**Sean M. Downey**
Director and Assistant General Counsel
Legal Department

June 28, 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 East-West Fuel Oil Spread (Platts) BALMO Swap Futures Contract on CME ClearPort® and the NYMEX Trading Floor**
**NYMEX Submission 12-196**

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 the East-West Fuel Oil Spread (Platts) BALMO Swap futures contract for trading on the NYMEX trading floor and for submission for clearing through CME ClearPort beginning on Sunday, July 1, 2012, for trade date Monday, July 2, 2012.

The contract specifications are as follows:

- **Title:** East-West Fuel Oil Spread (Platts) BALMO Swap Futures
- **Commodity Code:** EWB
- **Rule Chapter:** 1082
- **Listing Schedule:** One month and the following month listed 10 business days prior to the start of the contract month.
- **First Listed Month: July 2012**
- **Contract Size: 1,000 metric tons**
- **Prices and Fluctuations:** Minimum price tick = $0.001; Final settlement tick = $0.001; Value per tick = $1.00
- **Termination of Trading:** Trading shall cease on the last business day of the contract month.
- **Trading and Clearing Hours:**

  CME ClearPort**:** Sunday – Friday 6:00 p.m. – 5:15 p.m. (5:00 p.m. – 4:15 p.m. Chicago Time/CT) with a 45-minute break each day beginning at 5:15 p.m. (4:15 p.m. CT).

  Open Outcry**:** Monday – Friday 9:00 a.m. – 2:30 p.m. (8:00 a.m. – 1:30 p.m. CT).
- The Exchange will allow the exchange for related position (EFRP) transactions to be submitted through CME ClearPort. EFRP transactions in these futures contracts will be governed by the provisions of Exchange Rule 538.

- **Fees:**

| East-West Fuel Oil Spread (Platts) BALMO Swap Futures | | | | | |
|---|---|---|---|---|---|
| **Exchange Fees** | | | | | |
| | **Member Day** | **Member** | **Cross Division** | **Non-Member** | **IIP** |
| **Pit** | n/a | $7.00 | $8.00 | $9.00 | |
| **Globex** | n/a | n/a | n/a | n/a | n/a |
| **ClearPort** | | $7.00 | | $9.00 | |

| Processing Fees | | |
|---|---|---|
| | **Member** | **Non-Member** |
| **Cash Settlement** | $7.00 | $9.00 |
| **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** | $0.40 |

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

NYMEX business staff responsible for the new product and the NYMEX legal department collectively reviewed the designated contract market core principles ("Core Principles") as set forth in the Commodity Exchange Act ("CEA" or "Act"). During the review, NYMEX staff identified that the new products may have some bearing on the following Core Principles:

- Prevention of Market Disruption: Trading in this contract will be subject to the NYMEX rules ("Rulebook") Chapters 4 and 7 which include prohibitions on manipulation, price distortion and disruptions of the delivery or cash-settlement process. As with all products listed for trading on one of CME Group's designated contract markets, activity in the new product will be subject to extensive monitoring and surveillance by CME Group's Market Regulation Department.
- Contracts not Readily Subject to Manipulation: The new contract is not readily subject to manipulation due to the deep liquidity and robustness in the underlying cash market, which provides diverse participation and sufficient spot transactions to support the final settlement published by Platts.
- Compliance with Rules: Trading in this contract will be subject to the rules in Rulebook Chapter 4 which includes prohibitions against fraudulent, noncompetitive, unfair and abusive practices. Additionally, trading in this contract will also be subject to the full panoply of trade practice rules, the majority of which are contained in Chapter 5 and Chapter 8 of the Rulebook. As with all products listed for trading on one of CME Group's designated contract markets, activity in the new products will be subject to extensive monitoring and surveillance by CME Group's Market Regulation Department. The Market Regulation Department has the authority to exercise its investigatory and enforcement power where potential rule violations are identified.

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

- Position Limitations or Accountability: The spot month position limit for the new product is set at conservative levels that are below the 25% monthly deliverable supply threshold for the underlying markets. Each leg of the spread contract aggregates into the Exchange-listed outright swap futures contract. The levels are provided in greater detail in the analysis of deliverable supply section of this submission.
- Availability of General Information: The Exchange will publish information on the contract's 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 Clearing House of the Chicago Mercantile Exchange Inc. which is a registered derivatives clearing organization with the Commission and is subject to all Commission regulations related thereto.
- Execution of Transactions: The new contract is dually listed for clearing through the CME ClearPort platform and on the NYMEX trading floor for open outcry trading. The CME ClearPort platform provides a competitive, open and efficient mechanism for novating transactions that are competitively executed by brokers. In addition, the NYMEX trading floor is available as a venue to provide for competitive and open execution of transactions.
- Trade Information: All required trade information is included in the audit trail and is sufficient for the Market Regulation Department to monitor for market abuse.
- Protection of Market Participants: Rulebook Chapters 4 and 5 contain multiple prohibitions precluding intermediaries from disadvantaging their customers. These rules apply to trading on all of the Exchange's competitive trading venues and will be applicable to transactions in this product.
- Disciplinary Procedures: Chapter 4 of the Rulebook contains provisions that allow the Exchange to discipline, suspend or expel members or market participants that violate the Rulebook. Trading in this contract will be subject to Chapter 4, and the Market Regulation Department has the authority to exercise its enforcement power in the event rule violations in these products are identified.
- Dispute Resolution: Disputes with respect to trading in this contract will be subject to the arbitration provisions set forth in Chapter 6 of the Rulebook. Chapter 6 allows all nonmembers to submit a claim for financial losses resulting from transactions on the Exchange to arbitration. A member named as a respondent in a claim submitted by a nonmember is required to participate in the arbitration pursuant to Chapter 6. Additionally, the Exchange requires that members resolve all disputes concerning transactions on the Exchange via arbitration.

Pursuant to Section 5c(c) of the Act and CFTC Regulation 40.2, 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. A description of the cash market for this new product is attached.

The Exchange certifies that this submission has been concurrently posted on the Exchange's website at http://www.cmegroup.com/market-regulation/rule-filings.html.

Should you have any questions concerning the above, please contact the undersigned at (312) 930-8167 or Sean.Downey@cmegroup.com.

Sincerely,

/s/Sean M. Downey
Director and Assistant General Counsel

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

# Chapter 1082
# East-West Fuel Oil Spread (Platts) BALMO Swap Futures

## 1082100. 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.

## 1082101. CONTRACT SPECIFICATIONS

The Floating Price for each contract month is the balance-of-month arithmetic average of the mid-point between the high and low quotations from Platts Asia-Pacific Marketscan for Singapore 180cst Residual (Waterborne Cargo) price minus the arithmetic average of the high and low quotations from the Platts European Marketscan for 3.5% Fuel Oil under the heading "Barges FOB Rotterdam" price starting from the selected start date through the end of the contract month, inclusive, except as set forth below.

The Floating Price is calculated using the non-common pricing convention. In calculating the spread differential, the monthly average for each component leg of the spread shall be calculated by using all trading days in the month for each component leg of the spread, followed by the calculation of the spread differential between the two averages.

## 1082102. TRADING SPECIFICATIONS

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

**1082102.A. Trading Schedule**

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

**1082102.B. Trading Unit**

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

**1082102.C. Price Increments**

Prices shall be quoted in U.S. dollars and cents per metric ton. The minimum price fluctuation shall be $0.001 per metric ton.

**1082102.D. Position Limits and Position Accountability**

For purposes of calculating compliance with position limits, each contract will be aggregated with positions held in Singapore Fuel Oil 180 cst (Platts) Calendar Swap futures and European 3.5% Fuel Oil (Platts) Barges FOB Rdam Calendar Swap futures. Each position in the contract will be deemed equivalent to a single position in the Singapore Fuel Oil 180 cst (Platts) Calendar Swap futures contract and equivalent to a single position in the European 3.5% Fuel Oil (Platts) Barges FOB Rdam 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 500 (Singapore Fuel Oil 180 cst (Platts) Calendar Swap futures)/150 (European 3.5% Fuel Oil (Platts) Barges FOB Rdam Calendar Swap futures) contracts net long or net short in the spot month.

In accordance with Rule 560:

1. the all-months accountability level shall be 5,000 (Singapore Fuel Oil 180 cst (Platts) Calendar Swap futures s)/1,500(European 3.5% Fuel Oil (Platts) Barges FOB Rdam Calendar Swap futures) futures-equivalent contracts net long or net short in all months combined;
2. the any-one month accountability level shall be 5,000 (Singapore Fuel Oil 180 cst (Platts) Calendar Swap futures)/1,500 (European 3.5% Fuel Oil (Platts) Barges FOB Rdam Calendar Swap futures) futures-equivalent 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.

**1082102.E. Termination of Trading**

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

## 1082103. 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.

## 1082104. DISCLAIMER

NEITHER NEW YORK MERCANTILE EXCHANGE, INC. ("NYMEX") ITS AFFILIATES NOR PLATTS, A DIVISION OF THE MCGRAW-HILL COMPANIES, INC. ("PLATTS") GUARANTEES THE ACCURACY NOR COMPLETENESS OF THE PRICE ASSESSMENT OR ANY OF THE DATA INCLUDED THEREIN.

NYMEX, ITS AFFILIATES OR PLATTS 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 THEREIN IN CONNECTION WITH THE TRADING AND/OR CLEARING 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 PRICE ASSESSMENT 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 DAMAGES.

Appendix B

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

| Contract Name | Rule Chap-ter | Com-modity Code | Diminish-ing Balances Contracts | All Month Account-ability Level | Any One Month Account-ability Level | Expira-tion Month Limit | Report-ing Level | Aggre-gate Into (1) | Aggre-gate Into (2) |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Rule 560 | Rule 560 | Rule 559 | Rule 561 | | |
| ***Petroleum*** | | | | | | | | | |
| ***Asia/Pacific*** | | | | | | | | | |
| ***Singapore*** | | | | | | | | | |
| East-West Fuel Oil Spread (Platts) BALMO Swap Futures | 1082 | EWB | * | 5,000/ 1,500 | 5,000/ 1,500 | 500/ 150 | 25 | UA | UV |

## CASH MARKET OVERVIEW

The New York Mercantile Exchange, Inc. ("NYMEX" or "Exchange") is self-certifying the listing of one petroleum futures contract for trading on the NYMEX trading floor and for clearing through CME ClearPort. This new contract is based on an existing NYMEX futures contract. The East-West Fuel Oil Spread (Platts) BALMO Swap future is based on the Exchange's East-West Fuel Oil Spread (Platts) Swap futures contract.

### PRICE SOURCES

Platts, a division of The McGraw-Hill Companies, Inc. ("Platts") is the price reporting service used for the final settlement for both legs of the East-West Fuel Oil Spread (Platts) BALMO Swap futures contract. Platts is one of the major pricing services used in the OTC market for the pricing of swap contracts, and the methodology utilized by Platts is well-known in the oil industry. Their pricing methodology[1] 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 a license agreement with Platts to utilize their pricing data.

### 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, 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 Media 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

[1] http://www.platts.com/IM.Platts.Content/methodologyreferences/methodologyspecs/europeanoilproductspecs.pdf

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.

**FUEL OIL DESCRIPTION**

Fuel oil[2], 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.

**EUROPEAN FUEL OIL MARKET OVERVIEW**

**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. The ARA market is the main supply center for European fuel oil market, which mainly includes Belgium, France, Germany, and The Netherlands.

Based on U.S. Energy Information Administration ("EIA") data, in 2009, the average annual residual fuel oil production in Belgium, France, Germany and The Netherlands was 584 thousand barrels per day (equivalent to 17,520 thousand barrels per month for a 30-calendar day month). Please note that the most recent data published by EIA is for calendar year 2009. During the 2007 to 2009 period, the total average annual production was more than 670 thousand barrels per day. Table 1 below presents the data collected by the EIA on annual residual fuel oil production in Belgium, France, Germany and The Netherlands.

Based on EIA data, in 2009, the average annual residual fuel oil consumption in Belgium, France, Germany and The Netherlands was 631 thousand barrels per day (equivalent to 18,930 thousand barrels per month for a 30-calendar day month). Over the annual period from 2007 to 2009, total annual consumption for the ARA region was over 690 thousand barrels per day. Table 1 below presents the data

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

collected by EIA on annual residual fuel oil consumption in Belgium, France, Germany and The Netherlands.

Table 1 below also provides annual imports and exports of residual fuel oil in Belgium, France, Germany and The Netherlands for the last three years available. In 2009, the total imports were 751 thousand barrels per day and the net imports were 160 thousand barrels per day. This represents a 12% increase compared to previous year's net imports levels which were at 143 thousand barrels per day. Over the annual period from 2007 to 2009, total exports were at 597 thousand barrels per day while imports were at 725 thousand barrels per day for the ARA region.

**Table 1. Selected Statistics for Fuel Oil: Europe**[3]

(Thousand Barrels per Day)

| Item and Region | 2007 | 2008 | 2009 | Average 2007-2009 |
|---|---|---|---|---|
| **Consumption, Fuel Oil** | | | | |
| Belgium | 188 | 188 | 149 | 175 |
| France | 113 | 104 | 98 | 105 |
| Germany | 163 | 159 | 149 | 157 |
| Netherlands | 269 | 257 | 235 | 254 |
| **Total Consumption** | **733** | **708** | **631** | **691** |
| | | | | |
| **Production, Fuel Oil** | | | | |
| Belgium | 131 | 120 | 94 | 115 |
| France | 202 | 201 | 168 | 190 |
| Germany | 242 | 212 | 172 | 209 |
| Netherlands | 168 | 152 | 150 | 157 |
| **Total Production** | **743** | **685** | **584** | **671** |

[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
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
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
EIA 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

| Item and Region | 2007 | 2008 | 2009 | Average 2007-2009 |
|---|---|---|---|---|
| **Imports, Fuel Oil** | | | | |
| Belgium | 124 | 135 | 101 | 120 |
| France | 97 | 108 | 121 | 109 |
| Germany | 46 | 54 | 54 | 51 |
| Netherlands | 435 | 426 | 475 | 445 |
| **Total Imports** | **702** | **723** | **751** | **725** |
| **Exports, Fuel Oil** | | | | |
| Belgium | 73 | 76 | 53 | 67 |
| France | 135 | 130 | 101 | 122 |
| Germany | 95 | 78 | 58 | 77 |
| Netherlands | 318 | 296 | 379 | 331 |
| **Total Exports** | **621** | **580** | **591** | **597** |

As noted above, the EIA currently provides data through calendar year 2009. JODI, the Joint Organisations Data Initiative, publishes data for residual fuel oil through calendar year 2011. Selected JODI data for annual residual fuel oil consumption, production, imports and exports in Belgium, France, Germany and The Netherlands is shown in Table 2 below.

Based on the JODI data, the average annual residual fuel oil production in Belgium, France, Germany and The Netherlands was 554 thousand barrels per day (equivalent to 16,620 thousand barrels per month for a 30-calendar day month) in 2011. During the 2009 to 2011 period, the total average annual production was more than 570 thousand barrels per day.

Based on JODI data, the average annual residual fuel oil consumption in Belgium, France, Germany and The Netherlands was 611 thousand barrels per day (equivalent to 18,330 thousand barrels per month for a 30-calendar day month) in 2011. Over the annual period from 2009 to 2011, total annual average consumption for the ARA region was approximately 618 thousand barrels per day.

Table 2 below provides annual imports and exports of residual fuel oil in Belgium, France, Germany and The Netherlands for the time period of 2009 - 2011. In 2011, the total imports were 884 thousand barrels per day and the net imports were 179 thousand barrels per day. This represents a 58%

increase compared to previous year's net imports levels which were at 113 thousand barrels per day. Over the annual period from 2009 to 2011, total exports averaged at 656 thousand barrels per day while imports averaged at 807 thousand barrels per day for the ARA region.

**Table 2. Selected Statistics for Fuel Oil: Europe**[4]

| Item and Region | 2009 | 2010 | 2011 | Average 2009-2011 |
|---|---|---|---|---|
| **Consumption, Fuel Oil** | | | | |
| Belgium | 141 | 127 | 136 | 135 |
| France | 99 | 92 | 85 | 92 |
| Germany | 164 | 157 | 149 | 157 |
| Netherlands | 236 | 224 | 240 | 234 |
| **Total Consumption** | **641** | **601** | **611** | **618** |
| | | | | |
| **Production, Fuel Oil** | | | | |
| Belgium | 94 | 96 | 105 | 99 |
| France | 168 | 163 | 159 | 163 |
| Germany | 173 | 140 | 137 | 150 |
| Netherlands | 150 | 173 | 152 | 159 |
| **Total Production** | **585** | **573** | **554** | **570** |
| | | | | |
| **Imports, Fuel Oil** | | | | |
| Belgium | 101 | 84 | 97 | 94 |
| France | 121 | 123 | 131 | 125 |
| Germany | 54 | 47 | 49 | 50 |
| Netherlands | 475 | 531 | 607 | 538 |
| **Total Imports** | **750** | **786** | **884** | **807** |
| | | | | |
| **Exports, Fuel Oil** | | | | |
| Belgium | 53 | 53 | 69 | 58 |
| France | 101 | 112 | 114 | 109 |
| Germany | 58 | 31 | 36 | 42 |
| Netherlands | 378 | 477 | 486 | 447 |
| **Total Exports** | **591** | **673** | **705** | **656** |
| | | | | |

[4] JODI Consumption, Production, Import, and Export Data, http://www.jodidb.org/wds/ReportFolders/reportFolders.aspx?sCS_referer=&sCS_ChosenLang=en

**SINGAPORE FUEL OIL MARKET OVERVIEW**

Singapore 180cst and 380cst fuel oil are part of the "residual" fuel oil segment, which is used by utilities and the shipping industry. Residual fuel oil is also used as a refinery input to produce additional petroleum products. The main trading hub for the Asian fuel oil market is Singapore where extensive storage capacity and refining infrastructure exists. Singapore is a vibrant import/export center for petroleum products, and is also the primary location for energy trading firms. The Singapore petroleum markets are highly diverse and actively traded by refiners, traders, importers, and smaller distributors.

The EIA data, in Table 3 below, show demand for fuel oil in Singapore is approximately 567,000 barrels per day, and refinery production of fuel oil is around 149,000 barrels per day for the average annual period of 2006 – 2008. Further, the EIA provides import data for the Singapore market at over 760,000 barrels per day and a robust export volume of approximately 330,000 barrels per day for the same period. The EIA currently provides Singapore residual fuel oil data through calendar year 2008.

The Singapore fuel oil market is priced in units of dollars per metric ton. The conversion factor is 6.35 barrels per metric ton. The estimated trading volume of fuel oil (converted to barrel equivalents) in the Singapore cash market is approximately 800,000 to one million 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.

**Table 3. Selected Statistics for Fuel Oil: Singapore**[5]

(Thousand Barrels per Day)

| Singapore Residual Fuel Oil | 2006 | 2007 | 2008 | Average 2006-2008 |
|---|---|---|---|---|
| | | | | |
| Annual Consumption, Fuel Oil | 530 | 554 | 619 | 567 |
| Annual Production, Fuel Oil | 168 | 152 | 126 | 149 |
| Imports, Fuel Oil | 684 | 712 | 890 | 762 |
| Exports, Fuel Oil | 287 | 311 | 392 | 330 |

As noted above, the EIA data currently provides data through calendar year 2008. JODI publishes import and export data for residual fuel oil through calendar year 2011. Selected JODI data on annual residual fuel oil imports and exports in Singapore is shown in Table 4 below. Please note that at this time, JODI does not provide production or consumption data for Singapore.

Table 4 below illustrates EIA data for annual imports and exports of residual fuel oil in Singapore for the time period of 2009 - 2011. In 2011, the total imports were 1,246 thousand barrels per day and the net imports were 732 thousand barrels per day. Over the annual period from 2009 to 2011, total exports were at 459 thousand barrels per day while imports were over 1.1 million barrels per day in Singapore.

[5] EIA Consumption Data,
http://tonto.eia.doe.gov/cfapps/ipdbproject/iedindex3.cfm?tid=5&pid=66&aid=2&cid=SN,&syid=2004&eyid=2008&unit=TBPD
EIA Production Data,
http://tonto.eia.doe.gov/cfapps/ipdbproject/iedindex3.cfm?tid=5&pid=66&aid=1&cid=SN,&syid=2004&eyid=2008&unit=TBPD
EIA Import Data,
http://tonto.eia.doe.gov/cfapps/ipdbproject/iedindex3.cfm?tid=5&pid=66&aid=3&cid=SN,&syid=2004&eyid=2008&unit=TBPD
EIA Export Data,
http://tonto.eia.doe.gov/cfapps/ipdbproject/iedindex3.cfm?tid=5&pid=66&aid=4&cid=SN,&syid=2004&eyid=2008&unit=TBPD

**Table 4. Selected Statistics for Fuel Oil: Singapore**[6]

(Thousand Barrels per Day)

| Singapore Residual Fuel Oil | 2009 | 2010 | 2011 | Average 2009-2011 |
|---|---|---|---|---|
| | | | | |
| Imports, Fuel Oil | 1,081 | 1,135 | 1,246 | 1,154 |
| Exports, Fuel Oil | 440 | 422 | 514 | 459 |

## MARKET ACTIVITY

According to industry sources, the estimated trading volume of fuel oil in the ARA cash market 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.

In the Asian OTC market, Singapore 180 and 380 cst fuel oil swaps typically trade as outright contracts. There is active trading in forward cash deals for cargoes. The bid/ask spreads are typically in increments of 50 cents per metric ton and there is a wide range of participants. Deals take place bilaterally, through OTC brokers and many are openly reported on the Platts screen pricing system.

[6] JODI Consumption, Production, Import, and Export Data, http://www.jodidb.org/wds/ReportFolders/reportFolders.aspx?sCS_referer=&sCS_ChosenLang=en

## ANALYSIS OF DELIVERABLE SUPPLY

The spot month position limits for the new petroleum contract will be aggregated with the existing position limits for the respective underlying counterparts of the spread which are currently listed on the Exchange.

Please note that, at this time, with regard to the European and Singapore Fuel Oil markets, 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.

In its analysis of deliverable supply, the Exchange concentrated on data for ARA region and Singapore for residual fuel oil. As stated above, the spot month position limits for the new fuel oil contract will aggregate into the respective underlying counterparts of the spread listed on the Exchange.

The ARA region is a large fuel oil production and distribution hub, with extensive refining capacity. Production levels are evaluated by the Exchange in respect of the ARA region for assessing deliverable supply. Singapore is also a major distribution hub for fuel oil. The market in Singapore is supplied predominantly by imports rather than domestic refinery product. The Exchange uses consumption levels to evaluate deliverable supply in Singapore, as this a more relevant measure than refinery production.

For the East-West Fuel Oil Spread (Platts) BALMO Swap futures, the Exchange concentrated on consumption data for the Singapore fuel oil leg of the spread. To be conservative, the Exchange has set

the position limits at 500 contracts for the Singapore fuel oil leg of the spread in the East-West Fuel Oil Spread (Platts) BALMO Swap futures, with aggregation into the Exchange's existing underlying Singapore Fuel Oil 180 cst (Platts) Calendar Swap futures contract. Based on the consumption data provided by the EIA (Table 3 above), the total residual fuel consumption in Singapore was approximately 567,000 barrels per day, which is equivalent to 89,200 metric tons per day, or 2.6 million metric tons per month. This is equal to 2,600 contract equivalents for the underlying contract size of 1,000 metric tons. Thus, the existing spot month position limits of 500 contract units for the underlying Singapore Fuel Oil 180 cst (Platts) Calendar Swap futures contract of 1,000 metric ton size is approximately 19% of the 2,600 contract equivalents of monthly supply.

With regard to the European fuel oil market, in its analysis of deliverable supply, the Exchange has set the position limits at 150 contracts for the fuel oil leg of the spread, which will aggregate into the underlying European 3.5% Fuel Oil (Platts) Barges FOB Rdam Calendar Swap futures contract (contract size of 1,000 metric tons), which is equivalent to 950,000 barrels. Based on the refinery production data provided by the JODI (Table 2 above), the total residual fuel production in the ARA market was approximately 570,000 barrels per day, which is equivalent to 89,000 metric tons per day, or 2.6 million metric tons per month. This is equal to 2,600 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 3.5% Fuel Oil (Platts) Barges FOB Rdam Calendar Swap Futures contract of 1,000 metric ton size is approximately 6% of the 2,600 contract equivalents of monthly supply.