CME Group

Sean M. Downey
Director and Assistant General Counsel
Legal Department

April 26, 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 Five Japanese Refined Product Swap Futures Contracts for Trading on the NYMEX Trading Floor and for Clearing through CME ClearPort
NYMEX Submission 12-120

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 five (5) new financially settled refined futures contracts for trading on the NYMEX trading floor and for submission for clearing through CME ClearPort beginning on Sunday, April 29, 2012, for trade date Monday, April 30, 2012.

CONTRACT SPECIFICATIONS

Contract	Code	Chapter
Tokyo Bay Gasoline (RIM) Swap Futures	RMG	1225
Tokyo Bay Kerosene (RIM) Swap Futures	RMK	1226
Tokyo Bay 10ppm Gasoil (RIM) Swap Futures	RMS	1227
Tokyo Bay A-Grade 1% Sulfur Fuel Oil (RIM) Swap Futures	RMF	1228
Tokyo Bay A-Grade 0.1% Sulfur Fuel Oil (RIM) Swap Futures	RMU	1229

- **First Listed Month:** June 2012
- **Listing Period:** 6 consecutive calendar months
- **Contract Size:** 50 Kiloliters (50,000 liters)
- **Termination of Trading:** Trading shall cease on the last Japanese business day of the contract month
- **Minimum Price Tick:** One Japanese yen (¥1) per kiloliter
- **Value per Tick:** Fifty Japanese yen (¥50) per kiloliter
- **Final Settlement Price:** Settlement tick = one Japanese yen (¥1) per kiloliter

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

- **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).
- 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.
- **Fee Schedule:**

Exchange Fees					
	Member Day	Member	Cross Division	Non-Member	IIP
Pit	N/A	$0.85	$1.05	$1.25	
Globex	N/A	N/A	N/A	N/A	N/A
ClearPort		$0.85		$1.25	

Processing Fees		
	Member	Non-
Cash Settlement	$0.10	$0.10
Futures from E/A	N/A	N/A
	House Acct	Cust Acct
Options E/A Notice	N/A	N/A
Delivery Notice	N/A	N/A

Additional Fees and Surcharges	
EFS Surcharge	$0.00
Block Surcharge	$0.00
Facilitation Desk Fee	$0.20

The Exchange is also notifying the CFTC that it is self-certifying the insertion of the terms and conditions for the new contracts 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 contracts. These terms and conditions establish the all month/any one month accountability levels, expiration month position limits, reportable levels, diminishing balances and aggregation allocations for the new contracts.

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 (the "Act" or "CEA"). During the review, NYMEX staff identified that the new products may have some bearing on the following Core Principles:

- Prevention of Market Disruption: Trading in these contracts 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 products will be subject to extensive monitoring and surveillance by CME Group's Market Regulation Department.

- Contracts not Readily Subject to Manipulation: The new contracts are 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 RIM (methodology provided in the attached Cash Market Overview).
- Compliance with Rules: Trading in these contracts will be subject to the rules in Rulebook Chapter 4 which includes prohibitions against fraudulent, noncompetitive, unfair and abusive practices. Additionally, trading in these contracts 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 products 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 each of the new Japanese refined product swap futures are set at conservative levels that are less than the 25% threshold of the monthly deliverable supply in each of the respective underlying markets.
- Availability of General Information: The Exchange will publish information on the contracts' 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 contracts are dually listed for clearing through the CME ClearPort platform and for open outcry trading on the NYMEX trading floor. 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 these products.
- 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 these contracts 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 products are identified.
- Dispute Resolution: Disputes with respect to trading in these contracts 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(a), 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. A description of the cash market for these new products 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
Director and Assistant General Counsel

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

APPENDIX A

Chapter 1225
Tokyo Bay Gasoline (RIM) Swap Futures

1225100. 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.

1225101. CONTRACT SPECIFICATIONS

The Floating Price for each contract month is equal to the arithmetic average of the high and low quotations for Fixed Price Gasoline Tokyo Bay (Keihin/Chiba) from the RIM Japan Products Intelligence Daily for each business day during the contract month.

1225102. TRADING SPECIFICATIONS

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

1225102.A. Trading Schedule

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

1225102.B. Trading Unit

The contract quantity shall be 50 kiloliters (equivalent to 50,000 liters). Each contract shall be valued as the contract quantity (50) multiplied by the settlement price.

1225102.C. Price Increments

Prices shall be quoted in Japanese yen per kiloliter. The minimum price fluctuation shall be one Japanese yen (¥1) per kiloliter.

1225102.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 10,000 contracts net long or net short in the spot month.

In accordance with Rule 560:

1. the all-months accountability level shall be 50,000 contracts net long or net short in all months combined;
2. the any-one month accountability level shall be 50,000 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.

1225102.E. Termination of Trading

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

1225103. 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.

1225104. DISCLAIMER

NEITHER NEW YORK MERCANTILE EXCHANGE, INC. ("NYMEX") ITS AFFILIATES NOR RIM INTELLIGENCE CO ("RIM") GUARANTEES THE ACCURACY NOR COMPLETENESS OF THE RIM PRICE ASSESSMENT OR ANY OF THE DATA INCLUDED THEREIN.

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Chapter 1226
Tokyo Bay Kerosene (RIM) Swap Futures

1226100. 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.

1226101. CONTRACT SPECIFICATIONS

The Floating Price for each contract month is equal to the arithmetic average of the high and low quotations for Fixed Price Kerosene Tokyo Bay (Keihin/Chiba) as published in the RIM Japan Products Intelligence Daily for each business day during the contract month.

1226102. TRADING SPECIFICATIONS

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

1226102.A. Trading Schedule

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

1226102.B. Trading Unit

The contract quantity shall be 50 kiloliters (equivalent to 50,000 liters). Each contract shall be valued as the contract quantity (50) multiplied by the settlement price.

1226102.C. Price Increments

Prices shall be quoted in Japanese yen per kiloliter. The minimum price fluctuation shall be one Japanese yen (¥1) per kiloliter.

1226102.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 3,000 contracts net long or net short in the spot month.

In accordance with Rule 560:

1. the all-months accountability level shall be 15,000 contracts net long or net short in all months combined;
2. the any-one month accountability level shall be 15,000 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.

1226102.E. Termination of Trading

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

1226103. 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.

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Chapter 1227
Tokyo Bay 10ppm Gasoil (RIM) Swap Futures

1227100. 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.

1227101. CONTRACT SPECIFICATIONS

The Floating Price for each contract month is equal to the arithmetic average of the high and low quotations for Fixed Price Gasoil 0.001% Sulfur Tokyo Bay (Keihin/Chiba) as published in the RIM Japan Products Intelligence Daily for each business day during the contract month.

1227102. TRADING SPECIFICATIONS

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

1227102.A. Trading Schedule

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

1227102.B. Trading Unit

The contract quantity shall be 50 kiloliters (equivalent to 50,000 liters). Each contract shall be valued as the contract quantity (50) multiplied by the settlement price.

1227102.C. Price Increments

Prices shall be quoted in Japanese yen per kiloliter. The minimum price fluctuation shall be one Japanese yen (¥1) per kiloliter.

1227102.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 10,000 contracts net long or net short in the spot month.

In accordance with Rule 560:

1. the all-months accountability level shall be 50,000 contracts net long or net short in all months combined;
2. the any-one month accountability level shall be 50,000 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.

1227102.E. Termination of Trading

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

1227103. 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.

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APPENDIX A

Chapter 1228
Tokyo Bay A-Grade 1% Sulfur Fuel Oil (RIM) Swap Futures

1228100. 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.

1228101. CONTRACT SPECIFICATIONS

The Floating Price for each contract month is equal to the arithmetic average of the high and low quotations for Fixed Price AFO 1.0% Sulfur Tokyo Bay (Keihin/Chiba) as published in the RIM Japan Products Intelligence Daily for each business day during the contract month.

1228102. TRADING SPECIFICATIONS

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

122802.A. Trading Schedule

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

122802.B. Trading Unit

The contract quantity shall be 50 kiloliters (equivalent to 50,000 liters). Each contract shall be valued as the contract quantity (50) multiplied by the settlement price.

122802.C. Price Increments

Prices shall be quoted in Japanese yen per kiloliter. The minimum price fluctuation shall be one Japanese yen (¥1) per kiloliter.

122802.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 3,000 contracts net long or net short in the spot month.

In accordance with Rule 560:

1. the all-months accountability level shall be 15,000 contracts net long or net short in all months combined;
2. the any-one month accountability level shall be 15,000 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.

122802.E. Termination of Trading

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

122803. 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.

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APPENDIX A

Chapter 1229
Tokyo Bay A-Grade 0.1% Sulfur Fuel Oil (RIM) Swap Futures

1229100. 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.

1229101. CONTRACT SPECIFICATIONS

The Floating Price for each contract month is equal to the arithmetic average of the high and low quotations for Fixed Price AFO 0.1% Sulfur Tokyo Bay (Keihin/Chiba) as published in the RIM Japan Products Intelligence Daily for each business day during the contract month.

1229102. TRADING SPECIFICATIONS

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

1229102.A. Trading Schedule

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

1229102.B. Trading Unit

The contract quantity shall be 50 kiloliters (equivalent to 50,000 liters). Each contract shall be valued as the contract quantity (50) multiplied by the settlement price.

1229102.C. Price Increments

Prices shall be quoted in Japanese yen per kiloliter. The minimum price fluctuation shall be one Japanese yen (¥1) per kiloliter.

1229102.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 3,000 contracts net long or net short in the spot month.

In accordance with Rule 560:

1. the all-months accountability level shall be 15,000 contracts net long or net short in all months combined;
2. the any-one month accountability level shall be 15,000 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.

1129102.E. Termination of Trading

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

1229103. 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.

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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)**
				Rule 560	**Rule 560**	**Rule 559**	**Rule 561**	
Petroleum								
Asia/Pacific								
Japan								
Tokyo Bay Gasoline (RIM) Swap Futures	**1225**	**RMG**	*	**50,000**	**50,000**	**10,000**	**25**	**RMG**
Tokyo Bay Kerosene (RIM) Swap Futures	**1226**	**RMK**	*	**15,000**	**15,000**	**3,000**	**25**	**RMK**
Tokyo Bay 10ppm Gasoil (RIM) Swap Futures	**1227**	**RMS**	*	**50,000**	**50,000**	**10,000**	**25**	**RMS**
Tokyo Bay A-Grade 1% Sulfur Fuel Oil (RIM) Swap Futures	**1228**	**RMF**	*	**15,000**	**15,000**	**3,000**	**25**	**RMF**
Tokyo Bay A-Grade 0.1% Sulfur Fuel Oil (RIM) Swap Futures	**1229**	**RMU**	*	**15,000**	**15,000**	**3,000**	**25**	**RMU**

APPENDIX C

CASH MARKET OVERVIEW

The New York Mercantile Exchange, Inc. ("NYMEX" or "Exchange") is self-certifying the listing of five Japanese refined product swap futures, for trading on the NYMEX trading floor and for submission for clearing through CME ClearPort.

a) Background to the new contracts

Participants in the Japanese energy market trade over-the-counter physical cargoes and derivatives based on the prices produced by RIM Intelligence Co (also referred to as "RIM Intelligence" or "RIM"), the leading Japanese price reporting agency.

RIM Intelligence has been assessing prices in the domestic Japanese energy market as well as international energy prices since 1984 and has built up a reputation for producing fair and transparent price assessments.

There are already substantial volumes of over-the-counter ("OTC") swaps that are settled against the data produced by RIM Intelligence. However, these five products scheduled for trading on the NYMEX trading floor and for submission for clearing through CME ClearPort represent the first time that central counterparty clearing has been available for swaps traded in the Japanese domestic energy market.

Trade in refined products swaps in the Japanese domestic market is denominated in kiloliters and is priced in Japanese Yen. One kiloliter is equivalent to 1,000 liters or 6.11 barrels. The lot sizes of the five Japanese energy swap futures shall be 50 kiloliters, equivalent to 50,000 liters or to 305.5 barrels. The Japanese energy swap futures will therefore be approximately one-third of the size of a typical NYMEX 1,000 barrel energy swap.

b) About RIM Intelligence Co.

RIM Intelligence has been producing pricing data and information on energy markets since February 1984 from a fair and neutral standpoint. Headquartered in Tokyo, RIM has a dominant role in providing pricing and news on the Japanese energy markets[1].

[1] For a full company profile of RIM, please see https://eng.rim-intelligence.co.jp/about/corporate

RIM is privately owned and has around 40 staff based in offices around Asia. RIM sells its pricing and analytical information by subscription and currently has 2,000 companies subscribing to its services from 30 countries.

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

RIM describes its business as follows: RIM provides the latest news information to energy firms across the globe, including majors as well as oil producers in Asia and the Middle East. RIM offers "RIM prices" accurately and timely through precise reporting.

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

c) Principles underpinning RIM's Price Assessment Methodology

RIM applies a transparent published methodology to its assessments of the Japanese domestic market[2]. Its stated aim is "to increase transparency by indicating to players in the energy market price levels at which deals could be concluded, so that players could progress with their trades at reasonable prices. Our role is to provide a price index to ensure that trades are conducted smoothly without buyers feeling that they have bought at a high price or sellers perceiving that they have sold at a low price."

The price reporting agency uses fixed-price data as well as a formula approach to convert prices based on its own index into flat prices. RIM's standard approach is to assess Japan domestic wholesale waterborne market prices at which a standard spot transaction could take place. RIM will seek to poll importers, traders, end-users and refiners in order to ensure that it has a fair representation of spot market activity. RIM actively assesses prices between 10 a.m. and 7 p.m. Tokyo time.

[2] https://eng.rim-intelligence.co.jp/uploaded/assessment/Products_method_e.pdf

RIM assesses the market price of Japan domestic waterborne cargoes on an ex-pipe basis (the same as ex-refinery, ex-tank storage). Prices in deals, bids and offers on a delivered basis are translated into the estimated values that the prices would be if the deals, bids and offers were on an ex-pipe basis. Prices for cargoes to be loaded at ports that are excluded from RIM's definition of the Keihin and Western Japan markets are also taken into account as an indicator to show condition of supply and demand throughout Japan.

d) RIM's Gasoline Assessment Methodology

Assessment Window: RIM's assessment window for Japan domestic spot waterborne gasoline prices opens at 10:00 a.m. and closes at 7:00 p.m. Tokyo time.

Price Unit: Japan domestic spot waterborne gasoline prices are in Yen/kiloliter on an ex-pipe basis. The indicated prices in the RIM Products Report and other RIM media exclude the gasoline tax of Yen 53,800/kiloliter.

Time Window: Japan domestic spot waterborne gasoline prices in the publications released during the period from the first day to the 25th of a month are for cargoes to be loaded in the current month. In the publication released during the period from the 26th to the last day of a month, the prices are for the cargoes to be loaded in the next month.

Standard Size: Japan domestic spot waterborne gasoline prices are for cargoes larger than 200 kiloliters, which RIM considers standard. Prices for smaller cargoes are to be translated into estimated values that the prices could be if the cargoes were the standard volume.

Quality Specifications: Japan domestic spot waterborne gasoline prices are for cargoes of which quality is equivalent to the Japan Industrial Standard (JIS) K-2202 specification (research octane number greater than 89 and MTBE less than 7%). The research octane number for gasoline that RIM assesses is greater than 90 and MTBE content of nil, levels that are widely accepted in Japan's oil industry as the standard.

e) RIM's Kerosene Assessment Methodology

Assessment Window: RIM's assessment window for Japan domestic spot waterborne kerosene prices opens at 10:00 a.m. and closes at 7:00 p.m. Tokyo time.

Price Unit: Japan domestic spot waterborne kerosene prices are in Yen/kiloliter on an ex-pipe basis. There is no kerosene tax.

Time Window: Japan domestic spot waterborne gasoline prices in the publications released during the period from the first day to the 25th of a month are for cargoes to be loaded in the current month. In the publication released during the period from the 26th to the last day of a month, the prices are for the cargoes to be loaded in the next month.

Standard Size: Japan domestic spot waterborne kerosene prices are for cargoes larger than 200 kiloliters, which RIM considers standard. Prices for smaller cargoes are to be translated into estimated values that the prices could be if the cargoes were the standard volume.

Quality Specifications: Japan domestic spot waterborne kerosene prices are for cargoes of which quality is equivalent to the Japan Industrial Standard (JIS) K-2203 specification (Saybolt color scale greater than 25). The Saybolt color scale kerosene that RIM assesses is greater than 30, a level that is widely accepted in Japan's oil industry as the standard.

f) RIM's 10ppm Gasoil Assessment Methodology

Assessment Window: RIM's assessment window for Japan domestic spot waterborne gasoil prices opens at 10:00 a.m. and closes at 7:00 p.m. Tokyo time.

Price Unit: Japan domestic spot waterborne gasoil prices are in Yen/kiloliter on an ex-pipe basis. The indicated prices in the RIM Products Report and other RIM media exclude the gasoil delivery tax of Yen 32,100/kiloliter.

Time Window: Japan domestic spot waterborne gasoil prices in the publications released during the period from the first day to the 25th of a month are for cargoes to be loaded in the current month. In the publication released during the period from the 26th to the last day of a month, the prices are for the cargoes to be loaded in the next month.

Standard Size: Japan domestic spot waterborne gasoil prices are for cargoes larger than 200 kiloliters, which RIM considers standard. Prices for smaller cargoes are to be translated into estimated values that the prices could be if the cargoes were the standard volume.

Quality Specifications: Japan domestic spot waterborne gasoil prices are for cargoes of which quality is equivalent to the Japan Industrial Standard (JIS) K-2204 specification for No1 and No2 grades. The No1

Special, No3 and No3 Special grades are considered to be traded at discounts and/or premiums to the standard quality.

g) RIM's A-Grade Fuel Oil Assessment Methodology

RIM assesses Japan domestic spot waterborne A-fuel prices for two grades categorized by sulfur content: AFO-1.0%S (with a sulfur content less than 1.0%) and AFO-0.1%S (with a sulfur content less than 0.1%).

A-fuel oil cargoes that are traded as bunker fuel for coastal vessels are considered to be a different commodity from spot waterborne A-fuel oil.

Assessment Window: RIM's assessment window for Japan domestic spot waterborne A-fuel oil prices opens at 10:00 a.m. and closes at 7:00 p.m. Tokyo time.

Price Unit: Japan domestic spot waterborne A-fuel oil prices are in Yen/kiloliter on an ex-pipe basis. There is no fuel oil tax.

Time Window: Japan domestic spot waterborne A-fuel oil prices in the publications released during the period from the first day to the 25th of a month are for cargoes to be loaded in the current month. In the publication released during the period from the 26th to the last day of a month, the prices are for the cargoes to be loaded in the next month.

Standard Size: Japan domestic spot waterborne A-fuel oil prices are for cargoes larger than 200 kiloliters, which RIM considers standard. Prices for smaller cargoes are to be translated into estimated values that the prices could be if the cargoes were the standard volume.

Quality Specifications: Japan domestic spot waterborne A-fuel oil prices are for cargoes of which quality is equivalent to the Japan Industrial Standard (JIS) K-2205 specification for category 1 (less than 2.0% for A-fuel oil No2 grade and less than 0.5% for low-sulfur A-fuel No1 grade). The sulfur level for A-fuel that RIM assesses is less than 1.0% for A-fuel oil and less than 0.1% for low-sulfur A-fuel oil, levels that are widely accepted in Japan's oil industry as the standard. RIM considers the so-called "white-A" grade of A-fuel to be a different grade from A-fuel oils assessed by RIM.

h) Size of the domestic Japanese refined product cash market

Production of petroleum products in Japan remains extremely robust, despite the economic slowdown in that country in recent years, as Japan continues to be one of the key refining and demand centers in Asia.

The Petroleum Association of Japan (PAJ) provides up-to-date data on the production of Japanese refined products, which is provided below[3]:

Table 1: Japanese refinery output (kiloliters)

	Gasoline	Kerosene	Gasoil	A-Grade Fuel Oil
2007	58,380,590	23,024,077	43,058,190	21,914,984
2008	56,787,102	20,588,757	46,414,857	19,659,651
2009	56,950,925	20,286,842	43,417,931	16,718,666
2010	58,827,314	19,674,891	42,866,196	16,347,677
2011	54,815,874	19,374,706	40,292,153	15,432,385

As noted above, the Japanese refined product markets are priced in units of yen per kiloliter. One kiloliter is equivalent to 1,000 liters or to 6.11 barrels. The lot sizes of the five Japanese energy swaps will be 50 kiloliters, equivalent to 50,000 liters or to 305.5 barrels. The Japanese energy swaps will therefore be around one-third of the size of a typical NYMEX 1,000 barrel energy swap.

In the Japanese OTC market, refined product swaps typically trade as outright contracts based on the prices produced by RIM. There is active trading in forward cash deals for cargoes and in index-linked deals.

[3] http://www.paj.gr.jp/english/statis/index.html

The bid/ask spreads are typically in increments of a few yen per kiloliter and there is a wide range of participants. Deals take place bilaterally and through OTC brokers and many are openly reported.

Furthermore, there is an active OTC swaps market with many market participants that utilize RIM-based swaps to hedge their price risk. The market participation in Japan is diverse and includes many of the same commercial entities that are active in the Singapore refined product markets. The Japanese cash market and OTC market participants include 30 to 40 commercial companies.

ANALYSIS OF DELIVERABLE SUPPLY

Please note that for the five new Japanese refined product swap 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 the data provided by the Petroleum Association of Japan (PAJ), which is provided in Table 1 above.

Based on the PAJ consumption data, the average refinery output of gasoline in Japan for the three-year period from January 2009 to December 2011 was approximately 56,865,000 kiloliters, which is equivalent to 4,739,000 kiloliters per month. This is equivalent to 94,800 contract equivalents for the underlying contract size of 50 kiloliters. The Exchange therefore proposes spot month position limits of 10,000 contract units for the Tokyo Bay Gasoline (RIM) Swap Futures, which represents just over 10% of the 95,000 contract equivalents of monthly supply.

Based on the consumption data provided by the PAJ (Table 1 above), the average refinery output of kerosene in Japan for the three-year period from January 2009 to December 2011 was approximately 19,779,000 kiloliters, which is equivalent to 1,648,000 kiloliters per month. This is equivalent to 33,000 contract equivalents for the underlying contract size of 50 kiloliters. The Exchange therefore proposes spot month position limits of 3,000 contract units for the Tokyo Bay Kerosene (RIM) Swap Futures, which represents approximately 9% of the 33,000 contract equivalents of monthly supply.

Based on the consumption data provided by the PAJ (Table 1 above), the average refinery output of gasoil in Japan for the three-year period from January 2009 to December 2011 was approximately

42,192,000 kiloliters, which is equivalent to 3,516,000 kiloliters per month. This is equivalent to 70,300 contract equivalents for the underlying contract size of 50 kiloliters. The Exchange therefore proposes spot month position limits of 10,000 contract units for the Tokyo Bay 10ppm Gasoil (RIM) Swap Futures, which represents approximately 14% of the 70,300 contract equivalents of monthly supply.

Based on the consumption data provided by the PAJ (Table 1 above), the average refinery output of A-Grade Fuel Oil in Japan for the three-year period from January 2009 to December 2011 was approximately 16,166,000 kiloliters, which is equivalent to 1,347,000 kiloliters per month. The PAJ also provides weekly data that shows the breakdown between high- and low-sulfur fuel oil[4]. This data shows that in a typical week production is more or less evenly split between the two grades of fuel oil (1.0% sulfur and 0.1% sulfur). The Exchange therefore proposes that we should divide by two the average refinery output of A-Grade Fuel Oil in Japan given by the PAJ for the three-year period from January 2009 to December 2011 in order to reach a best estimate of the size of the underlying high- and low-sulfur markets.

Applying this methodology to the PAJ data, Japanese production of both 0.1% sulfur and 1% sulfur fuel oil was approximately 8,083,000 kiloliters, which is equivalent to 673,600 kiloliters per month. This physical volume is equivalent to 13,500 contract equivalents for the underlying contract size of 50 kiloliters. The Exchange therefore proposes spot month position limits of 3,000 contract units for each of the Tokyo Bay A-Grade 0.1% Sulfur Fuel Oil (RIM) Swap Futures and the Tokyo Bay A-Grade 1% Sulfur Fuel Oil (RIM) Swap Futures, which collectively represent just over 20% of the 13,500 contract equivalents of monthly supply.

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

[4] https://stats.paj.gr.jp/en/pub/index.html