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 Asian Gasoline and Naphtha Average Price Options for Trading on the NYMEX Trading Floor and for Clearing through CME ClearPort
NYMEX Submission 12-221

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) new financially settled average price option contracts 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.

CONTRACT SPECIFICATIONS

Contract	Code	Chapter
Singapore Mogas 92 Unleaded (Platts) Average Price Option	1N5	1245
Japan C&F Naphtha (Platts) Average Price Option	JA5	1246

- **First Listed Month:** August 2012
- **Listing Period:** 24 consecutive calendar months.
- **Contract Size:** 1N5 = 1,000 barrels; JA5 = 1,000 metric tons
- **Termination of Trading:** Trading shall cease on the last business day of the contract month
- **Minimum Price Tick:** 1N5 = $0.001 (0.1¢) per barrel; JA5 = $0.001 (0.1¢) per metric ton
- **Value per Tick:** 1N5 = $1 per barrel; JA5 = $1 per metric ton
- **Final Settlement Price:** 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.
- **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).

- **Fees:**

Singapore Mogas 92 Unleaded (Platts) Average Price Option					
	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	$0.85	$1.25
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

Japan C&F Naphtha (Platts) Average Price Option					
	Member Day	Member	Cross Division	Non-Member	IIP
Pit	n/a	$6.00	$7.50	$9.00	
Globex	n/a	n/a	n/a	n/a	n/a
ClearPort		$6.00		$9.00	

Processing Fees		
	Member	Non-Member
Cash Settlement	$6.00	$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 new contracts into the Position Limit, Position Accountability and Reportable Level Table and Header Notes located in the Interpretations and Special Notices Section of Chapter 5 of the NYMEX Rulebook in relation to the listing of the new contracts. These terms and conditions establish the all month/any one month accountability levels, expiration month position limits, reportable levels, diminishing balances and aggregation allocations for the new contracts.

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

- Prevention of Market Disruption: Trading in these contracts will be subject to 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 products will be subject to extensive monitoring and surveillance by CME Group's Market Regulation Department.
- Contracts not Readily Subject to Manipulation: The new contracts are not readily subject to manipulation due to the deep liquidity and robustness in the underlying cash market, which provides diverse participation and sufficient spot transactions to support the final settlement indices as assessed by Platts (methodology provided in the attached Cash Market Overview).
- Compliance with Rules: Trading in these contracts will be subject to the rules in Rulebook Chapter 4 which includes prohibitions against fraudulent, noncompetitive, unfair and abusive practices. Additionally, trading in these contracts will also be subject to the full range 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.
- Position Limitations or Accountability: The spot month position limits for each of the two options are set at conservative levels that are less than the 25% threshold of the monthly deliverable supply in each of the respective underlying markets.
- Availability of General Information: The Exchange will publish information on the contracts' specification on its website, together with daily trading volume, open interest and price information.
- Daily Publication of Trading Information: Trading volume, open interest and price information will be published daily on the Exchange's website and via quote vendors.
- Financial Integrity of Contracts: All contracts traded on the Exchange will be cleared by the CME Clearing House which is a registered derivatives clearing organization with the Commission and is subject to all Commission regulations related thereto.
- Execution of Transactions: The new contracts are dually listed for clearing through the CME ClearPort platform and for open outcry trading on the NYMEX trading floor. The CME ClearPort platform provides a competitive, open and efficient mechanism for novating transactions that are competitively executed by brokers. In addition, the NYMEX trading floor is available as a venue to provide for competitive and open execution of transactions.
- Trade Information: 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 these products.
- 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 rules. Trading in these contracts 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 these contracts will be subject to the arbitration provisions set forth in Chapter 6 of the Rulebook. The rules in Chapter 6 allow all non-members 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 the rules in 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(a), the Exchange hereby certifies that the attached contracts comply with the Act, including regulations under the Act. There were no substantive opposing views to this proposal. A description of the cash market for these new products is attached.

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

Should you have any questions concerning the above, please contact the undersigned at (312) 930-8167 or 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

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APPENDIX A

Chapter 1245
Singapore Mogas 92 Unleaded (Platts) Average Price Option

1245100. SCOPE OF CHAPTER

This chapter is limited in application to put and call options on Singapore Mogas 92 Unleaded (Platts) Swap futures contracts. In addition to the rules of this chapter, transactions in options on Singapore Mogas 92 Unleaded (Platts) Swap futures contract shall be subject to the general rules of the Exchange insofar as applicable.

1245101. OPTION CHARACTERISTICS

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

1245101.A. Trading Schedule

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

1245101.B. Trading Unit

On expiration of a call option, the value will be the difference between the final settlement price for the underlying Singapore Mogas 92 Unleaded (Platts) Swap futures contract and the strike price multiplied by 1,000 barrels, or zero, whichever is greater. On exercise of a put option, the value will be the difference between the strike price and the final settlement price for the underlying Singapore Mogas 92 Unleaded (Platts) Swap futures contract multiplied by 1,000 barrels, or zero, whichever is greater.

1245101.C. Price Increments

Prices shall be quoted in U.S. dollars and cents per barrel. The minimum price fluctuation shall be $0.001 (0.1¢) per barrel.

1245101.D. Position Limits and Position Accountability

For purposes of calculating compliance with position limits, each contract will be aggregated with positions held in Singapore Mogas 92 Unleaded (Platts) Swap futures. Each position in the contract will be calculated as a single position in the Singapore Mogas 92 Unleaded (Platts) 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 1.000 futures-equivalent contracts net long or net short in the spot month.

In accordance with Rule 560:

1. the all-months accountability level shall be 7,000 futures-equivalent contracts net long or net short in all months combined;
2. the any-one month accountability level shall be 5,000 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.

1245101.E. Termination of Trading

The option contract shall expire at the close of business on the last business day of the contract month.

1245101.F. Type Options

The option is a European-style option cash settled only on expiration day.

1245102. EXERCISE PRICES

Trading shall be conducted for option contracts with strike prices in increments as set forth below.

1. On the first business day of trading in an option contract month, trading shall be at the following strike prices: (i) the previous day's settlement price for the underlying Singapore Mogas 92 Unleaded (Platts) Swap futures contract rounded off to the nearest twenty five-cent increment unless such settlement price is precisely midway between two twenty five-cent increments in which case it shall be rounded off to the lower twenty five-cent increment; (ii) the twenty five-cent strike prices which are five increments higher than the strike price described in subsection (i) of this rule; and (iii) the twenty five-cent strike prices which are five increments lower than the strike price described in subsection (i) of this rule.
2. Thereafter, on any business day prior to the expiration of the option, new consecutive strike prices for both puts and calls will be added such that there will be five increments above and

below the at-the-money option. The at-the-money strike price will be determined in accordance with the procedures set forth in subsection (1)(i) of this rule.

3. Notwithstanding the provisions of subsections (1) and (2) of this rule, if the Exchange determines that trading in the option contract will be facilitated thereby, the Exchange may change the increments between strike prices, the number of strike prices which shall be traded on the first day in any new option contract month, the number of new strike prices which will be introduced on each business day or the period preceding the expiration of an option in which no new strike prices may be introduced.

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Chapter 1246
Japan C&F Naphtha (Platts) Average Price Option

1246100. SCOPE OF CHAPTER

This chapter is limited in application to put and call options on Japan C&F Naphtha (Platts) Swap Futures contracts. In addition to the rules of this chapter, transactions in options on Japan C&F Naphtha (Platts) Swap Futures contracts shall be subject to the general rules of the Exchange insofar as applicable.

1246101. OPTION CHARACTERISTICS

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

1246101.A. Trading Schedule

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

1246101.B. Trading Unit

On expiration of a call option, the value will be the difference between the final settlement price for the underlying Japan C&F Naphtha (Platts) Swap futures contract and the strike price multiplied by 1,000 metric tons, or zero, whichever is greater. On exercise of a put option, the value will be the difference between the strike price and the final settlement price for the underlying Japan C&F Naphtha (Platts) Swap futures contract multiplied by 1,000 metric tons, or zero, whichever is greater.

1246101.C. Price Increments

Prices shall be quoted in U.S. dollars and cents per metric ton. The minimum price fluctuation shall be $0.001 (0.1¢) per metric ton.

1246101.D. Position Limits and Position Accountability

For purposes of calculating compliance with position limits, each contract will be aggregated with positions held in Japan C&F Naphtha (Platts) Swap futures. Each position in the contract will be calculated as a single position in the Japan C&F Naphtha (Platts) 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 100 futures-equivalent contracts net long or net short in the spot month.

In accordance with Rule 560:

1. the all-months accountability level shall be 1,000 futures-equivalent contracts net long or net short in all months combined;
2. the any-one month accountability level shall be 1,000 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.

1246101.E. Termination of Trading

The option contract shall expire at the close of business on the last business day of the contract month.

1246101.F. Type Options

The option is a European-style option cash settled only on expiration day.

1246102. EXERCISE PRICES

Trading shall be conducted for option contracts with strike prices in increments as set forth below.

1. On the first business day of trading in an option contract month, trading shall be at the following strike prices: (i) the previous day's settlement price for the underlying Japan C&F Naphtha (Platts) Swap futures contract rounded off to the nearest twenty five-cent increment unless such settlement price is precisely midway between two twenty five-cent increments in which case it shall be rounded off to the lower twenty five-cent increment; (ii) the twenty five-cent strike prices which are five increments higher than the strike price described in subsection (i) of this rule; (iii) the twenty five-cent strike prices which are five increments lower than the strike price described in subsection (i) of this rule.
2. Thereafter, on any business day prior to the expiration of the option, new consecutive strike prices for both puts and calls will be added such that there will be five increments above and

below the at-the-money option. The at-the-money strike price will be determined in accordance with the procedures set forth in subsection (1)(i) of this rule.

3. Notwithstanding the provisions of subsections (1) and (2) of this rule, if the Exchange determines that trading in the option contract will be facilitated thereby, the Exchange may change the increments between strike prices, the number of strike prices which shall be traded on the first day in any new option contract month, the number of new strike prices which will be introduced on each business day or the period preceding the expiration of an option in which no new strike prices may be introduced.

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APPENDIX B

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

Contract Name	**Rule Chapter**	**Commodity Code**	**Diminishing Balances Contracts**	**All Month Accountability Level**	**Any One Month Accountability Level**	**Expiration Month Limit**	**Reporting Level**	**Aggregate Into (1)**
				Rule 560	**Rule 560**	**Rule 559**	**Rule 561**	
Petroleum								
Asia/Pacific								
Japan								
Japan C&F Naphtha (Platts) Average Price Option	**1246**	**JA5**	*****	**1,000**	**1,000**	**100**	**25**	**JA**
Singapore								
Singapore Mogas 92 Unleaded (Platts) Average Price Option	**1245**	**1N5**	*****	**7,000**	**5,000**	**1,000**	**25**	**1N**

CASH MARKET OVERVIEW

The New York Mercantile Exchange, Inc. ("NYMEX" or "Exchange") is self-certifying the listing of two Asian refined product average price options, for trading on the NYMEX trading floor and for submission for clearing through CME ClearPort.

There are already several Asian refined product average price options listed on the NYMEX trading floor and for submission for clearing through CME ClearPort, including Singapore gasoil, Singapore jet fuel, Singapore 180cst and 380cst fuel oil and Dubai crude oil.

These two new products will help to round out the Asian petroleum products complex by enabling market participants to make use of options to hedge their exposure to Singapore 92 RON unleaded gasoline – a key motor fuel – and Japan naphtha – a refined product used as a feedstock in the production of gasoline or petrochemical products.

Both of the underlying swap futures products are highly liquid.

a) Gasoline as a traded commodity

Gasoline is used to fuel motor vehicles. Gasoline is a globally traded commodity and Singapore is the main refining, storage and trading hub for the Asian oil marketplace. The Singapore gasoline market is highly diverse and actively traded by refiners, traders, importers, and smaller distributors.

Gasoline is produced and is classified by its Record Octane Number or RON. Various grades are traded, including 92 RON, 95 RON and 97 RON. The most liquid grade in Asia is 92 RON and NYMEX plans to introduce a new product – Singapore Mogas 92 Unleaded (Platts) Average Price Option – in order to enable market participants to manage price risk in this key motor fuel.

b) Existing use of derivatives in the gasoline market

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

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

NYMEX currently lists a large number of Asian gasoline swap futures on its trading floor and through the CME ClearPort platform, virtually all of which have open interest.

c) Size of the underlying Singapore cash market

Singapore is the main refining, storage, and trading hub for the Asian oil marketplace. The Singapore petroleum markets are highly diverse and actively traded by refiners, traders, importers, and smaller distributors.

With its high concentration of refining capacity and its low domestic demand, Singapore was the largest exporter of gasoline in Asia in 2008, according to the most recent data published by the U.S. Energy Information Administration (EIA)[1].

The EIA data provided in Table 1 below shows that exports of gasoline from Singapore averaged approximately 378,500 barrels per day in the three-year period between January 2006 and December 2008.

Table 1: Singapore gasoline exports

'000 b/d	**2005**	**2006**	**2007**	**2008**
Singapore gasoline exports	332.0	330.2	376.5	428.7

The Singapore gasoline market is priced in units of dollars per barrel. There is active trading in physical cargoes, in forward cash deals and in the OTC swaps market. The bid/ask spreads are typically in increments of 25 cents per barrel, which reflects robust liquidity in the cash market.

d) Price source for the Singapore gasoline market

The price reference for the financial settlement of the contract is licensed by NYMEX 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 gasoline industry. Their

[1]http://tonto.eia.doe.gov/cfapps/ipdbproject/iedindex3.cfm?tid=5&pid=62&aid=4&cid=r7,&syid=2005&eyid=2009&unit=TBPD

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 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 decisions[2].

e) Platts' methodology for assessing Singapore Mogas 92 Unleaded

Platts' price assessments of Singapore gasoline reflect spot prices prevailing in the assessed regions and are derived from information obtained in the marketplace, including transactions reported to Platts.

Transactions and bids/offers of a minimum of 50,000 bbl are considered for the assessments. The maximum cargo size for any one bid or offer is 150,000 bbl. The assessments reflect transactions and bids/offers for barrels loading 15 to 30 days from the date of publication.

Market participants should specify loading for a five-day date range. Ten days prior to loading, seller must declare terminal and buyer nominates vessel seven days prior with the buyer narrowing the loading window to three days, subject to loading terminal acceptance[3].

Table 2: Platts' specifications for Singapore Mogas 92 Unleaded

Research Octane Number (RON)	Min 92.0, Min 95.0, Min 97.0
Lead content, gpb/l	Max 0.013
Density at 15 deg C, kg/l	Report
Reid Vapour Pressure (PSI)	Max 10.0
Distillation, degree C	
Initial Boiling Point	Report
10% evaporated	Max 74
50% evaporated	Max 127
90% evaporated	Max 190
Final Boiling Point	Max 225
Residue, % vol	Max 2.0
Loss, % vol	Max 2.0
Odor	Marketable
Existent gum, mg/100ml	Max 4.0
Benzene content, % vol	Max 5.0
Sulphur, % wt	Max 0.05
Doctor test	Negative

[2] For further information, see www.platts.com
[3] A more detailed description of the Platts' Singapore gasoline methodology can be found here: http://www.platts.com/IM.Platts.Content/MethodologyReferences/MethodologySpecs/asiaoilproductspecs.pdf

or Mercaptan sulphur, ppm	Max 15
Mercaptan sulphur, % wt	Max 0.0015
Copper corrosion (3 hours at 50C)	Max 1.0
Induction period, minutes	Min 240
Oxygenates content, % vol	Max 14.0
Aromatics, % vol	Report
Color Undyed	Undyed, light yellow
Alcohol	No additions of any alcohol
Metallic additives	None added
Acetone	Max 100 ppm

f) Gasoline market participants in Asia

The market participation in the Asian gasoline markets is diverse and includes many of the same commercial entities that are active in the New York Harbor cash market. The Asian cash markets and OTC markets are each comprised of at least 30 to 40 commercial companies.

g) 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.

Japan is the main pricing point for naphtha and one of the world's largest naphtha import locations. The Japanese naphtha import market is highly diverse and is actively traded by refiners, traders, importers, and smaller distributors.

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.

h) 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, virtually all of which have open interest.

i) 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. 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.

Data provided by the Petroleum Association of Japan (PAJ) for naphtha imports into Japan, is shown in Table 3 below[4]:

Table 3: Japan naphtha imports

	2006	2007	2008	2009	2010	2011
Total Japan naphtha imports (kl)	28,360,135	27,453,090	24,435,491	23,754,683	27,172,540	26,186,352
Total Japan naphtha imports (tons)	19,852,095	19,217,163	17,104,844	16,628,278	19,020,778	18,330,446

The Japan C+F naphtha is the primary benchmark for imports into South Korea and cargoes are easily diverted between the two countries due to their proximity. For the purposes of assessing the underlying size of the physical naphtha market Japan and South Korea should be considered as one combined importing center, although the price is assessed based on Japan import activity.

[4] http://www.paj.gr.jp/english/statis/data/02/paj-2E_201204.xls

Table 4 shows data from the Korea Petroleum Association, which shows South Korea imported an average of 174,863,000 barrels per year from 2008 to 2010, which is equivalent to 19.6 million tons/year, similar in size to Japan's imports[5].

Table 4: South Korea naphtha imports

	2008	2009	2010
South Korea naphtha imports ('000 barrels/year)	153,381	181,678	189,531

Table 5 below gives total naphtha imports into Japan and South Korea, based on the figures given in Tables 3 and 4 above and using a barrel-to-ton conversion rate of 8.9.

Table 5: Japan and South Korea naphtha imports

	2008	2009	2010	2011
Total Japan naphtha imports (tons)	24,435,491	23,754,683	27,172,540	26,186,352
Total South Korea naphtha imports (tons)	17,233,820	20,413,258	21,295,618	n.a.
Total Japan and South Korea naphtha imports (tons)	41,669,311	44,167,941	48,468,158	n.a.

j) Price source

The price reference for the financial settlement of the contract is licensed by NYMEX 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.

[5] http://eng.oil.or.kr/statistics/exim.jsp

k) 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 market[6].

[6] 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 6: 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

ANALYSIS OF DELIVERABLE SUPPLY

Please note that for the new Asian refined product average price option contracts, 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 initial 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, 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.

The exchange recommends implementing identical position limits for the two Asian refined product average price options to the two underlying swap futures contracts for Singapore 92R unleaded gasoline and Japan naphtha into which the new options will aggregate.

The spot month position limit of 1,000 contracts applied to Singapore Mogas 92 Unleaded (Platts) Swap futures (1N) is equivalent to 1 million barrels of gasoline or around 33,000 barrels per day. The most recent EIA data shown in Table 1 above show that exports of gasoline from Singapore averaged approximately 378,500 barrels per day in the three-year period between January 2006 and December 2008, meaning that the position limits are slightly less than 9% of total deliverable supply in the cash market.

For purposes of calculating compliance with position limits, the contract will be aggregated with positions held in Singapore Mogas 92 Unleaded (Platts) Swap futures (1N).

For the existing Japan naphtha contract – Japan C&F Naphtha (Platts) Swap futures – the Exchange has set the spot month position limit at 100 contracts, which is equivalent to 100,000 metric tons of naphtha. We believe this position limit is conservative, when compared to imports of naphtha into Japan and South Korea.

In its analysis of deliverable supply, the Exchange focused on the most recent data provided by the Petroleum Association of Japan (PAJ) and the Korean Petroleum Association (KPA) for naphtha imports into Japan and South Korea, as shown in Table 5 above.

Based on the consumption data provided by the PAJ and KPA, the average available tonnage for the most recent three years for which we have data (2008-2010) is therefore 44,768,470 metric tons per year. This is equivalent to 3,730,705 metric tons per month, which is equivalent to 3,730 contract equivalents given the underlying contract size of 1,000 metric tons. Thus, the current spot month position limits of 100 contract units represent only 2.7% of the 3,730 contract equivalents of monthly supply into Japan and South Korea.

For purposes of calculating compliance with position limits, the contract will be aggregated with positions held in Japan C&F Naphtha (Platts) Swap futures (JA).

For purposes of position limits and position accountability levels, both Asian refined product average price option contracts shall diminish ratably as the contract month progresses toward month end.