CME Group

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

March 29, 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 a New Tanker Freight Swap Futures Contract for Trading the NYMEX Trading Floor and Clearing through CME ClearPort®
NYMEX Submission 12-098

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 a new Freight Route TC6 (Baltic) Swap futures contract for trading on the NYMEX trading floor and for submission for clearing through CME ClearPort beginning at 6:00 p.m. on Sunday, April 1, 2012, for trade date Monday, April 2, 2012.

SPECIFICATION SUMMARY

- **Contract Name**: Freight Route TC6 (Baltic) Swap Futures
- **Commodity Code**: TC6
- **Rule Chapter**: 1053
- **Contract Size**: 1,000 metric tons
- **Minimum Price Fluctuation**: Prices shall be quoted in dollars and cents per metric ton. The minimum fluctuation shall be $0.0001 per metric ton ($0.10 per contract).
- **Listing Schedule**: 24 consecutive months
- **First Contract Listed**: April 2012
- **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).

  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).

- **Fee Schedule**

Exchange Fees					
	Member Day	Member	Cross Division	Non-Member	IIP
Pit	n/a	$4.00	$4.50	$5.00	

Globex	n/a	n/a	n/a	n/a	n/a
ClearPort		$4.00		$5.00	

Processing Fees		
	Member	Non-Member
Cash Settlement	$0.00	$0.00
Futures from E/A	n/a	n/a
	House Acct	Customer Acct
Options E/A Notice	n/a	n/a
Delivery Notice	n/a	n/a

Additional Fees and Surcharges	
EFS Surcharge	n/a
Block Surcharge	n/a
Facilitation Desk Fee	$1.00

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

The Exchange is also notifying the CFTC that it is self-certifying the insertion of the terms and conditions for the new 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 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 product and the NYMEX legal department collectively reviewed the designated contract market core principles ("Core Principles") as set forth in the Commodity Exchange Act ("Act"). 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 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 the Baltic Exchange (methodology described 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 limit for the new contract is set at conservative level that is less than 15% of the monthly deliverable supply in the underlying 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 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 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 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 Supply

Appendix A

Chapter 1053
Freight Route TC6 (Baltic) Swap Futures

1053100. 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.

1053101. CONTRACT SPECIFICATIONS

The Floating Price for each contract month is equal to the arithmetic average of the rates for each business day that the TC6 Tanker Route (30,000 metric tons for Algeria to Euromed) is published by the Baltic Exchange over the contract month, converted to a US dollar per metric ton valuation at the prevailing Worldscale rate as published by Worldscale Association. If for any reason the Baltic Exchange cannot provide any rate required for establishing the Floating Price, then the Forward Freight Agreement Brokers Association (FFABA) may be instructed by either party to form a panel to establish any rate which will be binding on both parties.

1053102. TRADING SPECIFICATIONS

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

1053102.A. Trading Schedule

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

1053102.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.

1053102.C. Price Increments

Prices shall be quoted in U.S. dollars and cents per metric ton. The minimum price fluctuation shall be $0.0001 (0.01¢) per metric ton.

1053102.D. Position Limits and Position Accountability

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 60 contracts net long or net short in the spot month.

In accordance with Rule 560:

1. the all-months accountability level shall be 600 contracts net long or net short in all months combined;
2. the any-one month accountability level shall be 600 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.

1053102.E. Termination of Trading

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

1053103. 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.

1053104. DISCLAIMER

The Baltic Exchange licenses the New York Mercantile Exchange, Inc. ("NYMEX") to use various Baltic Exchange price assessments in connection with the trading or posting of the contracts.

NEITHER NYMEX AND ITS AFFILIATES NOR THE BALTIC EXCHANGE GUARANTEES THE ACCURACY AND/OR COMPLETENESS OF THE INDEX OR ANY OF THE DATA INCLUDED THEREIN. NYMEX, ITS AFFILIATES AND THE BALTIC EXCHANGE MAKE NO WARRANTIES, EXPRESS OR IMPLIED, AS TO THE RESULTS TO BE OBTAINED BY ANY PERSON OR ENTITY FROM USE OF THE INDEX, TRADING BASED ON THE INDEX, OR ANY DATA INCLUDED THEREIN IN CONNECTION WITH THE TRADING OF THE CONTRACT, OR, FOR ANY OTHER USE. NYMEX, ITS AFFILIATES AND THE BALTIC EXCHANGE 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 INDEX OR ANY DATA INCLUDED THEREIN. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT SHALL NYMEX, ITS AFFILIATES OR THE BALTIC EXCHANGE 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 DAMAGE.

Appendix B

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

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)
				Rule 560	Rule 560	Rule 559	Rule 561	
Tanker Indices								
Clean Tanker Index								
Freight Route TC6 (Baltic) Swap Futures	**1053**	**TC6**	*	**600**	**600**	**60**	**25**	**TC6**

Appendix C

CASH MARKET OVERVIEW

The New York Mercantile Exchange, Inc. ("NYMEX" or "Exchange") is self-certifying the listing of a new Freight Route TC6 (Baltic) Swap futures contract for trading on the NYMEX trading floor and for submission for clearing through CME ClearPort.

NYMEX currently lists a forward contract for clearing only based on freight route TC6 (commodity code FC6, chapter 954).

PRICE SOURCES

The Baltic Exchange is an organization that supports the marketplace for maritime trade. It collates and publishes price assessments on over fifty different shipping routes and indices every day. The methodology for these assessments is contained in its 'Manual for Panelists'.

For each freight route, a panel of brokers active in the physical shipping market on that route is appointed to provide price assessments. The obligation of each panelist is to 'assess and report a professional judgment of the prevailing open market level, at their time of reporting on each Baltic index publication day'. The production of freight market information is overseen by the Freight Indices and Futures Committee, a committee responsible to the Board of the Baltic Exchange.

Panelists are expected to take into account all available relevant information in the physical market, when making their assessment. Assessments should be made to reflect the specific voyage described in the route definition. As individual transactions will vary in specification, panelists are expected to adjust prices to conform with the standard terms for the route being assessed.

The Baltic Exchange calculates the published route assessment based on the average of all assessments reported by panelists.

There is both a daily quality control process and a periodic independent audit to assess the performance of panelists, and there are standards of good practice included in the Manual. Panelists are required to make personnel available to the Baltic Exchange to answer any queries relating to their assessment.

NYMEX has a license agreement with Baltic Exchange to utilize its pricing data.

FREIGHT MARKET OVERVIEW

The product referenced in this submission is a product relating to the international seaborne tanker freight market, i.e. the market for providing shipping freight for crude oil and refined oil products.

The United Nations Conference on Trade and Development ("UNCTAD") estimates total international seaborne trade to equal 8.408 billion tons for all cargoes in 2010, rising from 7.858 billion tons in 2009[1]. This 2010 figure represents an increase of 40.5% over the equivalent number for the year 2000. Of this, cargoes of oil and oil products represent 2.752 billion tons, rising from 2.642 billion tons in 2009. Trade in cargoes of oil and oil products has grown 27.2% since the year 2000.

The chartering of seaborne freight is a privately negotiated activity between the ship owner and the charterer, with each transaction having unique features. However standards have been established for the marketplace by trade associations, most notably the Baltic Exchange based in London.

The size of a vessel is measured by its deadweight tonnage ('dwt'), which is a measure of the weight in metric tonnes a vessel can safely carry, including cargo, fuel, water etc. Oil tankers are loosely categorized into a range of vessel sizes. Very Large Crude Carrier ('VLCC') is the term given to vessels with a capacity in excess of 250,000 dwt, and the term Ultra Large Crude Carrier ('ULCC') is used for the largest of these vessels – the largest being over 440,000 dwt, the equivalent of over 3 million barrels of oil. These vessels carry crude oil on major trans-ocean routes. Suezmax vessels are smaller in size than VLCCs, and are typically between 130,000 and 160,000 dwt. Suezmax vessels are named as such as they are the largest tankers that can transit the Suez Canal. Aframax vessels are typically between 70,000 and 110,000 dwt. VLCCs, Suezmax and Aframax vessels are typically used for carrying crude oil, and are referred to in the industry as 'dirty' tankers. Refined oil products are usually transported in smaller vessels referred to as 'clean' tankers. These vessels typically range in size from 20,000 to 75,000 dwt.

[1] http://www.unctad.org/en/docs/rmt2011ch1_en.pdf

There are two main types of vessel charter arrangement. Voyage charters involve the charterer hiring the vessel to carry a cargo between two specified ports. The freight payment for a voyage charter is assessed in terms of dollars per ton of cargo carried. Time charters involve the charterer hiring the vessel for a period of time, during which it can direct the movement of the vessel, although typically the vessel will follow a route between two ports. The freight payment for a time charter is assessed in terms of dollars per day of charter.

Tanker charters are typically voyage charter arrangements. The pricing of the transaction is expressed as percentage of the Worldscale flat rate (officially known as the "New Worldwide Tanker Nominal Freight Scale"), assessed and published by the Worldscale Association. This flat rate represents a fixed value in dollars per metric ton for a specific route. The market convention is to quote current tanker freight prices as a percentage of this figure, rather than an explicit dollar value for each transaction.

In order to develop the functioning of the freight market, the Baltic Exchange has developed standard definitions for freight routes which are frequently chartered. The Baltic Exchange collates market price data from shipbrokers on these specified routes, and publishes market price assessments on a daily basis. Other price reporting agencies also collate and publish market price data, most notably Platts, which is seen as the most relevant price reference for certain Pacific Ocean routes.

The TC6 Freight Route, which is the underlying reference for the contract described in this submission, has been developed by the Baltic Exchange, and is described as follows:

Route TC6

30000mt CPP/UNL Algeria/Euromed Skikda/Lavera with laydays cancelling 7/14 days in advance. Max age: 15 years[2]

Route TC6 is a route for refined oil products, specifically unleaded gasoline or other clean products, loaded at the port of Skikda in Algeria and discharged at the port of Lavera in France.

The Baltic Exchange has been assessing prices for the TC6 route since 2004.

[2] Source: Baltic Exchange

ANALYSIS OF DELIVERABLE SUPPLY

The TC6 freight route is a refined oil product tanker route. The route assessment is for tankers of 30,000 metric tons deadweight carrying middle distillates across the Mediterranean from Algeria to Europe.

The United Nations Conference on Trade and Development ("UNCTAD") estimates total international seaborne trade for oil products in millions of metric tons of cargo as follows:

Table 1: International Seaborne Trade

	Goods Loaded	
	World	Africa
2006	914.8	86.0
2007	933.5	81.8
2008	957.0	83.3
2009	931.1	83.0
2010	967.5	81.5

Source: UNCTAD[3]

The lot size for the TC6 contracts is 1,000 metric tons. The figure of 967.5 million metric tons for world trade represents an equivalent of approximately 80,000 contract lots per calendar month, and the figure of 81.5 million metric tons for African origin cargoes represents an equivalent of approximately 6,750 contract lots per calendar month.

Data is not available which breaks down the tanker freight market into individual routes, however it should be noted that the TC6 route is one of only twelve refined tanker routes that are defined and reported on by the Baltic Exchange, and the only one that has an African focus.

The TC6 route is a benchmark for trade flowing across the Mediterranean Sea. The United Nations Commodity Trade Statistics Database ("UN Comtrade") publishes trade data for refined products between northern African countries and southern European countries, as follows:

[3] See UNCTAD Review of Maritime Transport 2011, Chapter 1: http://www.unctad.org/en/docs/rmt2011ch1_en.pdf

Table 2: Imports of refined petroleum oils, include aviation spirit (HS271011) and light petroleum distillates (HS271019).

(thousand metric tons)

Destination	Origin	2008	2009	2010	Average 2008-2010
France	Algeria	771	632	301	568
	Egypt	66	18	57	47
	Libya	150	196	61	135
	Morocco	118	19	0	46
	Total France	1,104	864	419	796
Italy	Algeria	405	236	226	289
	Egypt	110	161	182	151
	Libya	2,538	2,553	2,351	2,481
	Morocco	21	0	0	7
	Total Italy	3,072	2,951	2,759	2,927
Spain	Algeria	279	819	1140	746
	Egypt	56	41	288	128
	Libya	105	323	247	225
	Morocco	25	45	54	42
	Total Spain	465	1228	1,729	1,141
	Total Imports	4,641	5,043	4,906	4,863

Source: UN Comtrade Database[4]

The Exchange proposes to set the expiration month limit for the Freight Route TC6 (Baltic) Swap futures contract at 60 lots. The figure represents 0.9% of the monthly African refined oil product export figure in Table 1, and 14.8% of the average for light petroleum products imports into Southern Europe from Northern Africa as shown in Table 2.

[4] http://comtrade.un.org/