



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 Three Petrochemicals Futures Contracts for Trading on the NYMEX Trading Floor and Clearing through CME ClearPort  
NYMEX Submission 12-122**

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 three (3) new petrochemicals futures for open outcry trading on the NYMEX trading floor and for submission for clearing through CME ClearPort® beginning at 6:00 p.m. on Sunday, April 29, 2012 for trade date Monday, April 30, 2012.

**SPECIFICATIONS SUMMARY:**

Contract Name	HDPE High Density Polyethylene (PCW) BALMO Swap Futures	LLDPE Linear Low Density Polyethylene (PCW) BALMO Swap Futures	PP Polypropylene (PCW) BALMO Swap Futures
Commodity Code	HPD	LEL	PPW
Rule Chapter	1220	1221	1222
Listed Contracts	One month and the following month listed 10 business days prior to the start of the contract month.	One month and the following month listed 10 business days prior to the start of the contract month.	One month and the following month listed 10 business days prior to the start of the contract month.
Contract Unit	47,000 pounds	47,000 pounds	47,000 pounds
Last Trading Day	Trading shall cease on the last business day of the contract month.	Trading shall cease on the last business day of the contract month.	Trading shall cease on the last business day of the contract month.
Minimum Tick Size	\$0.00001 per pound	\$0.00001 per pound	\$0.00001 per pound
First Listed Contract	May 1, 2012	May 1, 2012	May 1, 2012

- **Trading 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	\$6.00	\$6.00	\$6.75	\$7.50	
Globex	n/a	n/a	n/a	n/a	n/a
ClearPort		\$6.00		\$7.50	
Processing Fees					
	Member	Non-Member			
Cash Settlement	\$6.00	\$7.50	<i>*only applies to financially settled contracts</i>		
Futures from E/A	n/a	n/a	<i>*applies to futures contracts</i>		
	House Acct	Cust Acct			
Options E/A Notice	n/a	n/a	<i>*applies to physical options</i>		
Delivery Notice	n/a	n/a	<i>*applies to physical futures</i>		
Additional Fees and Surcharges					
EFS Surcharge	\$0.00	<i>*\$2.50 fee typically only charged on our core physical contracts</i>			
Block Surcharge	\$0.00	<i>*\$0.10 fee charged on block trades</i>			
Facilitation Desk Fee	\$0.20	<i>*fee applies to CPC trades entered by ClearPort Market Ops</i>			

The Exchange is also notifying the CFTC that it is self-certifying the insertion of the terms and conditions for the three 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:

- **Monitoring of Trading:** The new products will be subject to the same Exchange procedures currently in place for trade practice and market surveillance for all products traded on one of the Exchange's competitive trading venues. This surveillance is performed by CME Group's Market Regulation Department which is dedicated to performing market surveillance, investigating potential market misconduct and enforcing the Exchange's rules;
- **Contracts not Readily Subject to Manipulation:** The new products 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;

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- Compliance with Rules: Trading in the contracts will be subject to Chapter 4 of the Exchange rules which includes prohibitions against fraudulent, non-competitive, unfair and abusive practices and will be subject to extensive monitoring and surveillance by CME Group's Market Regulation Department. The Market Regulation Department may use its investigatory and enforcement power where potential rule violations are identified during its regular surveillance reviews;
- Position Limitations or Accountability: The spot month position limits for the new products are set at conservative levels of less than 25% of the monthly deliverable supply in each of the respective underlying markets. In addition, positions in each of the BALMO contracts will aggregate into those of the respective underlying calendar swap futures contracts;
- 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;
- Execution of Transactions: The new products 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: Trade information included in audit trail and sufficient for Exchange to monitor for market abuse;
- Protection of Market Participants: Chapter 4 contains multiple prohibitions precluding intermediaries from disadvantaging their customers and which apply to trading on all of the Exchange's competitive trading venues.

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 at [Sean.Downey@cmegroup.com](mailto: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

**Chapter 1220**

**HDPE High Density Polyethylene (PCW) BALMO Swap Futures**

**1220100. 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.

**1220101. CONTRACT SPECIFICATIONS**

The Floating Price for each contract month is equal to the balance-of-month arithmetic average of the daily closing price on PetroChem Wire (PCW) for High Density Polyethylene of blow molding grade with 0.35 melt and 0.953 density (basis FOB Houston) starting from the selected start date through the end of the contract month, inclusive.

**1220102. TRADING SPECIFICATIONS**

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

**1220102.A. Trading Schedule**

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

**1220102.B. Trading Unit**

The contract quantity shall be 47,000 pounds. Each contract shall be valued as the contract quantity (47,000) multiplied by the settlement price.

**1220102.C. Price Increments**

Prices shall be quoted in U.S. dollars and cents per gallon. The minimum price fluctuation shall be \$0.00001 (0.001 cents) per pound.

**1220102.D. Position Limits and Position Accountability**

For purposes of calculating compliance with position limits, each contract will be aggregated with positions held in HDPE High Density Polyethylene (PCW) Calendar Swap futures contract. Each position in the contract will be calculated as a single position in the HDPE High Density Polyethylene (PCW) Calendar Swap futures contract.

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

In accordance with Rule 559, no person shall own or control positions in excess of 2,000 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 futures contracts net long or net short in all months combined;
2. the any-one month accountability level shall be 10,000 futures contracts net long or net short in any single contract month excluding the spot month.

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

**1220102.E. Termination of Trading**

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

**1220103. 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.

**1220104. DISCLAIMER**

PetroChem Wire ("PCW") licenses the New York Mercantile Exchange, Inc. ("NYMEX") to use various PCW price assessments in connection with the trading of the contract.

NYMEX, ITS AFFILIATES AND PCW 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

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## Chapter 1221

### LLDPE Linear Low Density Polyethylene (PCW) BALMO Swap Futures

#### 122100. 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.

#### 122101. CONTRACT SPECIFICATIONS

The Floating Price for each contract month is equal to the balance-of-month arithmetic average of the daily closing price on PetroChem Wire (PCW) for Linear Low Density Polyethylene of film butene grade with 1.0 melt and 0.92 density barefoot or medium adds (basis FOB Houston) starting from the selected start date through the end of the contract month, inclusive.

#### 122102. TRADING SPECIFICATIONS

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

##### 122102.A. Trading Schedule

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

##### 122102.B. Trading Unit

The contract quantity shall be 47,000 pounds. Each contract shall be valued as the contract quantity (47,000) multiplied by the settlement price.

##### 122102.C. Price Increments

Prices shall be quoted in U.S. dollars and cents per gallon. The minimum price fluctuation shall be \$0.00001 (0.001 cents) per pound.

##### 122102.D. Position Limits and Position Accountability

For purposes of calculating compliance with position limits, each contract will be aggregated with positions held in LLDPE Linear Low Density Polyethylene (PCW) Calendar Swap futures contract. Each position in the contract will be calculated as a single position in the LLDPE Linear Low Density Polyethylene (PCW) Calendar Swap futures contract.

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

In accordance with Rule 559, no person shall own or control positions in excess of 2,000 contracts net long or net short in the spot month.

In accordance with Rule 560:

3. the all-months accountability level shall be 10,000 futures contracts net long or net short in all months combined;
4. the any-one month accountability level shall be 10,000 futures contracts net long or net short in any single contract month excluding the spot month.

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

##### 122102.E. Termination of Trading

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

#### 122103. 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.

#### 122104. DISCLAIMER

PetroChem Wire ("PCW") licenses the New York Mercantile Exchange, Inc. ("NYMEX") to use various PCW price assessments in connection with the trading of the contract.

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## Chapter 1222

### PP Polypropylene (PCW) BALMO Swap Futures

#### 122200. 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.

#### 122201. CONTRACT SPECIFICATIONS

The Floating Price for each contract month is equal to the balance-of-month arithmetic average of the daily closing price on PetroChem Wire (PCW) for Polypropylene (basis FOB Houston) starting from the selected start date through the end of the contract month, inclusive. Polypropylene is understood to be homopolymer of general purpose injection molding grade with nominal melt flow rate 12 (-2/+3), 20 (+/-3), or 35 (-5/+7) without additives such as slip and anti block; or homopolymer of general-purpose fiber ('raffia') extrusion grade with nominal melt flow rate 3.5 (-0.6/+1.0) without additives.

#### 122202. TRADING SPECIFICATIONS

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

##### 122202.A. Trading Schedule

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

##### 122202.B. Trading Unit

The contract quantity shall be 47,000 pounds. Each contract shall be valued as the contract quantity (47,000) multiplied by the settlement price.

##### 122202.C. Price Increments

Prices shall be quoted in U.S. dollars and cents per gallon. The minimum price fluctuation shall be \$0.00001 (0.001 cents) per pound.

##### 122202.D. Position Limits and Position Accountability

For purposes of calculating compliance with position limits, each contract will be aggregated with positions held in the PP Polypropylene (PCW) Calendar Swap futures contract. Each position in the contract will be calculated as a single position in the PP Polypropylene (PCW) Calendar Swap futures contract.

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

In accordance with Rule 559, no person shall own or control positions in excess of 2,500 contracts net long or net short in the spot month.

In accordance with Rule 560:

5. the all-months accountability level shall be 12,000 futures contracts net long or net short in all months combined;
6. the any-one month accountability level shall be 12,000 futures contracts net long or net short in any single contract month excluding the spot month.

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

##### 122202.E. Termination of Trading

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

#### 122203. 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.

#### 122204. DISCLAIMER

PetroChem Wire ("PCW") licenses the New York Mercantile Exchange, Inc. ("NYMEX") to use various PCW price assessments in connection with the trading of the contract.

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Appendix B

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

<u>Contract Name</u>	<u>Rule Chapter</u>	<u>Commodity Code</u>	<u>Diminishing Balance Contracts</u>	<u>All Month Accountability Level</u>	<u>Any One Month Accountability Level</u>	<u>Expiration Month Limit</u>	<u>Reporting Level</u>	<u>Aggregate Into (1)</u>
				<u>Rule 560</u>	<u>Rule 560</u>	<u>Rule 559</u>	<u>Rule 561</u>	
<i>Plastics</i>								
<u>PP Polypropylene (PCW) BALMO Swap Futures</u>	<u>1222</u>	<u>PPW</u>	<u>*</u>	<u>12,000</u>	<u>12,000</u>	<u>2,500</u>	<u>25</u>	<u>PPP</u>
<u>HDPE High Density Polyethylene (PCW) BALMO Swap Futures</u>	<u>1220</u>	<u>HPD</u>	<u>*</u>	<u>10,000</u>	<u>10,000</u>	<u>2,000</u>	<u>25</u>	<u>HPE</u>
<u>LLDPE Linear Low Density Polyethylene (PCW) BALMO Swap Futures</u>	<u>1221</u>	<u>LEL</u>	<u>*</u>	<u>10,000</u>	<u>10,000</u>	<u>2,000</u>	<u>25</u>	<u>LPE</u>

## Appendix C

### CASH MARKET OVERVIEW

The Exchange will be listing three types of plastics contracts for trading on the New York trading floor and clearing on CME ClearPort. The BALMO contracts will provide a useful hedging instrument for plastics producers and end-users.

### BALANCE-OF-MONTH CONTRACTS

The final settlement for the new balance-of-month ("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, inclusive.

BALMO swap futures are used by market participants in the over-the-counter ("OTC") market for pricing transactions in periods that are less than a full calendar month. BALMO swap futures contracts are cash settled, and are settled similarly to the settlement of a calendar month swap futures using a specified index price, such as the PetroChem Wire ("PCW"), Platts or 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 energy market, the BALMO swap futures model is a useful hedging tool that allows the market participants and hedgers to customize the averaging period of the transaction to allow for partial-month average prices. As stated above, the structure of the BALMO swap futures contract is similar to that of a calendar month swap futures, except for the averaging period of the transaction.

### PLASTICS OVERVIEW

Plastics, or (petroleum) resins, are the key input for the production of consumer, commercial and consumer goods. Petroleum resin production process often begins by treating components of cracked and/or distilled crude oil or natural gas. This process results in the conversion of these components into monomers such as ethylene and propylene. Ethylene is the raw material used to produce polyethylene and is produced in a steam cracker from Natural Gas Liquids (NGLs) extracted from crude oil and natural

## Appendix C

gas. Monomers like ethylene and propylene are then chemically bonded into chains called polymers. The different combinations of monomers yield plastics with a wide range of properties and characteristics<sup>1</sup>.

Polyethylene is the most common plastic and describes a big family of resins obtained by polymerizing, or the formation of large chain molecules, ethylene gas. Polyethylene varies in density, with higher density grades depending on the production process. The grades are related to how a particular grade of polyethylene melts (which is how it is processed), specific to factors including clarity and/or color, and the temperature at which it melts (also called its melt flow number). High density polyethylene is polymerized at low temperatures and pressure, while low density types are polymerized at very high pressure and temperatures. A relatively new type called Linear Low Density Polyethylene is manufactured through a variety of processes: gas phase, solution, slurry, or high pressure conversion.

Plastics are used to fabricate a wide range of blow molded parts, including small bottles for household products and personal care, dairy products and carbonated drinks, small containers for industrial goods or chemicals and fuel tanks<sup>2</sup>. Blow molding is a process of forming hollow products by expanding a hot plastic parison against the internal surfaces of a mold, which are utilized as the key input for the production of plastic bottles, car parts, and a variety of other consumer goods.

Name	PCW Specification	Description <sup>3</sup>
HDPE	High Density Polyethylene of blow molding grade. Product shall be free of all contaminants and additives, except for producer antioxidant additive packages. Melt Flow Rate: 0.35 (-0.05/+0.04) Density: 0.953 (+/-0.003).	Commonly used in liquids packaging, bottles as well as industrial chemicals such as detergents.
LLDPE	Linear Low Density Polyethylene of film butene grade. Melt Flow Rate: 1.0 Density: 0.92 barefoot or medium adds.	Commonly used to manufacture flexible films such as those used for dry cleaned garment bags and produce bags. Also used in flexible lids, bottles, and wire and cable applications.
PP	Polypropylene of general purpose injection molding or fiber extrusion grade. Melt Flow Rate for injection molding grade: 12 (-2/+3), 20 (+/-3), or 35 (-5/+7) without additives such as slip and anti bloc. Melt Flow Rate for fiber extrusion grade: 3.5 (-0.6/+1.0) without additives.	Commonly used in packaging from flexible and rigid packaging to fibers for fabrics and carpets and large molded parts for automotive and consumer products.

<sup>1</sup> <http://plastics.americanchemistry.com/Life-Cycle>

<sup>2</sup> <http://www.dow.com/polyethylene/eu/en/fab/mold/index.htm>

<sup>3</sup> <http://plastics.americanchemistry.com/Life-Cycle>

## Appendix C

### CASH MARKET

U.S. polyethylene is mostly traded in the continental North American market where it is transported from plants, with the majority located in Texas and Louisiana, by bulk rail cars or trucks. When it is exported or imported, it is transported in large bags that are placed in containers for seagoing purposes. Internationally, polyethylene is priced in dollars per metric ton; in the U.S., it is priced in dollars per pound. In the U.S. market, polyethylene benchmarks are priced on a freight-free basis, known as Free On Board (FOB) in Houston, which is typically destined for export and for consumers in the South and FOB Chicago, typically for domestic consumers in the Midwest. Oil refining and petrochemical companies are the main producers of plastics.

Cash market participation is diverse, including both end-users and producers. The cash and OTC market participants consist of 30 to 40 wholesalers and retailers according to PetroChem Wire.

### SUPPLY DATA

The American Chemistry Council ("ACC") provides comprehensive statistics on plastics capacity, production and sales since the early 1970s. Nearly 50 resins producers contribute data on a monthly basis<sup>4</sup>. Figures 1 – 3 below provide annual HDPE, LLDPE and Propylene production statistics compiled by the ACC in its annual Resin Review.

**Figure 1. Selected Statistics: HDPE, in millions of pounds**

Year	Capacity	% Utilization Rate	Production	Exports	Domestic Consumption*
2005	18,770	86	16,155	NA	NA
2006	19,349	91	17,617	2,325	15,337
2007	19,800	92	18,223	3,196	15,296
2008	19,306	84	16,247	3,279	13,654
2009	19,133	89	16,956	4,283	12,816
2010	18,593	91	16,887	3,113	13,669
<b>Average</b>	<b>19,159</b>	<b>89</b>	<b>17,014</b>	<b>3,239</b>	<b>14,154</b>

\*\* Includes domestic sales and imports

<sup>4</sup> <http://www.americanchemistry.com/resinstatistics>

**Figure 2. Selected Statistics: LLDPE, in millions of pounds**

Year	Capacity	% Utilization Rate	Production	Exports	Domestic Consumption*
2005	14,171	84	11,893	NA	NA
2006	14,185	92	12,736	2,763	10,184
2007	14,094	96	13,584	3,031	10,453
2008	14,012	86	12,058	3,067	9,417
2009	13,911	94	13,126	3,677	9,236
2010	14,209	97	13,791	3,694	9,899
<b>Average</b>	<b>14,097</b>	<b>92</b>	<b>12,865</b>	<b>3,246</b>	<b>9,838</b>

\*\* Includes domestic sales and imports

**Figure 3. Selected Statistics: Polypropylene\*, in millions of pounds**

Year	Capacity	% Utilization Rate	Production	Exports	Domestic Consumption**
2005	20,153	89	17,965	NA	NA
2006	20,381	90	18,300	1,466	15,761
2007	21,505	90	19,445	2,096	17,264
2008	20,804	81	16,768	1,459	15,776
2009	19,835	84	16,623	2,209	14,537
2010	19,613	88	17,254	1,286	15,876
<b>Average</b>	<b>20,382</b>	<b>87</b>	<b>17,726</b>	<b>1,703</b>	<b>15,843</b>

\* Includes US and Canada

\*\* Includes domestic sales and imports

The plastics market is a large global market. U.S. annual production capacity of HDPE, LLDPE and Polypropylene ranges in 14-20 billion pounds. About 331 million barrels of liquid petroleum gases (LPG) and natural gas liquids (NGL) were used to make plastic products in the plastic materials and resins industry in the U.S., equal to about 4.6% of total U.S. petroleum consumption, in 2006, the most recent year this statistic was made available by the U.S. Energy Information Administration ("EIA")<sup>5</sup>. The \$720 billion U.S. chemical industry produced 75.1 billion pounds of major plastic resins in 2011 as of December<sup>6</sup>.

The US Department of Commerce compiles imports and exports data for the plastics industry. Figure 4 below illustrates international trade data compiled by the ACC.

<sup>5</sup> <http://www.eia.gov/tools/faqs/faq.cfm?id=34&t=6>

<sup>6</sup> <http://www.americanchemistry.com/Media/PressReleasesTranscripts/ACC-news-releases/ACC-Releases-December-2011-Resin-Production-and-Sales-Stats.html>

## Appendix C

**Figure 4. U.S. Plastics Trade Statistics, in millions of pounds**

	HDPE		LLDPE		Polypropylene	
	Imports	Exports	Imports	Exports	Imports	Exports
Jan-10	172	439	76	337	55	49
Feb-10	152	396	73	323	70	25
Mar-10	163	369	86	295	75	34
Apr-10	130	254	76	216	83	24
May-10	161	247	76	222	79	26
Jun-10	158	288	92	242	74	17
Jul-10	175	303	97	240	70	49
Aug-10	159	366	72	279	64	35
Sep-10	154	310	81	262	68	23
Oct-10	130	310	67	262	60	23
Nov-10	128	293	76	227	70	34
Dec-10	145	295	80	225	69	31
Jan-11	150	297	74	205	61	31
Feb-11	152	348	77	201	62	8
Mar-11	191	382	83	263	73	45
Apr-11	191	335	86	255	72	3
May-11	184	319	84	221	66	16
Jun-11	187	250	83	197	68	33
Jul-11	217	281	97	227	67	31
Aug-11	155	323	90	273	69	48
Sep-11	171	618	95	519	50	23
<b>2010 Monthly Average</b>	<b>152</b>	<b>323</b>	<b>79</b>	<b>261</b>	<b>70</b>	<b>31</b>
<b>2011 Monthly (Jan-Sep) Average</b>	<b>178</b>	<b>350</b>	<b>85</b>	<b>262</b>	<b>65</b>	<b>26</b>

According to Figure 4, U.S. monthly net exports (negative values representing net imports) for HDPE, Medium and Low density Polyethylene and Polypropylene were 173 million, 177 million, and -39 million pounds respectively, in 2011.

### **PRICE SOURCE**

PetroChem Wire (PCW) is a New Jersey-based provider of price assessments for the natural gas liquids, petrochemicals and plastics industries. PCW price services are widely used and serve as benchmarks in the petrochemical industry. PCW was formed in 2007 and publishes via daily e-mail and on its website<sup>7</sup> bids, offers and deals for the products they assess. The company's assessment

<sup>7</sup> [www.petrochemwire.com](http://www.petrochemwire.com)

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methodology is updated with changing market dynamics and is made publicly available<sup>8</sup>. For each plastics cash contract, PCW publishes daily bid, offer and closing prices for the current month as well as forward prices for months 2-12. Prices are published on a \$/lb basis. The three BALMO contracts the Exchange will launch based on PCW cash market assessments will have FOB delivery in Houston. The FOB basis implies that transactions are done on a sea-going basis with the location being the port, Houston.

PCW reporters consider a variety of information in determining values for each day's assessment. Volumes considered to be standard are between one and five railcars, while volumes greater than five railcars are considered in the absence of smaller-volume transactions. In ranking order, information of the following type is considered when assessing cash market prices:

1. Firm bids and offers. A bid or an offer is considered to be firm when it is demonstrated to be available to the market-at-large. Assessments must fall between the highest bid and the lowest offer.
2. Done deals. When confirmed transactions fall within a market's closing bid/ask range, the latest confirmed transaction will often be the assessments.
3. Formula-based cash market deals, bids and/or offers. In the absence of outright prices, transactions and firm bid/offer ranges on a relative basis (such as time spreads) can be considered as an indicator of value.
4. Paper/swap/forward market deals, bids, offers. In the absence of outright prices, transactions and firm bid/offer ranges in paper markets can be considered as an indicator of value.

### ANALYSIS OF DELIVERABLE SUPPLY

In its analysis of deliverable supply the Exchange relied on net imports and domestic production data in recommending spot month position limits. As displayed in Figure 5 below, the average annual production of HDPE, LLDPE and Polypropylene for the five-year period from 2005 to 2010 ranged in 12.87 billion to 17.73 billion pounds. On a monthly basis, these production values convert to 1.07-1.48 billion pounds. Adjusted for net imports, or imports minus exports, available monthly supply in contract equivalent terms ranges approximately between 19-30 thousand contracts. The proposed position limits of 2000 contracts for HDPE, 2000 contracts for LLDPE and 2500 contracts for Polypropylene represent between 7-11% of the deliverable supply for the respective commodities.

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<sup>8</sup> <http://www.petrochemwire.com/methodology.aspx>



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**Figure 5. Deliverable Supply Summary**

	Annual Production	Annual Exports	Monthly Production	Monthly Exports	Monthly Imports	Monthly Supply	Monthly Supply (Contract Equivalent)	Proposed Limit	Limit %
<b>HDPE</b>	17,014	3,239	1,418	270	163	1,311	27,894	2,000	7.17
<b>LLDPE</b>	12,865	3,246	1,072	271	82	883	18,797	2,000	10.64
<b>Polypropylene</b>	17,726	1,703	1,477	142	68	1,403	29,853	2,500	8.37

All values are in millions of pounds except for Contract Equivalent Monthly Supply, Proposed Limit and Limit Percentages.

Production and Exports are 2005-2010 averages. Imports are averaged for the period Jan-2010 through Sep-2011 due to data availability.

Monthly Supply = Production – Exports + Imports

Proposed Limits aggregate into existing respective Calendar Swap Futures contract for each proposed BALMO contract.

Limit % = Proposed Limit / Monthly Contract Equivalent Supply