

Natural Gas

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Natural Gas

The first six contract months in NYMEX Natural Gas futures (NG) are settled by CME Group staff based on trading activity on CME Globex between 14:28:00 and 14:30:00 Eastern Time (ET), the settlement period.

Normal Daily Settlement Procedure

Front Month

The front month settles to the volume-weighted average price (VWAP) of all trades in the outright contract that are executed between 14:28:00 and 14:30:00 ET, the settlement period, rounded to the nearest tradable tick. The procedure changes for the front month's last two days of trading. Please see the end of this document for further details.

Second Month

The second month settles to the price implied from the VWAP of all trades executed in the front month second month spread between 14:28:00 and 14:30:00 ET, the settlement period, using the front month settlement as the anchor price. To use the spread VWAP, this spread must satisfy the product's respective **minimum volume threshold**:

Product	Second Month Minimum Volume Threshold
Natural Gas	100 contracts

In the event that the spread does not satisfy the minimum volume threshold, the second month's settlement price is derived from the price implied from the midpoint of the spread between the front and second months, using the front month settlement as the anchor price.

Third through sixth contract months

The third through sixth months are settled in chronological order according to the following procedure:

Tier 1: Settlement is based on prices implied from the VWAPs of the contract's one-month (e.g. July/August) and two-month (e.g. June/August) spreads, provided that the nearer leg already has a settlement price and that the minimum volume thresholds for the spreads have been met. The **minimum volume thresholds** for spreads used to settle NYMEX energy futures vary according to the product and month being settled:

Product	Months 3-4 Minimum Volume Threshold	Months 5-6 Minimum Volume Threshold
Natural Gas	50 contracts	One contract

Using the **implied prices weighting formula** below, an **85%** weighting factor is applied to the price implied from the one-month spread, and a **15%** weighting factor is applied to the price implied from the two-month spread. If either the one-month spread or the two-month spread does not trade during the two-minute window but the volume in the other spread meets the threshold, then the settlement price will be implied by the VWAP of the spread that traded.

Implied prices weighting formula

P = implied price

W = Weighting factor

V = Volume

Tier 2: If the combined volume of the spreads does not meet the volume threshold, then the midpoint of the best bids/asks in the relevant one-month and two-month spreads at 14:30:00 ET are used to imply prices for the contract.

The settlement price for that contract will be derived using the **implied prices weighting formula** (below).

Settlement price weighted average formula:

P = Implied price

W = Weighting factor

Contracts beyond six months

The far back months are settled by CME Group staff in conjunction with market participants based on relevant spread relationships. The greatest weight is given to spreads executed in large volumes late in the trading day.

In the absence of trading activity, spread bids and asks on Globex late in the trading day are used to determine settlements.

Wherever possible, no settlement price will be established that lies outside of an unfilled bid or ask available for execution during the final 15 minutes of trading if the volume of the spreads is 200 or more for Crude, 100 or more for Natural Gas, and 50 or more for Heating Oil and RBOB Gasoline.

Only bids and asks that remain active through expiration at 14:30:00 ET will be considered in these calculations. In the event there is insufficient activity to make the aforementioned calculations, staff may rely on earlier data or other available market information to determine an appropriate settlement price.

Settlement on Last Two Trading Days of the Front Month

On the *day before the front month contract expires*, the front and second months settle to the VWAP of the outright CME Globex trades executed between 14:28:00 and 14:30:00 ET, the settlement period, rounded to the nearest tradable tick. The next five months will settle based on the same procedures mentioned above.

On the *day of expiration*, the front (expiring) month will settle based on the VWAP of the outright CME Globex trades executed between 14:00:00 and 14:30:00 ET, and the second month will settle based on the VWAP of the outright CME Globex trades executed between 14:28:00 and 14:30:00 ET. The next five months will settle based on the same procedures mentioned above.

In the absence of outright or spread trades during this period, the settlement price will be the best bid or best ask in the expiring contract at 14:30:00 ET, whichever is closer to the last trade price. If there is not a bid/ask pair in the expiring contract at that time, the settlement price will be the best bid or ask implied by the bid/ask in the spread between the front (expiring) and second month contracts at 14:30:00 ET, whichever is closer to the last outright trade price in the front (expiring) contract.

Only bids and asks that remain active through expiration at 14:30:00 ET will be considered in these calculations. In the event there is insufficient activity to make the aforementioned calculations, staff may rely on earlier data or other available market information to determine an appropriate settlement price.

Henry Hub Natural Gas Look-A-Likes

Henry Hub Natural Gas Daily Settlement Procedure

The settlements in the Henry Hub Natural Gas Look-Alike Last-Day Financial (HH), Henry Hub Natural Gas Look-Alike Penultimate Financial (HP), the Henry Hub Natural Gas Swap (NN), and the Henry Hub Natural Gas Penultimate Financial (NPG) futures contracts are equal to the settlement of the corresponding Natural Gas (NG) contract.

Henry Hub Natural Gas Final Settlement Procedure (HH)

The final settlement in the expiring Henry Hub Natural Gas Look-Alike Last Day Financial (HH) futures contract is derived directly from the final settlement in the regular NG futures contract. This procedure can be found below.

Additional Details

Henry Hub Natural Gas Look-Alike Last Day Financial (HH) futures are cash settled upon expiration. For additional details, please see the NYMEX Rulebook (Chapter 823):

<http://www.cmegroup.com/rulebook/NYMEX/8/823.pdf>

NYMEX Henry Hub Natural Gas Look-Alike Penultimate Financial Futures Final Settlement Procedure (HP)

CME Group staff determines the settlement of the expiring Henry Hub Natural Gas Look-Alike Penultimate Financial (HP) futures contract by following the regular daily settlement procedure. This procedure can be found below.

Additional Details

Henry Hub Natural Gas Penultimate Financial (HP) futures are cash settled upon expiration. For additional details, please see the NYMEX Rulebook (Chapter 824):

<http://www.cmegroup.com/rulebook/NYMEX/8/824.pdf>

NYMEX Henry Hub Natural Gas Last Day Financial Futures Final Settlement Procedure (NN/NNE)

The final settlement in the expiring Henry Hub Natural Gas Last Day Financial (NN/NNE) futures contract is derived directly from the final settlement in the regular NG futures contract. This procedure can be found below.

Additional Details

Henry Hub Natural Gas Last Day Financial (NN) futures are cash settled upon expiration. For additional details, please see the NYMEX Rulebook (Chapter 508):

<http://www.cmegroup.com/rulebook/NYMEX/5/508.pdf>

NYMEX Henry Hub Natural Gas Penultimate Financial Futures Final Settlement Procedure (NPG)

CME Group staff determines the settlement of the expiring Henry Hub Natural Gas Penultimate Financial (NPG) futures contract by following the regular daily settlement procedure. This procedure can be found below.

Additional Details

Henry Hub Natural Gas Penultimate Financial (NPG) futures are cash settled upon expiration. For additional details, please see the NYMEX Rulebook (Chapter 529):

<http://www.cmegroup.com/rulebook/NYMEX/5/508.pdf>

NYMEX E-Mini Natural Gas Futures

Normal Daily Settlement

The settlements in the E-Mini Natural Gas (QG) futures contracts are derived directly from the settlements of the regular sized Natural Gas (NG) contracts, rounded to the nearest tradable tick.

Example

If the NGU2 settles 3.052, then the value of the QGU2 would settle 3.050.

Final Settlement

CME Group staff determines the settlement of the expiring E-Mini Natural Gas (QG) contract by following the regular daily settlement procedure.

Additional Details

E-Mini Natural Gas (QG) futures are cash settled upon expiration. For additional details, please see the NYMEX Rulebook (Rule 402.07).

If you have any questions, please call the [CME Global Command Center](#).

Note: In the event the aforementioned calculations described in this advisory cannot be made or if CME Group staff, in its sole discretion, determines that anomalous activity yields results that are not representative of the fair value of the contract, the staff may determine an alternative settlement price.