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SECRETARIAT

May 10, 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 # 11-183:
Notification Regarding the Listing of Mini Japan Naphtha (Platts) BALMO Swap
Futures for Open Outcry Trading and for Clearing through CME ClearPort®**

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 Mini Japan Naphtha (Platts) BALMO Swap Futures (Chapter 1062) for open outcry trading and for submission for clearing through CME ClearPort beginning at 6:00 p.m. on Sunday, May 15, 2011 for trade date Monday, May 16, 2011.

The product specifications are as follows:

- **Commodity Codes:** E6M
- **Settlement Type:** Financial
- **First Listed Month:** May 2011
- **Listing Period:** One contract month, and the next contract month will be listed ten business days before the start of the contract month.
- **Contract Size:** 100 metric tons
- **Termination of Trading:** Trading shall cease on the last business day of the contract month. Business days are based on the Singapore Public Holiday calendar.
- **Minimum Price Fluctuation:** \$0.001 (0.1¢) per metric ton
- **Final Settlement Price:** Minimum settlement tick = \$0.001
- 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-Member
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

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 contract complies with the Act, including regulations under the Act. There were no substantive opposing views to this proposal. The listing of this contract will become effective on trade date May 16, 2011.

Should you have any questions concerning the above, please contact Owain Johnson at (65) 6593 5568 or owain.johnson@cmegroup.com or the undersigned at (212) 299-2207, (347) 463-5347 or felix.khalatnikov@cmegroup.com.

Sincerely,

/s/ Felix Khalatnikov
Dir & Assoc General Counsel

Attachments: Contract terms and conditions

Chapter 1062
Mini Japan Naphtha (Platts) BALMO Swap Futures

1062.01 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.

1062.02 FLOATING PRICE

The Floating Price for each contract month is equal to the balance-of-month arithmetic average of the high and low quotations from Platts for Naphtha under the heading "C&F Japan" from the selected start date through the end of the month, inclusively.

1062.03 CONTRACT QUANTITY AND VALUE

The contract quantity shall be one hundred (100) metric tons. Each contract shall be valued as the contract quantity multiplied by the settlement price.

1062.04 CONTRACT MONTHS

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

1062.05 PRICES AND FLUCTUATIONS

Prices shall be quoted in U.S. Dollars and Cents per metric ton. The minimum price fluctuation shall be \$0.001 per metric ton. There shall be no maximum price fluctuation.

1062.06 TERMINATION OF TRADING

Trading shall terminate on the last business day of the contract month. Business days are based on the Singapore Public Holiday calendar.

1062.07 FINAL SETTLEMENT

Delivery under the contract shall be by cash settlement. Final settlement, following termination of the 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.

1062.08 EXCHANGE FOR RELATED POSITION

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

1062.09 DISCLAIMERS

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CASH MARKET OVERVIEW

a) **Naphtha as a traded commodity**

Naphtha is an essential feedstock for the petrochemical industry, where it is used for producing olefins in steam crackers. Naphtha is also used as a feedstock for upgrading into gasoline via the catalytic reforming process. It is also used in the chemical industry for solvent (cleaning) applications. Naphtha is created in oil refineries during the crude oil distillation process.

In Asia, naphtha is typically shipped in 55,000 metric ton (LR1) and 75,000 metric ton (LR2) vessels. The most common shipping routes are from the Middle East to the refining and petrochemical hubs of Japan and Singapore.

The traditional importance of the Japanese import market to the Asian naphtha trade ensures that the price of C&F Japan (naphtha imported into Japan) is the primary reference point or benchmark for naphtha across Asia. Most physical naphtha trades are priced directly as a differential to prices in Japan or else are linked to prices in Japan through some form of freight netback, where the price in Japan is adjusted by the cost of shipping between Japan and the location under discussion.

b) **Definition of BALMO swaps**

Typically, in the over-the-counter ("OTC") market, balance-of-month ("BALMO") swaps are used by market participants for pricing transactions in periods that are less than a full calendar month. BALMO swap contracts are cash-settled, and are settled similar to the settlement of a calendar month swap using a specified index price, such as the Platts price assessments, 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, and the last day of the period is the last business day of the contract month. In the OTC oil market, the BALMO swap 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. The BALMO swap is similar in structure to a calendar month swap, except for the averaging period of the transaction. The BALMO swap contracts allow the user to customize the timing of a transaction to allow for partial-month average prices.

c) Existing use of derivatives in the naphtha market

The Asian naphtha market has made use of derivatives for risk management for some time, and usage of derivatives is widespread across the region, in part as a response to the fluctuations in price experienced in recent years.

Price movements in the Asian naphtha markets are highly correlated to crude oil prices. This has ensured that prices for Asian propane cargoes have been relatively volatile in recent years, encouraging a trend towards greater use of risk management tools.

NYMEX currently lists several Asian naphtha swap futures on its trading floor and through the CME ClearPort platform, all of which have open interest (with the exception of KU).

Table 1: List of existing naphtha contracts on the NYMEX Trading Floor and CME ClearPort:

JA	Japan C&F Naphtha (Platts) Swap Futures
SP	Singapore Naphtha (Platts) Swap Futures
E6	Japan Naphtha (Platts) BALMO Swap Futures
JB	Japan C&F Naphtha (Platts) Crack Spread Swap Futures
KU	Singapore Naphtha (Platts) BALMO Swap Futures
EWN	East-West Naphtha: Japan C&F vs. Cargoes CIF NWE Spread (Platts) Swap Futures

All of the contracts in Table 1 apply a lot size of 1,000 tons. But in recent months, there has been growing demand for smaller versions of these contracts from north Asian market participants that are looking to manage the risk of smaller deliveries of naphtha, particularly in trade with petrochemical producers with lower volume requirements. Traders would also like the flexibility to manage the risk of more bespoke deliveries that do not match the current 1,000t lot size, such as a 5,500t delivery.

In response to this customer demand for greater flexibility in managing risk, NYMEX launched the Mini Japan C&F Naphtha (Platts) Swap Futures (MJN) which is a smaller version of its Japan C&F Naphtha (Platts) Swap Futures (JA) and continues to launch a 'mini' version of one of the most commonly traded Asian naphtha swaps, Japan Naphtha (Platts) BALMO Swap Futures (E6), which would reduce the lot size from 1,000t to 100t. This new swap futures contract would be entitled Mini Japan Naphtha (Platts) BALMO Swap Futures (E6M).

d) Size of the underlying cash market

The Japanese naphtha market is a large physical market, as Japan is the major Asian import hub for naphtha, which is used as a gasoline blending component.

According to the U.S. Energy Information Administration ("EIA"), Japan is a major petrochemicals hub as well as being the second largest gasoline market in Asia after China, with consumption of around one million barrels per day. The EIA does not specifically break out naphtha volumes in its data, but we can derive a good indication of the importance of the Japanese naphtha market from the scale of Japanese gasoline consumption, as shown in Table 2.

Table 2: Japan's consumption of Motor Gasoline (Thousand Barrels Per Day)¹

	2006	2007	2008	2009
Asia & Oceania	4,042	4,172	NA	NA
<i>of which Japan</i>	1,032	1,024	982	988

Naphtha is traded in dollars per metric ton, which is equal to 9 barrels per ton. Naphtha imports into Japan total over 500,000 barrels per day. The estimated trading volume of naphtha in the Japanese cash market (converted to barrel equivalents) is around 300,000 to 500,000 barrels per day. There is some trading in forward cash deals, with bid/ask spreads typically in increments of one-quarter to one-half cent. The OTC naphtha swaps market in Japan is very liquid with diverse market participation.

e) Price source

The price reference for the financial settlement of the contract is licensed by CME Group from Platts. Platts is one of the major pricing services that are used in the over-the-counter (OTC) market for pricing swap contracts, and the methodology utilized by Platts is well-known in the global naphtha industry. Their pricing methodology is derived from electronic data collected from multiple market participants to determine market value.

Platts describes its business as follows: Platts is the leading global provider of energy and metals information, and the world's foremost source of price assessments in the physical energy markets. Since

¹ Data from the EIA:
<http://tonto.eia.doe.gov/cfapps/ipdbproject/iedindex3.cfm?tid=5&pid=62&aid=2&cid=r7.&syid=2006&eyid=2010&unit=TBPD>

1909, Platts has enabled the markets to operate with transparency and efficiency, and helped traders, risk managers, analysts, and industry leaders make better trading and business decisions².

f) Platts' methodology for assessing Japan C&F Naphtha

Platts assesses naphtha markets in the Asian and Middle East regions to reflect values prevailing at the close of the market, specifically at 16:30:00:99 Singapore time.

The numbers reflect spot prices prevailing in the assessed regions and are based primarily on bids, offers and deals done typically on a fixed-price basis. In the cases where there are no spot bids, offers of transactions, markets may be assessed relative to other locations.

Platts assesses several time cycles for the Japan naphtha deliveries. The time cycles are reflective of half-monthly cycles. Platts publishes three cycles as follows:

- 1) 30-45 days forward
- 2) 45-60 days forward
- 3) 60-75 days forward

These assessments are rolled over on the 1st and 16th of each month. For example, on April 1, Platts assesses:

- 1) Second half May
- 2) First half June
- 3) Second half June

These assessments would be rolled over on April 16. They would then read as:

- 1) First half June
- 2) Second half June
- 2) First half July

The main assessment for Japan (Mean of Platts Japan, or MOPJ) reflects the lows and the highs of the second and third published cycles. This maintains a consistency in the rollovers and sets the benchmark as a 45-75 day market³.

² For further information, see www.platts.com

³ A more detailed description of the Platts' Japan C&F Naphtha methodology can be found here: <http://www.platts.com/IM.Platts.Content/MethodologyReferences/MethodologySpecs/asiaoilproductspecs.pdf>

Table 3: Platts' specifications for physical cfr Japan naphtha

Paraffins: Min 65%
Specific gravity at 60 deg F: 0.65-0.74 g/m
Conversion factor: 9 barrels per tonne
RVP: Max 13 psi
Sulfur Max: 650 ppm
Initial boiling point: Min +25 deg C
Final boiling point: Max 204 deg C
Chlorine content: Max 1ppm
Mercury: Max 1 ppb
Arsenic: Max 20 ppb
Olefins: Max 1%
N-paraffins: Min 30%
Colour: Min +20 saybolt
Lead: Max 150 ppb
Oxygenates: Max 50 ppm TAME, MTBE and/or ETBE

g) Japanese Market Participants

The Japanese cash market and OTC market participants are diverse and number 20 to 30 commercial companies. A partial listing is as follows:

<u>Japan Refiners</u>	<u>Traders/End Users</u>	<u>Brokers</u>	<u>Financial (Swaps)</u>
Cosmo Oil	Itochu	PVM	Citibank
Fuji Oil	Vitol	Ginga	Deutsche Bank
Idemitsu	Glencore	TFS	Barclays
Japan Energy Co.	Mitsui	GFI Spectron	Merrill Lynch
Kashima Oil	Mitsubishi	Amerex	
Kyokuto Petroleum	Sumitomo	ICAP	
Kyushu Oil	Morgan Stanley	Man Financial	
Nippon	Phibro		
Showa Shell			
Chevron			

Analysis of Deliverable Supply

In its analysis of deliverable supply, the Exchange determined to use consumption of Motor Gasoline as the best available proxy estimate of deliverable supply for Japan Naphtha.

Therefore, according to data collected by EIA for 2009, deliverable supply of Japan Naphtha was approximately 988,000 barrels per day or approximately 110,000 metric tons per day or 3,300,000 metric tons per month.

The Exchange has set the spot month speculative limits for the Mini Japan Naphtha (Platts) BALMO Swap Futures contract at 100 contracts of 100 metric tons (equivalent to 10,000 metric tons or around 90,000 barrels). The spot limit speculative limits for the Mini Japan Naphtha (Platts) BALMO Swap Futures contract are therefore estimated to be around 0.3% of the monthly deliverable supply for naphtha in Japan.

The position limits for the Mini Japan Naphtha (Platts) BALMO Swap Futures also aggregate into the existing position limits for the full-size Japan C&F Swap Futures (JA) contract.