

SUBMISSION COVER SHEET

Registered Entity Identifier Code (optional) 13-117 Date: March 28, 2013

IMPORTANT: CHECK BOX IF CONFIDENTIAL TREATMENT IS REQUESTED. ☐

ORGANIZATION

New York Mercantile Exchange, Inc.

FILING AS A:

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DCM

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SEF

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DCO

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SDR

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ECM/SPDC

TYPE OF FILING

• Rules and Rule Amendments

☐

Certification under § 40.6 (a) or § 41.24 (a)

☐

“Non-Material Agricultural Rule Change” under § 40.4 (b)(5)

☐

Notification under § 40.6 (d)

☐

Request for Approval under § 40.4 (a) or § 40.5 (a)

☐

Advance Notice of SIDCO Rule Change under § 40.10 (a)

• Products

☒

Certification under § 39.5(b), § 40.2 (a), or § 41.23 (a)

☐

Swap Class Certification under § 40.2 (d)

☐

Request for Approval under § 40.3 (a)

☐

Novel Derivative Product Notification under § 40.12 (a)

RULE NUMBERS

Chapters 854 and 856

DESCRIPTION

This submission contains the listing of two (2) new contracts for WTI Midland (Argus) vs. WTI Financial Futures and WTI Midland (Argus) Financial Futures, terms and conditions, and analysis of underlying market.

March 28, 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: Rule 40.2(a) Certification. Notification of New Product Listing for Two (2) WTI Midland Crude Oil Futures Contracts
NYMEX Submission #13-117**

Dear Ms. Jurgens:

The New York Mercantile Exchange, Inc. ("NYMEX" or "Exchange") is notifying the Commodity Futures Trading Commission ("CFTC" or "Commission") that it is self-certifying the listing of two (2) new contracts for WTI Midland (Argus) vs. WTI Financial Futures (code FF) and WTI Midland (Argus) Financial Futures (code XB) for trading on the NYMEX trading floor and on the Globex platform as well as submission for clearing through CME ClearPort. These contracts will become effective on Sunday, March 31, 2013 for trade date April 1, 2013 beginning with the April 2013 contract month. The terms and conditions are provided in Appendix A.

The Exchange will allow the exchange for block and related position (EFRP) transactions to be submitted through CME ClearPort. EFRP transactions in these contracts will be governed by the provisions of Exchange Rule 538.

Fee Schedule:

Exchange Fees WTI Midland (Argus) vs. WTI Futures (code FF)					
	Member Day	Member	Cross Division	Non-Member	IIP
Pit	n/a	\$2.20	\$2.45	\$2.70	
Globex	n/a	\$2.20	\$2.45	\$2.70	n/a
ClearPort		\$2.20		\$2.70	
Exchange Fees for WTI Midland (Argus) Futures (code XB)					
	Member Day	Member	Cross Division	Non-Member	IIP
Pit	n/a	\$0.85	\$1.10	\$1.35	
Globex	n/a	\$0.85	\$1.10	\$1.35	n/a
ClearPort		\$0.85		\$1.35	

Processing Fees		
	Member	Non-Member
Cash Settlement	\$0.10	\$0.10

**only applies to financially settled contracts*

Additional Fees and Surcharges

Block Surcharge	\$0.10
Facilitation Desk Fee	\$0.20

**fee applies to CPC trades entered by ClearPort Market Ops*

The Exchange is also notifying the CFTC that it is self-certifying the insertion of the terms and conditions for the new contracts into the Position Limit, Position Accountability and Reportable Level Table and Header Notes located in the Interpretations and Special Notices Section of Chapter 5 of the NYMEX Rulebook in relation to the listing of the new contracts. These terms and conditions establish the all month/any one month accountability levels, expiration month position limit, reportable level, and aggregation allocation for the new contracts, as presented below in Appendix B.

Further, the Exchange will be inserting the non-reviewable range for the new contracts into the table contained in Rule 588.H. as illustrated below.

	Non-Reviewable Range (NRR) in Globex format	NRR including Unit of Measure	NRR Ticks
WTS (Argus) vs. WTI Financial Futures (FF)	100	\$1.00 per barrel	100
WTI Midland (Argus) Financial Futures (code XB)	100	\$1.00 per barrel	100

Exchange business staff responsible for the new product and the Exchange 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, Exchange staff identified that the new product may have some bearing on the following Core Principles:

- Prevention of Market Disruption: Trading in these contracts will be subject to the NYMEX rules ("Rulebook") Chapters 4 and 7 which include prohibitions on manipulation, price distortion and disruptions of the delivery or cash-settlement process. As with all products listed for trading on one of CME Group's designated contracts markets, activity in the new product will be subject to extensive monitoring and surveillance by CME Group's Market Regulation Department.
- Contracts not Readily Subject to Manipulation: The new contracts are not readily subject to manipulation due to the liquidity and robustness in the underlying cash market, which provides diverse participation and sufficient spot transactions to support the final settlement index as assessed by Argus Media and IHS McCloskey (methodology provided in the attached Cash Market Overview).
- Compliance with Rules: Trading in these contracts will be subject to the rules in Rulebook Chapter 4 which includes prohibitions against fraudulent, noncompetitive, unfair and abusive practices. Additionally, trading in these contracts will also be subject to the full panoply of trade practice rules, the majority of which are contained in Chapter 5 and Chapter 8 of the Rulebook. As with all products listed for trading on one of CME Group's designated contract markets, activity in the new 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 limits for the contracts is set at less than the threshold of 25% of the deliverable supply in the underlying market in accordance with the guidelines included in CFTC Part 151.
- Availability of General Information: The Exchange will publish information on the contracts' specifications on its website, together with daily trading volume, open interest and price information.
- Daily Publication of Trading Information: Trading volume, open interest and price information will be published daily on the Exchange's website and via quote vendors.

- Financial Integrity of Contracts: All contracts traded on the Exchange will be cleared by the Clearing House of the Chicago Mercantile Exchange Inc. which is a registered derivatives clearing organization with the Commission and is subject to all Commission regulations related thereto.
- Execution of Transactions: The new contracts are dually listed for clearing through the CME ClearPort platform and for open outcry trading on the NYMEX trading floor. The CME ClearPort platform provides a competitive, open and efficient mechanism for novating transactions that are competitively executed by brokers. In addition, the NYMEX trading floor is available as a venue to provide for competitive and open execution of transactions.
- Trade Information: All required trade information is included in the audit trail and is sufficient for the Market Regulation Department to monitor for market abuse.
- Protection of Market Participants: Rulebook Chapters 4 and 5 contain multiple prohibitions precluding intermediaries from disadvantaging their customers. These rules apply to trading on all of the Exchange's competitive trading venues and will be applicable to transactions in this product.
- Disciplinary Procedures: Chapter 4 of the Rulebook contains provisions that allow the Exchange to discipline, suspend or expel members or market participants that violate the Rulebook. Trading in these contracts will be subject to Chapter 4, and the Market Regulation Department has the authority to exercise its enforcement power in the event rule violations in this product 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. Chapter 6 allows all nonmembers to submit a claim for financial losses resulting from transactions on the Exchange to arbitration. A member named as a respondent in a claim submitted by a nonmember is required to participate in the arbitration pursuant to Chapter 6. Additionally, the Exchange requires that members resolve all disputes concerning transactions on the Exchange via arbitration.

Pursuant to Section 5c(c) of the Act and CFTC Regulation 40.2 (a), the Exchange hereby certifies that the new product listing complies with the Act, including regulations under the Act. The listing shall become effective on Monday, April 1, 2013. A description of the cash market for this new product is attached in Appendix C.

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

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

Sincerely,

/s/Sean M. Downey
Senior Director & Associate General Counsel

Attachments: Appendix A
Appendix B
Appendix C

Appendix A

Chapter 854 WTI Midland (Argus) Financial Futures

854100. 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.

854101. CONTRACT SPECIFICATIONS

The Floating Price for each contract month is equal to the arithmetic average of the WTI Midland (1st month) weighted average price from Argus Media for each business day that it is determined during the contract month.

854102. TRADING SPECIFICATIONS

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

854102.A. Trading Schedule

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

854102.B. Trading Unit

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

854102.C. Price Increments

Prices shall be quoted in U.S. dollars and cents per barrel. The minimum price fluctuation shall be \$0.01 per barrel.

854102.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.

854102.E. Termination of Trading

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

854103. 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.

854104. DISCLAIMER

Argus Media ("Argus") licenses the New York Mercantile Exchange, Inc. ("NYMEX") to use various Argus price assessments in connection with the trading and/or clearing of the contract.

NYMEX, ITS AFFILIATES AND ARGUS MAKE NO WARRANTIES, EXPRESS OR IMPLIED, AS TO THE RESULTS TO BE OBTAINED BY ANY PERSON OR ENTITY FROM USE OF THE PRICE ASSESSMENT, TRADING AND/OR CLEARING BASED ON THE PRICE ASSESSMENT, OR ANY DATA INCLUDED THEREIN IN CONNECTION WITH THE TRADING AND/OR CLEARING OF THE CONTRACT, OR, FOR ANY OTHER USE. NYMEX, ITS AFFILIATES AND ARGUS MAKE NO WARRANTIES, EXPRESS OR IMPLIED, AND HEREBY DISCLAIM ALL WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE WITH RESPECT TO THE PRICE ASSESSMENT OR ANY DATA INCLUDED THEREIN. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT SHALL NYMEX, ITS AFFILIATES OR ARGUS 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.

Chapter 856

WTI Midland (Argus) vs. WTI Financial Futures

856100. 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.

856101. CONTRACT SPECIFICATIONS

The Floating Price for each contract month is equal to the arithmetic average of the differential of the WTI Midland (1st month) weighted average price from Argus Media minus the NYMEX Light Sweet Crude Oil Futures first nearby contract month settlement price for each business day that both are determined during the contract month.

856102. TRADING SPECIFICATIONS

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

856102.A. Trading Schedule

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

856102.B. Trading Unit

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

856102.C. Price Increments

Prices shall be quoted in U.S. dollars and cents per barrel. The minimum price fluctuation shall be \$0.01 per barrel.

856102.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.

856102.E. Termination of Trading

Trading shall cease at the close of trading on the last business day that falls on or before the 25th calendar day of the month prior to the contract month. If the 25th calendar day is a weekend or holiday, trading shall cease on the first business day prior to the 25th calendar day.

856103. 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.

856104. DISCLAIMER

Argus Media ("Argus") licenses the New York Mercantile Exchange, Inc. ("NYMEX") to use various Argus price assessments in connection with the trading and/or clearing of the contract.

NYMEX, ITS AFFILIATES AND ARGUS MAKE NO WARRANTIES, EXPRESS OR IMPLIED, AS TO THE RESULTS TO BE OBTAINED BY ANY PERSON OR ENTITY FROM USE OF THE PRICE ASSESSMENT, TRADING AND/OR CLEARING BASED ON THE PRICE ASSESSMENT, OR ANY DATA INCLUDED THEREIN IN CONNECTION WITH THE TRADING AND/OR

CLEARING OF THE CONTRACT, OR, FOR ANY OTHER USE. NYMEX, ITS AFFILIATES AND ARGUS MAKE NO WARRANTIES, EXPRESS OR IMPLIED, AND HEREBY DISCLAIM ALL WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE WITH RESPECT TO THE PRICE ASSESSMENT OR ANY DATA INCLUDED THEREIN. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT SHALL NYMEX, ITS AFFILIATES OR ARGUS HAVE ANY LIABILITY FOR ANY LOST PROFITS OR INDIRECT, PUNITIVE, SPECIAL OR CONSEQUENTIAL DAMAGES (INCLUDING LOST PROFITS), EVEN IF NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES.

Appendix B

Contract Name	Rule Chapter	Commodity Code	Diminishing Balances Contract	All Month Accountability Level	Any One Month Accountability Level	Expiration Month Limit	Reporting Level	Aggregate Into (1)	Aggregate Into (2)
				Rule 560	Rule 560	Rule 559	Rule 561		
<u>WTI Midland (Argus) Financial Futures</u>	<u>854</u>	<u>XB</u>	<u>*</u> <u>-</u>	<u>20,000</u>	<u>20,000</u>	<u>3,000</u>	<u>350</u>	<u>XB</u>	
<u>WTI Midland (Argus) vs. WTI Financial Futures</u>	<u>856</u>	<u>FF</u>		<u>20,000/20,000</u>	<u>20,000/10,000</u>	<u>3,000/3,000</u>	<u>350</u>	<u>XB</u>	<u>26</u>

Appendix C

CASH MARKET OVERVIEW

There is an active physical crude oil trading center based in Midland, Texas, which is a major hub for storage and pipelines with direct connectivity to the Cushing and the U.S. Gulf Coast markets. There is active trading in light sweet WTI and West Texas Sour (WTS) type crude oils. In recent years, there has been a sharp increase in production of light sweet WTI type crude oil in West Texas in the region of Midland, Texas. Based on conversations with Argus price reporters, the WTI cash market at Midland is robust, with dozens of transactions per day, and average daily traded volume in the range of 250,000 to 300,000 barrels per day. The market participation is deep and diverse, and includes many commercial companies, refiners, end users, trading companies, and financial institutions with over 40 participants in the marketplace.

The Argus methodology for the assessment of the WTI Midland crude oil index is the volume weighted-average price of transactions done during the entire trading day and is available at the following link http://d1bs3qurwcoybx.cloudfront.net/~media/Files/PDFs/Meth/argus_americas_crude.pdf.

In the three-year period of 2010-2012, the average production of crude oil in Texas was approximately 1.5 million barrels per day. According to EIA data, in the period from January 2010 to December 2012, crude oil production has doubled in Texas from 1.1 million barrels per day to 2.2 million barrels per day (see Table 1 below).

**Table 1: EIA Data
Texas Field Production of Crude Oil (On-Shore)
(Thousands of Barrels per Day)**

Jan-2010	1,098
Feb-2010	1,120
Mar-2010	1,136
Apr-2010	1,136
May-2010	1,144
Jun-2010	1,142
Jul-2010	1,155
Aug-2010	1,169
Sep-2010	1,193
Oct-2010	1,219
Nov-2010	1,251
Dec-2010	1,284
Jan-2011	1,291
Feb-2011	1,235
Mar-2011	1,344
Apr-2011	1,356
May-2011	1,402
Jun-2011	1,411
Jul-2011	1,447
Aug-2011	1,500
Sep-2011	1,551
Oct-2011	1,612
Nov-2011	1,678
Dec-2011	1,709
Jan-2012	1,737

Feb-2012	1,783
Mar-2012	1,811
Apr-2012	1,882
May-2012	1,925
Jun-2012	1,960
Jul-2012	2,005
Aug-2012	2,059
Sep-2012	2,096
Oct-2012	2,169
Nov-2012	2,187
Dec-2012	2,220
3-Year Avg.	1,539

Data Source: http://www.eia.gov/dnav/pet/pet_crd_crpdn_adc_mbbl_m.htm

According to regional data published by the Texas Railroad Commission, the crude oil production in the vicinity of Midland, Texas was 25.1 million barrels per month for the three-year period of 2009-2011, which is equivalent to nearly 840,000 barrels per day (see Table 2 below).

**Table 2: Texas Railroad Commission Data
Texas Production of Crude Oil (by District)
(For Districts 7C, 8, 8A, 9, and 10 located near Midland, Texas)
(Barrels per Month)**

	7C	8	8A	9	10	
Jan-09	2,482,740	10,469,883	9,703,690	1,221,988	671,283	
Feb-09	2,201,094	9,456,491	8,690,642	1,110,800	629,583	
Mar-09	2,413,236	10,423,780	9,690,138	1,199,258	710,424	
Apr-09	2,276,895	10,104,334	9,230,336	1,143,812	697,164	
May-09	2,259,476	10,287,422	9,458,857	1,182,736	770,599	
Jun-09	2,135,886	9,788,716	9,091,902	1,156,223	771,687	
Jul-09	2,157,135	10,079,996	9,317,025	1,194,449	766,385	
Aug-09	2,119,125	10,189,736	9,356,309	1,183,534	744,347	
Sep-09	2,068,983	10,067,611	9,079,402	1,191,901	753,612	
Oct-09	2,180,257	10,439,365	9,359,415	1,158,689	786,369	
Nov-09	2,181,046	10,215,457	9,085,227	1,138,757	780,460	
Dec-09	2,295,688	10,499,957	9,188,595	1,086,793	791,527	
Jan-10	2,321,182	10,548,797	9,291,642	1,097,872	779,846	
Feb-10	2,147,590	9,796,280	8,417,428	1,030,820	689,991	
Mar-10	2,370,633	10,874,049	9,285,298	1,251,423	779,169	
Apr-10	2,310,251	10,520,613	8,957,178	1,245,760	821,336	
May-10	2,477,236	11,021,075	9,198,859	1,196,993	892,536	
Jun-10	2,363,913	10,662,917	8,817,433	1,153,299	811,790	
Jul-10	2,553,035	11,226,164	9,111,791	1,242,148	823,870	
Aug-10	2,591,795	11,255,409	9,155,020	1,340,319	897,638	
Sep-10	2,549,573	11,110,231	8,899,790	1,353,491	925,798	
Oct-10	2,679,174	11,721,761	9,247,544	1,477,544	961,135	
Nov-10	2,663,934	11,560,471	8,935,815	1,347,095	917,887	
Dec-10	2,858,183	12,194,463	9,196,261	1,488,398	985,394	

Jan-11	2,872,051	12,331,398	9,104,115	1,420,239	1,007,036	
Feb-11	2,410,815	10,177,367	7,959,726	1,167,933	842,726	
Mar-11	2,862,288	12,567,023	9,125,730	1,457,681	1,038,541	
Apr-11	2,717,336	12,168,477	8,781,639	1,504,164	998,959	
May-11	2,848,329	12,875,840	9,071,113	1,732,118	1,135,153	
Jun-11	2,726,751	12,534,385	8,711,366	1,626,842	1,038,833	
Jul-11	2,872,039	13,039,080	8,904,478	1,723,349	1,056,591	
Aug-11	2,895,530	13,293,233	9,006,478	1,705,165	1,071,070	
Sep-11	2,889,700	13,008,275	8,702,833	1,620,957	1,003,961	
Oct-11	3,128,650	13,768,049	9,075,151	1,712,924	1,142,053	
Nov-11	3,173,765	13,502,240	8,805,886	1,615,873	1,056,052	
Dec-11	3,335,028	13,824,651	9,065,039	1,595,246	1,011,746	Monthly Total
3-Yr AVG.	2,538,621	11,322,361	9,057,754	1,335,461	876,738	25,130,934

Data Source: Texas Railroad Commission: <http://webapps.rrc.state.tx.us/PDQ/home.do>

In addition, there are substantial pipeline flows of WTI type crude oil from Midland, Texas to Cushing, Oklahoma. Two major pipelines carry crude oil from Midland to Cushing: the Basin Pipeline, and the Centurion Pipeline. Based on feedback from industry participants, greater than 500,000 barrels per day of crude oil are currently flowing outbound from Midland to Cushing, of which approximately 75% of the crude oil is of WTI type light sweet crude oil. Further, additional supplies of crude oil are transported via rail to the Houston area refineries. This flow information corroborates the production estimates above. There are no statistics available with crude oil storage information for the Midland, Texas market. Therefore, given the availability of reliable Texas state statistics on crude oil production in West Texas, the Exchange has focused on the production data as the basis for the deliverable supply estimates of WTI type crude oil at the Midland, Texas hub.

Based on discussions with industry participants, our estimate of the portion of average production which would qualify as WTI type crude oil is conservatively 50% and higher— i.e., 420,000 barrels per day and higher. This converts into approximately 12.5 million barrels per month, or 12,500 contract equivalents of the futures contract. The current spot month position limit of 3,000 contracts is less than 25% of the estimated monthly supply of 12,500 contract equivalents.