**Christopher Bowen**
Managing Director and Chief Regulatory Counsel
Legal Department

October 4, 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 Rule 40.2(a) Certification: Notification of New Product Listing of Three (3) European ULSD Based Futures Contracts on CME Globex and the NYMEX trading floor and for Clearing Through CME ClearPort**
**NYMEX Submission #13-487**

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 three (3) European ULSD based futures contracts: European Diesel 10ppm Barges FOB Rdam (Platts) vs. NY Harbor ULSD Futures, ULSD 10ppm Cargoes CIF NWE (Platts) vs. NY Harbor ULSD Futures, and ULSD 10ppm Cargoes CIF Med (Platts) vs. NY Harbor ULSD Futures (collectively, the "Contracts") for trading on CME Globex and the NYMEX trading floor, and for submission for clearing through CME ClearPort.

The effective date for this submission is dependent upon the Commission's resumption of regulatory review activity and will be no earlier than after the expiration of the required review period under Commission Regulation 40.2.

Pursuant to Commission Regulation 40.6(a), NYMEX is separately self-certifying block trading on these Contracts with a minimum thresholds of five (5) contracts in NYMEX/COMEX Submission No. 13-469. Block transactions are governed by Rule 526.

The Contracts specifications are as follows:

| | |
|---|---|
| **Contract Name** | European Diesel 10ppm Barges FOB Rdam (Platts) vs. NY Harbor ULSD Futures |
| **Commodity Code** | EL1 |
| **Chapter** | 858 |
| **Settlement Type** | Financial |
| **Contract Size** | The contract quantity shall be 1,000 metric tons. The NY Harbor ULSD Futures contract will be converted to USD per metric tons using a conversion factor of 1 metric ton = 312.9 gallons. Each contract shall be valued as the contract quantity 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 metric ton |
| **Final Settlement Price Tick** | $0.001 per metric ton |

| | |
|---|---|
| **First Listed Month** | November 2013 (dependent upon the Commission's resumption of regulatory review activity) |
| **Listing Convention** | For Globex, monthly contracts shall be listed for two (2) consecutive calendar months. CME ClearPort and NYMEX trading floor shall be listed for twenty-four (24) consecutive months. |
| **Trading Hours (All Times are New York Time/ET)** | Open Outcry: Monday – Friday 9:00 a.m. – 2:30 p.m. (8:00 a.m. – 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). |

| | |
|---|---|
| **Contract Name** | ULSD 10ppm Cargoes CIF NWE (Platts) vs. NY Harbor ULSD Futures |
| **Commodity Code** | EO1 |
| **Chapter** | 1207 |
| **Settlement Type** | Financial |
| **Contract Size** | The contract quantity shall be 1,000 metric tons. The NY Harbor ULSD Futures contract will be converted to USD per metric tons using a conversion factor of 1 metric ton = 312.9 gallons. Each contract shall be valued as the contract quantity 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 metric ton |
| **Final Settlement Price Tick** | $0.001 per metric ton |
| **First Listed Month** | November 2013 (dependent upon the Commission's resumption of regulatory review activity) |
| **Listing Convention** | For CME Globex, monthly contracts shall be listed for two (2) consecutive calendar months. CME ClearPort and NYMEX trading floor shall be listed for twenty-four (24) consecutive months. |
| **Trading Hours (All Times are New York Time/ET)** | Open Outcry: Monday – Friday 9:00 a.m. – 2:30 p.m. (8:00 a.m. – 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). |

| | |
|---|---|
| **Contract Name** | ULSD 10ppm Cargoes CIF Med (Platts) vs. NY Harbor ULSD Futures |
| **Commodity Code** | EP1 |
| **Chapter** | 1208 |
| **Settlement Type** | Financial |

| | |
|---|---|
| **Contract Size** | The contract quantity shall be 1,000 metric tons. The NY Harbor ULSD Futures contract will be converted to USD per metric tons using a conversion factor of 1 metric ton = 312.9 gallons. Each contract shall be valued as the contract quantity 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 metric ton |
| **Final Settlement Price Tick** | $0.001 per metric ton |
| **First Listed Month** | November 2013 (dependent upon the Commission's resumption of regulatory review activity) |
| **Listing Convention** | For CME Globex, monthly contracts shall be listed for two (2) consecutive calendar months. CME ClearPort and NYMEX trading floor shall be listed for twenty-four (24) consecutive months. |
| **Trading Hours**<br>**(All Times are New York Time/ET)** | Open Outcry: Monday – Friday 9:00 a.m. – 2:30 p.m. (8:00 a.m. – 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:**

| Exchange Fees | | | | | |
|---|---|---|---|---|---|
| | **Member Day** | **Member** | **Cross Division** | **Non-Member** | **IIP** |
| **Pit** | $7.00 | $7.00 | $8.00 | $9.00 | |
| **Globex** | $7.00 | $7.00 | $8.00 | $9.00 | $8.00 |
| **ClearPort** | | $7.00 | | $9.00 | |

| Other Processing Fees | | |
|---|---|---|
| | **Member** | **Non-Member** |
| **Cash Settlement** | $1.00 | $1.00 |

| 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 of Chapter 5 of the NYMEX Rulebook in relation to the listing of the new Contracts as set forth in Appendix

A attached under separate cover. In addition, the Exchange is self-certifying the insertion of the non-reviewable ranges ("NRR") for the Contracts into Rule 588.H, as set forth in Appendix C.

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 Contracts may have some bearing on the following Core Principles:

- Prevention of Market Disruption: Trading in the Contracts will be subject to 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 products will be subject to extensive monitoring and surveillance by CME Group's Market Regulation Department.
- Contracts not Readily Susceptible to Manipulation: The Contracts are 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.
- Compliance with Rules: Trading in the 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 limit for the Contracts are set at a conservative level that is less than 25% of the monthly deliverable supply in the underlying market.
- 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: These Contracts 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 Contracts are 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 the Contracts.

- 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 the 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 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 contracts 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 these Contracts is attached hereto in Appendix D.

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 Chapters
Appendix B: Chapter 5 Position Limit Table (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 858

# European Diesel 10ppm Barges FOB Rdam (Platts) vs. NY Harbor ULSD Futures

## 858100. 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.

## 858101. CONTRACT SPECIFICATIONS

The Floating Price for each contract month is equal to the arithmetic average of the mid-point between the high and low quotations from the "Platts European Marketscan" under the heading "Northwest Europe barges" subheading "FOB Rotterdam" for Diesel 10ppm" minus the first line NY Harbor ULSD Futures settlement price for each business day during the contract month.
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.

## 858102. TRADING SPECIFICATIONS

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

**858102.A. Trading Schedule**

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

**858102.B. Trading Unit**

The contract quantity shall be 1,000 metric tons. The NY Harbor ULSD Futures contract will be converted to USD per metric tons using a conversion factor of 1 metric ton = 312.9 gallons. Each contract shall be valued as the contract quantity multiplied by the settlement price.

**858102.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.

**858102.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.

**858102.E. Termination of Trading**

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

## 858103. 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.

## 858104. DISCLAIMER

NEITHER NEW YORK MERCANTILE EXCHANGE, INC. (“NYMEX”) ITS AFFILIATES NOR PLATTS, A DIVISION OF THE MCGRAW-HILL COMPANIES, INC. (“PLATTS”) GUARANTEES THE ACCURACY OR COMPLETENESS OF THE PLATTS 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 PLATTS PRICE ASSESSMENT, TRADING AND/OR CLEARING BASED ON THE PLATTS 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 PLATTS 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.

"Platts," is a trademark of The McGraw-Hill Companies, Inc. and has been licensed for use by New York Mercantile Exchange, Inc. Platts does not sponsor, endorse, sell or promote the contract and Platts makes no recommendations concerning the advisability of investing in the contract.

# Chapter 1207

# ULSD 10ppm Cargoes CIF NWE (Platts) vs. NY Harbor ULSD Futures

## 1207100. 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.

## 1207101. CONTRACT SPECIFICATIONS

The Floating Price for each contract month is equal to the arithmetic average of the mid-point between the high and low quotations from the Platts European Marketscan under the heading "Northwest Europe cargoes" subheading "CIF NWE/Basis ARA" for ULSD 10ppm minus the first line NY Harbor ULSD Futures settlement price for each business day during the contract month. 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.

## 1207102. TRADING SPECIFICATIONS

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

**1207102.A. Trading Schedule**

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

**1207102.B. Trading Unit**

The contract quantity shall be 1,000 metric tons. The NY Harbor ULSD Futures contract will be converted to USD per metric tons using a conversion factor of 1 metric ton = 312.9 gallons. Each contract shall be valued as the contract quantity multiplied by the settlement price.

**1207102.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.

**1207102.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.

**1207102.E. Termination of Trading**

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

### 1207103. 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.

### 1207104. DISCLAIMER

NEITHER NEW YORK MERCANTILE EXCHANGE, INC. ("NYMEX") ITS AFFILIATES NOR PLATTS, A DIVISION OF THE MCGRAW-HILL COMPANIES, INC. ("PLATTS") GUARANTEES THE ACCURACY OR COMPLETENESS OF THE PLATTS 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 PLATTS PRICE ASSESSMENT, TRADING AND/OR CLEARING BASED ON THE PLATTS 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 PLATTS 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.

"Platts," is a trademark of The McGraw-Hill Companies, Inc. and has been licensed for use by New York Mercantile Exchange, Inc. Platts does not sponsor, endorse, sell or promote the contract and Platts makes no recommendations concerning the advisability of investing in the contract.

## Chapter 1208

## ULSD 10ppm Cargoes CIF Med (Platts) vs. NY Harbor ULSD Futures

### 1208100. 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.

### 1208101. CONTRACT SPECIFICATIONS

The Floating Price for each contract month is equal to the arithmetic average of the mid-point between the high and low quotations from the Platts European Marketscan under the heading "Mediterranean cargoes" subheading "CIF Med (Genoa/Lavera)" for 10ppm ULSD minus the first line NY Harbor ULSD Futures settlement price for each business day during the contract month. 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.

### 1208102. TRADING SPECIFICATIONS

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

**1208102.A. Trading Schedule**

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

**1208102.B. Trading Unit**

The contract quantity shall be 1,000 metric tons. The NY Harbor ULSD Futures contract will be converted to USD per metric tons using a conversion factor of 1 metric ton = 312.9 gallons. Each contract shall be valued as the contract quantity multiplied by the settlement price.

**1208102.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.

**1208102.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.

**1208102.E. Termination of Trading**

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

## 1208103. 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.

## 1208104. DISCLAIMER

NEITHER NEW YORK MERCANTILE EXCHANGE, INC. (“NYMEX”) ITS AFFILIATES NOR PLATTS, A DIVISION OF THE MCGRAW-HILL COMPANIES, INC. (“PLATTS”) GUARANTEES THE ACCURACY OR COMPLETENESS OF THE PLATTS 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 PLATTS PRICE ASSESSMENT, TRADING AND/OR CLEARING BASED ON THE PLATTS 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 PLATTS 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.

“Platts,” is a trademark of The McGraw-Hill Companies, Inc. and has been licensed for use by New York Mercantile Exchange, Inc. Platts does not sponsor, endorse, sell or promote the contract and Platts makes no recommendations concerning the advisability of investing in the contract.

Appendix B

**NYMEX Rulebook Chapter 5 Position Limit Table**

**(attached under separate cover)**

Appendix C

## Rule 588.H Globex Non-Reviewable Ranges
## (additions underlined)

| Instrument | Non-Reviewable Range (NRR) in Globex format | NRR including Unit of Measure | NRR Ticks |
|---|---|---|---|
| European Diesel 10ppm Barges FOB Rdam (Platts) vs. NY Harbor ULSD Futures | 2000 | $2.00 per metric ton | 2000 |
| ULSD 10ppm Cargoes CIF NWE (Platts) vs. NY Harbor ULSD Futures | 2000 | $2.00 per metric ton | 2000 |
| ULSD 10ppm Cargoes CIF Med (Platts) vs. NY Harbor ULSD Futures | 2000 | $2.00 per metric ton | 2000 |

Appendix D

# Diesel Deliverable Supply Analysis

Three new cash settled futures contracts for spreads between European Diesel or ULSD, as it is sometimes referred to, and NY Harbor ULSD Futures (formerly known as the New York Harbor Heating Oil Futures) are being prepared for trading on CME Globex and the NYMEX trading floor. In addition, trades will be submitted for clearing via CME ClearPort.

| Contract name | Contract code | Rulebook chapter |
|---|---|---|
| European Diesel 10ppm Barges FOB Rdam (Platts) vs. NY Harbor ULSD Futures | **EL1** | **858** |
| ULSD 10ppm Cargoes CIF NWE (Platts) vs. NY Harbor ULSD Futures | **EO1** | **1207** |
| ULSD 10ppm Cargoes CIF Med (Platts) vs. NY Harbor ULSD Futures | **EP1** | **1208** |

The European Diesel spread contracts reference the differential between different Platts' physical markets in Amsterdam-Rotterdam-Antwerp (ARA), Northwest Europe and the Mediterranean and the NY Harbor ULSD Futures contracts. The delivery specification of NY Harbor ULSD Futures was changed from Heating Oil to ULSD since the May 2013 delivery month.

The contract size for each will be 1,000 metric tons per lot. The traded value will represent the price, in metric tons, of the price of each European ULSD market minus the price of the NY Harbor ULSD Futures. To provide a price in US dollars and cents per metric ton, the settlement price for the NY Harbor ULSD will be converted using a conversion factor or 1 metric ton = 312.9 gallons. The price for the European ULSD is traded in metric tons, so no additional conversion is required.

The proposed daily settlement for each contract will be 16:30 London Time (11:30 EST), which aligns with the highest point of liquidity in the European trading day. This is also the time at which the Platts' Crude Oil and Refined Products markets are settled at the end of the Market-on-Close. Final settlement (during the pricing period) will occur at the respective natural settlement times of each leg of the contract (19:30 London Time (14:30 EST) for the NY Harbor ULSD Futures and 16:30 London Time (11:30 EST) for the Platts European ULSD markets).

The analysis focuses on the ULSD markets in Northwest Europe, the Mediterranean, and New York Harbor as the physical supply in these regions are used to price each leg of the contract.

## 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[1]. 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[2], 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. ULSD contains a lower level of sulphur than heating oil. 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.

## 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 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.

Table 1 below shows Production, Consumption, Exports and Imports for distillate fuel oil in Northwest Europe. The US Energy Information Administration (EIA) does not distinguish between ULSD and Heating Oil, so we have made an assumption as to the size of each market. To do this, we have referred to the Eurostat Data reports, which break out the Diesel and Gasoil into separate categories. We have also referred to anecdotal information received from Platts' and broker data. For the Platts' data, we have received a breakdown by market of the total volume of deals, the number of bids and offers, and the number of market participants involved in the end of day assessment window. The broker data is largely anecdotal gathered from conversations with individual brokers involved on both the physical and derivatives markets.

---

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

Although 2007 and 2011 data is included in the tables below for informational purposes, throughout this analysis, we have chosen the average of 2008 to 2010 to maintain consistency and for a direct comparison to the supply and demand data which is also based over the 2008 to 2010 period.

According to the EIA, in Belgium, Northern France, Germany, and the Netherlands - known as Northwest Europe - the production of ULSD was about 1.3 million barrels per day and consumption was estimated to be about 1.3 million barrels per day for the three-year average annual period of 2008 to 2010.

The size of the ULSD market is larger than the Heating Oil market in both Northwest Europe and the Mediterranean, primarily due to the growth of ULSD as a transportation fuel.

As the EIA and Joint Oil Data Initiative (JODI) do not split out the refinery supply data between ULSD and Heating Oil, we have referred to the Eurostat Data for the splits between transportation diesel and heating oil[3]. In Northwest Europe, the Eurostat data shows that across Belgium, France, Germany, and the Netherlands, the average share of Diesel supply for the three-year average annual period of 2008-2010 was 65% compared to 35% heating oil. Therefore, we have used this as the basis for our deliverable supply analysis.

| | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|
| **Belgium** | | | | |
| Diesel | 6334 | 5860 | 6411 | 7864 |
| Heating Oil | 6625 | 6388 | 6124 | 3633 |
| Diesel Share | 49% | 48% | 51% | 68% |
| | | | | |
| **France** | | | | |
| Diesel | 22609 | 21037 | 19338 | 21954 |
| Heating Oil | 13084 | 10682 | 9639 | 7527 |
| Diesel Share | 63% | 66% | 67% | 74% |
| | | | | |
| **Germany** | | | | |
| Diesel | 32868 | 30750 | 27805 | 28541 |
| Heating Oil | 15771 | 14932 | 15505 | 13888 |
| Diesel Share | 68% | 67% | 64% | 67% |
| | | | | |
| **Netherlands** | | | | |
| Diesel | 11770 | 13566 | 15017 | 14073 |

[3] http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=nrg_102a&lang=en (Supply, transformation and consumption nrg 102a)

| | | | | |
|---|---|---|---|---|
| Heating Oil | 8668 | 6818 | 6237 | 6376 |
| Diesel Share | 58% | 67% | 71% | 69% |

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 three-year average annual period of 2008 to 2010, according to the EIA.

### Table 1: Selected Statistics for Diesel/Gasoil – Northwest Europe[4]

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. Over the three-year average period from 2008 to 2010, both the total production and consumption of ULSD was 1.3 million barrels per day. Production levels have slightly decreased year on year, partly reflecting the degree of refinery closures in the region. Diesel consumption has increased year on year - due to the growth of transportation demand with overall levels in Northwest Europe – to 1.315 million barrels per day in 2010 (up 2.4% from 2009).

**Production (Thousand Barrels Per Day)**

| | 2007 | 2008 | 2009 | 2010 | Average 2008-2010 |
|---|---|---|---|---|---|
| Belgium | 171 | 172 | 157 | 166 | 166 |
| Northern France | 231 | 245 | 220 | 200 | 224 |
| Germany | 674 | 667 | 630 | 597 | 642 |
| Netherlands | 258 | 273 | 273 | 283 | 272 |
| **Total** | **1334** | **1357** | **1280** | **1246** | **1304** |

**Consumption (Thousand Barrels per Day)**

| | 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** |

4

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

**Exports (Thousand Barrels per Day)**

| | 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 (Thousand Barrels per Day)**

| | 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**

## Mediterranean Market overview

The Mediterranean market is a cargo market with several trading hubs. The largest trading hubs are located at Genoa, Italy and Lavera, France. There is also a large refining centre gathered around each location with storage infrastructure. The Platts' CIF Mediterranean quotations are based around the delivery hubs of Genoa and Lavera.

Table 2 shows the Refinery Production, Consumption, Exports and Imports for distillate fuel oil in the Mediterranean.

As the EIA and JODI do not split out the refinery supply data between ULSD and Heating Oil, we have referred to the Eurostat Data for the splits between transportation diesel and heating oil[5]. In the Mediterranean, the Eurostat data shows that across France and Italy, the average share of Diesel supply for the three-year annual average period of 2008-2010 was 74% compared to 26% Heating Oil. Therefore, we have used this as the basis for our deliverable supply analysis.

| France | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|
| Diesel | 20686 | 21037 | 19338 | 21954 |
| Heating Oil | 13084 | 10682 | 9639 | 7527 |
| Diesel Share | 61% | 66% | 67% | 74% |

[5] http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=nrg_102a&lang=en (Supply, transformation and consumption NRG102a)

| Italy | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|
| Diesel | 31052 | 28493 | 29620 | 29132 |
| Heating Oil | 8534 | 7492 | 7044 | 6499 |
| Diesel Share | 78% | 79% | 81% | 82% |

In the Mediterranean, defined as French Mediterranean and Italy, refinery production of ULSD is about 845,000 barrels per day and consumption is about 827,000 barrels per day for the three year average period to 2010.

ULSD Exports were about 171,000 barrels per day whilst Imports were about 168,000 barrels per day for the three year period from 2008 to 2010, according to the EIA.

### Table 2: Selected Statistics for Diesel/Gasoil – Mediterranean[6]

**Production (Thousand Barrels Per Day)**

| | 2007 | 2008 | 2009 | 2010 | Average 2008-2010 |
|---|---|---|---|---|---|
| French Med | 263 | 279 | 250 | 228 | 252 |
| Italy | 620 | 605 | 572 | 599 | 592 |
| **Total** | **884** | **884** | **823** | **827** | **845** |

**Consumption (Thousand Barrels Per Day)**

| | 2007 | 2008 | 2009 | 2010 | Average 2008-2010 |
|---|---|---|---|---|---|
| French Med | 363 | 367 | 366 | 365 | 366 |
| Italy | 487 | 475 | 457 | 452 | 461 |
| **Total** | **850** | **842** | **822** | **817** | **827** |

**Imports (Thousand Barrels Per Day)**

| | 2007 | 2008 | 2009 | 2010 | Average 2008-2010 |
|---|---|---|---|---|---|
| French Med | 101 | 108 | 141 | 153 | 134 |
| Italy | 20 | 25 | 37 | 40 | 34 |
| **Total** | **121** | **133** | **178** | **194** | **168** |

6

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

**Exports (Thousand Barrels Per Day)**

| | 2007 | 2008 | 2009 | 2010 | Average 2008-2010 |
|---|---|---|---|---|---|
| French Med | 26 | 25 | 19 | 19 | 21 |
| Italy | 154 | 148 | 141 | 162 | 150 |
| **Total** | **180** | **174** | **160** | **181** | **171** |

**Source: US EIA**

## Market Activity

### Northwest Europe and Mediterranean ULSD

The ULSD markets in Northwest Europe and the Mediterranean are 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).

Liquidity is centered on the Platts' window, which occurs between 16:00 and 16:30 London Time, due to the large number of trading counterparties wishing to participate in the price discovery process. In the barge market, the typical transaction size is around 1,000 to 2,000 metric tons. The cargo markets are generally between 10,000 and 30,000 metric tons depending on whether full cargoes or coaster sized ships are being traded. In the Mediterranean, the typical cargo size is closer to 30,000 metric tons primarily due to the larger distances involved between transporting oil from the refineries to the areas of demand.

In terms of the overall volume of deals, brokers said that they saw about 10 barge deals per day (split between ULSD and gasoil), 8-10 deals per week in the cargoes (split between ULSD and gasoil), although the seasonality in the distillate market can dramatically affect the volume of deals. There are generally more diesel trades than gasoil and they expect this trend to continue for the foreseeable future. The Mediterranean market is widely seen as less liquid in terms of the total number of actual deals, but there are a large number of trading counterparties involved in the price discovery process and this helps to support the end of day price assessment process.

Aside from the physical markets, 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.

**Price Source**

NY Harbor ULSD Futures and Platts' Diesel settlement prices are being used for either leg of each contract. Broker prices will be used to settle the contracts on a daily basis with the underlying contracts referenced above being used for final settlement during the pricing period. Conversion factors will be applied where applicable to ensure that the pricing of each leg is the same.

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[7] 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.

## Cash Market Overview US ULSD Market

The US Northeast is the largest distillate market in North America. As of December 1, 2010, all on-highway diesel fuel consumed in the United States is ULSD as mandated by federal regulations. The heating oil market is still a valid market, but it is subject to more stringent sulfur content restrictions than before. As of July 1, 2012, the New York State mandates that all heating oil sold for residential, commercial and industrial heating applications within the State contain no more than 15 parts per million (ppm) of sulfur. Various initiatives to apply comparable sulfur limits to heating oil are in planning or implementation stages in the Northeast, the main heating oil consuming region. According to the EIA, however, New England and the Central Atlantic Coast of the United States (collectively known as the "Northeast" for data purposes) are the main consumers of heating oil, typically accounting for 80% of the sales. Following New York's footsteps, New Jersey intends to gradually transition to 15ppm sulfur content in 2016. Furthermore, Vermont, Massachusetts, and Maine plan to transition to ULSD for heating purposes by 2018.

The NY Harbor ULSD Futures contract is the main benchmark used for pricing the distillate products market, which includes diesel fuel, heating oil, and jet fuel. The Exchange amended the grade and quality specifications in response to changes in environmental regulations in the Northeast, requiring cleaner and lower sulfur diesel standards for heating oil. Effective the May-2013 delivery month, the New York Harbor ULSD Heating Oil Futures contract was re-named to NY Harbor ULSD Futures and required delivery of ULSD with a maximum of 15ppm sulfur content. Consequently, the futures contract now

[7] http://www.platts.com/IM.Platts.Content/MethodologyReferences/MethodologySpecs/asiaoilproductspecs.pdf

serves as a dual-use contract that is a price reference and hedging instrument for both the heating oil and on-road diesel markets.

**New York Harbor Delivery Region**

New England and the Central Atlantic Coast of the United States, collectively defined by the EIA as the "Northeast", is a well-connected and integrated geographical region in terms of oil and products infrastructure. The region is part of the larger PADD 1 (Petroleum Administration for Defense District), and more specifically defined by PADD 1a and PADD1b, which include: Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont, Delaware, District of Columbia, Maryland, New Jersey, New York, and Pennsylvania[8].

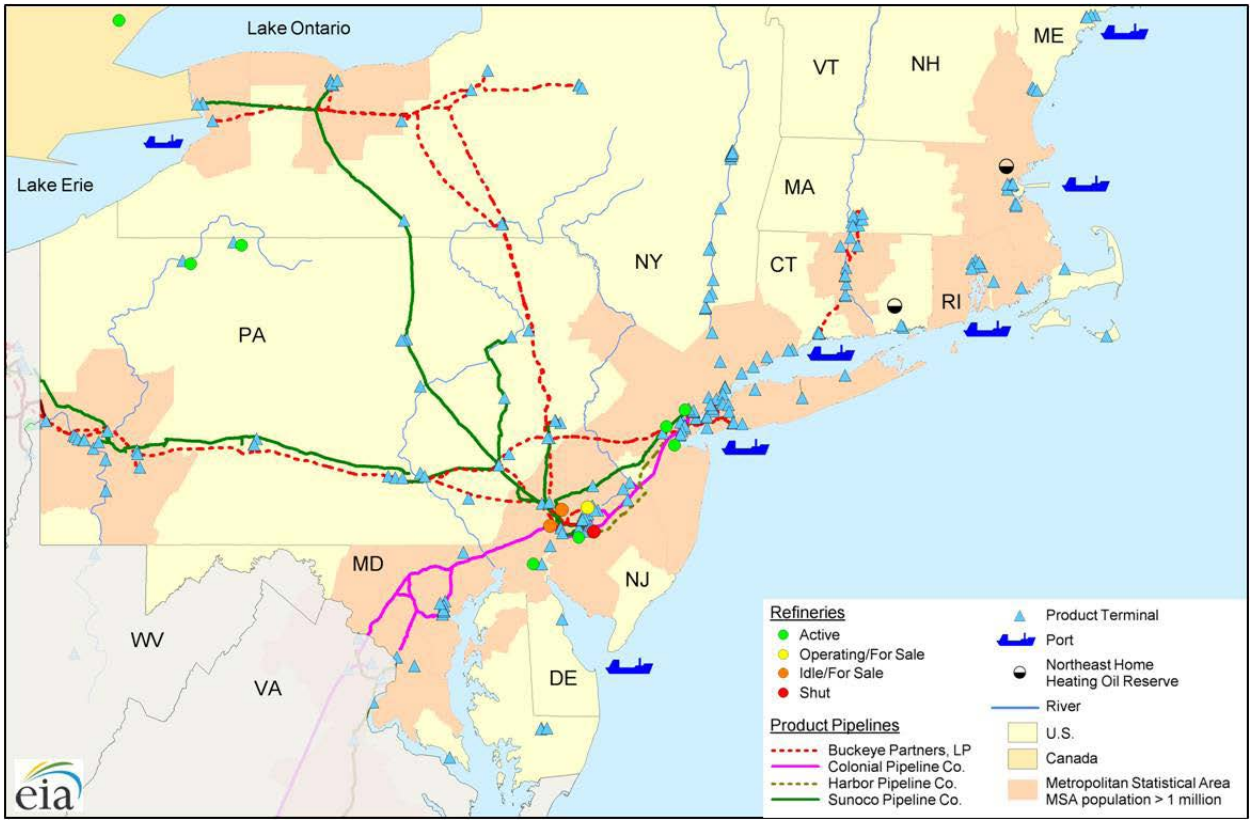
Located in both New York and New Jersey, the New York Harbor area is the largest oil importing and the third largest container port in the nation, and is the main oil and refined products pricing and trading hub. Petroleum products in New York Harbor are supplied by refineries located in New Jersey, Delaware, and Pennsylvania, which are all located within 100 miles of the New York Harbor area. East Coast refineries, a majority of which are located in New Jersey and Philadelphia, send products by local pipelines into New York Harbor. The Colonial Pipeline connects the Northeast to refinery output from the US Gulf Coast and foreign imports, principally from Canada, Virgin Islands, Caribbean and Europe, are additional supply sources to the New York Harbor area.

Many of the petroleum products delivered to New York Harbor are redistributed to smaller ports where they supply local demand. In particular, the Hudson River provides a major inland water route for petroleum product barges supplying eastern New York and parts of western New England. Significant volumes are shipped to New England via barge from New York Harbor. On the other side of the State, western New York product markets are primarily supplied from Canada at the Port of Buffalo, and via the Buckeye and Sunoco pipeline systems from Pennsylvania and the Midwest[9].

The Colonial Pipeline is the largest refined products pipeline in the US and a key products supply link for the Northeast. The pipeline provides a link from the US Gulf Coast to the New York Harbor area through the South and across the Eastern seaboard. The Trainer, Marcus Hook and Philadelphia refineries are strategically located along the pipeline. According to the EIA, more than 500,000 b/d of gasoline and distillates are delivered into the Northeast via the Colonial pipeline, which terminates in Linden, NJ. It generally takes from 14 to 24 days for a product batch on the Colonial Pipeline to get from Houston, Texas to the New York Harbor, with the average time of 18.5 days.

[8] http://www.eia.gov/analysis/petroleum/nerefining/prelim/
[9] http://205.254.135.7/state/state-energy-profiles-analysis.cfm?sid=NY

**Figure I - Northeast Refined Products Market Logistics**[10]




In 2010, Colonial Pipeline delivered nearly 850 million or 2.3 million b/d of refined products. In 2011, Colonial expanded the northern end of its Houston-to-New York system, adding 100,000 b/d of capacity. In addition, the company completed a series of system upgrades leading to more than 100,000 b/d of capacity for distillates,[11] specifically serving the New Jersey, Pennsylvania, and New York markets. In addition, Colonial Pipeline slated an additional 100,000 b/d of gasoline and distillates capacity to be available in 2013[12] to meet demand in the Northeast. While the expanded capacity is only on the southern portion of the pipeline, where gasoline and distillate fuels have separate lines, it should help to deliver additional volumes of ULSD on the northern portion of the line (Greensboro, NC to Linden, NJ) according to the EIA[13].

Many of the petroleum products delivered to New York Harbor are redistributed to smaller ports where they supply local demand. In particular, the Hudson River, which meets the Atlantic Ocean in New York Harbor, provides a major inland water route for petroleum product barges supplying eastern New York and parts of western New England. Significant volumes are shipped to New England via barge from New

[10] http://www.eia.gov/analysis/petroleum/nerefining/update/pdf/neprodmkts.pd
[11] http://www.eia.gov/pressroom/presentations/sieminski_10102012.pdf
[12] http://www.colpipe.com/press_release/pr_114.asp
[13] http://www.eia.gov/oog/info/twip/twiparch/120725/twipprint.html

York Harbor. On the other side of the State, western New York product markets are primarily supplied from Canada at the Port of Buffalo, and via the Buckeye and Sunoco pipeline systems from Pennsylvania and the Midwest[14].

The majority of PADD 1 refineries are located in New Jersey, Delaware, Pennsylvania, and within 100 miles of the New York Harbor area. These refineries are directly connected to the New York Harbor market by local pipelines and/or waterborne barges. A list of Northeast refineries is provided in Table I.

**Table I - Northeast Refineries**

| | | | | |
|---|---|---|---|---|
| **Delaware City Refinery** | DE | PBF Energy | 182,200 b/d | Operational |
| **Port Reading** | NJ | Hess | 70,000 b/d. Processes straight run residual fuel oil | Operational |
| **Perth Amboy** | NJ | Buckeye Partners | 80,000 b/d, asphalt only | Operational |
| **Bayway Refinery in Linden** | NJ | Phillips 66 | 238,000 b/d. Crude is supplied to the refinery by tanker, primarily from the North Sea, Canada and West Africa | Operational |
| **Paulsboro Asphalt** | NJ | Nustar Asphalt Refining | 70,000 b/d. The refinery purchases heavy crude and produces asphalt only | Operational |
| **Paulsboro Refining** | NJ | PBF | 160,000 b/d | Operational |
| **Bradford** | PA | American Refining Group | 10,000 b/d | Operational |

[14] http://205.254.135.7/state/state-energy-profiles-analysis.cfm?sid=NY

| | | | | |
|---|---|---|---|---|
| **Trainer** | PA | Monroe Energy (Delta Subsidiary) | 185,000 b/d | **Resumed operations in Q4-2012**. |
| **Marcus Hook** | PA | Sunoco/Energy Transfer Partners | 178,000 b/d. Processes light sweet oil from Nigeria, some Bakken | Idle |
| **Philadelphia** | PA | Sunoco/Energy Transfer Partners and Carlyle Group | 330,000 b/d | **Operational** |
| **Warren** | PA | United Refining Co. | 70,000 b/d | Operational |

Sunoco's Philadelphia refinery – currently owned by Delta Airlines - ConocoPhillips' Trainer, and Sunoco's Marcus Hook refineries had closed in late 2011 and early 2012 causing concerns about supply availability. However, prior concerns have eased considerably in recent months on a combination of production and infrastructure projects completed and underway in the region reflecting both an improved outlook for regional refining activity and success in meeting logistical challenges[15].

Delta Airline's Trainer refinery restarted operations in late 2012 after being idle most of the year[16]. The refinery alone represents 16% of East Coast refining capacity. Other developments, including increased product flows into the region from the Midwest (PADD 2) that were identified as a possible outcome by the EIA and an increased capacity to bring waterborne products into the product pipelines originating in the Philadelphia area, have also contributed to the easing of product supply concerns. For example, The Carlyle Group and Sunoco joint venture announced planned upgrades to the Philadelphia refinery, including the installation of a hydrocracker that will support higher ULSD yields.

Furthermore, the ability to bring in products to pipelines that feed Pennsylvania and western New York has increased as a result of Sunoco Logistics' Eagle Point Terminal in New Jersey becoming operational. With a connection to the Colonial Pipeline as well as dock capacity to bring in waterborne petroleum products and move them on the pipelines running westward, Eagle Point helps to create a more flexible infrastructure in the region.

## Methodology: Key Components of Deliverable Supply

In estimating deliverable supply for the New York Harbor ULSD Futures contract, we relied on Commission's long-standing precedent, which prescribes that key components of deliverable supply is

[15] http://www.eia.gov/oog/info/twip/twiparch/120725/twipprint.html
[16] http://www.eia.gov/pressroom/presentations/sieminski_10102012.pdf

estimated based on production and supply levels that could reasonably be considered readily available for delivery.

There are four key components that the Exchange took into account when updating the deliverable supply estimates of the NY Harbor ULSD Futures contract:

A. Refinery production;
B. Net foreign import flows to the delivery area;
C. Pipeline/barge flows to the delivery area; and
D. Storage levels in the delivery area.

The main source of data for the cash market analysis is the EIA, which provides detailed data on the key components of deliverable supply. The EIA provides data on a weekly, monthly, and annual basis in addition to one-time analytical studies on specific topics, such as the study on refining activity, entitled "Potential Impacts of Reductions in Refinery Activity on Northeast Petroleum Product Markets" ("Northeast Refining Study")[17].

### A. Refinery Production and Imports

In recent years, Northeast refineries supplied about 60% of the ULSD consumed in the Northeast. Net receipts from the Gulf Coast supply the majority of the remaining market's needs[18]. According to EIA data from 2010-2012 and as presented in Table II below, the three-year average of refinery ULSD production in PADD 1 was 227,000 barrels per day, or 6.81 million barrels per month. Northeast refineries are likely to increase ULSD production, reducing the need for additional supplies from outside the region according to the EIA.

**Table II – PADD 1 Production and Imports**

| ULSD (<15 ppm Sulfur), in kb/d | 2010 | 2011 | 2012 | Average |
|---|---|---|---|---|
| Refinery and Blender Net Production[19] | 230 | 222 | 230 | 227 |
| Imports[20] | 112 | 96 | 69 | 92 |
| Exports[21] | 7 | 34 | 31 | 24 |
| Net Imports | 105 | 62 | 38 | 68 |

[17] http://www.eia.gov/analysis/petroleum/nerefining/update/pdf/neprodmkts.pdf
[18] http://www.eia.gov/pressroom/testimonies/howard_03192012.pdf
[19] http://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=WD0TP_R10_2&f=W
[20] http://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=WD0IM_R10-Z00_2&f=W
[21] http://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=M_EPDXL0_EEX_R10-Z00_MBBLD&f=M

| Total (Production+Net Imports) | 335 | 284 | 268 | 296 |
|---|---|---|---|---|

A majority of ULSD imports into PADD 1 arrive in the New York Harbor area, the largest oil import hub in the US. According to the EIA's Northeast Refining Study[22], approximately 65% of PADD 1 imports occur in the New York Harbor area. The three-year average for net ULSD imports into PADD 1 is 68,000 b/d (Table II), and the estimate for the Northeast region specifically –assuming a conservative 65% ratio- net imports is 44,200 b/d. This level is in line with EIA's one-time estimate for the region, which is 57,000 b/d per the Northeast Refining Study.

### B. Pipeline Flows and Net Receipts

Nearly all pipeline and barge ULSD shipments into PADD 1 originate in the Gulf Coast. While the EIA provides weekly data on PADD 1 ULSD barge and pipeline receipts (See Table III below), it does not provide specific flow data by Colonial Pipeline delivery point or port of entry. However, according to the EIA's Northeast Refining Study, approximately 45% of PADD 1's receipts from PADD 3 end up in the Northeast. This estimate amounts to approximately 273,000 b/d (45% of 606,200 b/d) of ULSD flowing to the New York Harbor region from PADD 3 alone. Assuming the same 45% ratio for PADD 2 shipments into PADD 1 (45% of 14,580=6,561 b/d), total receipts of ULSD into New York Harbor is approximately 279,000 b/d.

**Table III – Shipments and Receipts of ULSD**

| Shipments by Pipeline, Tanker, and Barge, in kb/d | 2010 | 2011 | 2012 | Average |
|---|---|---|---|---|
| PADD 3 Shipments[23] to PADD 1 | 548.49 | 635.48 | 634.63 | 606.20 |
| PADD 2 Shipments[24] to PADD 1 | 11.80 | 14.89 | 17.05 | 14.58 |
| Total PADD 1 Receipts | 560.29 | 650.37 | 651.68 | 620.78 |

### C. Inventories of ULSD in the New York Harbor Market

New York Harbor has a petroleum bulk terminal storage capacity of over 75 million barrels, making it the largest petroleum product hub in the country. The International-Matex Tank Terminals (IMTT) is a privately-held storage and handling company, and holds about one third of storage market share in New York Harbor. The IMTT terminal in Bayonne, New Jersey has 620 tanks, 16 million barrels total capacity

[22] http://www.eia.gov/analysis/petroleum/nerefining/update/pdf/neprodmkts.pdf
[23] http://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=MD0MX_R10R30_1&f=M
[24] http://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=MD0MX_R10-R20_1&f=M

ranging in size from 5,000 gallons through 250,000 barrels. The IMTT terminal holds 5 to 8 million barrels of distillate fuels in storage according to market sources.

In addition to commercial stocks held in New York Harbor terminals, the Northeast Heating Oil Reserve - which was established in 2000 to provide heating fuel supply security in the Northeast - is stored in three terminals in the NYH area: Perth Amboy, New Jersey, and New Haven and Groton, Connecticut. The storage terminal located at Perth Amboy is the largest of the three, with a capacity of almost 1 million barrels.

The three-year average of ULSD stocks held in the Central Atlantic, or PADD 1b, region is approximately 10 million barrels (See Table IV). According to market participants, the New York Harbor area, which includes storage terminals in New York and New Jersey, accounts for 50% to 60% of the inventories reported in EIA's PADD 1b statistics. Using a conservative estimate of 50% of PADD 1b inventories, the average stock level of ULSD is estimated to be 5 million barrels in New York Harbor.

**Table IV – ULSD Stocks**

| Thousand Barrels | PADD 1 | PADD 1b (Central Atlantic) |
|---|---|---|
| 2010 | 23,250 | 10,347 |
| 2011 | 23,713 | 10,347 |
| 2012 | 20,930 | 9,470 |
| Average | 22,631 | 10,071 |

Based on estimates from industry experts, we determined that the operational minimum levels for storage tanks in the New York Harbor area are approximately 10%. Therefore, we estimate that approximately 500,000 of the 5 million barrels of stored ULSD are used for operations, leaving 4.5 million barrels available for spot month delivery.

### Analysis of the deliverable supply

The spread contract is related to a number of different European diesel markets as well as to the NY Harbor ULSD Last Day Financial Futures contract. As the NY Harbor ULSD Futures contract was migrated to ULSD in May 2013, the spot month limits for the new contracts will be aggregated with the existing position limits for the following contracts:

1. European Diesel 10ppm Barges FOB Rdam (Platts) Futures (Code GT, Rulebook chapter 730 )
2. ULSD 10ppm Cargoes CIF NWE (Platts) Futures (Code TY, Rulebook chapter 538)
3. ULSD 10ppm Cargoes CIF Med (Platts) Futures (Code Z6, Rulebook chapter 548)

4. NY Harbor ULSD Last Day Financial Futures (Code 23, Rulebook chapter 829)

Data from the US EIA has been included in this analysis.

We have excluded stocks data from the deliverable supply analysis for the Northwest European barge and cargo markets and the Mediterranean cargo markets. Stocks data tend to vary and, at least upon launch of products, we would rather not condition recommended position limits based on stock data Stocks data has been included in the deliverable supply analysis for NY Harbor ULSD Futures.

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.

With regards to the deliverable supply, the analysis for Northwest Europe focused on data for Belgium, France, Germany, and the Netherlands. The deliverable supply for the Mediterranean focused on Italy and France. Please note that data for France has been included for both Northwest Europe and the Mediterranean due to the availability of supply from both the Mediterranean and Atlantic coasts. Consequently, for France, 50% of the deliverable supply has been included for Northwest Europe and 50% for the Mediterranean. NY Harbor ULSD Futures deliverable supply data focused on the data for the New York Harbor ULSD markets.

The market in Northwest Europe, especially Rotterdam is supplied by a mix of imports and domestic refinery production given the large network of oil refineries around the port. The refining network in the Mediterranean is more dispersed, although trading networks have emerged at the Italian port of Genoa and the French port of Lavera where significant refining infrastructure exists. There is a large refining network around New York Harbor and the region is well supplied with refining products via the Colonial pipeline which originates on the Gulf coast. The Exchange uses consumption levels to evaluate deliverable supply in Belgium, France, Germany, Italy, and New York Harbor, as this is a more relevant measure than refinery production due to the fact that refinery production material is not necessarily consumed in the region itself and material may be exported depending on the supply/demand situation at the time.

**New York Harbor ULSD Deliverable Supply**

As noted previously, the Exchange considers refinery production, net foreign imports to the delivery area, pipeline and barge flows from the US Gulf Coast, and storage levels in updating the deliverable supply data. Using three-year average historical data presented previously, the Exchange estimates the monthly deliverable supply of ULSD in New York Harbor to be approximately 22 million barrels, which is equivalent to 22,000 contracts per month.

1. Refinery Production: 227,000 b/d x 30 days = 6.81 million barrels per month
2. Net Imports: 68,000 b/d x 30 days = 2.04 million barrels
3. Pipeline/Barge Flows: 279,000 b/d x 30 days = 8.38 million barrels
4. Storage levels in the delivery area = 4.5 million barrels

The CFTC spot month position limit guideline states that position limits in the spot month should not exceed 25% of the available monthly supply. The proposed spot month position limit of 1,000 lots for NY Harbor ULSD equates to about 4.5% of the total deliverable supply of NY Harbor ULSD.

**Northwest European ULSD deliverable supply**

The numbers stated for France have been reduced by 50% of the total for the country reflecting the split between volumes in Northwest Europe and the Mediterranean.

As the EIA and JODI do not split out the refinery supply data between ULSD and Heating Oil, we have referred to the Eurostat Data for the splits between transportation diesel and heating oil[25]. In Northwest Europe, the Eurostat data shows that across Belgium, France, Germany, and the Netherlands, the average share of Diesel supply for the period 2008-2010 was 65% compared to 35% Heating Oil. Therefore, we have used this as the basis for our deliverable supply analysis. According to the EIA data, the total distillate fuel oil production for the three-year averages to 2010 across Belgium, France, Germany, and the Netherlands was 1.738 million barrels per day, which is the equivalent to 233,288 metric tons per day or 6,998,657 metric tons per month. Based on the Eurostat production split of 65% Diesel and 35% Heating Oil, this is equal to 4,548 contract equivalents for the underlying GT and TY contract sizes of 1,000 metric tons. The spot month position limit of 500 contract units for the Exchange's European Diesel 10ppm Barges FOB Rdam (Platts) Futures (contract code GT, contract size 1,000 metric tons) is proposed to be applied to the FOB Rdam leg of the European Diesel 10ppm Barges FOB Rdam (Platts) vs. NY Harbor ULSD Futures contract (EL1) which is approximately 10.99% of the 4,548 contract equivalents of monthly supply.

[25] http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=nrg_102a&lang=en (Supply, transformation and consumption nrg 102a)

Likewise, the spot month position limit of 150 contract units for the Exchange's ULSD 10ppm Cargoes CIF NWE (Platts) Futures (contract code TY, contract size 1,000 metric tons) is proposed to be applied to the CIF NEW leg of the ULSD 10ppm Cargoes CIF NWE (Platts) vs. NY Harbor ULSD Futures contract (EO1), which is approximately 3.29% of the 4,548 contract equivalents of monthly supply.

**Mediterranean ULSD deliverable supply**

The numbers for the Mediterranean include 50% of the total supply number for France and Italy's supply number since the CIF Mediterranean Platts assessment covers Genoa/Lavera.

As the EIA and JODI do not split out the refinery supply data between ULSD and Heating Oil, we have referred to the Eurostat Data for the splits between transportation diesel and heating oil[26]. In the Mediterranean, the Eurostat data shows that across France and Italy, the average share of Diesel supply for the period 2008-2010 was 74% compared to 26% heating oil. Therefore, we have used this as the basis for our deliverable supply analysis.

According to the EIA data, the total distillate fuel oil production for the three-year averages to 2010 across France and Italy was 845,000 (barrels per day (based on the 75% diesel supply number), which is the equivalent to 113,400 metric tons per day or 3,402,684 metric tons per month. This is equal to 3,402 contract equivalents at a contract size of 1,000 metric tons. The spot month position limit of 150 contract units for the Exchange's ULSD 10ppm Cargoes CIF Med (Platts) Futures contract (Z6) is proposed to be applied to the CIF Med leg of the proposed ULSD 10ppm Cargoes CIF Med (Platts) vs. NY Harbor ULSD Futures contract (EP1), which is approximately 14.7% of the 3,402 contract equivalents of monthly supply.

[26] http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=nrg_102a&lang=en (Supply, transformation and consumption nrg 102a)

| Contract Name |
| --- |
| European Diesel 10ppm Barges FOB Rdam (Platts) vs. NY Harbor ULSD Futures |
| ULSD 10ppm Cargoes CIF NWE (Platts) vs. NY Harbor ULSD Futures |
| ULSD 10ppm Cargoes CIF Med (Platts) vs. NY Harbor ULSD Futures |

| Rule Chapter | Commodity Code | Contract Size | Contract Units | Type | Settlement |
|---|---|---|---|---|---|
| 858 | EL1 | 1,000 | Metric tons | Futures | Financially Settled Futures |
| 1207 | EO1 | 1,000 | Metric tons | Futures | Financially Settled Futures |
| 1208 | EP1 | 1,000 | Metric tons | Futures | Financially Settled Futures |

| Group | Diminishing Balance Contract | Reporting Level | Spot-Month position comprised of futures and deliveries | Spot-Month Aggregate Into Futures Equivalent Leg (1) | Spot-Month Aggregate Into Futures Equivalent Leg (2) |
|---|---|---|---|---|---|
| Refined Products | Y | 25 | | GT | 23 |
| Refined Products | Y | 25 | | TY | 23 |
| Refined Products | Y | 25 | | Z6 | 23 |

| 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) |
|---|---|---|---|
| 1 EL1 : 1 GT | 1 EL1 : 7.45 23 | | 500/1,000 |
| 1 EO1 : 1 TY | 1 EO1 : 7.45 23 | | 150/1,000 |
| 1 EP1 : 1 Z6 | 1 EP1 : 7.45 23 | | 500/1,000 |

## Spot-Month

Initial Spot-Month Limit Effective Date

For GT: Close of trading 3 business days prior to last trading day of the contract and for 23: Close of trading 3 business days prior

For TY: Close of trading 3 business days prior to last trading day of the contract and for 23: Close of trading 3 business days prior

For Z6: Close of trading 3 business days prior to last trading day of the contract and for 23: Close of trading 3 business days prior

| | Single Month | | | |
|---|---|---|---|---|
| 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) | Single Month Aggregate Into Ratio Leg (2) |
| 500,000/42,000,000 | GT | 23 | 1 EL1 : 1 GT | 1 EL1 : 7.45 23 |
| 150,000/42,000,000 | TY | 23 | 1 EO1 : 1 TY | 1 EO1 : 7.45 23 |
| 500,000/42,000,000 | Z6 | 23 | 1 EP1 : 1 Z6 | 1 EP1 : 7.45 23 |

| | | All Month | | | |
|---|---|---|---|---|---|
| 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) |
| 5,000/7,000 | | GT | 23 | 1 EL1 : 1 GT | 1 EL1 : 7.45 23 |
| 500/7,000 | | TY | 23 | 1 EO1 : 1 TY | 1 EO1 : 7.45 23 |
| 5,000/7,000 | | Z6 | 23 | 1 EP1 : 1 Z6 | 1 EP1 : 7.45 23 |

| All Month Accountability Level Leg (1) / Leg (2) | All Month Limit (In Net Futures Equivalents) Leg (1) / Leg (2) |
|---|---|
| 5,000/7,000 | |
| 1,000/7,000 | |
| 5,000/7,000 | |