



Special Executive Report

DATE: November 5, 2015

SER#: 7509

SUBJECT: Amendments to Product Titles, Contract Specifications, Listing Schedules and the Resumption of Listing Additional Contract Months for Eleven (11) Gulf Coast Residual Fuel Oil Futures and Option Contracts

Background

On October 6, 2015 Platts announced that it would update the specifications of its USGC 3% Residual Fuel oil assessment to reflect RMG 380 3.5%S quality fuel oil, as per ISO 8217 specifications and rename the assessment as “USGC HSFO”, with effect commencing on January 3, 2017¹. Once implemented, the USGC HSFO assessment will reflect residual fuel oil intended for end-use by the bunker sector to meet maritime fuel demands. Also on October 6, 2015, Platts recommended a one-time differential of \$1.45/barrel that may be used in amending all outstanding derivatives positions beyond and including the January-2017 contract month that will settle against the old Platts specifications for USGC HSFO². The \$1.45/b premium reflects the price difference between the Platts FO RMG 380 USGC Waterborne (Platts Code: PUBDM00) assessment and the US Gulf Coast 3%S Fuel Oil (Platts Code: PUAZF00) from 2010 to 2015.

In response to the aforementioned amendments announced by Platts, New York Mercantile Exchange (“NYMEX” or “Exchange”), removed all previously-listed contract months without open interest beyond December-2016 in its Platts-related USGC 3% fuel oil product slate listed in Table 1. below (see SER 7496³ dated October 23, 2015). In addition, effective Sunday, November 8, 2015 for trade date Monday, November 9, 2015, and pending all relevant CFTC regulatory review periods, the Exchange will suspend listing new contract months in the affected products.

Table 1.

Commodity Code (Clearing/CME Globex)	Contract Title	NYMEX Rulebook Chapter
MF/MFB	Gulf Coast No. 6 Fuel Oil 3.0% (Platts) Futures	612
GCU/GCU	Gulf Coast No. 6 Fuel Oil 3.0% (Platts) vs. European 3.5%	425

¹ <http://www.platts.com/subscriber-notes-details/10312303>

² <http://www.platts.com/subscriber-notes-details/10312310>

³ <http://www.cmegroup.com/tools-information/lookups/advisories/ser/SER-7496.html>

	Fuel Oil Barges FOB Rdam (Platts) Futures	
VR/VR	NY 1% Fuel Oil (Platts) vs. Gulf Coast 3% Fuel Oil (Platts) Futures	543
FG/AFG	Gulf Coast No. 6 Fuel Oil 3.0% (Platts) Average Price Options	604
MG/MGH	Gulf Coast No. 6 Fuel Oil (Platts) Crack Spread Futures	613
FOC/FOC	NY 3.0% Fuel Oil (Platts) vs. Gulf Coast No. 6 Fuel Oil 3.0% (Platts) Futures	1086
GCI/GCI	Gulf Coast No.6 Fuel Oil 3.0% (Platts) Brent Crack Spread Futures	1098

Proposal

Since the Exchange references the Platts USGC 3% Residual Fuel oil assessment for settling eleven (11) related futures and option contracts, NYMEX intends to implement conforming amendments to the contracts. Effective Sunday, December 13, 2015 for trade date Monday, December 14, 2015, and pending all relevant CFTC regulatory review periods, the Exchange will amend the names and specifications of its Platts-related Gulf Coast 3% residual fuel oil product slate consisting of ten (10) futures contracts and one (1) option contract (the “Contracts”) for all expiration months commencing with the January-2017 contract month and beyond to coincide with the underlying changes in the physical market price assessments. At the same time, the Exchange also will amend the listing cycle rules of the Contracts. Also effective Sunday, December 13, 2015 for trade date Monday, December 14, 2015, the Exchange will resume generating contract months with a new listing schedule as described in Table 2⁴. The Contracts are financially settled and reference the Platts assessment of “US Gulf Coast 3%S Residual Fuel Oil.”

Table 2.

Commodity Code (Clearing /Globex)	NYMEX Rule Chapter	Existing Product Title	New Product Title (effective December 11, 2015 for January-2017 contract month and beyond)	Suspended Listing Rule (effective November 6, 2015 and per CFTC Submission 15-460)	New Listing Rule (effective December 11, 2015) ⁵
MF/MFB	612	Gulf Coast No. 6 Fuel Oil 3.0% (Platts) Futures	Gulf Coast HSFO (Platts) Futures	All consecutive months through and including December 2018	52 consecutive months
GFC/GFC	218	Gulf Coast No. 6 Fuel Oil (Platts) Crack Spread BALMO Futures	Gulf Coast HSFO (Platts) Crack Spread BALMO Futures	One month and the following month for 10 business days prior to the start	No change

⁴ <http://www.cmegroup.com/tools-information/lookups/advisories/ser/SER-7496.html#pageNumber=1>

⁵ All trading and clearing venues unless otherwise specified

				of the contract month	
NFG/NFG	219	NY 1% Fuel Oil (Platts) vs. Gulf Coast 3% Fuel Oil (Platts) BALMO Futures	NY 1% Fuel Oil (Platts) vs. Gulf Coast HSFO (Platts) BALMO Futures	One month and the following month for 10 business days prior to the start of the contract month	No change
GCU/GCU	425	Gulf Coast No. 6 Fuel Oil 3.0% (Platts) vs. European 3.5% Fuel Oil Barges FOB Rdam (Platts) Futures	Gulf Coast HSFO (Platts) vs. European 3.5% Fuel Oil Barges FOB Rdam (Platts) Futures	All consecutive months through and including December 2017	36 consecutive months
VZ/AVZ	503	Gulf Coast 3.0% Fuel Oil (Platts) BALMO Futures	Gulf Coast HSFO (Platts) BALMO Futures	One month and the following month for 10 business days prior to the start of the contract month	No change
VR/VR	543	NY 1% Fuel Oil (Platts) vs. Gulf Coast 3% Fuel Oil (Platts) Futures	NY 1% Fuel Oil (Platts) vs. Gulf Coast HSFO (Platts) Futures	All consecutive months through and including December 2016	36 consecutive months
FG/AFG	604	Gulf Coast No. 6 Fuel Oil 3.0% (Platts) Average Price Options	Gulf Coast HSFO (Platts) Average Price Options	All consecutive months through and including December 2016	52 consecutive months on CME ClearPort and NYMEX Trading Floor, 12 consecutive months on CME Globex
MG/MGH	613	Gulf Coast No. 6 Fuel Oil (Platts) Crack Spread Futures	Gulf Coast HSFO (Platts) Crack Spread Futures	All consecutive months through and including December 2017	36 consecutive months
GCB/GCB	1063	Gulf Coast No. 6 Fuel Oil 3.0% (Platts) vs. European 3.5% Fuel Oil Barges FOB Rdam (Platts) BALMO Futures	Gulf Coast HSFO (Platts) vs. European 3.5% Fuel Oil Barges FOB Rdam (Platts) BALMO Futures	One month and the following month for 10 business days prior to the start of the contract month	No change
FOC/FOC	1086	NY 3.0% Fuel Oil (Platts) vs. Gulf Coast No. 6 Fuel Oil 3.0% (Platts) Futures	NY 3.0% Fuel Oil (Platts) vs. Gulf Coast HSFO (Platts) Futures	All consecutive month through and including December 2016	36 consecutive months
GCI/GCI	1098	Gulf Coast No.6 Fuel Oil 3.0% (Platts) Brent Crack Spread Futures	Gulf Coast HSFO (Platts) Brent Crack Spread Futures	All consecutive months through and including December 2016	36 consecutive months

Appendix A to this Special Executive Report lists the NYMEX Gulf Coast No.6 3%S contracts with open interest commencing with the January-2017 contract month and beyond that will be affected by the specification change in the underlying physical market assessment published by Platts. Consequent to the change in the maximum sulfur content in the underlying market commencing with the January-2017 contract month and beyond, the Exchange will revise the Contracts' reference price and valuation pursuant to the criterion outlined in Appendix A.

Please refer questions on this subject to:

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APPENDIX A

Contract Valuation and Clearing House Cash Adjustment Process

New York Mercantile Exchange, Inc. (“NYMEX” or “Exchange”) has been advised that Platts has confirmed changes to the specifications of its US Gulf Coast 3%S Residual Fuel Oil assessment. Accordingly, starting January 3, 2017, the new corresponding assessment will be renamed as “USGC HSFO” and will represent a sulfur specification of up to 3.5%S (a change of 0.5 percentage points). This amendment will result in a change to the valuation of positions held at the Exchange in contract months commencing with the January-2017 contract month and beyond. Table 3. provides a list of NYMEX contracts that have open interest in the January-2017 contract month and beyond and which reference the Platts assessment of US Gulf Coast 3%S Residual Fuel Oil. Consequently (and pending all relevant CFTC regulatory review periods), the products in Table 3. will have valuation revisions resulting from the increase in the sulfur content of the underlying physical market assessment published by Platts.

Table 3.

Commodity Clearing /Globex Code	NYMEX Rule Chapter	Product Title
MF/MFB	612	Gulf Coast No. 6 Fuel Oil 3.0% (Platts) Futures
GCU/GCU	425	Gulf Coast No. 6 Fuel Oil 3.0% (Platts) vs. European 3.5% Fuel Oil Barges FOB Rdam (Platts) Futures
MG/MGH	613	Gulf Coast No. 6 Fuel Oil (Platts) Crack Spread Futures

On October 6, 2015, Platts recommended a one-time differential of \$1.45/barrel that may be used in amending all outstanding derivatives positions commencing with the January-2017 contract month and beyond that will settle against the old Platts specifications for USGC HSFO⁶. The differential is based on an extensive analysis of the premium between the FO RMG 380 USGC Waterborne (Platts Code: PUBDM00) and US Gulf Coast 3%S Fuel Oil (Platts Code: PUAZF00) assessments from 2010 to 2015. The Exchange conducted an extensive industry outreach and its own independent analysis of the data and vetted the Platts-recommended \$1.45/b differential between the two different levels of sulfur content in the fuel oil market. The Exchange concluded that the five-year historical price premium between the FO RMG 380 USGC Waterborne and US Gulf Coast 3%S Fuel Oil valued at \$1.45/b represents an accurate value of the specification differences. Therefore, NYMEX will amend the reference price and valuation of all the related futures and option contracts in Table 3. commencing with the January-2017 contract month and beyond.

⁶ <http://www.platts.com/subscriber-notes-details/10312310>

The Exchange will determine the impact on contract valuation effective for trade date Monday, December 14, 2015, based on pricing assessments made at the close of business on Friday, December 11, 2015. On that date, the end-of-the-day settlement prices for the three contracts listed in the table will reflect the old specification, that is, the Platts US Gulf Coast 3%S Fuel Oil. Following settlement, the Exchange will re-calculate the prices of the contracts beyond December-2016 using the \$1.45/b premium to reflect the effect of the specification change. The Clearing House will also calculate the cash adjustments resulting from the contract value change. Accordingly, holders of long positions will be required to make additional payments to the Clearing House in order to neutralize the economic impact of the contracts' higher value. Holders of short positions will be required to take additional payments from the Clearing House in order to neutralize the economic impact of the contracts' lower value. These additional payments or the cash adjustment will be processed on Monday, December 14, 2015 at approximately 11:00 a.m. ET (10:00 a.m. CT) and intra-day prices on that day will represent the new Platts specification.