SUBMISSION COVER SHEET

Registered Entity Identifier Code (optional) 13-584 **Date: December 26, 2013**

***IMPORTANT*: CHECK BOX IF CONFIDENTIAL TREATMENT IS REQUESTED.** ☐

ORGANIZATION	New York Mercantile Exchange, Inc.

FILING AS A: ☒ **DCM** ☐ **SEF** ☐ **DCO** ☐ **SDR** ☐ **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

NYMEX Chapter 5 - Position Limits, Position Accountability and Reportable Levels

DESCRIPTION

This submission contains amendments to change position limits and accountability levels for fifty (50) natural gas swing futures contracts.

Christopher Bowen
Managing Director and Chief Regulatory Counsel
Legal Department

December 26, 2013

VIA E-MAIL

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

Re: CFTC Regulation 40.6(a) Certification. Notification Regarding Changing Position Limits and Accountability Levels for Fifty (50) Natural Gas Swing Futures Contracts. NYMEX Submission No. 13-584

Dear Ms. Jurgens:

New York Mercantile Exchange, Inc. ("NYMEX" or "Exchange") is notifying the Commodity Futures Trading Commission ("CFTC" or "Commission") that it is self-certifying amendments to the Position Limits, Position Accountability and Reportable Levels for fifty (50) existing natural gas swing futures contracts, effective Sunday, January 12, 2014 for trade date Monday, January 13, 2014.

The contracts affected are listed in the table below:

Contract Name	Rule Chapter	Commodity Code
Algonquin City-Gates Natural Gas (Platts Gas Daily) Swing Futures	709	C8
ANR, Louisiana Natural Gas (Platts Gas Daily) Swing Futures	707	K6
ANR, Oklahoma Natural Gas (Platts Gas Daily) Swing Futures	816	SQ
CenterPoint Natural Gas (Platts Gas Daily) Swing Futures	817	VX
Chicago Natural Gas (Platts Gas Daily) Swing Futures	750	SS
CIG Rockies Natural Gas (Platts Gas Daily) Swing Futures	892	U8
Columbia Gas TCO (Platts Gas Daily) Swing Futures	884	A1
Columbia Gulf, Louisiana Natural Gas (Platts Gas Daily) Swing Futures	678	J6
Columbia Gulf, Mainline Natural Gas (Platts Gas Daily) Swing Futures	649	X2
Demarc Natural Gas (Platts Gas Daily) Swing Futures	819	DT
Dominion, South Point Natural Gas (Platts Gas Daily) Swing Futures	784	SH
Florida Gas, Zone 2 Natural Gas (Platts Gas Daily) Swing Futures	463	X5
Florida Gas, Zone 3 Natural Gas (Platts Gas Daily) Swing Futures	676	J8
Henry Hub Natural Gas (Platts Gas Daily) Swing Futures	752	SN
Houston Ship Channel Natural Gas (Platts Gas Daily) Swing Futures	753	SM

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Contract Name	Rule Chapter	Commodity Code
Kern Opal Natural Gas (Platts Gas Daily) Swing Futures	785	SR
Malin Natural Gas (Platts Gas Daily) Swing Futures	887	W9
MichCon Natural Gas (Platts Gas Daily) Swing Futures	891	T8
NGPL Mid-Con Natural Gas (Platts Gas Daily) Swing Futures	820	PX
NGPL STX Natural Gas (Platts Gas Daily) Swing Futures	708	Q7
NGPL TexOk Natural Gas (Platts Gas Daily) Swing Futures	821	OX
OneOk, Oklahoma Natural Gas (Platts Gas Daily) Swing Futures	461	M3
Panhandle Natural Gas (Platts Gas Daily) Swing Futures	754	SV
Permian Natural Gas (Platts Gas Daily) Swing Futures	751	SL
PG&E Citygate Natural Gas (Platts Gas Daily) Swing Futures	786	SK
San Juan Natural Gas (Platts Gas Daily) Swing Futures	787	SJ
SoCal City-Gate Natural Gas (Platts Gas Daily) Swing Futures	459	T9
SoCal Natural Gas (Platts Gas Daily) Swing Futures	788	SF
Southern Natural, Louisiana Natural Gas (Platts Gas Daily) Swing Futures	690	K8
Southern Star, Tx.-Okla.-Kan. Natural Gas (Platts Gas Daily) Swing Futures	460	M4
Sumas Natural Gas (Platts Gas Daily) Swing Futures	789	SU
Tennessee 500 Leg Natural Gas (Platts Gas Daily) Swing Futures	890	T7
Tennessee 800 Leg Natural Gas (Platts Gas Daily) Swing Futures	673	W5
Tennessee Zone 0 Natural Gas (Platts Gas Daily) Swing Futures	886	T4
TETCO M-3 Natural Gas (Platts Gas Daily) Swing Futures	790	SX
TETCO STX Natural Gas (Platts Gas Daily) Swing Futures	885	T2
Texas Eastern, ELA Natural Gas (Platts Gas Daily) Swing Futures	689	K9
Texas Eastern, WLA Natural Gas (Platts Gas Daily) Swing Futures	462	X8
Texas Gas, Zone 1 Natural Gas (Platts Gas Daily) Swing Futures	674	Y9
Texas Gas, Zone SL Natural Gas (Platts Gas Daily) Swing Futures	679	J7
Transco Zone 1 Natural Gas (Platts Gas Daily) Swing Futures	646	X4
Transco Zone 2 Natural Gas (Platts Gas Daily) Swing Futures	648	X3
Transco Zone 3 Natural Gas (Platts Gas Daily) Swing Futures	889	T6
Transco Zone 4 Natural Gas (Platts Gas Daily) Swing Futures	677	J3
Transco Zone 5 Natural Gas (Platts Gas Daily) Swing Futures	1288	TZ5
Transco Zone 6 Natural Gas (Platts Gas Daily) Swing Futures	791	ST
Transco Zone 6 Non-N.Y. Natural Gas (Platts Gas Daily) Swing Futures	1287	TZS
Trunkline ELA Natural Gas (Platts Gas Daily) Swing Futures	706	K7
Ventura Natural Gas (Platts Gas Daily) Swing Futures	822	VS
Waha Natural Gas (Platts Gas Daily) Swing Futures	755	SY

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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 is being amended to reflect the changes in the position limits and accountability levels for the contracts listed above. These amendments are described in Appendix A, provided under separate cover.

Exchange business staff responsible for the rule amendments and the Exchange Legal Department collectively reviewed the designated contract market core principles ("Core Principles") as set forth in the Commodity Exchange Act ("Act" or "CEA"). During the review, Exchange staff identified that the rule amendments may have some bearing on the following Core Principles:

- Contracts Not Readily Susceptible to Manipulation: The contracts are not readily susceptible to manipulation due to the deep liquidity and robustness in the underlying physical market, which provides diverse participation and sufficient spot transactions to support the final settlement indices reported by Platts (methodology provided in submission).

- Position Limitations or Accountability: The spot-month speculative position limits for the contracts are set at less than the threshold of 25% of the deliverable supply in the underlying market.

- Availability of General Information: The information contained herein will be disseminated to the marketplace via Special Executive Report. The Exchange will publish information on the contracts' specifications on its website, together with daily trading volume, open interest, and price information.

Pursuant to Section 5c(c) of the Act and CFTC Regulation 40.6, the Exchange hereby certifies that the attached amendments comply with the Act, including regulations under the Act. There were no substantive opposing views to this proposal. A cash market overview and analysis of deliverable supply is attached hereto as Appendix B.

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: Position Limit, Position Accountability, and Reportable Level Table in Chapter 5 of the NYMEX Rulebook (attached under separate cover)
Appendix B: Cash Market Overview and Analysis of Deliverable Supply

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Appendix A

Position Limit, Position Accountability, and Reportable Level Table in Chapter 5

of the NYMEX Rulebook

(attached under separate cover)

Appendix B

OVERVIEW

Fixed Price Contracts

Natural gas market participants use fixed price natural gas contracts to hedge risk associated with cash market natural gas exposure. The buyer of an outright or fixed priced transaction pays a fixed price to receive a floating price.

Basis Contracts

In the natural gas market, a basis contract represents the difference in the price of gas between two distinct delivery points. Basis transactions play an important price discovery role in the natural gas market, and serve to assign value to natural gas at a specific location for the coming months. Market participants use basis contracts to hedge the difference between the price of natural gas at the Henry Hub in Louisiana and the price of gas at another geographic location. The difference between the price of gas at a basis location and the Henry Hub is often referred to as a basis risk, which is a factor of transportation costs, weather, and demand. Basis contracts allow market participants to manage this risk.

Index Contracts

An index contract represents the difference between the monthly index price and daily index price at the same delivery location. The buyer in an index transaction pays the published monthly index price at the contract's geographic location and receives the published daily index price at that geographic location.

Swing Contracts

A swing contract references the published daily index price for gas at a specific delivery location. Market participants use swing contracts to hedge physical exposure on a day-to-day basis. The gas buyer in an swing transaction pays a fixed price and receives the average of the daily index prices for the month at the contract's geographic location.

Position Limits

The Exchange currently applies spot month position limits in Natural Gas Fixed, Basis, Index and Swing contracts during the last three days of trading. The Exchange is proposing to change this to the close of trading on the trading day proceeding the period in which the underlying cash-settlement price is calculated. In this case, Platts Bid week or the last five business days of the calendar month that precedes the contract period.

Swing contracts are structured to cash-settle based on business-daily price references. However, based on customer feedback, the Exchange concluded that it is established commercial practice to utilize Swings only as part of strips of consecutive days corresponding precisely to the remaining calendar-days in their respective months. In other words, for a future calendar month, Swings would be structured as a strip corresponding to each day in the month; for a 30-day month, the Swing would be transacted in strips corresponding to the 30 days in the month. (Swings are available for each individual business-Tuesday through business-Friday and for each Saturday, Sunday and following business-Monday. Holidays are structured similarly to Saturday & Sunday.)

Based on our research, it is our conclusion that commercial customers organize their trading and hedging positions in Swings on a monthly basis. Even though the Swing contracts are structured as individual days, they are organized, evaluated, changed and managed on a monthly basis. It is customary to transact Swings in concert with transactions for other monthly-based contracts such as “Index” and “Basis” contracts. Gas traders trade the Swing contract to exchange a fixed price for an average of daily index prices—keying on the average, rather than the individual daily prices. The Swing trade is most often executed during bid week for the prompt month or during the month for the balance of the month. Typically, risk managers only provide one price for the intra-month (balance of the month) against which a trader’s position is marked. There are not separate prices attributed to each individual day going forward and the transaction is maintained within their internal systems as monthly’s or balance-of-monthly’s, not as the collection of the individual component daily’s. Accordingly, based on the established commercial practice, the Exchange believes that it is appropriate to organize and manage position limits of Swing

contracts on a monthly basis and will be effective on the close of trading on the trading day preceding the beginning of Platt's bid week.

Accountability Levels

In addition to limits the Exchange is introducing position accountability standards for daily positions in "Swing" contracts. The accountability levels are based on the average transaction size, in terms of NYMEX contract-equivalents, collected in *Platts Gas Daily* price survey and included in calculating the index price. The Exchange analyzed the volume and size of transactions included in the Survey for a twelve month period August 2012 to September 2013 to determine overall liquidity levels.

Based on prior discussions with Commission staff, the Exchange has agreed to estimate the accountability levels using the arithmetic average of transaction sizes used in the price survey as shown in the table 1.

Table 1: Arithmetic Average of Transaction Size from Platts Gas Daily Markets

(All Volumes are in NYMEX Equivalents (2,500 MMBtu)

Location	Average
Algonquin	3
ANR LA	2
ANR OK	1
CenterPoint E	2
Chicago	3
CIG Rockies	2
Col Gas Appal	2
Col Gulf Mainline	2
Columbia Gulf, Louisiana	2
Dominion S Pt	2
El Paso Permian	3
El Paso SanJuan	3
FL Gas Zn2	4
FL Gas Zn3	3
Henry Hub Natural Gas	3
Houston Ship Channel	3
Kern Rvr Opal	3

Location	Average
Malin	3
Mich Con CG	3
NGPL Midcont	2
NGPL S TX	2
NGPL TexOK	3
Northern Demarc	2
Nrthrn Ventura	3
NW Can Bd Sumas	2
Oneok OK FDt Com	2
PGE Citygate	4
Panhandle TX-OK	2
SoCal Border	4
SoCal City-Gate	4
SoNat LA	3
Southern Star, Tx.-Okla.-Kan.	3
Tenn LA 500 Leg	2
Tenn LA 800 Leg	2
Tenn Zn0	2
Texas Eastern, ELA	2
Texas Eastern, WLA	2
Texas Gas Zone 1	2
Texas Gas, Zone SL	2
Transco Zn1	2
Transco Zn3	2
Transco Zn4	3
Transco Zn5 Dlv	3
Transco Zn6 NY	2
Transco Zn6 xNY	2
Transco Zone 2	1
Trunkline E LA	1
TX Eastern M-3	3
TX Eastern S TX	2
Waha	3