 ppm (Platts) Swap Futures**

**860.01. SCOPE**

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.

**860.02. FLOATING PRICE**

The Floating Price for each contract month is equal to the arithmetic average of the mid-point of the high and low quotations from the Platts Asia-Pacific Marketscan for Singapore Physical Cargoes of Gasoil 10 ppm Sulfur for each publication day during the contract month.

**860.03. 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.

**860.04. CONTRACT MONTHS**

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

**860.05. 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.

**860.06. TERMINATION OF TRADING**

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

**860.07. 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.

**860.08. EXCHANGE FOR RELATED POSITION**

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

**860.09. DISCLAIMER**

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**Chapter 861**  
**Singapore Gasoil 0.05% Sulfur (Platts) Swap Futures**

**861.01. SCOPE**

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.

**861.02. FLOATING PRICE**

The Floating Price for each contract month is equal to the arithmetic average of the mid-point of the high and low quotations from the Platts Asia-Pacific Marketscan for Singapore Physical Cargoes of Gasoil 0.05% Sulfur for each publication day during the contract month.

**861.03. 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.

**861.04. CONTRACT MONTHS**

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

**861.05. 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.

**861.06. TERMINATION OF TRADING**

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

**861.07. 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.

**861.08. EXCHANGE FOR RELATED POSITION**

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

**861.09. DISCLAIMER**

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**Chapter 862**  
**Singapore Gasoil 10 ppm vs. 0.5% Sulfur Spread (Platts) Swap Futures**

**862.01. SCOPE**

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.

**862.02. FLOATING PRICE**

The Floating Price for each contract month is equal to the arithmetic average of the mid-point of the high and low quotations from the Platts Asia-Pacific Marketscan for Singapore Physical Cargoes of Gasoil 10ppm Sulfur minus the arithmetic average of the mid-point of the high and low quotations from the Platts Asia-Pacific Marketscan for Singapore Physical Cargoes of Gasoil 0.5% Sulfur for each publication day during the contract month (using common pricing).

**862.03. 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.

**862.04. CONTRACT MONTHS**

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

**862.05. 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.

**862.06. TERMINATION OF TRADING**

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

**862.07. 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.

**862.08. EXCHANGE FOR RELATED POSITION**

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

**862.09. DISCLAIMER**

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**Chapter 863**  
**Singapore Gasoil 0.05% vs. 0.5% Sulfur Spread (Platts) Swap Futures**

**863.01. SCOPE**

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.

**863.02. FLOATING PRICE**

The Floating Price for each contract month is equal to the arithmetic average of the mid-point of the high and low quotations from the Platts Asia-Pacific Marketscan for Singapore Physical Cargoes of Gasoil 0.05% Sulfur minus the arithmetic average of the mid-point of the high and low quotations from the Platts Asia-Pacific Marketscan for Singapore Physical Cargoes of Gasoil 0.5% Sulfur for each publication day during the contract month (using common pricing).

**863.03. 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.

**863.04. CONTRACT MONTHS**

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

**863.05. 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.

**863.06. TERMINATION OF TRADING**

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

**863.07. 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.

**863.08. EXCHANGE FOR RELATED POSITION**

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

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**Chapter 864**  
**Singapore Gasoil 10 ppm (Platts) BALMO Swap Futures**

**864.01. SCOPE**

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.

**864.02. FLOATING PRICE**

The Floating Price for each contract month is equal to the balance-of-month arithmetic average of the mid-point of the high and low quotations from the Platts Asia-Pacific Marketscan for Singapore Physical Cargoes of Gasoil 10 ppm Sulfur starting from the selected start date through the end of the contract month, inclusively.

**864.03. 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.

**864.04. CONTRACT MONTHS**

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

**864.05. 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.

**864.06. TERMINATION OF TRADING**

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

**864.07. 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.

**864.08. EXCHANGE FOR RELATED POSITION**

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

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**Chapter 865**  
**Singapore Gasoil 0.05% Sulfur (Platts) BALMO Swap Futures**

**865.01. SCOPE**

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.

**865.02. FLOATING PRICE**

The Floating Price for each contract month is equal to the balance-of-month arithmetic average of the mid-point of the high and low quotations from the Platts Asia-Pacific Marketscan for Singapore Physical Cargoes of Gasoil 0.05% Sulfur starting from the selected start date through the end of the contract month, inclusively.

**865.03. 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.

**865.04. CONTRACT MONTHS**

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

**865.05. 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.

**865.06. TERMINATION OF TRADING**

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

**865.07. 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.

**865.08. EXCHANGE FOR RELATED POSITION**

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

**865.09. DISCLAIMER**

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## CASH MARKET OVERVIEW

The New York Mercantile Exchange, Inc. ("NYMEX" or "Exchange") is self-certifying the listing of six (6) financially settled Singapore Gasoil futures contracts (listed in the table below) for trading on the NYMEX trading floor and for clearing through CME ClearPort. The contracts are comprised of two outright, two spreads and two balance-of-month (BALMO) futures contracts, a description of which is provided below.

<b>Contract</b>	<b>Code</b>	<b>Rule Chapter</b>
Singapore Gasoil 10 ppm (Platts) Swap Futures	STF	860
Singapore Gasoil 0.05% Sulfur (Platts) Swap Futures	SZF	861
Singapore Gasoil 10 ppm vs. 0.5% Sulfur Spread (Platts) Swap Futures	STZ	862
Singapore Gasoil 0.05% vs. 0.5% Sulfur Spread (Platts) Swap Futures	SZZ	863
Singapore Gasoil 10 ppm (Platts) BALMO Swap Futures	STL	864
Singapore Gasoil 0.05% Sulfur (Platts) BALMO Swap Futures	SZL	865

### **BALANCE-OF-MONTH CONTRACTS**

The final settlement for the BALMO swap futures contracts 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, inclusively.

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.

### **PRICE SOURCE**

The Singapore Gasoil 10 ppm (Platts) Swap Futures and Singapore Gasoil 0.05% Sulfur (Platts) Swap Futures contracts utilize Platts' settlement indices for the pricing of the outright contracts. The Singapore Gasoil 10 ppm vs. 0.5% Sulfur Spread (Platts) Swap Futures and the Singapore Gasoil 0.05% vs. 0.5% Sulfur Spread (Platts) Swap Futures utilize Platts' settlement indices for the pricing of the both legs of the spread for each of the contracts.

Platts, a division of The McGraw-Hill Companies, Inc. ("Platts")<sup>1</sup> is the price reporting service used for the final settlement of the six new petroleum futures contracts. Platts is one of the major pricing services used in the over-the-counter (OTC) market for the pricing of swap contracts, and the methodology utilized by Platts is well-known in the oil industry. Their pricing methodology<sup>1</sup> 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. CME Group is a party to license agreements with Platts to utilize their pricing data.

### **ASIAN GASOIL MARKET OVERVIEW**

#### **Description**

Gasoil is part of the "middle distillate" fuel segment which also includes heating oil and jet fuel. Gasoil is used to produce diesel for the transportation sector. The main trading hub for the Asian gasoil market is Singapore, where extensive storage capacity and refining infrastructure exists.

Singapore is the main refining, storage, and trading hub for the Asian oil marketplace. In addition, the Singapore over-the-counter (OTC) gasoil, fuel oil and gasoline swaps markets are the main hedging tools for the Asian marketplace. The Singapore petroleum markets are highly diverse and

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<sup>1</sup> <http://www.platts.com/IM.Platts.Content/MethodologyReferences/MethodologySpecs/asiaoilproductspecs.pdf>

actively traded by refiners, traders, importers, and smaller distributors. The OTC oil swaps are typically based on the Platts assessments.

Singapore is a vibrant import/export center for petroleum products and, as a result, the majority of Asian gasoil is sold in relation to the price of gasoil exported from Singapore. Singapore is also the primary location for energy trading firms in Singapore and the majority of the active participants in the physical and financial gasoil markets are located in the city-state.

The gasoil market has traditionally priced both physical cargoes and risk management derivatives in relation to the Singapore Gasoil 0.5% Sulfur price assessment, which Platts has produced since 1983. NYMEX already lists a calendar swap based on the Platts Singapore Gasoil 0.5% Sulfur assessment under the code SG, Rule Chapter 669.

More recently, the global shift towards lower-sulfur transport fuels has also seen the emergence of demand for lower-sulfur gasoil in Asia. In response, Platts launched assessments for 0.05% Sulfur, also known as 500ppm (parts per million), in 2000, for 50ppm Gasoil in 2005, and for 10ppm Gasoil in 2008. NYMEX is now seeking to list swap futures based on Platts' assessments for 0.05% Sulfur and 10ppm Sulfur in order to reflect the changing risk management needs of suppliers, traders and consumers of the lower-sulfur gasoil material that is now more common within Asia. NYMEX will also list two swap futures allowing market participants to hedge the difference in pricing between 10ppm or 500ppm gasoil and the traditional 0.5% sulfur benchmark.

Within Asia, Japan, South Korea, Australia and New Zealand have all adopted 10ppm Gasoil as their standard specification. Australia and New Zealand provide a ready market for imports of 10ppm Gasoil, while supplies of 10ppm come from South Korea. The United States and European Union also mandate ultra-low sulfur requirements for gasoil sold domestically, ensuring that there is healthy global trade in the lower sulfur specifications of gasoil.

Other key Asian consumers have not yet adopted ultra-low sulfur standards, but have moved from the traditional 0.5% sulfur level to 500ppm gasoil with the intention of slowly graduating towards tighter specifications for gasoil.

Table 1 below shows the standards for sulfur content in gasoil adopted by key Asian consumers:

**Table 1: Sulfur Content in Gasoil in Key Asian Countries**

Australia	10ppm
China	0.2% sulfur, 500ppm in some cities
Hong Kong	10ppm
New Zealand	10ppm
Japan	10ppm
South Korea	10ppm
India	500ppm, 50ppm in some cities
Singapore	50ppm
Taiwan	50ppm

Bearing in mind that gasoil trade is global rather than regional, Platts' specifications for ultra-low sulfur gasoil are designed to reflect a grade of diesel that can be bought and sold for export both to major import markets in the Asia Pacific region and to Western markets. Therefore, while diesel needs to withstand colder temperatures in the northern hemisphere winter, the specifications defined within Platts' Asian 10ppm guidelines only overlap with typical European requirements during summer months, as the 10ppm specifications must match the great majority of Australian quality requirements<sup>2</sup>.

#### **Consumption, Production, Imports and Exports**

Data from Table 2 demonstrates that the total average annual demand of fuel oil for Singapore for the annual period from 2005 to 2007 was approximately 60,000 barrels per day. Average annual production of gasoil during the same period was greater than consumption, at approximately 286,000 barrels per day. According to the Department of Energy's *Energy Information Administration* ("EIA"), during the 2005 to 2007 period, total average distillate fuel oil imports for Singapore were approximately 110,000 barrels per day, while exports reached over 330,000 barrels per day.

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<sup>2</sup>See 'The evolution of Platts' Asia gasoil assessments towards cleaner fuel standards' – a white paper produced by Platts staff in January 2010.

<http://events.platts.com/IM.Platts.Content/InsightAnalysis/IndustrySolutionPapers/Asia10ppm.pdf>

**Table 2: Selected Statistics for Distillate Fuel Oil: Singapore (Thousand Barrels per Day)**

Singapore Distillate Fuel	2005	2006	2007	Average 2005-2007
Annual Consumption <sup>3</sup>	65.0	53.2	61.6	59.9
Annual Production <sup>4</sup>	296.0	285.1	277.3	286.1
Imports <sup>5</sup>	78.9	125.2	127.0	110.4
Exports <sup>6</sup>	300.0	341.3	359.4	333.6

The data collected by EIA covers all gasoil specifications ranging from 0.5% Sulfur through to 10 ppm. For specific data on the ultra-low sulfur diesel market, we can look at the consumption levels for Japan, South Korea, Australia and New Zealand – the four countries in Asia Pacific that have adopted 10ppm gasoil as their standard specification and which are all members of the Organization for Economic Co-operation and Development (OECD).

#### **Gasoil stocks**

Singapore has major storage capacity for petroleum products and the country's stocks of middle distillates are substantial, making Singapore an ideal trading center for gasoil. The high availability of storage for gasoil gives market participants the ability to execute diverse trading strategies and serves to prevent any participants from exercising untoward influence on price by withholding physical gasoil from the market.

<sup>3</sup> EIA Consumption Data,  
<http://tonto.eia.doe.gov/cfapps/ipdbproject/iedindex3.cfm?tid=5&pid=65&aid=2&cid=SN,&syid=2004&eyid=2008&unit=TBPD>

<sup>4</sup> EIA Production Data,  
<http://tonto.eia.doe.gov/cfapps/ipdbproject/iedindex3.cfm?tid=5&pid=65&aid=1&cid=SN,&syid=2005&eyid=2009&unit=TBPD>

<sup>5</sup> EIA Import Data,  
<http://tonto.eia.doe.gov/cfapps/ipdbproject/iedindex3.cfm?tid=5&pid=65&aid=3&cid=SN,&syid=2004&eyid=2008&unit=TBPD>

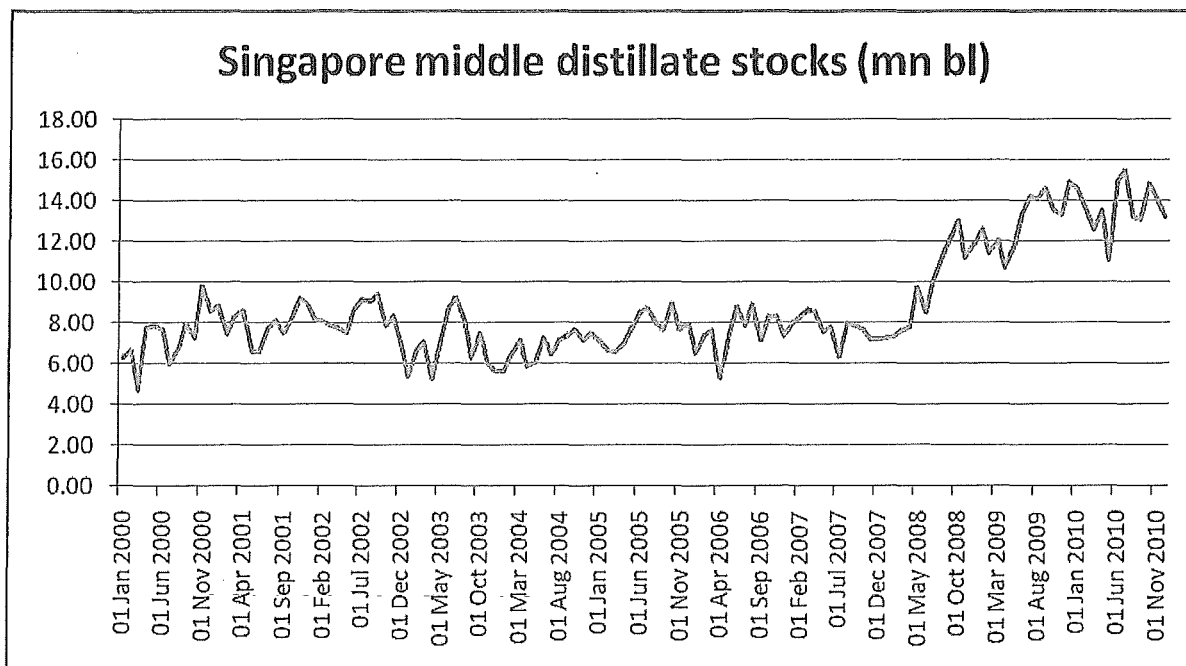
<sup>6</sup> EIA Export Data,  
<http://tonto.eia.doe.gov/cfapps/ipdbproject/iedindex3.cfm?tid=5&pid=65&aid=4&cid=SN,&syid=2004&eyid=2008&unit=TBPD>

**Table 4: Stocks of middle distillates (including gasoil) in Singapore<sup>7</sup>**

<b>Date</b>	<b>Singapore middle distillate stocks (mn bl)</b>
01 Jan 2008	7.28
01 Feb 2008	7.32
01 Mar 2008	7.62
01 Apr 2008	7.77
01 May 2008	9.73
01 Jun 2008	8.55
01 Jul 2008	10.12
01 Aug 2008	11.14
01 Sep 2008	12.09
01 Oct 2008	13.01
01 Nov 2008	11.19
01 Dec 2008	11.85
01 Jan 2009	12.57
01 Feb 2009	11.44
01 Mar 2009	12.03
01 Apr 2009	10.70
01 May 2009	11.69
01 Jun 2009	13.34
01 Jul 2009	14.21
01 Aug 2009	14.09
01 Sep 2009	14.56
01 Oct 2009	13.58
01 Nov 2009	13.30
01 Dec 2009	14.86
01 Jan 2010	14.60
01 Feb 2010	13.67
01 Mar 2010	12.61
01 Apr 2010	13.49
01 May 2010	11.05
01 Jun 2010	14.93
01 Jul 2010	15.49
01 Aug 2010	13.20
01 Sep 2010	13.09
01 Oct 2010	14.84
01 Nov 2010	14.18
01 Dec 2010	13.19

<sup>7</sup> Stocks data provided by Singapore's government trade promotion agency International Enterprise Singapore.

**Chart 1: Stocks of middle distillates (including gasoil) in Singapore**



### **Market Activity**

In the Asian OTC market, Singapore 10ppm and 0.05% sulfur gasoil swaps typically trade both as outright contracts and as a spread to the traditional benchmark Singapore 0.5% sulfur price.

The Singapore gasoil market is priced in units of dollars per barrel. There is active trading in forward cash deals for cargoes. The bid/ask spreads are typically in increments of 10 cents per barrel 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 gasoil (or distillate fuel oil) market is also actively traded, and includes diesel and heating oil. According to the EIA data, the Singapore refiners produce around 286,000 barrels per day of distillate fuel oil, which is called gasoil (see the Table 2 above). The Singapore gasoil market is priced in dollars per barrel. The estimated trading volume of gasoil in the Singapore cash market is approximately 400,000 to 500,000 barrels per day. The typical transaction size is around 25,000 barrels. 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 gasoil swaps. The bid/ask spreads are typically in increments of 10 to 20 cents per barrel, which shows robust liquidity in the cash market.



Furthermore, there is an active OTC swaps market with many market participants that utilize gasoil swaps to hedge their fuel price risk. The market participants (listed below) typically are active in both the cash market and the OTC swaps market.

**Market Participants**

The market participation in the Singapore gasoil market is diverse. The Singapore cash market and OTC market participants include 30 to 40 commercial companies. A partial listing is as follows:

<b><u>Refiners</u></b>	<b><u>Traders/End Users</u></b>	<b><u>Brokers</u></b>	<b><u>Financial (Swaps)</u></b>
ConocoPhillips	RWE	GFI Starsupply	Citibank
BP	Vitol	PVM	Deutsche Bank
Shell	Glencore	TFS	Barclays
ExxonMobil	Arcadia	ICAP	JPMorgan Chase
Petronas	Mercuria	Amerex	Morgan Stanley
Chevron	Morgan Stanley	Tullett Prebon	
SK	Goldman Sachs	Ginga	
Hyundai Oilbank	Koch		
	Phibro		
	Trafigura		

## ANALYSIS OF DELIVERABLE SUPPLY

Please note that for the six new gasoil futures contracts, 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.

In its analysis of deliverable supply, the Exchange focused on EIA data for gasoil production in Singapore from Table 2 above. For the new Singapore Gasoil 10 ppm (Platts) Swap Futures (Chapter 860) and the Singapore Gasoil 0.05% Sulfur (Platts) Swap Futures (Chapter 861) the Exchange has set the spot month position limit at 1,000 contracts, which is equivalent to 1.0 million barrels. We believe this position limit is conservative, when compared to the production of gasoil in Singapore. Based on the production figures provided by the EIA in Table 2 above, the average production for the three-year period from January 2005 to December 2007 was 286,000 barrels per day, which is equivalent to 8.6 million barrels per month (or 8,600 contract equivalents). Thus, the spot month position limit of 1,000 contracts (equivalent to 1.0 million barrels) is less than 12% of total monthly deliverable gasoil supply.

The spot month position limit for Singapore Gasoil 10 ppm (Platts) BALMO Swap Futures (Chapter 864) and the Singapore Gasoil 0.05% Sulfur (Platts) BALMO Swap Futures (Chapter 865) will be identical to that of the underlying Singapore Gasoil 10 ppm (Platts) Swap Futures (Chapter 860) and the Singapore Gasoil 0.05% Sulfur (Platts) Swap Futures (Chapter 861), and will aggregate into their respective underlying futures contract.

Further, the Exchange has set the spot month position limits for the two new spread contracts at the identical levels corresponding to the legs of the underlying contracts, and will aggregate these limits with the respective underlying contracts. The two new spread contracts are as follows:

- Singapore Gasoil 10 ppm vs. 0.5% Sulfur Spread (Platts) Swap Futures (Chapter 862); and
- Singapore Gasoil 0.05% vs. 0.5% Sulfur Spread (Platts) Swap Futures (Chapter 863).