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April 27, 2011

VIA E-MAIL

Mr. David Stawick
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, D.C. 20581

Re: Rule Certification. New York Mercantile Exchange, Inc. Submission # 11-164: Notification Regarding the Listing of Two (2) Petroleum Balance-of-Month Futures Contracts for Trading on the NYMEX Trading Floor and for Clearing through CME ClearPort®

Dear Mr. Stawick:

The New York Mercantile Exchange, Inc. ("NYMEX" or the "Exchange") is notifying the Commodity Futures Trading Commission ("CFTC" or "Commission") that it is self-certifying the listing of two (2) financially settled balance-of-month (BALMO) petroleum futures contracts for trading on the NYMEX trading floor and for submission for clearing through CME ClearPort beginning at 6:00 p.m. on Monday, May 2, 2011, for trade date Tuesday, May 3, 2011.

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.

The specifications for the contracts are provided below for your convenience.

<u>Contract Title</u>	<u>Commodity Code</u>	<u>Rule Chapter</u>	<u>First Listed Month</u>	<u>Listing Period</u>
Gulf Coast No. 6 Fuel Oil 3.0% vs. European 3.5% Fuel Oil Barges FOB Rdam (Platts) BALMO Swap Futures	GCB	1063	May 2011	One month and the following month listed 10 business days prior to the start of the contract month.
New York Fuel Oil 1.0% vs. European 1% Fuel Oil Cargoes FOB NWE (Platts) BALMO Swap Futures	NYG	1064	May 2011	One month and the following month listed 10 business days prior to the start of the contract month.

- **Contract Size:** 1,000 Barrels
- **Termination of Trading:** Trading shall cease on the last business day of the contract month.
- **Minimum Price Tick:** \$0.001
- **Value per Tick:** \$1.00
- **Final Settlement Price:** Minimum settlement tick = \$0.001
- **Trading and Clearing Hours:**
 - CME ClearPort: Sunday – Friday 6:00 p.m. – 5:15 p.m. (5:00 p.m. – 4:15 p.m. Chicago Time/CT) with a 45-minute break each day beginning at 5:15 p.m. (4:15 p.m. CT).
 - Open Outcry: Monday – Friday 9:00 a.m. – 2:30 p.m. (8:00 a.m. – 1:30 p.m. CT).

• **Trading and Clearing Fees:**

Contract	CME ClearPort Rates		NY Trading Floor Rates		Cash Settlement Fee	
	Gulf Coast No. 6 Fuel Oil 3.0% vs. European 3.5% Fuel Oil Barges FOB Rdam (Platts) BALMO Swap Futures	Member	\$0.85	Member	\$0.85	Member
Non-Member		\$1.35	Non-Member	\$1.35	Non-Member	\$1.35
		Blended Floor	\$1.10			
New York Fuel Oil 1.0% vs. European 1% Fuel Oil Cargoes FOB NWE (Platts) BALMO Swap Futures	Member	\$0.85	Member	\$0.85	Member	\$0.85
	Non-Member	\$1.35	Non-Member	\$1.35	Non-Member	\$1.35
			Blended Floor	\$1.10		

Pursuant to Section 5c(c) of the Commodity Exchange Act ("Act") and CFTC Rules 40.2 and 40.6, the Exchange hereby certifies that the attached contracts comply with the Act, including regulations under the Act. There were no substantive opposing views to this proposal. This submission will be made effective on trade date May 3, 2011.

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

Sincerely,

/s/ Felix Khalatnikov
Dir & Assoc General Counsel

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

Chapter 1063
Gulf Coast No. 6 Fuel Oil 3.0% vs. European 3.5% Fuel Oil Barges FOB Rdam
(Platts) BALMO Swap Futures

1063.01. SCOPE

The provisions of these rules shall apply to all contracts bought or sold on the Exchange for cash settlement based on the Floating Price.

1063.02. FLOATING PRICE

The Floating Price for each contract month is equal to the balance-of-month arithmetic average of the mid-point of the high and low quotations from Platts Oilgram Price Report for Gulf Coast No. 6 3.0%S (Waterborne) Fuel Oil minus the high and low quotations from Platts European Marketscan for 3.5% Fuel Oil under the heading "Barges FOB Rotterdam" price assessment starting from the selected start date through the end of the contract month, inclusively (using non-common pricing).

1063.03. CONTRACT QUANTITY AND VALUE

The contract quantity shall be 1,000 U.S. barrels. Each contract shall be valued as the contract quantity (1,000) multiplied by the settlement price.

For purposes of determining the Floating Price, the Platts Fuel Oil assessment price will be converted each day to U.S. dollars and cents per barrel, rounded to the nearest cent. The conversion factor will be 6.35 barrels per metric ton.

1063.04. CONTRACT MONTHS

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

1063.05. PRICES AND FLUCTUATIONS

Prices shall be quoted in U.S. dollars and cents per barrel. The minimum price fluctuation shall be \$0.001 per barrel. There shall be no maximum price fluctuation.

1063.06. TERMINATION OF TRADING

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

1063.07. FINAL SETTLEMENT

Delivery under the contract shall be by cash settlement. Final settlement, following termination of trading for a contract month, will be based on the Floating Price. The final settlement price will be the Floating Price calculated for each contract month.

1063.08. EXCHANGE FOR RELATED POSITIONS

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

1063.09. DISCLAIMER

NEITHER NEW YORK MERCANTILE EXCHANGE, INC. ("NYMEX,") ITS AFFILIATES NOR PLATTS, A DIVISION OF THE MCGRAW-HILL COMPANIES, INC. ("PLATTS") GUARANTEES THE ACCURACY AND/OR COMPLETENESS OF THE INDEX FROM THE PLATTS OILGRAM PRICE REPORT, PLATTS EUROPEAN MARKETSCAN OR ANY OF THE DATA INCLUDED THEREIN. NYMEX, ITS AFFILIATES AND PLATTS MAKE NO WARRANTIES, EXPRESS OR IMPLIED, AS TO THE RESULTS TO BE OBTAINED BY ANY PERSON OR ENTITY FROM USE OF THE INDEX FROM THE PLATTS OILGRAM PRICE REPORT, OR PLATTS EUROPEAN MARKETSCAN, TRADING BASED ON THE INDEX FROM THE PLATTS OILGRAM PRICE REPORT, PLATTS EUROPEAN MARKETSCAN, OR ANY DATA INCLUDED THEREIN IN CONNECTION WITH THE TRADING OF THE CONTRACT, OR, FOR ANY OTHER USE. NYMEX, ITS AFFILIATES AND PLATTS 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 FROM THE PLATTS OILGRAM PRICE REPORT, PLATTS EUROPEAN MARKETSCAN, OR ANY DATA INCLUDED THEREIN. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT SHALL NYMEX, ITS AFFILIATES OR PLATTS 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.

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Chapter 1064
New York Fuel Oil 1.0% vs. European 1% Fuel Oil Cargoes FOB NWE (Platts)
BALMO Swap Futures

1064.01. SCOPE

The provisions of these rules shall apply to all contracts bought or sold on the Exchange for cash settlement based on the Floating Price.

1064.02. FLOATING PRICE

The Floating Price for each contract month is equal to the balance-of-month arithmetic average of the mid-point of the high and low quotations from Platts Oilgram Price Report for New York No. 6 1%S Max Fuel (Waterborne Cargo) minus the high and low quotations from Platts European Marketscan for 1% Fuel Oil under the heading "Cargoes FOB NWE" price assessment starting from the selected start date through the end of the contract month, inclusively (using non-common pricing).

1064.03. CONTRACT QUANTITY AND VALUE

The contract quantity shall be 1,000 U.S. barrels. Each contract shall be valued as the contract quantity (1,000) multiplied by the settlement price.

For purposes of determining the Floating Price, the Platts Fuel Oil assessment price will be converted each day to U.S. dollars and cents per barrel, rounded to the nearest cent. The conversion factor will be 6.35 barrels per metric ton.

1064.04. CONTRACT MONTHS

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

1064.05. PRICES AND FLUCTUATIONS

Prices shall be quoted in U.S. dollars and cents per barrel. The minimum price fluctuation shall be \$0.001 per barrel. There shall be no maximum price fluctuation.

1064.06. TERMINATION OF TRADING

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

1064.07. FINAL SETTLEMENT

Delivery under the contract shall be by cash settlement. Final settlement, following termination of trading for a contract month, will be based on the Floating Price. The final settlement price will be the Floating Price calculated for each contract month.

1064.08. EXCHANGE FOR RELATED POSITIONS

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

1064.09. DISCLAIMER

NEITHER NEW YORK MERCANTILE EXCHANGE, INC. ("NYMEX,") ITS AFFILIATES NOR PLATTS, A DIVISION OF THE MCGRAW-HILL COMPANIES, INC. ("PLATTS") GUARANTEES THE ACCURACY AND/OR COMPLETENESS OF THE INDEX FROM THE PLATTS OILGRAM PRICE REPORT, PLATTS EUROPEAN MARKETSCAN OR ANY OF THE DATA INCLUDED THEREIN. NYMEX, ITS AFFILIATES AND PLATTS MAKE NO WARRANTIES, EXPRESS OR IMPLIED, AS TO THE RESULTS TO BE OBTAINED BY ANY PERSON OR ENTITY FROM USE OF THE INDEX FROM THE PLATTS OILGRAM PRICE REPORT, OR PLATTS EUROPEAN MARKETSCAN, TRADING BASED ON THE INDEX FROM THE PLATTS OILGRAM PRICE REPORT, PLATTS EUROPEAN MARKETSCAN, OR ANY DATA INCLUDED THEREIN IN CONNECTION WITH THE TRADING OF THE CONTRACT, OR, FOR ANY OTHER USE. NYMEX, ITS AFFILIATES AND PLATTS 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 FROM THE PLATTS OILGRAM PRICE REPORT, PLATTS EUROPEAN MARKETSCAN, OR ANY DATA INCLUDED THEREIN. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT SHALL NYMEX, ITS AFFILIATES OR PLATTS 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.

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CASH MARKET OVERVIEW

The New York Mercantile Exchange, Inc. ("NYMEX" or "Exchange") is self-certifying the listing of the following two (2) financially settled residual fuel oil futures contracts for trading on the NYMEX trading floor and for clearing through CME ClearPort.

1. Gulf Coast No. 6 Fuel Oil 3.0% vs. European 3.5% Fuel Oil Barges FOB Rdam (Platts) BALMO Swap Futures
2. New York Fuel Oil 1.0% vs. European 1% Fuel Oil Cargoes FOB NWE (Platts) BALMO Swap Futures

These two new spread futures contracts are based on existing NYMEX futures contracts. The Gulf Coast No. 6 Fuel Oil 3.0% vs. European 3.5% Fuel Oil Barges FOB Rdam (Platts) BALMO Swap Futures is based on the existing Gulf Coast No. 6 Fuel Oil 3.0% vs. European 3.5% Fuel Oil Barges FOB Rdam (Platts) Swap Futures, while the New York Fuel Oil 1.0% vs. European 1% Fuel Oil Cargoes FOB NWE (Platts) BALMO Swap Futures is based on the New York Fuel Oil 1.0% vs. European 1% Fuel Oil Cargoes FOB NWE (Platts) Swap Futures contract.

BALANCE-OF-MONTH CONTRACTS

The final settlement for the two new balance-of-month ("BALMO") swap futures contracts is equal to the balance-of-month arithmetic average, starting from the selected start date through the end of the contract month, inclusively.

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

PRICE SOURCES

Platts, a division of The McGraw-Hill Companies, Inc. ("Platts") is the price reporting service used for the final settlement of both legs for each of two new petroleum futures contracts. Platts is one of the major pricing services used in the over-the-counter (OTC) market for the pricing of swap contracts, and the methodology utilized by Platts is well-known in the oil industry. Their pricing methodology¹ is derived from telephone surveys and electronic data collected from multiple market participants to determine market value. Platts has a long-standing reputation in the industry for price benchmarks that are fair and not manipulated. NYMEX is a party to license agreements with Platts to utilize their pricing data.

MARKET OVERVIEW

The cash market overview contains a description of the following markets:

- I. European Fuel Oil Market
- II. New York Harbor and Gulf Coast Fuel Oil Markets

I. EUROPEAN FUEL OIL MARKET OVERVIEW

Fuel oil², also called residual fuel oil, is a liquid petroleum product less volatile than gasoline and used as an energy source. Fuel oil is generally used in the production of electric power, space heating, vessel bunkering, and various industrial purposes.

Consumption, Production, Imports and Exports

The European fuel oil market in Amsterdam-Rotterdam-Antwerp (ARA) represents the largest hub in Europe for petroleum products, with extensive storage capacity and refining capacity. According to the Department of Energy's *Energy Information Administration* ("EIA"), during the 2007 to 2009 period, the total average annual imports for residual fuel oil was over 600,000 barrels per day of fuel oil supplied by refineries in The Netherlands, Germany, and France. This reflects an ARA market that is a vibrant import and supply center for residual fuel oil. The ARA market is the main supply center for European fuel oil, which includes 1.5% fuel oil, 1.0% fuel oil, and 3.5% fuel oil. During the 2007 to 2009 period, the total

¹ European Products:

<http://www.platts.com/IM.Platts.Content/methodologyreferences/methodologyspecs/europeanoilproductspecs.pdf>.

U.S. Products:

<http://www.platts.com/IM.Platts.Content/methodologyreferences/methodologyspecs/usoilproductspecs.pdf>

²<http://www.eia.doe.gov/tools/glossary/index.cfm?id=F>.

average annual demand for fuel oil in the ARA metropolitan area, which includes The Netherlands, Germany and Northern France, was approximately 516,000 barrels per day.

According to the EIA, during the 2007 to 2009 period, the average annual fuel oil imports for The Netherlands were approximately 445,000 barrels per day. In addition, the EIA data in Table 1, below, reflects local refinery average annual production of fuel oil in The Netherlands at around 157,000 barrels per day during the 2007 to 2009 period. Data from Table 1 also demonstrates that total average annual production of fuel oil for these countries during the same period was greater than consumption, at approximately 556,000 barrels per day. Total average imports of fuel oil were around 600,000 barrels per day, slightly above the total average exports which were around 530,000 barrels per day during the 2007 to 2009 average annual period for France, Germany and The Netherlands.

Table 1. Selected Statistics for Fuel Oil: Europe

(Thousand Barrels per Day)

Item and Region	2007	2008	2009	Average 2007-2009
Consumption, Fuel Oil³				
France	113	104	98	105
Germany	163	159	149	157
Netherlands	269	257	235	254
Total Consumption	545	520	482	516
Production, Fuel Oil⁴				
France	202	201	168	190
Germany	242	212	172	209
Netherlands	168	152	150	157
Total Production	612	565	490	556
Imports, Fuel Oil⁵				
France	97	108	121	109
Germany	46	54	54	51
Netherlands	435	426	475	445
Total Imports	578	588	650	605

³ EIA Consumption Data,
<http://tonto.eia.doe.gov/cfapps/ipdbproject/iedindex3.cfm?tid=5&pid=66&aid=2&cid=r3,&syid=2007&eyid=2009&unit=TBPD>

⁴ EIA Production Data,
<http://tonto.eia.doe.gov/cfapps/ipdbproject/iedindex3.cfm?tid=5&pid=66&aid=1&cid=r3,&syid=2007&eyid=2009&unit=TBPD>

⁵ EIA Import Data,
<http://tonto.eia.doe.gov/cfapps/ipdbproject/iedindex3.cfm?tid=5&pid=66&aid=3&cid=r3,&syid=2007&eyid=2009&unit=TBPD>

Item and Region	2007	2008	2009	Average 2007-2009
Exports, Fuel Oil⁶				
France	135	130	101	122
Germany	95	78	58	77
Netherlands	318	296	379	331
Total Exports	548	504	538	530

Market Activity

In the European OTC market, fuel oil liquidity is growing, whereby fuel oil is priced in units of dollars per metric ton. According to industry sources, the estimated trading volume of fuel oil in the ARA cash market is growing, and is approximately equivalent to 150,000 to 200,000 barrels per day. The typical transaction size is approximately 25,000 barrels. The volume of spot transactions is typically more than half of all cash transactions. There is also increased trading in forward cash deals and in the OTC swaps market. The bid/ask spreads are typically in increments of 50 cents per metric ton (or around 0.10 cents per gallon equivalent), which reflects adequate liquidity in the cash market.

Market Participants

The market participation in the fuel oil market is diverse and includes many of the same commercial entities that are active in the New York Harbor market. The European cash market and OTC market participants number 25 to 30 commercial companies. A partial listing is as follows:

Refiners

Shell
Total
OMV Refining
ExxonMobil
BP
Total
ConocoPhillips
Repsol
CEPSA
Netherlands Refining
PetroPlus Refining
Statoil

Traders/End Users

Sempra
Vitol
Glencore
Trafigura
Noble Energy
Cargill
Morgan Stanley
Goldman Sachs
Koch Petroleum
Mabanaft
RWE Trading
Arcadia
Mercuria

Brokers

GFI Starsupply
PVM
Man Financial
ICAP
Aspen Oil
GFI Spectron
TFS
Amerex

Financial (Swaps)

Citibank
Deutsche Bank
Barclays

⁶EIA Export Data,
<http://tonto.eia.doe.gov/cfapps/ipdbproject/iedindex3.cfm?tid=5&pid=66&aid=4&cid=r3.&syid=2007&eyid=2009&unit=TBPD>

II. NEW YORK AND GULF COAST FUEL OIL MARKETS OVERVIEW

Fuel oil⁷, also called residual fuel oil, is a liquid petroleum product less volatile than gasoline and is used as an energy source. It is generally used in the production of electric power, space heating, vessel bunkering, and various industrial purposes. Fuel oil is classified into six categories varying from number 1 through 6 according to its boiling point, composition and purpose.

A. New York Fuel Oil Market

Consumption, Production, Imports and Exports (PADD I)

The New York Harbor fuel oil market, located within Petroleum Administration Defense District I (PADD I), represents the largest hub in the Northeast for residual fuel oil, with extensive storage capacity and refining capacity. The EIA is the main source for data related to the underlying residual fuel oil cash markets. Table 2 below illustrates selected statistics for residual fuel oil. According to the EIA, the New York Harbor residual fuel oil market is an active trading and import hub, with fuel oil imports of approximately 212,000 barrels per day on average for the 2008 to 2010 period. During this same period, the total average exports for residual fuel oil was over 70,000 barrels per day, while total average demand for fuel oil in PADD I was approximately 250,000 barrels per day.

Table 2: Selected Statistics for Residual Fuel Oil – PADD I

(Thousand Barrels per Day)

Residual Fuel Oil, PADD I	2008	2009	2010	Average 2008-2010
Consumption ⁸	271	224	259	251.3
Imports ⁹	200	191	245	212
Exports ¹⁰	67	84	59	70
4-Week Average	03/11/2011	3/18/2011	3/25/2011	04/01/2011
Weekly Refiner & Blender Net Production ¹¹	51	49	51	45

⁷ <http://www.eia.doe.gov/tools/glossary/index.cfm?id=F>

⁸ EIA Consumption Data, http://www.eia.gov/dnav/pet/pet_cons_psup_dc_r10_mbbldp_a.htm

⁹ EIA Import Data, http://tonto.eia.doe.gov/dnav/pet/pet_move_imp_dc_R10-Z00_mbbldp_a.htm

¹⁰ EIA Export Data, http://tonto.eia.doe.gov/dnav/pet/pet_move_exp_dc_R10-Z00_mbbldp_a.htm.

¹¹ EIA Production Data, http://tonto.eia.doe.gov/dnav/pet/pet_pnp_wprodrb_dcu_r10_4.htm.

The estimated daily trading volume of fuel oil in the New York Harbor cash market is 500,000 to 600,000 barrels per day.

Inventories

Table 3 below provides monthly EIA data for PADD I inventories for residual fuel oil. The EIA data on residual fuel stocks are available by PADD and for the Central Atlantic region (which includes New York Harbor). The Central Atlantic region represents roughly two thirds of the stocks located within the PADD I region. Over the annual period of 2008 through January 2011, PADD I stocks varied from a high of over 18.5 million barrels in May 2010 to a low of approximately 12.4 million barrels in January 2009. According to the most recent EIA data, residual inventory levels were at 13 million barrels in January 2011.

Table 3: Stocks of Residual Fuel Oil – PADD I¹²

(Monthly – Thousand Barrels)

Month	2008	2009	2010	2011
Jan	15,667	12,413	14,411	13,030
Feb	14,911	14,221	14,257	-
Mar	13,457	14,704	14,641	-
Apr	14,817	14,161	15,918	-
May	16,252	15,638	18,500	-
Jun	15,423	14,911	15,979	-
Jul	13,779	13,915	16,468	-
Aug	13,990	12,999	14,802	-
Sep	14,105	14,004	14,938	-
Oct	14,077	14,624	14,659	-
Nov	14,150	14,103	14,515	-
Dec	13,261	13,003	14,114	-

B. Gulf Coast Fuel Oil Market

Consumption, Production, Imports and Exports (PADD III)

The EIA provides detailed consumption, production, stocks, and trade statistics for Gulf Coast fuel oil. Table 4 below provides annual data for the U.S. Gulf Coast (PADD III) region for consumption, and imports/exports. According to the EIA, during the 2008 – 2010 period, Gulf Coast consumption averaged 115,000 barrels per day. Further, the EIA reported that during the annual period of 2008 –

¹² EIA Stock Data - http://tonto.eia.doe.gov/dnav/pet/pet_stoc_typ_d_r10_SAE_mbb1_m.htm.

2010, exports of fuel oil averaged approximately 290,000 barrels per day, while average imports were over 90,000 barrels per day for the same period.

Table 4: Selected Statistics for Residual Fuel Oil – PADD III
(Thousand Barrels per Day)

Residual Fuel Oil, PADD III	2008	2009	2010	Average 2008-2010
Consumption ¹³	143	100	103	115.3
Imports ¹⁴	109	95	79	94.3
Exports ¹⁵	255	301	324	293.3

According to Table 5 below, the Gulf Coast is an active trading and production center, with residual fuel oil production of approximately 278,000 barrels per day for the four-week average period ranging from May 2008 to March 2011.

Table 5: Residual Fuel Production in U.S. Gulf Coast (Four-Week Average)¹⁶
(Thousand Barrels per Day)

Month	2008	2009	2010	2011
Jan	-	259.6	352.0	279.8
Feb	-	256.0	336.3	300.0
Mar	-	234.8	292.5	320.8
Apr	-	218.0	259.0	-
May	341.0	228.0	294.0	-
Jun	324.5	290.3	254.3	-
Jul	296.3	295.2	221.8	-
Aug	265.8	330.0	184.3	-
Sep	201.8	306.0	252.3	-
Oct	217.8	341.4	249.8	-
Nov	273.0	345.3	233.0	-
Dec	277.0	350.3	266.8	-

The estimated daily trading volume of fuel oil in the Gulf Coast cash market is approximately 500,000 to 600,000 barrels per day.

Inventories

Table 6 below provides monthly EIA data for PADD III inventories for residual fuel oil. Over the monthly period beginning January 2008 through January 2011, PADD III stocks varied from a high of over 21.1 million barrels in December 2010 to a low of approximately 14.4 million barrels in January 2009.

¹³ EIA Consumption Data, http://www.eia.gov/dnav/pet/pet_cons_psup_dc_r30_mbbldpd_a.htm.

¹⁴ EIA Import Data, http://tonto.eia.doe.gov/dnav/pet/pet_move_imp_dc_R30-Z00_mbbldpd_a.htm.

¹⁵ EIA Export Data, http://tonto.eia.doe.gov/dnav/pet/pet_move_exp_dc_R30-Z00_mbbldpd_a.htm.

¹⁶ EIA Production Data, <http://tonto.eia.doe.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=WRERPP32&f=4>

According to the most recent EIA data, residual inventory levels were at 19.1 million barrels in January 2011.

Table 6: Selected Statistics for Residual Fuel Oil – Stocks PADD III¹⁷
(Monthly – Thousand Barrels)

Month	2008	2009	2010	2010
Jan	16,285	14,387	19,871	19,141
Feb	17,679	17,662	20,454	-
Mar	18,612	16,991	19,175	-
Apr	16,649	14,444	20,702	-
May	16,888	16,922	20,051	-
Jun	18,894	15,825	20,024	-
Jul	16,649	15,712	18,513	-
Aug	17,594	14,417	17,425	-
Sep	18,408	15,551	18,681	-
Oct	18,489	14,640	19,805	-
Nov	18,025	17,108	20,156	-
Dec	16,442	18,719	21,078	-

Market Activity for New York and Gulf Coast Fuel Oil Markets

In the OTC swaps market, New York Harbor and Gulf Coast fuel oil are liquid derivative instruments, with trading volume of approximately one million to 1.5 million barrels per day. The typical OTC transaction size consists of 25,000 barrels. According to conversations with market participants, there are 40 to 50 transactions traded daily in the OTC swaps market. The bid/ask spreads are typically in increments of 10 cents to 20 cents per barrel, which reflects robust liquidity in the OTC market.

Market Participants for New York and Gulf Coast Fuel Oil Markets

The New York Harbor and Gulf Coast fuel oil markets are diverse and actively traded by refiners, traders, importers, and smaller distributors. Below is a list of the market participants that are active in the fuel oil cash market. The cash market and OTC market participants are diverse and number around 25 to 30 commercial companies. A partial listing is as follows:

¹⁷ EIA Stock Data - <http://tonto.eia.doe.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=MRESTP31&f=M>.

Refiners

ConocoPhillips
Valero
Shell
ExxonMobil
BP
Sunoco
Amerada Hess
Citgo
Chevron

Traders/Importers

Statoil
Vitol
Glencore
Trafigura
Koch
Cargill
Morgan Stanley
Goldman Sachs (J. Aron)
Irving Oil
Lukoil Getty
Global
Sprague
Hess Energy Trading

Brokers

Bruggemann
ICAP
Amerex
PVM
United
TFS Brokers
GFI Starsupply

Financial (Swaps)

Citibank
Deutsche Bank
Barclays
Merrill Lynch
BankAmerica

ANALYSIS OF DELIVERABLE SUPPLY

The spot month position limits for the two new petroleum BALMO contracts will be aggregated with and into the existing position limits for their respective underlying futures contracts.

Please note that, 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 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, the 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 spot trading activity as it 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.

For the European Fuel Oil market, in its analysis of deliverable supply, the Exchange concentrated on data for the European refinery production for residual fuel oil, which is the main production center for the European market. The spot month position limits for the two new Fuel Oil contracts will aggregate into their underlying counterparts listed on the Exchange. For the two new European Fuel Oil futures contracts, the Exchange has set the position limits at 150 contracts, which aggregate into the underlying contracts (contract size is 1,000 metric tons), which is equivalent to 950,000 barrels. Based on the refinery production data provided by the EIA (Table 1 above), the total residual fuel production in the European market was approximately 550,000 barrels per day, which is equivalent to 85,000 metric tons per day, or 2,550 contract equivalents for the underlying contract size of 1,000 metric tons. Thus, the existing spot month position limits of 150 contract units for the underlying European Fuel Oil contracts of 1,000 metric ton size is approximately 6% of the 2,550 contract equivalents of monthly supply.

With regard to the Gulf Coast Fuel Oil market, in its analysis of deliverable supply, the Exchange concentrated on data for the Gulf Coast (PADD III) refinery production for residual fuel oil, which is the main production and trading center for the U.S. market. For the Gulf Coast No. 6 Fuel Oil 3.0% vs. European 3.5% Fuel Oil Barges FOB Rdam (Platts) BALMO Swap Futures Contract, the Exchange will aggregate one leg of the spread with the existing Gulf Coast No. 6 Fuel Oil 3.0% Swap Futures Contract. The Exchange has set the position limits at 1,000 contracts, with aggregation into the underlying swap contracts. Based on the refinery production data provided by the EIA in Table 5, the total residual fuel supply in the Gulf Coast area for in the first quarter of 2011 was 300,000 barrels per day, which is equivalent to 9.0 million barrels per month or 9,000 contract equivalents (contract size: 1,000 barrels). Thus, the spot month position limits of 1,000 contract units, which is equivalent to one million barrels, is approximately 11% of the total monthly supply.

For the leg of the new BALMO futures contract based on the New York Harbor 1.0% Fuel Oil swap futures contract, the Exchange will aggregate the spot position with the existing underlying contract. In its analysis of deliverable supply, the Exchange concentrated on the total average demand for fuel oil in PADD I, due to its importance as a demand area. According to EIA data in Table 2 above, consumption in PADD I was approximately 250,000 barrels per day for the 2008 to 2010 average period, which is equivalent to 7.5 million barrels per month or 7,500 contract equivalents (for contract size of 1,000 barrels). The spot month limit for the underlying New York 1.0 % Fuel Oil swaps futures contract is 1,000 contracts, which is equivalent to one million barrels, or 13% of the 7,500 contract equivalents of monthly supply. The associated BALMO futures contract will have the same position limit and will aggregate with the limit in the underlying contract.