CME Group

Christopher Bowen
Managing Director and Chief Regulatory Counsel
Legal Department

August 30, 2013

VIA E-MAIL

Ms. Melissa Jurgens
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, D.C. 20581

Re: CFTC Regulation 40.2(a) Certification. Notification of New Product Listing of One (1) Low Sulphur Gasoil Crack Futures Contract on CME Globex and the NYMEX Trading Floor and for Clearing Through CME ClearPort
NYMEX Submission No. 13-357

Dear Ms. Jurgens:

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 the Low Sulphur Gasoil Crack Spread Financial Futures contract for trading on CME Globex and the NYMEX trading floor and for submission for clearing through CME ClearPort beginning at 6:00 p.m. on Sunday, September 8, 2013, for trade date Monday, September 9, 2013.

Pursuant to Commission Regulation 40.6(a), NYMEX is separately self-certifying the establishment of a ten (10) contract block trade minimum threshold in Low Sulphur Gasoil Crack Spread Financial Futures in CBOT/NYMEX/COMEX Submission No. 13-346. Block transactions are governed by Rule 526.

The Contract specifications are as follows:

Contract Name	Low Sulphur Gasoil Crack Spread Financial Futures
Commodity Code	LSC
Chapter	363
Settlement Type	Financial
Contract Size	The contract quantity shall be 1,000 Barrels. Each contract shall be valued as the contract quantity (1,000) multiplied by the settlement price.
Termination of Trading	Trading shall cease on the last London business day of the contract month
Minimum Price Fluctuation	$0.001 per barrel
First Listed Month	October 2013
Listing Convention	For Globex, monthly contracts shall be listed for twelve consecutive calendar months. ClearPort and NYMEX trading floor shall be listed for the current year and the next 4 consecutive calendar years.
Trading Hours	Open Outcry: Monday – Friday 9:00 a.m. – 2:30 p.m. (8:00 a.m. –

(All Times are New York Time/ET)	1:30 p.m. Chicago Time/CT)
	CME Globex and CME ClearPort: Sunday – Friday 6:00 p.m. – 5:15 p.m. (5:00 p.m. – 4:15 p.m. CT) with a 45-minute break each day beginning at 5:15 p.m. (4:15 p.m. CT).

Trading and Clearing Fees:

Product Name	Low Sulphur Gasoil Crack Spread Financial Futures				
Exchange Fees					
	Member Day	**Member**	**Cross Division**	**Non-Member**	**IIP**
Pit	$0.85	$0.85	$1.05	$1.25	
Globex	$0.85	$0.85	$1.05	$1.25	$1.05
ClearPort		$0.85		$1.25	

Other Processing Fees		
	Member	**Non-Member**
Cash Settlement	$0.10	$0.10

Additional Fees and Surcharges	
EFS Surcharge	$0.00
Block Surcharge	$0.00
Facilitation Desk Fee	$0.20

The Exchange is also notifying the CFTC that it is self-certifying the insertion of the terms and conditions for the new 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 diminishing balances, all month/any one month accountability levels, expiration month position limit, reportable level, and aggregation allocation for the new contract. In addition, the Exchange is self-certifying the insertion of the non-reviewable ranges ("NRR") for the futures contract into Rule 588.H

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

- Prevention of Market Disruption: Trading in this contract will be subject to the Rules of NYMEX 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 Susceptible to Manipulation: The new contract is not readily susceptible to manipulation due to the liquidity and robustness in the underlying cash markets, which provides diverse participation and sufficient spot transactions to support the final settlement index.

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- 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 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 product 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 limit for the new contract is set at a conservative level that is less than 25% of the monthly deliverable supply in the underlying market in accordance with the guidelines included in CFTC Part 151. (See Appendix B: Position Limit, Position Accountability, and Reportable Level Table in Chapter 5 of the NYMEX Rulebook (attached under separate cover).
- 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 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 contract is dually listed for trading on CME Globex and on the NYMEX trading floor for open outcry trading, and for clearing through the CME ClearPort platform. The CME ClearPort platform provides a competitive, open and efficient mechanism for novating transactions that are competitively executed by brokers. The CME Globex platform provides a transparent, open, and efficient mechanism to electronically execute trades on screen. In addition, the NYMEX trading floor is available as an additional 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 rules. 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 this product 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. 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 non-member 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, 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 markets 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 (212) 299-2200 or Christopher.Bowen@cmegroup.com.

Sincerely,

/s/Christopher Bowen
Managing Director and Chief Regulatory Counsel

Attachments: Appendix A: Rule Chapter
Appendix B: Position Limit, Position Accountability, and Reportable Level Table in Chapter 5 of the NYMEX Rulebook (attached under separate cover)
Appendix C: Rule 588.H – Non-reviewable Range Table
Appendix D: Cash Market Overview and Analysis of Deliverable Supply

Appendix A

Chapter 363
Low Sulphur Gasoil Crack Spread Financial Futures

363100. 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.

363101. CONTRACT SPECIFICATIONS

The Floating Price for each contract month is equal to the arithmetic average of the Low Sulphur Gasoil (ICE) Futures first nearby contract settlement price minus the Brent Crude Oil (ICE) Futures first nearby contract settlement price for each business day during the contract month except as noted below.

The settlement prices of the 1st nearby contract month will be used except on the last day of trading for the expiring Brent Crude Oil (ICE) or Low Sulphur Gasoil (ICE) Futures contracts when the settlement prices of the 2nd nearby contracts will be used.

For the purposes of determining the Floating Price, the Low Sulphur Gasoil (ICE) price will be converted each day to US dollars and cents per barrel, rounded to the nearest cent. The conversion factor will be 7.45 barrels per metric ton.

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 calculation of the spread differential between the two averages.

363102. TRADING SPECIFICATIONS

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

363102.A. Trading Schedule

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

363102.B. Trading Unit

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

363102.C. Price Increments

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

363102.D. Position Limits, Exemptions, Position Accountability and Reportable Levels

The applicable position limits and/or accountability levels, in addition to the reportable levels, are set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5.

A Person seeking an exemption from position limits for bona fide commercial purposes shall apply to the Market Regulation Department on forms provided by the Exchange, and the Market Regulation Department may grant qualified exemptions in its sole discretion.

Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.

363102.E. Termination of Trading

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

363103. FINAL SETTLEMENT

Final settlement under this 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.

Appendix B

Position Limit, Position Accountability, and Reportable Level Table in Chapter 5 of the NYMEX Rulebook

(attached under separate cover)

Appendix C

Rule 588.H Globex Non-Reviewable Ranges

Instrument	Non-Reviewable Range (NRR) in Globex format	NRR including Unit of Measure	NRR Ticks
Low Sulphur Gasoil Crack Spread Financial Futures	1000	$1.00 per barrel	1000

Appendix D

Deliverable Supply Analysis

NYMEX is preparing a new refined product futures contract for trading on CME Globex and the NYMEX trading floor. All trades will be submitted for clearing on CME ClearPort.

Contract name	Contract Code	Rulebook Chapter
Low Sulphur Gasoil Crack Spread Financial Futures	LSC	363

The proposed contract is being listed in response to customer demand and due to the introduction of the ICE Low Sulphur Gasoil Futures, which was launched in 2012. Due to the change, the existing Crack Spread Financial Futures contract, which was listed against ICE Gasoil, is now being dually listed against the new Low Sulphur Gasoil Futures. NYMEX will continue to list the existing European, US, and Asian middle distillate futures against ICE Gasoil Futures as this contract will run side by side against the Low Sulphur Gasoil Futures until the end of 2014. Beyond the end of 2014, the market is expected to have migrated all volume and open interest to Low Sulphur Gasoil Futures. The exact timing of this should be no later than the expiry of the January 2015 contract month.

On the 16th of August 2011, ICE announced[1] that, with effect from the January 2012 delivery month, ICE was launching the Low Sulphur Gasoil Futures contract (10ppm sulphur). This contract will run side by side with the ICE Gasoil Futures contract, which will continue to be listed up to and including the January 2015 delivery month.

The proposed contract has a first trade date on Monday, September 9, 2013 with the first contract month listed as October 2013. A Calendar month futures contract will be listed and have the contract commodity code LSC. The Low Sulphur Gasoil Crack Spread Financial Futures contract will trade in units of 1,000 barrels and will settle in USD and cents per barrel, so the unit of trading and listing quantity are the same. For calculating the settlement price, the price of Low Sulphur (ICE) Gasoil Futures will be converted from US dollars and cents per metric ton to US dollars and cents per barrel using a conversion factor of 1 metric ton = 7.45 barrels.

The NYMEX Low Sulphur Gasoil Crack Spread Financial Futures contract (code LSC) will be cash settled against the ICE Low Sulphur Gasoil and ICE Brent Futures contracts.

[1] https://www.theice.com/publicdocs/circulars/11091.pdf

The deliverable supply analysis focuses on the Low Sulphur Gasoil market in Northwest Europe and for Brent, on the UK and Norwegian North Sea markets (the source of supply for Brent, Forties, Oseberg and Ekofisk crudes – BFOE). The Low Sulphur Gasoil Crack Spread Financial Futures contract is traded as two separate legs; therefore, it is important to understand the deliverable supply in each market (Low Sulphur Gasoil and Brent).

Block Limits will be applied to this contract and will be available on the first day of trading.

Diesel Market Overview

Distillate fuel oil is a general classification for one of the petroleum product categories produced by distillation operations, a boiling process that separate crude oil into fractions[2]. The lightest and the first fraction of distillate fuel is jet kerosene, followed by on-road diesel, heating oil/off-road diesel, and residual fuel oils. Products known as No.1 (on-road diesel), No.2 (off-road diesel, residential heating oil), and No.4 (commercial/industrial heating oil) oils are used in diesel engines, boilers and power generators.

Diesel[3], also called No. 2 Diesel Fuel, is a liquid petroleum product less volatile than gasoline and used as an energy source. The primary use is in the transportation sector. Ultra Low Sulphur Diesel (ULSD) contains a lower level of sulphur than heating oil. ULSD is the standard quality fuel used in the transportation sector across Europe whereas Gasoil is primarily used as a domestic heating fuel. There are relatively stringent cold properties in ULSD that refiners have to satisfy, particularly in the winter, to be able to deal with the harsh winter temperatures in some regions. Cold properties prevent the diesel fuel from freezing.

For the **Low Sulphur Gasoil Crack Spread Financial Futures contract**, the proposed expiration month limits of 1,000 and 4,000 lots respectively should be applied to this contract. Please note that the Low Sulphur Gasoil crack spread is listed in units of 1,000 barrels so a conversion factor from metric tons to barrels has to be applied. The conversion factor used is 1 metric ton = 7.45 barrels. The deliverable supply of Low Sulphur Gasoil in Northwest Europe is 1.3-million barrels per day or 39-million barrels per month (5,234 contract equivalents in metric tons per month). The spot month limit of 1,000 lots (equivalent to 7,450 barrels) for the underlying **Low Sulphur Gasoil (100mt) Calendar Month Futures (contract code LSM)** represent 19.1% of the deliverable supply.

For the **Brent Crude Oil Penultimate Financial Futures contract**, the proposed expiration month limit of 4,000 lots is applied on the following analysis. Based on the most recent 3-year average of the

[2] http://www.epa.gov/otaq/regs/nonroad/marine/ci/fr/dfuelrpt.pdf
[3] US EIA: http://www.eia.doe.gov/tools/glossary/index.cfm?id=F.

Bloomberg data on BFOE loadings (from August 2011 through July 2013), the total loadings of Brent (BFOE) crude oil was approximately 970,825 barrels per day, which is equivalent to approximately 29 million barrels per month, or 29,000 contract equivalents (contract size: 1,000 barrels). Further, to account for the crude oil purchases by the Grangemouth refinery, the deliverable supply would be reduced by 3.2 million barrels per month. Therefore, the total deliverable supply of BFOE is approximately 25.8 million barrels per month, which is equivalent to 25,800 contracts. To be conservative, the Exchange proposes to amend the current spot month position limit from 2,000 to 4,000 contracts, which is equivalent to 4 million barrels and is approximately 15.5% of the 25,800 contract equivalents of monthly supply (or 18.6% of the most recent 12-month average supply).

Analysis of the Deliverable Supply

Northwest Europe Diesel Market Overview

The main trading hub for ULSD or Diesel - as it is sometimes referred - is split according to whether the reference market is for Barges or Cargoes. In the case of the Barge market, the main trading hub is the Amsterdam-Rotterdam-Antwerp (ARA) region where extensive storage capacity and refining infrastructure exists. For example, both BP and Shell have large refineries located in close proximity to the port of Rotterdam and both plants have complex refining units - meaning that they are able to supply a wide variety of refined products including ULSD.

The cargo market by its nature is more diverse, but there are large accumulations of refining and storage centres at several ports in Northwest Europe, which is broadly defined as the coastline between Bordeaux in France and Hamburg in Germany.

The US EIA or Joint Oil Data Initiative does not provide separate data for ULSD and Heating Oil within their data categories, so we have used alternative data sources to provide this data breakdown. Eurostat splits the data between Transportation Diesel and Heating Oil,[4] so we have used it for the basis of this analysis. Market sources have also told us that their view on the splits match the data we have gathered from Eurostat. Based on the three year average data for 2009 to 2011 for Belgium, France, Germany, and the Netherlands, 65% of the deliverable supply was transportation diesel and 35% of the deliverable supply was heating oil. The table below shows the percentage allocations of ULSD and Heating Oil for Belgium, France, Germany, and the Netherlands.

Belgium	2008	2009	2010	2011
Diesel	6334	5860	6411	7864
Heating Oil	6625	6388	6124	3633

[4] http://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do

Diesel Share	49%	48%	51%	68%

France	2008	2009	2010	2011
Diesel	22609	21037	19338	21954
Heating Oil	13084	10682	9639	7527
Diesel Share	63%	66%	67%	74%

Germany	2008	2009	2010	2011
Diesel	32868	30750	27805	28541
Heating Oil	15771	14932	15505	13888
Diesel Share	68%	67%	64%	67%

Netherlands	2008	2009	2010	2011
Diesel	11770	13566	15017	14073
Heating Oil	8668	6818	6237	6376
Diesel Share	58%	67%	71%	69%

According to the EIA, In Belgium, Northern France, Germany, and the Netherlands - known as Northwest Europe - the production of ULSD is about 1.3-million barrels per day and consumption is also estimated to be about 1.3-million barrels per day for the average annual period of 2008 to 2010. In Belgium, Northern France, Germany, and the Netherlands - known as Northwest Europe - ULSD exports were 592,000 barrels per day and imports were 615,000 barrels per day for the average annual period of 2008 to 2010, according to the EIA.

Table 1: Selected Statistics for Diesel/Gasoil – Northwest Europe[5]

We have highlighted annual consumption and production statistics for Northwest Europe. There is a large centre of refining and storage around ARA and across several cities along the coastline of Northwest Europe in France, Germany, Belgium, and the Netherlands. In 2010, the total production of ULSD was 1.246 million barrels per day and consumption was 1.315 million barrels per day. The production levels have slightly declined year on year, partly reflecting the degree of refinery closures in the region. Consumption has increased year on year due to the higher usage of diesel in the transportation sector (at the expense of the traditional petrol engine).

Production (000 b/d)	2007	2008	2009	2010	Average 2008-2010
Belgium	171	172	157	166	166
Northern France	231	245	220	200	224

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EIA Production data:
http://www.eia.gov/cfapps/ipdbproject/iedindex3.cfm?tid=5&pid=65&aid=1&cid=BE,FR,GM,NL,&syid=2008&eyid=2012&unit=TBPD
EIA Consumption data:
http://www.eia.gov/cfapps/ipdbproject/iedindex3.cfm?tid=5&pid=65&aid=2&cid=BE,FR,GM,NL,&syid=2008&eyid=2012&unit=TBPD
EIA Exports data:
http://www.eia.gov/cfapps/ipdbproject/iedindex3.cfm?tid=5&pid=65&aid=4&cid=BE,FR,GM,NL,&syid=2006&eyid=2010&unit=TBPD
EIA Imports data:
http://www.eia.gov/cfapps/ipdbproject/iedindex3.cfm?tid=5&pid=65&aid=3&cid=BE,FR,GM,NL,&syid=2006&eyid=2010&unit=TBPD

Germany	674	667	630	597	642
Netherlands	258	273	273	283	272
Total	**1334**	**1357**	**1280**	**1246**	**1304**

Consumption (000 b/d)	**2007**	**2008**	**2009**	**2010**	**Average 2008-2010**
Belgium	147	165	154	159	159
Northern France	319	322	321	320	321
Germany	648	737	693	713	714
Netherlands	125	126	116	123	122
Total	**1239**	**1350**	**1284**	**1315**	**1316**

Exports (000 b/d)	**2007**	**2008**	**2009**	**2010**	**Average 2008-2010**
Belgium	116	112	91	93	99
Northern France	23	22	17	17	19
Germany	163	132	118	90	114
Netherlands	274	302	365	413	360
Total	**576**	**568**	**591**	**613**	**592**

Imports (000 b/d)	**2007**	**2008**	**2009**	**2010**	**Average 2008-2010**
Belgium	97	102	81	73	85
Northern France	89	95	124	135	118
Germany	124	206	193	207	202
Netherlands	124	163	217	250	210
Total	**434**	**566**	**615**	**665**	**615**

Source: US EIA

Brent Production

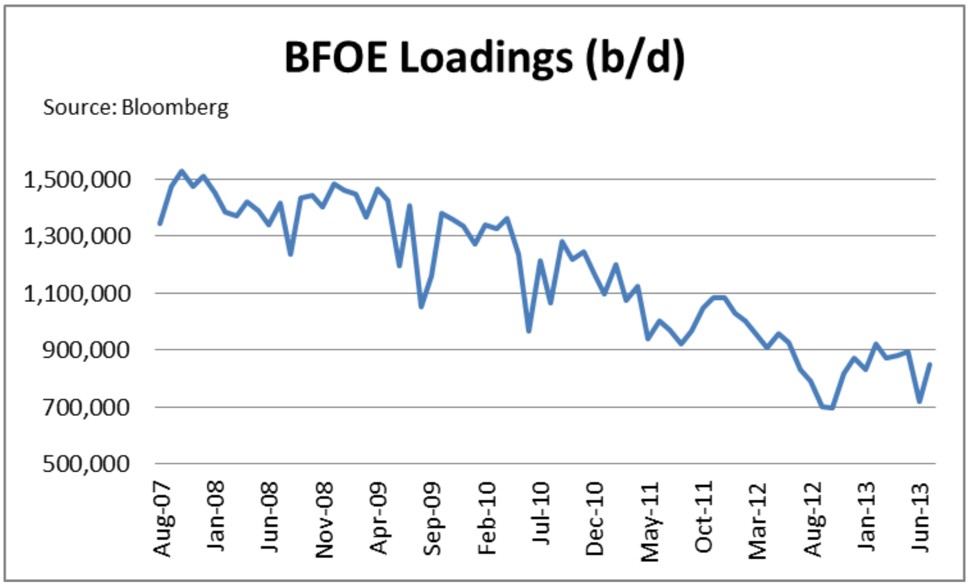
The Brent market is comprised of four North Sea crude oil grades: Brent, Forties, Oseberg, and Ekofisk ("BFOE" or "Brent"). The standard cargo size in the BFOE market is 600,000 barrels. These four North Sea grades are segregated blends delivered at different locations in the North Sea, and each can be substituted by the seller in the 25-Day BFOE cash market. The four BFOE fields lie in the North Sea. Brent and Forties are in the UK sector, whilst Ekofisk and Oseberg are in the Norwegian sector.

Bloomberg LP ("Bloomberg") provides details of the BFOE loading programs for the four grades that comprise the Brent market. According to data published by Bloomberg[6], daily crude oil production for these four grades has been declining over the past few years, as shown in Table 2. Based on the most

[6] See various news reports at www.bloomberg.com, for example http://www.bloomberg.com/news/2011-08-10/north-sea-ekofisk-crude-oil-loadings-at-14-cargoes-in-september.html, although consolidated loading data requires a subscription to access.

recent 3-year average of the Bloomberg data on BFOE loadings (from August 2010 through July 2013), the total loadings of Brent (BFOE) crude oil was approximately 970,825 barrels per day, which is equivalent to approximately 29 million barrels per month, or 29,000 contract equivalents (contract size: 1,000 barrels). In the latest 12 months (from August 2012 to July 2013), the average loadings of Brent (BFOE) crude oil have declined to 821,000 barrels per day, which is equivalent to 24.6 million barrels per month, or 24,600 contract equivalents.

Table 2: Monthly Loadings of Brent, Forties, Oseberg, Ekofisk



Bloomberg BFOE Loadings		
Year	**Month**	**B/D**
2013	Jan	832,258
	Feb	921,429
	Mar	870,968
	Apr	880,000
	May	893,548
	Jun	720,000
	Jul	851,613
	2013 Avg.	**852,831**
2012	Jan	1,030,645
	Feb	1,003,448
	Mar	951,613
	Apr	906,667
	May	956,452
	Jun	926,667
	Jul	832,258

	Aug	793,548
	Sep	700,000
	Oct	696,774
	Nov	819,667
	Dec	872,581
	2012 Avg	**874,193**
2011	Jan	1,095,161
	Feb	1,201,786
	Mar	1,074,194
	Apr	1,125,000
	May	938,710
	Jun	1,003,333
	Jul	969,355
	Aug	922,581
	Sep	965,000
	Oct	1,048,387
	Nov	1,081,667
	Dec	1,082,258
	2011 Avg	**1,042,286**
2010	Jan	1,272,581
	Feb	1,341,071
	Mar	1,325,258
	Apr	1,361,667
	May	1,235,484
	Jun	964,900
	Jul	1,214,516
	Aug	1,066,032
	Sep	1,283,667
	Oct	1,216,452
	Nov	1,246,667
	Dec	1,169,356
	2010 Avg	**1,224,804**
3-YearAvg.	**Aug 2010-July 2013**	**970,825**

The U.S. EIA publishes data for crude oil production at a country level. The country levels below encompass more than the four BFOE fields. However, they are indicative of the amount of oil production from the region that is traded with reference to the Dated Brent price benchmark. Production data is shown below in Table 3.

Table 3: Crude Oil Production (thousand barrels per day)

	2007	2008	2009	2010	2011	2012
Norway	2,564.9	2,463.9	2,352.6	2,134.6	2,007.4	1,902.1
UK	88.9	85.1	87.4	87.1	82.7	86.2
UK (Offshore)	1,601.8	1,502.9	1,422.1	1,318.7	1,084.1	922.4

Source: Energy Information Administration[7]:
http://www.eia.gov/cfapps/ipdbproject/iedindex3.cfm?tid=5&pid=53&aid=1&cid=r3,&syid=2008&eyid=2012&unit=TBPD

Market Participants

Brent Crude oil has active over-the-counter ("OTC") physical and paper markets. The liquidity in the cash and OTC swaps market is robust. The OTC market participation is deep and diverse, and includes both cash market and OTC market players. The Brent cash and OTC market participants include many commercial companies, refiners, end users, brokers and financial institutions with over 50 participants.

Physical Market Trading Structure

The Brent physical market is comprised of two main components: 1) the "Dated" Brent market for cargo transactions in the spot market for delivery in the next of 10 to 25 days; and 2) the forward market, for cargo transactions for delivery in the timeframe beyond 25 days, i.e., the forward month 25-day Brent cash market.

The core of the Brent market is the forward cash market. The Brent forward market consists of the trading of cargoes of any of the Brent, Forties, and Oseberg or Ekofisk streams, for delivery beyond 25 days with no specific date assigned for loading. The cargoes are 600,000 barrels and, in the forward market, the precise loading date is not provided, only the delivery month—i.e., August BFOE Cargo. However, the commercial contracts, which are standardized, underlying the forward market specify the minimum timing the Seller must provide the Buyer to notify them as to the specific cargo loading date—currently 25 days in advance. After the Seller of a BFOE forward cargo notifies the Buyer as to the loading date and which stream is being loaded, the contract now is considered to move from the forward-market to the Dated-Market; historically, this moment has been referred as the cargo "going wet". Dated cargoes (or wet cargoes) are distinguished from forward cargoes simply because the loading dates (and the stream) are known. Dated cargoes are also traded in the cash market, and those transactions are reported by price reporting agencies.

The Brent cash market is essentially a reseller market where buyers either: resell the oil to someone else; transport the cargo and resell it later; or transport the cargo to consume it. Most of the sales in the Brent market are conducted as spot-market transactions; in fact, Brent cargoes in the physical market are estimated to trade 10 or more times. Typically, there is a chronology of sales and purchases of crude oil

[7] See: http://www.eia.gov/cfapps/ipdbproject/IEDIndex3.cfm?tid=5&pid=53&aid=1

in the Brent cash market that starts with a sale from the equity producer in a spot market transaction, and finishes with a purchase by an end-user to consume the crude oil. Equity producers typically utilize the robust spot market to sell their BFOE production at the cargo loading terminal, as a “Free on Board” (FOB) delivery. Traders play an active role in the Brent market as middlemen with the expressed responsibility of reselling the oil. Further, the refiners typically rely on the spot market to purchase Brent Crude oil, because there is vibrant liquidity in the spot market, and hence, the refiners have developed a preference for short-term spot market purchases, rather than long-term contracts. This applies to refiners affiliated with equity producers as well as those not affiliated; this is the standard practice, established and institutionalized over the past 34 years.

The Exchange has spoken with a number of market participants regarding common commercial practices with respect to the use of spot versus term contracts in the Brent Crude oil market.[8] The responses we received were consistent and they can be summarized as follows:

- The majority of BFOE production is sold on a spot market or short-term basis, rather than on a long-term basis; as discussed in the previous section, equity producers typically utilize the robust spot market to sell their BFOE production, while refiners prefer to purchase in the spot market, because there is vibrant liquidity in the cash market.
- There are no restrictions applied to the resale of BFOE cargoes bought in the cash market. In fact, traders play an important role as middleman with the responsibility of reselling the oil. Hence, given the robust liquidity in the Brent cash market, market participants have preferred to transact their commercial contracts in the spot market, rather than via long-term contracts.
- There is one refinery located in Grangemouth, UK that is connected directly via pipeline to the Forties loading terminal. This refinery, which runs 210,000 barrels per day, was formerly owned by BP, and is currently owned by PetroIneos, a 50:50 joint venture between PetroChina and INEOS. According to market participants, the Grangemouth refinery sources crude oil directly via the Forties pipeline, as well as from imported cargoes. The refinery does not publicly disclose its crude oil purchases, but the market sources with whom the Exchange consulted indicated that BFOE barrels refined there are typically sourced via the spot-market. Notwithstanding that practice, in the interest of erring on the side of underestimating deliverable supply, the Exchange is assuming that approximately 50% of its crude oil are delivered directly from the Forties crude oil stream - bypassing the spot market-, and the deliverable supply of Forties crude oil is being reduced accordingly. Therefore, we assume that the deliverable supply of Forties is reduced by 105,000 barrels per day, which is equivalent to 3.2 million barrels per month.

Market Activity

[8] These include: equity producers, refiners, traders, and price reporters. Each has requested to remain anonymous.

Northwest Europe ULSD and Brent Crude Oil (BFOE)

The ULSD market in Northwest Europe is priced in units of dollars and cents per metric ton. The conversion factor is 7.45 barrels per metric ton. The largest of the European markets is the ARA barge market which will regularly trade around 400,000 barrels per day (converted into barrel equivalents from metric tons).

In the barge market the typical transaction size around 1,000 to 2,000 metric tons. Low Sulphur Gasoil trades are a mixture of outrights and spreads with a larger majority of spreads traded throughout the day. The ICE Futures Low Sulphur Gasoil market is physically settled with less than 1% of the front-month open interest being delivered via the ICE exchange. Aside from the Futures market there is an active OTC swaps market also trading on a daily basis with dozens of market participants that utilize Distillate swaps to hedge price risk. The market participants typically are active in both the cash market and the OTC market. The market participation in the European ULSD market is diverse and there is active participation from Asian and US refiners who import cargoes into the region. There are estimated to be at least 40 commercial trading firms active in the Diesel market. Many of the European and Asian middle distillate markets trade on an EFP basis to the Futures market.

The market for Brent Crude is actively traded both physically and on a derivatives basis. Physical Brent Crude Oil or Dated Brent as it is more commonly referred to trades in cargoes of 600,000 barrels with 4 separate crude streams available for nomination to a buyer from the seller at the point of delivery. Brent, Forties, Oseberg and Ekofisk are similar in crude quality and the combined output is referred to as BFOE. The underlying for the futures market is the cash BFOE market which is a physically deliverable forward contract with cargoes being traded as forward contracts up to the point of delivery nomination 25-days prior to the actual load date of a physical cargo.

Contract Name	Rule Chapter	Commodity Code	Contract Size
Low Sulphur Gasoil Crack Spread Financial Futures	253	LSC	1,000

Contract Units	Type	Settlement	Group	Diminishing Balance Contract	Reporting Level	Spot-Month position comprised of futures and deliveries	Spot-Month Aggregate Into Futures Equivalent Leg (1)
Metric tons	Futures	Financially Settled Futures	Refined Products	Y	25		LSP

Spot-Mont				
Spot-Month Aggregate Into Futures Equivalent Leg (2)	Spot-Month Aggregate Into Ratio Leg (1)	Spot-Month Aggregate Into Ratio Leg (2)	Spot-Month Accountability Level	Initial Spot-Month Limit (In Net Futures Equivalents) Leg (1) / Leg (2)
BB	1 LSC : 10 LSP	1 LSC : 7.45 BB		10,000/4,000

h		Singl		
Initial Spot-Month Limit Effective Date	Spot-Month Limit (In Contract Units) Leg (1) / Leg (2)	Single Month Aggregate Into Futures Equivalent Leg (1)	Single Month Aggregate Into Futures Equivalent Leg (2)	Single Month Aggregate Into Ratio Leg (1)
For LSP: Close of trading 3 business days prior to last trading day c	1,000,000/ 4,000,000	LSP	BB	1 LSC : 10 LSP

e Month			All Month					
Single Month Aggregate Into Ratio Leg (2)	Single Month Accountability Level Leg (1) / Leg (2)	Single Month Limit (In Net Futures Equivalents) Leg (1) / Leg (2)	All Month Aggregate Into Futures Equivalent Leg (1)	All Month Aggregate Into Futures Equivalent Leg (2)	All Month Aggregate Into Ratio Leg (1)	All Month Aggregate Into Ratio Leg (2)	All Month Accountability Level Leg (1) / Leg (2)	All Month Limit (In Net Futures Equivalents) Leg (1) / Leg (2)
1 LSC : 7.45 BB	50,000/10,000		LSP	BB	1 LSC : 10 LSP	1 LSC : 7.45 BB	70,000/20,000	