

July 6, 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: Certification under § 40.6(a). Notification Regarding the Amendments to the Spot Month Position Limits for Japan C&F Naphtha (Platts) Swap Futures and Related Contracts Listed for Trading on the NYMEX Trading Floor and for Clearing through CME ClearPort  
NYMEX Submission 12-227**

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 amendments to the spot month position limits for the Japan C&F Naphtha (Platts) Swap futures and six other financially settled swaps futures and average price option contracts associated with the Japan C&F Naphtha (Platts) Swap futures, which are currently listed for trading on the NYMEX trading floor and for submission for clearing through CME ClearPort.

<b>Contract Name</b>	<b>Rule Chapter</b>	<b>Commodity Code</b>
Japan C&F Naphtha (Platts) Swap Futures	579	JA
Mini Japan C & F Naphtha (Platts) Swap Futures	852	MJN
Japan Naphtha (Platts) BALMO Swap Futures	308	E6
Mini Japan Naphtha (Platts) BALMO Swap Futures	1062	E6M
Japan C&F Naphtha (Platts) Crack Spread Swap Futures	580	JB
East-West Naphtha: Japan C&F vs. Cargoes CIF NWE Spread (Platts) Swap Futures	214	EWN
Japan C&F Naphtha (Platts) Average Price Option Futures	1246	JA5

The Exchange is also notifying the CFTC that it is self-certifying the applicable revisions to 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.

NYMEX business staff responsible for the rule amendments and the NYMEX legal department collectively reviewed the designated contract market core principles ("Core Principles") as set forth in the Commodity

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Exchange Act (the "Act" or "CEA"). During the review, NYMEX staff identified that the amendments may have some bearing on the following Core Principles:

- Position Limitations or Accountability: The spot month position limits under this self-certification continue to be set at conservative levels that are less than the 25% threshold of the monthly deliverable supply in the underlying physical market. Additionally, the six other associated contracts continue to aggregate into the Japan C&F Naphtha (Platts) Swap futures contract.
- Availability of General Information: The Exchange will publish information on the contracts' specifications on its website, together with daily trading volume, open interest and price information.
- Contracts Not Readily Subject to Manipulation: The contracts continue to not be readily subject to manipulation despite the increased spot month position limits under this self-certification. As illustrated in the updated analysis of deliverable supply provided under Appendix A herewith, the increased spot month limit for these contracts represents 13% of the monthly deliverable supply in the underlying market. The increased spot month position limits continue to be significantly less than the 25% threshold of the monthly deliverable supply the CFTC implemented under Part 151 to reduce the threat of corners and squeezes in the marketplace.

Pursuant to Section 5c(c) of the Act and CFTC Regulation 40.6(a), the Exchange hereby certifies that the proposed changes comply with the Act, including regulations under the Act. There were no substantive opposing views to this proposal. These amendments shall be effective on trade date July 23, 2012.

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](mailto:Sean.Downey@cmegroup.com).

Sincerely,

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

Attachments:

Appendix A: Analysis of Deliverable Supply

Appendix B: Chapter 5 Table

Appendix C: Amendment to Chapter 1246 – Japan C&F Naphtha (Platts) Average Price Option

## ANALYSIS OF DELIVERABLE SUPPLY

### Background information:

Customers have noted to the Exchange that the current position limits for Japan C&F Naphtha (Platts) Swap futures (JA) and other Japan C&F naphtha products are out of line with other refined product limits and no longer reflect the availability of physical supply in the underlying cash market and the use of the Japan C&F naphtha product to price and hedge imports into Japan and South Korea.

The existing position limits for JA establish an all-month accountability level of 1,000 lots and an expiration month limit of 100 lots. This expiration month limit is significantly lower than other Asian refined products limits. In fact, the position limits for Japan naphtha are the lowest of the entire Asian refined product suite, despite the large scale of Japanese naphtha imports.

For the existing Japan naphtha contracts, the Exchange has set the spot month position limit at 100 contracts, which is equivalent to 100,000 metric tons of naphtha. This position limit is overly conservative, when compared to the production and import of naphtha into Japan and the use of this benchmark in regional naphtha pricing.

### Analysis of the Japan naphtha cash market:

Data provided by the Petroleum Association of Japan (PAJ) for naphtha imports into Japan, is shown in Table 1 below<sup>1</sup>:

**Table 1: Japan naphtha imports**

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

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

<sup>1</sup> [http://www.paj.gr.jp/english/statis/data/02/paj-2E\\_201204.xls](http://www.paj.gr.jp/english/statis/data/02/paj-2E_201204.xls)

underlying size of the physical naphtha market Japan and South Korea should be considered as one combined importing centre, although the price is assessed based on Japan import activity.

Table 2 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<sup>2</sup>.

**Table 2: South Korea naphtha imports**

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

Table 3 below gives total naphtha imports into Japan and South Korea, based on the figures given in tables 1 and 2 above and using a barrel-to-ton conversion rate of 8.9.

**Table 2: Japan and South Korea naphtha imports**

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

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 tons per month, which is equivalent to 3,730 contract equivalents given the underlying contract size of 1,000 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.

<sup>2</sup> <http://eng.oil.or.kr/statistics/exim.jsp>

**Conclusion:**

The Exchange intends that the expiration month limits for Japan C&F naphtha be raised from 100 to 500 contracts. This would also bring the Japan C&F naphtha position limits into line with the Singapore naphtha position limits.

Expiration month limits of 500 contracts would represent around 13% of availability in the underlying physical market, which the Exchange regards as conservative and in line with position limits for other similar contracts.

The all month accountability level and the any one month accountability level would be left at their current levels, as shown in Appendix B. These limits are conservative and are in line with limits in other similar contracts.

NYMEX Rulebook Chapter 5 Position Limit Table  
(Bold/underline indicates addition, strikethrough indicates deletion)

<u>Contract Name</u>	<u>Rule Chapter</u>	<u>Commodity Code</u>	<u>Diminishing Balances Contract</u>	<u>All Month Accountability Level</u>	<u>Any One Month Accountability Level</u>	<u>Expiration Month Limit</u>	<u>Reporting Level</u>	<u>Aggregate Into (1)</u>	<u>Aggregate Into (2)</u>
				<u>Rule 560</u>	<u>Rule 560</u>	<u>Rule 559</u>	<u>Rule 561</u>		
<b>Petroleum</b>									
<b>Asia/Pacific</b>									
<b>Japan</b>									
Japan C&F Naphtha (Platts) Swap Futures	579	JA	*	1,000	1,000	400 <u>500</u>	25	JA	
Japan C&F Naphtha (Platts) Average Price Option	1246	JA5	*	1,000	1,000	400 <u>500</u>	25	JA	
Mini Japan C & F Naphtha (Platts) Swap Futures	852	MJN	*	1,000	1,000	400 <u>500</u>	25	JA	
Japan Naphtha (Platts) BALMO Swap Futures	308	E6		1,000	1,000	400 <u>500</u>	25	JA	
Mini Japan Naphtha (Platts) BALMO Swap Futures	1062	E6M	*	1,000	1,000	400 <u>500</u>	25	JA	
Japan C&F Naphtha (Platts) Crack Spread Swap Futures	580	JB		1,000/ 2,000	1,000/ 20,000	400 <u>500</u> / 2,000	25	JA	BB
East-West Naphtha: Japan C&F vs. Cargoes CIF NWE Spread (Platts) Swap Futures	214	EWN	*	1,000/ 1,500	1,000/ 1,500	400 <u>500</u> / 2,000	25	JA	UN

**Amendment to Rules Relating to Japan C&F Naphtha**

(Bold/underline indicates addition, strikethrough indicates deletion)

**Chapter 1246 – Japan C&F Naphtha (Platts) Average Price Option****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 ~~400~~ **500** 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.

**[remainder of chapter unchanged]**