CME Group

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

March 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 NY ULSD (Argus) vs. Heating Oil Spread BALMO Swap Futures Contract on the NYMEX Trading Floor and CME ClearPort
NYMEX Submission 12-084

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 financially settled petroleum futures contract (below) for trading on the NYMEX trading floor and for submission for clearing through CME ClearPort effective Sunday, March 25, 2012 for trade date Monday, March 26, 2012. The contract listing schedule shall be one contract month and the following contract month listed 10 business days prior to the start of the contract month through contract month March 2013. The contract shall be discontinued after the March 2013 contract month.

SPECIFICATION SUMMARY:

- **Contract Name**: NY ULSD (Argus) vs. Heating Oil Spread BALMO Swap Futures
- **Code:** ULB
- **Rule Chapter**: 1052
- **Listing Period:** Through March-2013, discontinued thereafter
- **Contract Size:** 42,000 gallons
- **Minimum Price Fluctuation:** The minimum fluctuation shall be in multiples of one hundredth of one cent ($0.0001) per gallon ($4.20 per contract). Prices shall be quoted in dollars and cents per gallon.
- **First Contract Listed:** March 26, 2012
- **Listing Schedule:** Through contract month March-2013. One month and the following month listed 10 business days prior to the start of the contract month.
- **Last Trading Day:** Trading shall cease on the last business day of the contract month.
- **Trading and Clearing Hours:**

  Open Outcry: Monday – Friday 9:00 a.m. – 2:30 p.m. (8:00 a.m. – 1:30 p.m. Chicago Time/CT).

20 South Wacker Drive, Chicago, Illinois 60606 T 312 930 8167 F 312 930 3323 sean.downey@cmegroup.com cmegroup.com

CME ClearPort: Sunday – Friday 6:00 p.m. – 5:15 p.m. (5:00 p.m. – 4:15 p.m. CT) with a 45-minute break each day beginning at 5:15 p.m. (4:15 p.m. CT).

- **Exchange Fees**:

Exchange Fees					
	Member Day	Member	Cross Division	Non-Member	IIP
Pit	n/a	$0.85	$1.10	$1.35	
Globex	n/a	n/a	n/a	n/a	n/a
ClearPort		$0.85		$1.35	

Processing Fees			
	Member	Non-Member	
Cash Settlement	$0.10	$0.10	*only applies to financially settled contracts
Futures from E/A	n/a	n/a	*applies to futures contracts
	House Acct	Cust Acct	
Options E/A Notice	n/a	n/a	*applies to physical options
Delivery Notice	n/a	n/a	*applies to physical futures

Additional Fees and Surcharges		
EFS Surcharge	$0.00	*$2.50 fee typically only charged on our core physical contracts
Block Surcharge	$0.00	*$0.10 fee charged on block trades
Facilitation Desk Fee	$0.40	*fee applies to CPC trades entered by ClearPort Market Ops

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

NYMEX business staff responsible for the rule amendment and the Exchange Legal Department collectively reviewed the designated contract market core principles ("Core Principles") as set forth in the Commodity Exchange Act ("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 the NYMEX rules ("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 Argus (methodology provided herewith under 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 panoply 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 product is set at conservative levels that are less than 5% of the monthly deliverable supply in its underlying market. Each leg of the spread contract will aggregate into positions held in each of the respective underlying outright futures.
- Availability of General Information: The Exchange will the contract specifications 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 Clearing House of the Chicago Mercantile Exchange Inc. 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 a 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 Rulebook. 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 this product are 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. Chapter 6 allows all nonmembers 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 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 CEA and CFTC Regulation 40.2, the Exchange hereby certifies that the attached contract complies with the CEA, including regulations under the CEA. There were no substantive opposing views to this proposal. The listing will be effective on Sunday, March 25, 2012, for trade date Monday, March 26, 2012. 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 at 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 Supply

Appendix A

Chapter 1052
NY ULSD (Argus) vs. Heating Oil Spread BALMO Swap Futures

1052100. 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.

1052101. CONTRACT SPECIFICATIONS

The Floating Price for each contract month is equal to the balance-of-month arithmetic average of the mid-point between the high and low quotations from Argus Media for New York ULSD (barge) minus the NYMEX New York Harbor No. 2 Heating Oil futures first nearby contract month settlement price 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.

1052102. TRADING SPECIFICATIONS

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

1052102.A. Trading Schedule

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

1052102.B. Trading Unit

The contract quantity shall be 42,000 gallons. Each contract shall be valued as the contract quantity (42,000) multiplied by the settlement price.

1052102.C. Price Increments

Prices shall be quoted in U.S. dollars and cents per gallon. The minimum price fluctuation shall be $0.0001 per gallon.

1052102.D. Position Limits and Position Accountability

For purposes of calculating compliance with position limits, each contract will be aggregated with positions held in NY ULSD (Argus) Swap futures and Heating Oil Last Day Financial futures. Each position in the contract will be calculated as a single position in the NY ULSD (Argus) Swap futures contract and a single position in the Heating Oil Last Day Financial 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 1,000 (NY ULSD (Argus) Swap futures)/1,000 (Heating Oil Last Day Financial futures) contracts net long or net short in the spot month.

In accordance with Rule 560:

1. the all-months accountability level shall be 10,000 (NY ULSD (Argus) Swap futures)/7,000 (Heating Oil Last Day Financial futures) futures-equivalent contracts net long or net short in all months combined;
2. the any-one month accountability level shall be 10,000 (NY ULSD (Argus) Swap futures)/5,000 (Heating Oil Last Day Financial futures) futures-equivalent 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.

1502102.E. Termination of Trading

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

1052103. 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.

Appendix A

1052104. DISCLAIMER

Argus Media ("Argus") licenses the New York Mercantile Exchange, Inc. ("NYMEX") to use various Argus price assessments in connection with the trading and/or clearing of the contract.

NYMEX, ITS AFFILIATES AND ARGUS MAKE NO WARRANTIES, EXPRESS OR IMPLIED, AS TO THE RESULTS TO BE OBTAINED BY ANY PERSON OR ENTITY FROM USE OF THE PRICE ASSESSMENT, TRADING AND/OR CLEARING BASED ON THE 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 ARGUS 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 PRICE ASSESSMENT OR ANY DATA INCLUDED THEREIN. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT SHALL NYMEX, ITS AFFILIATES OR ARGUS 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.

Appendix B

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

Contract Name	**Rule Chapter**	**Commodity Code**	**Diminishing Balances Contracts**	**All Month Accountability Level**	**Any One Month Accountability Level**	**Expiration Month Limit**	**Reporting Level**	**Aggregate Into (1)**	**Aggregate Into (2)**
				Rule 560	**Rule 560**	**Rule 559**	**Rule 561**		
Petroleum									
Americas									
New York									
NY ULSD (Argus) vs. Heating Oil Spread BALMO Swap Futures	**1052**	**ULB**	*	**10,000/ 7,000**	**10,000/ 5,000**	**1,000/ 1,000**	**25**	**5Y**	**23**

Appendix C

CASH MARKET OVERVIEW

Contract Description

Distillate fuel oil is a general classification for one of the petroleum product categories produced by distillation operations, a boiling process that separate crude oil into fractions[1]. The lightest and the first fraction of distillate fuel is jet kerosene, followed by on-road diesel, heating oil/off-road diesel, and residual fuel oils. Products known as No.1 (on-road diesel), No.2 (off-road diesel, residential heating oil), and No.4 (commercial/industrial heating oil) oils are used in diesel engines, boilers and power generators. Diesel fuel containing a maximum of 15ppm (parts per million) of sulfur is referred to as Ultra-low Sulfur Diesel.

The new balance-of-the-month (BALMO) New York Harbor ULSD spread swap futures contract is based on the differential between Argus Media's physical barge price assessments of New York Harbor Ultra-Low Sulfur Diesel (ULSD) and the NYMEX No. 2 Heating Oil futures. A calendar month swap futures contract [Product Code: 7Y] is already listed for submission for clearing through CME ClearPort and for trading on the NYMEX trading floor. The addition of a BALMO contract will allow market participants greater flexibility to manage risk. The new swap futures contract will be listed through contract month March-2013.

The final settlement for the new BALMO swap futures contract is equal to the balance-of-month arithmetic average, 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 Argus 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-

[1] http://www.epa.gov/otaq/regs/nonroad/marine/ci/fr/dfuelrpt.pdf

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.

Regulatory Overview

The U.S. Environmental Protection Agency ("EPA") "2007 Highway Rule" mandated the use of ULSD in all heavy-duty highway engine and vehicles beginning June 2006, effectively reducing the sulfur content of highway diesel from 500ppm to 15ppm. In addition, the "temporary compliance" rule, or the 80/20 rule, provisioned that 80% of total U.S. production and imports of highway diesel fuel (No.1 and No.2) had to meet the 15ppm cap starting in June 2006. Effective June 2010, full compliance replaced the "80/20" rule for imports and production, and 100% of all highway diesel fuel was capped by the 15ppm level. By the end of 2010, all highway fuel terminals and diesel retailers had converted to 100%. The EPA implemented a similar sulfur program in non-road diesel fuel, binding diesel fuel used in industries like agriculture to the 15ppm standard in June 2010. Starting in June 2012[2], the 15ppm sulfur cap will apply to marine and locomotive diesel fuel, effectively making the entirety of the diesel complex a 15ppm maximum sulfur market at the federal level.

New York State mandated all No. 2 heating oil sold for residential, commercial and industrial heating applications within the State to contain no more than 15ppm of sulfur as of July 1, 2012. With EPA's pre-existing sulfur regulations, ULSD in New York has effectively become a dual-use (heating and transportation) low sulfur fuel oil product.

Cash Market

The U.S. distillates market, including ULSD and No. 2 heating oil, represent a large physical market with diverse market participation and include many commercial entities that are active in the U.S. Gulf Coast (USGC) and in the New York Harbor markets. There are approximately 30 to 40 participants in the New York Harbor ULSD cash market. The cash market is competitively traded, and is actively quoted by dozens of cash brokers.

[2]http://www.epa.gov/nonroad-diesel/2004fr/420r04007a.pdf

Appendix C

The majority of domestic ULSD and No.2 Heating Oil are produced in refineries on the USGC while being consumed in demand centers on the Atlantic Coast (USAC). The New York Harbor area is the main trading and distribution hub for the Petroleum Administration for Defense District (PADD) I region of the U.S. Most of PADD I imports enter via the New York Harbor area. In addition, most of the refining capacity in PADD I is located within 40 miles of the New York Harbor area. The estimated trading volume of ULSD in the New York Harbor cash market is approximately 250,000 to 300,000 barrels per day (b/d). According to market sources, the typical transaction size is 25,000 barrels, with numerous transactions occurring throughout the day. The volume of spot transactions is more than half of all cash transactions, and the balance of trades are longer-term contracts. The bid/ask spreads are typically in increments of one-quarter cent, although this can tighten to one-tenth cent spreads when the cash market is active. Furthermore, there is an active OTC swaps market in distillate products, including ULSD and heating oil swaps, with OTC swap trading volume of approximately 600,000 to 800,000 b/d. The typical OTC transaction size consists of 25,000 barrels, with 25 to 30 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.

The Colonial Pipeline is the main pipeline that connects the USGC refineries to the New York Harbor and adjacent markets, transporting daily about 2.3 million b/d of refined products. Colonial Pipeline has seven grades of kerosene and 16 grades of home heating oil and diesel fuel oil. Colonial Pipeline Grade 61 refers to the main grade of ULSD which is a dual-use fuel for heating oil and on-road use and has a 15ppm sulfur limit[3]. NYMEX No. 2 Heating Oil contract has maximum 2000ppm Sulfur limit[4] as determined by the Colonial Pipeline specifications for Grade 88 dyed heating oil[5].

According to the U.S. Energy Information Administration (EIA), total refining capacity in the U.S. averaged at 17.584 million b/d in 2010[6], and actual distillates production[7] averaged at 4.15 million b/d during the same year. Approximately 3.41 million b/d, or 81% of distillates production consisted of diesel fuel with less than 15ppm of Sulfur in 2010. Net Distillates production averaged approximately 4.2 million

[3] http://www.colpipe.com/pdfs/Sect%203%20Prod%20Spec%20Jan%201%202011%20update%20ver%202.pdf
[4] http://www.cmegroup.com/rulebook/NYMEX/1a/150.pdf
[5] http://www.colpipe.com/pdfs/Sect%203%20Prod%20Spec%20Jan%201%202011%20update%20ver%202.pdf
[6] http://www.eia.gov/dnav/pet/pet_pnp_cap1_dcu_nus_a.htm
[7] http://www.eia.gov/dnav/pet/pet_pnp_wprodrb_dcu_nus_w.htm

b/d between 2006 and 2011, and ULSD production increasingly outweighed higher sulfur diesel production on tightening sulfur regulations over time.

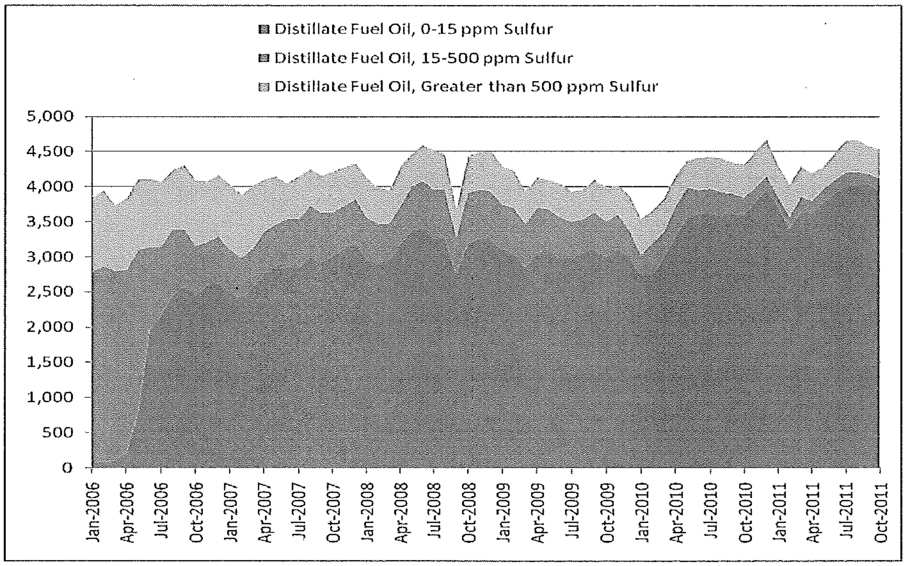
The three-year average of net ULSD production between October 2008 and October 2011 was 3.38 million b/d, according to the EIA. Figures 1 and 2 below illustrate net distillates production by sulfur level in years 2006-2011.

Figure 1. U.S. Distillates Production

(thousand barrels per day)

	All Distillates	**< 15ppm Sulfur (ULSD)**	**> 500ppm (Heating Oil)**
2006	4,006	1,432	953
2007	4,128	2,831	667
2008	4,259	3,137	494
2009	4,026	3,029	440
2010	4,149	3,413	395
2011 (Through Oct 21)	4,343	3,782	362
Average (2008-2011)	4,194	3,340	423

Figure 2. U.S. Distillates Production by Sulfur Content (thousand barrels per day)



The EIA provides detailed consumption, production, stocks, and trade statistics for Heating Oil and ULSD. The data contained in Figures 3 and 4 reflect supply and demand statistics for ULSD during the 2008 – 2011 (through November) period in PADD I (U.S. Atlantic Coast) and PADD III (U.S. Gulf Coast). These tables contain data on refinery production, shipments between PADD regions, imports, exports, and consumption, and represent the basis for the Exchange's deliverable supply analysis. The EIA uses the term "Product Supplied" as a measure of consumption, or "the disappearance of these products from primary sources, i.e., refineries, natural gas processing plants, blending plants, pipelines, and bulk terminals."

Figure 3. Selected Statistics for ULSD: U.S. Atlantic Coast (PADD I)[8]

(Annual, thousand barrels per day)

Distillate Fuel Oil, 15ppm and under Sulfur	2008	2009	2010	2011 (Jan-Nov)	Average
Refinery and Blender Net Production	262	214	221	228	231
Net Receipts from Other PADDs (pipeline, tanker, barge)	390	418	475	545	457
Imports	110	101	107	103	105
Exports	0	5	8	36	12
Product Supplied/Consumption	758	706	801	841	776

[8] http://www.eia.gov/dnav/pet/pet_sum_snd_a_EPDXL0_mbblpd_a_cur.htm

Figure 4. Selected Statistics for ULSD: U.S. Gulf Coast (PADD III)[9]

(Annual, thousand barrels per day)

Distillate Fuel Oil, 15ppm and under Sulfur	2008	2009	2010	2011 (Jan-Nov)	Average
Refinery and Blender Net Production	1,396	1,434	1,706	2,042	1,645
Net Receipts from Other PADDs (pipeline, tanker, barge)	-628	-604	-689	-771	-673
Imports	4	3	0	4	3
Exports	NA	203	286	468	239
Product Supplied/Consumption	723	577	703	825	668

According to the EIA numbers provided in Figures 3 and 4, during the 2008 – 2011 (through November) period, ULSD consumption in USAC averaged at 776,000 b/d. PADD I, with the region receiving approximately 57% of its supply via shipments from other PADDs, mostly from PADD III. Approximately 42% of USGC production was shipped out of the region via pipeline, tanker and barges.

The data contained in Figures 5 and 6 reflect supply and demand statistics for Heating Oil during the 2008 – 2011 (through November) period in PADD I and PADD III. According to EIA statistics, consumption of distillate fuel with 500ppm and above sulfur in USAC averaged approximately 362,000 b/d, with approximately 43% being derived from regional production. PADD III has shipped about 69%, or 165,000 b/d, of its production to other districts via pipeline, tanker and barges.

Figure 5. Selected Statistics for Heating Oil (Distillates>500ppm Sulfur): U.S. Atlantic Coast (PADD I)[10]

(Annual, thousand barrels per day)

Distillate Fuel Oil, 500ppm and over Sulfur	2008	2009	2010	2011 (Jan-Nov)	Average
Refinery and Blender Net Production	183	157	143	135	155
Net Receipts from Other PADDs (pipeline, tanker, barge)	174	210	123	127	158
Imports	60	63	66	53	60
Exports	9	5	7	25	12
Product Supplied/Consumption	410	411	328	301	362

[9] http://www.eia.gov/dnav/pet/pet_sum_snd_a_EPDXL0_mbblpd_a_cur.htm
[10] http://www.eia.gov/dnav/pet/pet_sum_snd_a_EPD00H_mbblpd_m_cur.htm

Figure 6. Selected Statistics for Heating Oil (Distillates>500ppm Sulfur): U.S. Gulf Coast (PADD III)[11]

(Annual, thousand barrels per day)

Distillate Fuel Oil, 500ppm and over Sulfur	2008	2009	2010	2011 (Jan-Nov)	Average
Refinery and Blender Net Production	230	241	257	229	239
Net Receipts from Other PADDs (pipeline, tanker, barge)	-189	-212	-130	-127	-165
Imports	18	7	14	8	12
Exports	51	44	27	66	47
Product Supplied/Consumption	0	-6	102	45	35

Historical Prices

Figure 7, below, presents historical final settlement prices for the proposed contract's underlying futures (New York Harbor No. 2 Heating Oil) trading on the NYMEX trading floor and CME Globex, and clearing through CME ClearPort.

Figure 7. NYMEX New York Harbor No. 2 Heating Oil Futures Prices

(Monthly, U.S. Dollars per gallon)

Year	Month	Settlement	Year	Month	Settlement	Year	Month	Settlement	Year	Month	Settlement
	Jan	256.13	2009	Jan	146.55		Jan	206.08		Jan	260.88
	Feb	265.04		Feb	127.52		Feb	198.70		Feb	277.73
	Mar	300.98		Mar	129.24		Mar	209.46		Mar	304.56
	Apr	318.74		Apr	137.58		Apr	223.05		Apr	320.62
	May	361.63		May	150.28		May	204.83		May	296.39
2008	Jun	381.20		Jun	178.80	2010	Jun	204.70	2011	Jun	297.71
	Jul	378.16		Jul	166.27		Jul	200.75		Jul	307.74
	Aug	319.08		Aug	188.50		Aug	205.30		Aug	295.06
	Sep	293.18		Sep	175.94		Sep	211.30		Sep	293.39
	Oct	224.13		Oct	195.52		Oct	226.05		Oct	295.88
	Nov	185.13		Nov	202.00		Nov	233.38		Nov	306.27
	Dec	142.12		Dec	199.74		Dec	248.65		Dec	290.80

[11] http://www.eia.gov/dnav/pet/pet_sum_snd_a_EPD00H_mbblpd_m_cur.htm

Appendix C

Price Sources

Argus Media ("Argus") is a provider of price assessments, business intelligence and market data for the global crude oil, petroleum products, gas, LPG, coal, electricity, biofuels, biomass, emissions, fertilizer and transportation industries. Argus was founded in 1970 and is a privately held UK-registered company. The Argus U.S. Products[12] service provides key petroleum products prices, and offers users a way to index their physical and swaps contracts. Argus has a strict compliance program and adheres to best practices in price reporting. Argus' assessment methodology is frequently updated with changing market dynamics and is made publicly available[13].

Argus U.S. refined products prices represent the market over the course of the entire trading day. Argus publishes the low and the high of deals done throughout the entire trading day. Price assessments in Argus U.S. Products rely on a wide variety of sources for information, including refiners, marketers, importers, traders and brokers and also data from electronic trading platforms. Argus will accept information over the phone, via instant messenger, via email, or by other means. Argus works to verify all deal prices, counterparties, and volumes.

[12] http://www.argusmedia.com/~/media/Files/PDFs/Meth/argus_us_products.ashx
[13] http://www.argusmedia.com/~/media/Files/PDFs/Meth/argus_us_products.ashx

Appendix C

Analysis of Deliverable Supply

The Exchange relied on net production, receipts and imports data for PADD I in recommending spot month position limits. Based on PADD I refinery production data provided by the EIA in Figure 3 above, the average refinery supply of ULSD for the four-year period from January 2008 to November 2011, was approximately 231,000 b/d. PADD I average net imports (imports minus exports) and pipeline/tanker/barge receipts total at 93,000 b/d and 457,000 b/d respectively. Therefore, total deliverable supply (production plus net imports plus receipts) amounted to 781,000 b/d in the 2008-2011 period, or 23.43 million barrels per month. Thus, the spot month position limit of 1,000 contracts (or 1 million barrels) for the NY ULSD (Argus) vs. Heating Oil Spread BALMO Swap futures represents approximately less than 5% of the total monthly deliverable supply of ULSD available to the New York Harbor market.

The ULSD (Argus) vs. Heating Oil Spread BALMO Swap futures position limits will aggregate into the positions held in the existing NY ULSD (Argus) Swap futures (Product Code: 5Y) and Heating Oil Last Day Financial futures (Product Code: 23) contracts. In accordance with Rule 559, no person shall own or control positions in excess of 1,000 (NY ULSD (Argus) Swap Futures)/1,000 (Heating Oil Last Day Financial Futures) contracts net long or net short in the spot month. Each position in the contract will be calculated as a single position in the NY ULSD (Argus) Swap futures contract and a single position in the Heating Oil Last Day Financial futures contract. For purposes of position limits and position accountability levels, contracts shall diminish ratably as the contract month progresses toward month end.

The position limits proposed in this submission for the NY ULSD (Argus) vs. Heating Oil Spread BALMO Swap Futures are identical to those of the existing calendar-month NY ULSD (Argus) vs. Heating Oil Spread contract (Product Code: 7Y, Rule Chapter: 246) which also aggregates into the positions held in the existing NY ULSD (Argus) Swap futures (Product Code: 5Y) and Heating Oil Last Day Financial futures (Product Code: 23) contracts.