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June 15, 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 # 11-226:  
Notification Regarding the Listing of Two (2) Petroleum 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 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 Sunday, June 19, 2011, for trade date Monday, June 20, 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.

<b><u>New Contracts</u></b>	<b><u>Code</u></b>	<b><u>Rulebook Chapter</u></b>	<b><u>First Listed Month</u></b>	<b><u>Listing Period</u></b>
RBOB Gasoline vs. Euro-bob Oxy (Argus) NWE Barges (1000mt) Swap Futures	EXR	1090	Jul-11	36 consecutive months
RBOB Gasoline vs. Brent Crack Spread Swap Futures	RBB	1096	Jul-11	36 consecutive months

- **Contract Size:** EXR = 350,000 Gallons RBB = 1,000 barrels
- **Termination of Trading:** Trading shall cease on the last business day of the contract month.
- **Minimum Price Tick:** EXR = \$0.0001 RBB = \$0.001
- **Value per Tick:** EXR = \$35.00 RBB = \$1.00
- **Final Settlement Price:** EXR Minimum settlement tick = \$0.0001  
RBB 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:**

<b>Contract</b>	<b>CME ClearPort Rates</b>		<b>NY Trading Floor Rates</b>		<b>Cash Settlement Fee</b>	
RBOB Gasoline vs. Euro-bob Oxy (Argus) NWE Barges (1000mt) Swap Futures	Member	\$6.00	Member	\$6.00	Member	\$1.00
	Non-Member	\$9.00	Non-Member	\$9.00	Non-Member	\$1.00
			Blended Floor	\$7.50		
RBOB Gasoline vs. Brent Crack Spread 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 June 20, 2011.

Should you have any questions concerning the above, please contact Daniel Brusstar at (212) 299-2604, (917) 319-4119 or [Daniel.brusstar@cmegroup.com](mailto:Daniel.brusstar@cmegroup.com) or the undersigned at (212) 299-2207, (347) 463-5347 or [Felix.Khalatnikov@cmegroup.com](mailto:Felix.Khalatnikov@cmegroup.com).

Sincerely,

/s/ Felix Khalatnikov  
Dir & Assoc General Counsel

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

**Chapter 1090**  
**RBOB Gasoline vs. Euro-bob Oxy (Argus) NWE Barges (1000mt) Swap Futures**

**1090.01. 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.

**1090.02. FLOATING PRICE**

The Floating Price for each contract month is equal to the arithmetic average of the RBOB Gasoline Futures first nearby contract month settlement price minus the high and low quotations from Argus Media for Eurobob-Oxy NWE Barges for each business day during the contract month (using non-common pricing). For purposes of determining the Floating Price, the Euro-bob Oxy assessment price will be converted each day to U.S. dollars and cents per gallon, using the conversion factor of 8.33 barrels per metric ton, and 42 gallons per barrel.

**1090.03. CONTRACT QUANTITY AND VALUE**

The contract quantity shall be 350,000 gallons (equivalent to 1,000 metric tons). Each contract shall be valued as the contract quantity (350,000) multiplied by the settlement price.

**1090.04. CONTRACT MONTHS**

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

**1090.05. PRICES AND FLUCTUATIONS**

Prices shall be quoted in U.S. dollars and cents per gallon. The minimum price fluctuation shall be \$0.0001 per gallon. There shall be no maximum price fluctuation.

**1090.06. TERMINATION OF TRADING**

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

**1090.07. 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.

**1090.08. EXCHANGE FOR RELATED POSITIONS**

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

**1090.09. DISCLAIMER**

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

Argus Media ("Argus") licenses the New York Mercantile Exchange, Inc. to use various Argus price assessments in connection with the trading of the contract. Argus does not sponsor, endorse, sell or promote the NYMEX contract and Argus makes no recommendations concerning the advisability of investing in the NYMEX contract.

**Chapter 1096**  
**RBOB Gasoline vs. Brent Crack Spread Swap Futures**

**1096.01. 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.

**1096.02. FLOATING PRICE**

(A) The Floating Price for each contract month is equal to the arithmetic average of the RBOB Gasoline Futures first nearby contract month settlement price minus the arithmetic average of the Brent Crude Oil (ICE) futures 1st nearby contract settlement prices, except as set forth in Section (B) below, for each business day that it is determined during the contract month. For purposes of determining the Floating Price, the gasoline price will be converted each day to U.S. dollars and cents per barrel, rounded to the nearest cent (using non-common pricing).

(B) The settlement price of the 1st nearby contract month will be used except on the last day of trading for the expiring ICE Brent Crude Oil futures contract when the settlement price of the 2nd nearby ICE Brent Crude Oil futures contract will be used.

**1096.03. 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.

**1096.04. CONTRACT MONTHS**

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

**1096.05. 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.

**1096.06. TERMINATION OF TRADING**

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

**1096.07. 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.

**1096.08. EXCHANGE FOR RELATED POSITIONS**

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

**1096.09. DISCLAIMER**

NYMEX AND ITS AFFILIATES MAKE NO WARRANTIES, EXPRESS OR IMPLIED, AS TO THE RESULTS TO BE OBTAINED BY ANY PERSON OR ENTITY FROM USE OF THE ICE BRENT CRUDE OIL FIRST OR SECOND NEARBY CONTRACT MONTH SETTLEMENT PRICES, TRADING BASED ON THE ICE BRENT CRUDE OIL FIRST OR SECOND NEARBY CONTRACT MONTH SETTLEMENT PRICES, OR ANY DATA INCLUDED THEREIN IN CONNECTION WITH THE TRADING OF THE CONTRACT, OR, FOR ANY OTHER USE. NYMEX AND ITS AFFILIATES 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 ICE BRENT CRUDE OIL FIRST OR SECOND NEARBY CONTRACT MONTH SETTLEMENT PRICES OR ANY DATA INCLUDED THEREIN. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT SHALL NYMEX OR ITS AFFILIATES 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 DAMAGES.

## **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. RBOB Gasoline vs. Euro-bob Oxy (Argus) NWE Barges (1000mt) Swap Futures
2. RBOB Gasoline vs. Brent Crack Spread Swap Futures

The new RBOB Gasoline vs. Euro-bob Oxy (Argus) NWE Barges (1000mt) Swap Futures contract is based on the existing on the RBOB Gasoline Futures and Gasoline Euro-bob Oxy (Argus) NWE Barges Swap Futures contracts while the RBOB Gasoline vs. Brent Crack Spread Swap Futures contract is based on the existing RBOB Gasoline Futures and Brent (ICE) Calendar Swap Futures contracts.

## **PRICE SOURCES**

Argus: Argus Media ("Argus") is the price reporting service utilized for one leg of the final settlement for the new RBOB Gasoline vs. Euro-bob Oxy (Argus) NWE Barges (1000mt) Swap Futures contract. Argus 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 Argus is well-known in the oil industry. Their pricing methodology<sup>1</sup> is derived from telephone surveys and electronic data collected from multiple market participants to determine market value. CME Group, parent company of NYMEX, ("CME Group") is a party to a license agreement with Argus to utilize their pricing data.

ICE: The Exchange does not have an information sharing agreement with the IntercontinentalExchange ("ICE"). The ICE Brent Crude Oil Futures contract is the source of the settlement price for one leg of the RBOB Gasoline vs. Brent Crack Spread Swap Futures contract. The ICE Brent Crude Oil Futures is regulated by the FSA. According to ICE, the average trading activity in the ICE Brent Futures contract represents more than 380,000 contracts traded per day. Based on our discussions with market participants, we believe that there are dozens of active participants in the ICE

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<sup>1</sup> [http://web04.us.argusmedia.com/ArgusStaticContent//Meth/IntLPG\\_meth\\_latest.pdf](http://web04.us.argusmedia.com/ArgusStaticContent//Meth/IntLPG_meth_latest.pdf)

futures market and that their prices are determined competitively. Since the CFTC has reviewed the FSA regulatory structure and determined it to be comparable to that of the CFTC, the Exchange is assured in placing confidence in the disseminated settlement price for ICE Brent Crude Oil Futures contract.

## **MARKET OVERVIEW**

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

- I. New York Harbor Gasoline Market
- II. European Gasoline Market
- III. Brent Crude Oil Market

### **I. NEW YORK HARBOR GASOLINE MARKET**

The U.S. gasoline market represents a large physical market, with total U.S. refinery capacity to produce 9.0 million to 9.5 million barrels per day of gasoline<sup>2</sup>. The market participation is diverse and includes many of the same commercial entities that are active in the Gulf Coast and New York Harbor markets. The delivery point for the RBOB Gasoline is at New York Harbor.

Each grade of gasoline is categorized according to its octane rating: regular, midgrade, and premium. Regular gasoline has an octane rating of greater than, or equal to, 85 and less than 88; midgrade gasoline, greater than, or equal to, 88 and, less than, or equal to, 90; and premium gasoline, greater than 90. Each of these grades' octane requirements may vary in altitude and also in various regions in the United States.

In addition, there are two main formulations for gasoline: Reformulated gasoline and Conventional gasoline, as required by a complex regulatory network of Federal and State regulations. The U.S. Environmental Protection Agency (EPA) administers the Clean Air Act (CAA) requirements, and various State agencies regulate their own specific air rules. Under the CAA, the urban areas with the highest levels of smog pollution are required to use clean-burning "Reformulated Gasoline" with 10% ethanol. These urban areas include the entire Northeastern United States, California, Chicago, Atlanta, and Houston. These areas account for approximately 40% of U.S. gasoline demand. Further, there is a

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<sup>2</sup> [http://www.eia.gov/dnav/pet/pet\\_pnp\\_wprodrb\\_dcu\\_nus\\_w.htm](http://www.eia.gov/dnav/pet/pet_pnp_wprodrb_dcu_nus_w.htm).

10% ethanol blending requirement in Reformulated Gasoline, and the ethanol must be segregated from the gasoline at the wholesale level in the pipeline distribution system. In the wholesale market, the gasoline is shipped unfinished except for the 10% addition of ethanol, and is called Reformulated Blendstock for Oxygen Blending (RBOB). The 10% ethanol blending occurs at the last stage of the delivery process when the gasoline is loaded into the tanker truck for retail delivery.

Similarly, for the majority of the U.S., the EPA requires a "Conventional" gasoline, which accounts for 60% of U.S. gasoline demand, in areas that have less smog pollution. There are two types of conventional gasoline: regular gasoline blended with 10% ethanol, and regular gasoline without ethanol (also called "clear" gasoline). In the wholesale market, the ethanol-blended conventional gasoline is shipped unfinished, and is called Conventional Blendstock for Oxygen Blending (CBOB).

In the summertime, there is an additional EPA regulation for "Northern" and "Southern" grades of gasoline, because Southern states have higher temperatures that cause higher levels of smog pollution than in Northern states. Hence, the Northern half of the U.S. has a less-stringent Reid Vapor Pressure (RVP) requirement equivalent to 9.0 pounds per square inch (psi) maximum RVP for gasoline, while the Southern states have a maximum RVP level of 7.8 psi.

The Colonial Pipeline is the main pipeline that connects the Houston refineries to the Eastern U.S. market and serves as the benchmark for physical gasoline and refined products. The Gulf Coast gasoline is priced at a differential to the NYMEX RBOB Gasoline Futures contract. Further specifications for the Colonial Pipeline are available at the following website:

<http://www.colpipe.com/pdfs/Sect%203%20Prod%20Spec%20June%201%202010%20update.pdf>

The Colonial Pipeline is the world's largest refined petroleum products pipeline system by volume. It consists of a 5,519-mile pipeline system that transports petroleum products mainly from the Gulf Coast region (Petroleum Administration for Defense District III or PADD III): Alabama, Mississippi, Louisiana, and Texas to marketing terminals in the Eastern and Southern U.S.<sup>3</sup> There are currently 38 different grades of gasoline, including Reformulated Gasoline (RFG) and Conventional gasoline, with different seasonal vapor pressures for each grade.<sup>4</sup> The batch sizes for product flowing through the pipeline vary from 75,000 to 3,000,000 barrels. The Colonial Pipeline is also connected directly with other

<sup>3</sup> Colonial Pipeline, [http://www.colpipe.com/sv\\_main.asp](http://www.colpipe.com/sv_main.asp)

<sup>4</sup> Colonial Pipeline, [http://www.colpipe.com/ab\\_faqs.asp](http://www.colpipe.com/ab_faqs.asp)

pipeline systems in the Gulf Coast which transport petroleum products to the Mid-Continent and PADD II region.

In 2007, the Colonial pipeline delivered over 868 million barrels of fuel which translates to roughly 36.5 billion gallons during the year or approximately 2.4 million barrels per day.<sup>5</sup> Ownership of the pipeline is comprised of five companies: Koch Capital Investments LLC, Chevron Midstream Investments, ConocoPhillips Pipe Line Company, Shell Pipeline Company LP, and IFM (US) Colonial Pipeline 2.<sup>6</sup>

### Consumption, Production, Imports and Exports

Table 1 below reflects the consumption, production, import and export data within the PADD I region which encompasses the U.S. Eastern seaboard, as provided by the U.S. Energy Information Administration (EIA). Over the annual period from 2008-2010, gasoline consumption averaged 3.2 million barrels per day, with approximately 39% of PADD I gasoline demand in Reformulated gasoline. Gasoline imports (including gasoline blending components) averaged more than 836,000 barrels per day from 2008-2010, mainly originating from Canada, France and The Netherlands.

Over the 2008-2010 period, PADD I refinery production of motor gasoline was 2.0 million barrels per day, which is equivalent to 69 million barrels per month.

**Table 1. Key Statistics for Gasoline: United States East Coast (PADD I).<sup>7</sup>**  
(Thousand Barrels per Day)

Item and Region	2008	2009	2010	Average 2008-2010
Annual Consumption, Finished Motor Gasoline and Motor Gasoline Blend. Comp. PADD I	3,223	3,227	3,248	3,233
Annual Consumption, Reformulated Finished Motor Gasoline	1,289	1,245	1,262	1,265
Share, Conventional gasoline of total Finished Motor Gasoline and Motor Gasoline Blending Components	40.0%	38.6%	38.9%	39.1%

<sup>5</sup> Colonial Pipeline, [http://www.colpipe.com/ab\\_main.asp](http://www.colpipe.com/ab_main.asp)

<sup>6</sup> Colonial Pipeline, [http://www.colpipe.com/ab\\_oc.asp](http://www.colpipe.com/ab_oc.asp)

<sup>7</sup> EIA Consumption Data, [http://www.eia.gov/dnav/pet/pet\\_cons\\_psup\\_dc\\_r10\\_mbbldpd\\_a.htm](http://www.eia.gov/dnav/pet/pet_cons_psup_dc_r10_mbbldpd_a.htm) (Please note that the header "Product Supplied" is a measure of Consumption and Sales in the particular region)  
EIA Export Data, [http://www.eia.gov/dnav/pet/pet\\_move\\_exp\\_dc\\_R10-Z00\\_mbbldpd\\_a.htm](http://www.eia.gov/dnav/pet/pet_move_exp_dc_R10-Z00_mbbldpd_a.htm)  
EIA Import Data, [http://www.eia.gov/dnav/pet/pet\\_move\\_imp\\_dc\\_R10-Z00\\_mbbldpd\\_a.htm](http://www.eia.gov/dnav/pet/pet_move_imp_dc_R10-Z00_mbbldpd_a.htm)  
EIA Production Data, [http://www.eia.gov/dnav/pet/pet\\_pnp\\_wprodrb\\_dc\\_r10\\_4.htm](http://www.eia.gov/dnav/pet/pet_pnp_wprodrb_dc_r10_4.htm)



Item and Region	2008	2009	2010	Average 2008-2010
Annual Exports, Finished Motor Gasoline and Motor Gasoline Blending Components	20	6	7	11
Annual Imports, Finished Motor Gasoline and Motor Gasoline Blending Components	933	808	766	836
Weekly Refiner and Blender Net Production, Finished Motor Gasoline	1,959	2,330	2,637	2,309

### Inventories

Table 2 below provides monthly EIA data for PADD I inventories for "Total Motor Gasoline". Over the annual period of 2008 to March 2011, PADD I stocks varied from a high of over 64 million barrels in February 2008 to a low of approximately 45 million barrels in September 2008. According to the most recent EIA data, gasoline inventory levels were at approximately 55 million barrels in March 2011.

**Table 2. Gasoline: PADD I Inventories, Total Motor Gasoline.<sup>8</sup>**

(Thousand Barrels)

	2008	2009	2010	2011
<b>January</b>	61,817	61,943	59,920	60,646
<b>February</b>	64,395	56,716	61,561	63,352
<b>March</b>	59,434	58,069	56,641	54,966
<b>April</b>	57,300	56,545	58,413	-
<b>May</b>	55,341	55,842	61,339	-
<b>June</b>	58,903	57,150	59,879	-
<b>July</b>	56,839	57,511	61,151	-
<b>August</b>	52,787	55,928	63,140	-
<b>September</b>	45,368	59,524	55,332	-
<b>October</b>	47,467	58,115	52,380	-
<b>November</b>	53,940	60,051	52,859	-
<b>December</b>	62,625	61,681	52,739	-
<b>Total</b>	<b>676,216</b>	<b>699,075</b>	<b>695,354</b>	<b>178,964</b>

### Cash Market

The estimated trading volume of gasoline in the U.S. cash market is approximately 3 million to 5 million barrels per day. The typical transaction size is 25,000 barrels, with hundreds of separate

<sup>8</sup> EIA Inventory Data, <http://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=MGTSTP11&f=M>

transactions occurring per day. The volume of spot transactions is more than half of all cash transactions, and the balance of trades are longer-term contracts. There is active trading in forward cash deals on the Colonial Pipeline (which links Houston with the New York Harbor market) and in the New York Harbor cash market. The bid/ask spreads are typically in increments of one-quarter cent, although this can tighten to one-tenth cent spreads when the cash market is active. There are approximately 50 to 60 participants in the Gulf Coast gasoline cash market. The Gulf Coast gasoline cash market is competitively traded. The cash market is actively quoted by dozens of cash brokers.

#### **Over-the-Counter (OTC) Market**

There is an active OTC gasoline swaps market, with daily trading volume of approximately 600,000 to 800,000 barrels per day. The typical OTC transaction size consists of 25,000 barrels, with 25 to 30 transactions traded daily in the OTC swaps market. The bid/ask spreads are typically in increments of 10 cents per barrel, which reflects robust liquidity in the OTC market.

#### **Prices**

Table 3 below provides the monthly average settlement prices in U.S. dollars and cents per gallon for the NYMEX RBOB Gasoline Futures contract for the period beginning January 2008 through May 2011. Over the annual period of 2008 to May 2011, RBOB gasoline prices varied from a high of over \$3.4252 per gallon in June 2008 to a low of \$0.9667 per gallon in December 2008. According to the most recent data, gasoline prices were at \$3.0957 per gallon in May 2011.

**Table 3. Monthly Prices for NYMEX RBOB Gasoline Futures**

<b>Year</b>	<b>Date</b>	<b>RBOB Gasoline Futures (U.S. dollars and cents per gallon)</b>	<b>Year</b>	<b>Date</b>	<b>RBOB Gasoline Futures (U.S. dollars and cents per gallon)</b>
<b>2008</b>	<b>Jan</b>	2.3620	<b>2010</b>	<b>Jan</b>	2.0452
	<b>Feb</b>	2.4335		<b>Feb</b>	1.9993
	<b>Mar</b>	2.6588		<b>Mar</b>	2.2540
	<b>Apr</b>	2.8823		<b>Apr</b>	2.3185
	<b>May</b>	3.2239		<b>May</b>	2.1061
	<b>Jun</b>	3.4252		<b>Jun</b>	2.0806
	<b>Jul</b>	3.2837		<b>Jul</b>	2.0614
	<b>Aug</b>	2.9404		<b>Aug</b>	1.9944
	<b>Sep</b>	2.6264		<b>Sep</b>	1.9447
	<b>Oct</b>	1.7876		<b>Oct</b>	2.1097
	<b>Nov</b>	1.2380		<b>Nov</b>	2.1874
	<b>Dec</b>	0.9667		<b>Dec</b>	2.3581
<b>2009</b>	<b>Jan</b>	1.1505	<b>2011</b>	<b>Jan</b>	2.4418
	<b>Feb</b>	1.1848		<b>Feb</b>	2.5524
	<b>Mar</b>	1.3886		<b>Mar</b>	2.9972
	<b>Apr</b>	1.4429		<b>Apr</b>	3.2679
	<b>May</b>	1.7361		<b>May</b>	3.0957
	<b>Jun</b>	1.9548		<b>Jun</b>	
	<b>Jul</b>	1.7979		<b>Jul</b>	
	<b>Aug</b>	2.0181		<b>Aug</b>	
	<b>Sep</b>	1.7587		<b>Sep</b>	
	<b>Oct</b>	1.9035		<b>Oct</b>	
	<b>Nov</b>	1.9760		<b>Nov</b>	
	<b>Dec</b>	1.9332		<b>Dec</b>	

## **Gasoline Market Participants**

The market participation in the gasoline market is diverse and includes many of the same commercial entities that are active in the New York Harbor and Gulf Coast cash market. The gasoline cash and OTC market's consist of at least 50 to 60 commercial companies, including the following:

### **Refiners**

ConocoPhillips  
Valero  
Shell  
ExxonMobil  
BP Corporation  
Total  
Marathon  
Chevron  
Sunoco

### **Traders/End Users**

Hess Energy Trading  
Vitol  
Glencore Ltd  
Arcadia  
Northville  
Cargill  
Morgan Stanley  
Goldman Sachs  
Koch  
Trafigura  
Musket Energy  
Noble Energy  
Lukoil  
Pilot Travel Centers  
LDH Energy  
Musket Energy  
Colonial Oil

### **Brokers**

GFI Starsupply  
PVM  
Man Financial  
ICAP United Inc.  
Echo Energy  
MOAB Oil Inc.  
TFS Energy  
OceanConnect Inc.  
Sage Refined Products  
Falcon Products Inc.  
TCT Oil Brokers  
First National Oil Brokers

### **Financial (Swaps)**

Citibank  
Deutsche Bank  
Barclays  
Bank of America  
JP Morgan  
Credit Suisse

## II. EUROPEAN GASOLINE MARKET

### Description

Motor gasoline<sup>9</sup>, is a complex mixture of hydrocarbons that may or may not contain small quantities of hydrocarbons. In blended form, it is used in spark-ignition engines. Motor gasoline consists of conventional gasoline, all types of oxygenated gasoline, and reformulated gasoline. Each grade of gasoline is categorized according to its octane rating: regular, midgrade, and premium. Regular gasoline has an octane rating of greater than, or equal to, 85 and, less than, 88; midgrade gasoline, greater than, or equal to, 88 and, less than, or equal to, 90; and premium gasoline, greater than 90.

The European gasoline market represents a large physical market, and the Amsterdam-Rotterdam-Antwerp (ARA) region is the major European import hub for these transport fuels. The ARA is the largest gasoline market in Europe, with demand of over one million barrels per day.

The OTC gasoline swaps are liquid derivatives markets. The gasoline market in Europe utilizes the Euro-bob gasoline grade, which is an ethanol-blended grade of gasoline similar to RBOB in the U.S.

### Consumption, Production, Imports and Exports

The gasoline market in Northwest Europe, specifically the ARA region, represents the largest hub in Europe for petroleum products, with extensive storage and refining capacity. The ARA market is a vibrant import and supply center for gasoline, with more than one million barrels per day of gasoline supplied by refineries in The Netherlands, Germany, and France. The EIA provides gasoline production data for the ARA market in Table 4 below. Further, the imports for The Netherlands are around 300,000 barrels per day, as shown in the EIA data in Table 4. Consequently, the total supply of gasoline in the ARA market is more than one million barrels per day.

According to the EIA data in Table 4 below, for the three-year period of 2007-2009, average annual consumption of gasoline for France, Germany and The Netherlands was approximately 790,000 barrels per day. Further, for the same period, the average annual production of gasoline was 1,131,000 barrels per day. Total average annual exports for motor gasoline during the three-year period of 2007-

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<sup>9</sup> <http://www.eia.doe.gov/glossary/index.cfm?id=M>.

2009, set at around 717,000 barrels per day, more than doubled the total average annual imports of motor gasoline for the same period, which was approximately 334,000 barrels per day.

**Table 4. Selected Statistics for Motor Gasoline: Europe<sup>10</sup>**

(Thousand Barrels per Day)

Item and Region	2007	2008	2009	Average 2007-2009
<b>Consumption, Motor Gasoline</b>				
France	225	206	199	210
Germany	493	480	473	482
Netherlands	97	100	99	99
<b>Total Consumption</b>	<b>815</b>	<b>786</b>	<b>771</b>	<b>791</b>
<b>Production, Motor Gasoline</b>				
France	389	387	366	381
Germany	610	587	565	587
Netherlands	162	163	164	163
<b>Total Production</b>	<b>1161</b>	<b>1137</b>	<b>1,095</b>	<b>1,131</b>
<b>Imports, Motor Gasoline</b>				
France	12	17	14	14
Germany	41	37	34	37
Netherlands	278	333	236	282
<b>Total Imports</b>	<b>331</b>	<b>387</b>	<b>285</b>	<b>334</b>
<b>Exports, Motor Gasoline</b>				
France	147	183	148	159
Germany	126	133	126	128
Netherlands	427	483	377	429
<b>Total Exports</b>	<b>700</b>	<b>799</b>	<b>652</b>	<b>717</b>

<sup>10</sup> EIA Consumption Data, <http://tonto.eia.doe.gov/cfapps/ipdbproject/iedindex3.cfm?tid=5&pid=62&aid=2&cid=r3.&syid=2007&eyid=2009&unit=TBPD>, EIA Production Data, <http://tonto.eia.doe.gov/cfapps/ipdbproject/iedindex3.cfm?tid=5&pid=62&aid=1&cid=r3.&syid=2007&eyid=2009&unit=TBPD>, EIA Import Data, <http://tonto.eia.doe.gov/cfapps/ipdbproject/iedindex3.cfm?tid=5&pid=62&aid=3&cid=r3.&syid=2007&eyid=2009&unit=TBPD>, EIA Export Data, <http://tonto.eia.doe.gov/cfapps/ipdbproject/iedindex3.cfm?tid=5&pid=62&aid=4&cid=r3.&syid=2007&eyid=2009&unit=TBPD>

## Market Activity

The Northwest European gasoline market is priced in units of dollars per metric ton. The conversion factor is 8.3 barrels per metric ton. According to industry sources, the estimated trading volume of gasoline (converted to barrel equivalents) in the ARA cash market is approximately 500,000 to 700,000 barrels per day. The typical transaction size is around 35,000 to 40,000 barrels. The volume of spot transactions is typically more than half of all cash transactions. There is active 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 robust liquidity in the cash market.

## European Gasoline Market Participants

The market participation in the European gasoline market is diverse and includes many of the same commercial entities that are active in the New York Harbor cash market. The European cash market and OTC market is comprised of at least 30 to 40 commercial companies, including the following:

<u>Refiners</u>	<u>Traders/End Users</u>	<u>Brokers</u>	<u>Financial (Swaps)</u>
ConocoPhillips	Sempra	GFI Starsupply	Citibank
AGIP	Vitol	PVM	Deutsche Bank
Shell	Glencore	Man Financial	Barclays
ExxonMobil	Trafigura	ICAP	BankAmerica
BP	Mercuria	Aspen Oil	AIG
Total	Cargill	GFI Spectron	Merrill Lynch
ENI Refining	Morgan Stanley	TFS	
Repsol	Goldman Sachs	Amerex	
CEPSA	Koch	Prebon	
Netherlands Refining	Mabanaft		
OMV Refining	Phibro		
PetroPlus	Arcadia		
	Koch Petroleum		

### **III. BRENT CRUDE OIL MARKET**

#### **Production**

The Brent market is comprised of four North Sea crude oil grades: Brent, Forties, Oseberg, and Ekofisk ("BFOE" or "Brent"). The standard cargo size in the BFOE market is 600,000 barrels. According to Consilience Energy Advisory Group, an oil industry consulting firm based in London, the BFOE accounts for daily crude oil production of over 1.5 million barrels. These four North Sea grades are segregated blends delivered at different locations in the North Sea, and each can be substituted by the seller in the 21-Day BFOE cash market.

#### **Cash Market**

The underlying Brent crude oil cash market is actively traded by dozens of commercial companies. The Brent spot market is known as Dated Brent, which refers to delivery of any of the BFOE grades within 7 to 21 days forward. The Dated Brent spot market assessment is used to price many grades of physical crude oil in the North Sea, Russia, and West Africa. There are hundreds of commercial and non-commercial participants actively trading in the Brent crude oil market, both in the underlying cash market and futures markets. There is an established futures market, under the regulation of the FSA, in Brent Crude Oil at ICE Futures Europe. The average daily trading volume through November 2007 for the Brent Crude Oil futures, listed on ICE Futures Europe, is approximately 240,000 contracts traded (each contract is 1,000 barrels in size). Further, the NYMEX Brent Crude Oil Last Day Futures contract is currently trading on the CME Globex<sup>®</sup> platform under CFTC regulatory authority and utilizes the settlement price of Brent Crude Oil futures listed on ICE Futures Europe.

#### **Prices**

Table 5, below, reflects the final settlement prices provided by the ICE in U.S. dollars and cents per barrel for the ICE Brent Crude Oil Calendar Swap Futures contract. Over the annual period from January 2008 to May 2011, ICE Brent Crude Oil prices varied from a high of \$134.56 in July 2008 to a low of \$43.05 in December 2008. According to the most recent data provided by the ICE, the monthly average price for Brent Crude Oil was at \$114.52 for the month of May 2011.



**Table 5: Selected Statistics for ICE Brent Crude Oil: Prices<sup>11</sup>**

ICE Brent Crude Oil				
Month	2008	2009	2010	2011
Jan	91.91	45.71	77.01	96.91
Feb	94.66	43.87	74.79	104.03
Mar	102.87	47.42	79.93	114.67
Apr	110.43	51.39	85.75	123.09
May	124.68	58.59	77	114.52
Jun	133.74	69.27	75.66	-
Jul	134.56	65.75	75.36	-
Aug	115.24	73.06	77.12	-
Sep	100.79	68.15	78.42	-
Oct	73.68	73.93	83.54	-
Nov	54.75	77.58	86.16	-
Dec	43.05	75.21	92.25	-

**OTC Brent Financial Market**

Further, BFOE has active OTC physical and paper markets. The liquidity in the OTC Brent swaps market is robust, with an estimated average daily trading volume of 10 million to 20 million barrels. There are several OTC brokerage firms that are active in the Brent swaps markets, including PVM, Tullet Prebon, TFS, ICAP, Man Financial, Ginga Petroleum, and GFI Group. As discussed above, the OTC market participation is deep and diverse, and includes both cash market and OTC market players. The Brent cash market and OTC market participants include 50 to 70 commercial companies. A partial list of participants is as follows:

<u>Refiners</u>	<u>Traders/End Users</u>	<u>Brokers</u>	<u>Financial (Swaps)</u>
ConocoPhillips	Hess Energy Trading	GFI Starsupply	Deutsche Bank
Statoil	Vitol	PVM	Barclays
Shell	Glencore	Man Financial	BankAmerica
ExxonMobil	Total	ICAP	
BP	Northville	Aspen Oil	
Total	Cargill	Tullet Prebon	
AGIP (Italy)	Morgan Stanley	TFS	
Repsol	Goldman Sachs		
CEPSA	RWE Trading		
Chevron	Mabanaft		
OMV	Phibro		
Lukoil (Russia)	Arcadia		
	Mercuria		

<sup>11</sup> ICE Brent Crude Oil Prices, Intercontinental Exchange, Inc.

## ANALYSIS OF DELIVERABLE SUPPLY

In its analysis of deliverable supply, the Exchange concentrated on data for New York Harbor (PADD I) refinery production for gasoline, which is the main production and trading center for the North East. 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 of the gasoline 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 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.

With regards to the RBOB gasoline leg of the two spread contracts, the Exchange has set the position limits at 1,000 contracts, with aggregation into the underlying swap contracts. Based on the refinery production data for PADD I, we have estimated the total gasoline supply in the New York Harbor region during the period 2008-2010 was approximately 2.3 million barrels per day, which is equivalent to 69 million barrels per month or 69,000 contract equivalents (contract size: 1,000 barrels). Thus, the spot month position limit of 1,000 contract units, which is equivalent to one million barrels, is approximately 1.4% of the 69,000 contract equivalents of monthly supply.

With regards to the Euro-bob Oxy NWE Barges leg of the spread, the Exchange has set the position limit at 500 contracts of 1,000 metric ton contract size, equivalent to 4.2 million barrels. Based on the refinery production data in the ARA region (encompassing France, Germany and The Netherlands), we have estimated the total gasoline supply in the ARA region during the period 2007-2009 was approximately 1.1 million barrels per day, or 33 million barrels per month, which is equivalent to 4 million metric tons, or 4,000 contract equivalents (contract size: 1,000 metric tons). Thus, the spot month

position limit of 500 contract units, which is equivalent to 4.2 million barrels, is approximately 12% of the 4,000 contract equivalents of monthly supply.

With regards to the Brent Crude Oil market, in its analysis of deliverable supply, the Exchange concentrated on production data for Brent-related (BFOE) crude oil. To be conservative, the Exchange has set the position limits at 2,000 contracts, with aggregation into the Exchange's existing underlying Brent futures contract. The production of Brent crude oil is approximately 1.5 million barrels per day, which is equivalent to 45 million barrels per month or 45,000 contract equivalents (contract size: 1,000 barrels). Thus, the spot month position limits of 2,000 contract units, which is equivalent to two million barrels, is less than 5% of the 45,000 contract equivalents of monthly supply.