



Special Executive Report

DATE: January 29, 2019

SER#: 8313

SUBJECT: Amendments to the Light Sweet Crude Oil Futures Contract to Delete References to Foreign Crude Oil Delivery

Effective February 13, 2019, and pending all relevant regulatory review periods, New York Mercantile Exchange, Inc. ("NYMEX" or "Exchange") will amend the Light Sweet Crude Oil Futures contract (Rulebook Chapter 200; Commodity Code: CL) (the "Contract") to delete obsolete references to foreign crude oil deliverable against the Contract (collectively, the "Rule Amendments").

Specifically, the Exchange is implementing the Rule Amendments as the reversal of the Seaway Pipeline deems it is no longer possible to physically deliver foreign crude oil to Cushing from the U.S. Gulf Coast for potential delivery against the Contract.

The Rule Amendments will have no impact on the deliverable supply of WTI type crude oil that is available for delivery against the Contract. In addition, there will be no impact to the value of the Contract. The reversal of the Seaway Pipeline was implemented in 2012, and consequently, there has been no foreign crude oil delivered to the Cushing market from the U.S. Gulf Coast since then. As a result, foreign crude oil has not been a factor in the deliverable supply estimates of WTI type crude oil available in Cushing, and currently has no impact on the supply of crude oil that is deliverable against the Contract.

The Rule Amendments are provided in Appendix A in blackline format.

Please refer questions on this subject to:

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Appendix A NYMEX Rulebook

(**bold/underline** indicates addition; ~~strike through~~ indicates deletion)

Chapter 200 Light Sweet Crude Oil Futures

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200101. **CONTRACT SPECIFICATIONS**

The contract grade for delivery on futures contracts shall be "crude oil" which shall mean a mixture of hydrocarbons that exists in a liquid phase in natural underground reservoirs and remains liquid at atmospheric pressure after passing through surface separating facilities. Crude oil as used herein refers to the direct liquid hydrocarbon production from oil wells, or a blend of such, in its natural form, not having been enhanced or altered in any manner or by any process that would result in misrepresentation of its true value for adaptability to refining as whole crude petroleum. For the purpose of this contract, condensates are excluded from the definition of crude petroleum.

Light sweet crude oil meeting all of the following specifications and designations shall be deliverable in satisfaction of futures contract delivery obligations under this rule:

200101.A. ~~Domestic~~ Deliverable Crudes

1. Deliverable Crude Streams

Blends of West Texas Intermediate ("WTI") type light sweet crude streams are only deliverable if such blends constitute a pipeline's designated "common stream" shipment which meets the grade and quality specifications for domestic crude. Enterprise Products Partners L.P. (including any successor in such capacity, "Enterprise") and Enbridge Pipeline (Ozark) LLC's (including any successor in such capacity, "Enbridge") Common Domestic Sweet ("DSW") Streams that meet quality specifications in Sections 101.A.2.- 12. of this rule are deliverable. ~~as Domestic Crude.~~

2. Sulfur: 0.42% or less by weight as determined by ASTM Standard D-4294, or its latest revision;

3. Gravity: Not less than 37 degrees American Petroleum Institute ("API"), nor more than 42 degrees API as determined by ASTM Standard D-287, or its latest revision;

4. Viscosity: Maximum 60 Saybolt Universal Seconds at 100 degrees Fahrenheit as measured by ASTM Standard D-445 and as calculated for Saybolt Seconds by ASTM Standard D-2161;

5. Reid vapor pressure: Less than 9.5 pounds per square inch at 100 degrees Fahrenheit, as determined by ASTM Standard D-5191-96, or its latest revision;

6. Basic Sediment, water and other impurities: Less than 1% as determined by ASTM D-96-88 or D-4007, or their latest revisions;

7. Pour Point: Not to exceed 50 degrees Fahrenheit as determined by ASTM Standard D-97;

8. Micro Method Carbon Residue: 2.40% or less by mass; as determined by ASTM Standard D4530-15, or its latest revision;

9. Total Acid Number (TAN): 0.28 mg KOH/g or less as determined by the first inflection point; using ASTM Standard D664-11a (2017), or its latest revision;

10. Nickel: 8 parts per million (ppm) or less by mass; as determined by ASTM Standard D5708-15, Test Method B, or its latest revision;

11. Vanadium: 15 ppm or less by mass; as determined by ASTM Standard D5708-15, Test Method B, or its latest revision;

12. High-Temperature Simulated Distillation (HTSD) as determined by ASTM Standard D7169-16, or its latest revision, as follows:

- (a) Light Ends <220°F by HTSD: Not more than 19% by mass;
- (b) 50% Point by HTSD: 470°F- 570°F;
- (c) Vacuum Residuum >1020°F by HTSD: Not more than 16% by mass.

200101.B. Foreign Crudes

1. Deliverable Crude Streams

~~U.K.: Brent Blend (for which the seller shall be paid a 30 cent per barrel discount below the last settlement price)~~

~~Nigeria: Bonny Light (for which the seller shall be paid a 15 cent per barrel premium above the last settlement price)~~

~~Nigeria: Qua Iboe (for which the seller shall be paid a 15 cent per barrel premium above the last settlement price)~~

~~Norway: Oseberg Blend (for which the seller shall be paid a 55 cent per barrel discount below the last settlement price)~~

~~Colombia: Cusiana (for which the seller shall be paid a 15 cent per barrel premium above the last settlement price)~~

~~2. Each foreign crude stream must meet the following requirements for gravity and sulfur, as determined by ASTM Standards referenced in Sections 101.A.2. 3. of this rule:~~

Foreign Crude Stream	Minimum Gravity	Maximum Sulfur
Brent Blend	36.4 API	0.46%
Bonny Light	33.8 API	0.30%
Qua Iboe	34.5 API	0.30%
Oseberg Blend	35.4 API	0.30%
Cusiana	34.9 API	0.40%

~~3. In the event that a Federal U.S. Superfund tax and/or Oil Spill tax is in effect at the time of delivery for foreign crude oil, the buyer shall reimburse the seller for all such taxes that have been or will be paid by the seller.~~

~~No blends of foreign crude oil streams or foreign and domestic crude oil streams shall be Deliverable.~~

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200105.

DELIVERY PROCEDURES

200105.A. Responsibilities of Clearing Members Having Open Long Positions

1. Notice of Intention to Accept

Exchange clearing members having open long positions shall provide the Clearing House with a Notice of Intention to Accept delivery by 3:00 p.m. on the first business day after the final day of trading. The Notice of Intention to Accept must be in the form prescribed by the Exchange, and must be properly completed and indicate the name(s) of the buyer(s), the number of contracts to be accepted, ~~the buyer(s) preference of light sweet crude oil by origin (foreign or domestic)~~ and any additional information as may be required by the Exchange. ~~The indication of an origin preference does not guarantee that the buyer(s) will receive product from that origin.~~

2. Delivery Instructions

On the first business day following Notice Day, the buyer's clearing member shall provide the seller's clearing member and the Exchange with properly completed Delivery Instructions in the form prescribed by the Exchange. Such Delivery Instructions must include the following information:

- a. Name of seller(s);
- b. Tender number;
- ~~c. Name of the seller(s) designated crude stream (either a specific foreign crude oil stream(s) or domestic crude oil) specified in the Notice of Intention to Deliver;~~
- ~~c. d.~~ Name of incoming pipeline or storage facility specified in the Notice of Intention to Deliver;
- ~~d. e.~~ Number of contracts;
- ~~e. f.~~ Method of delivery (which must conform to the normal capabilities of the facility named in the Notice of Intention to Deliver with respect to the manner of delivery and the quantity to be delivered);
- ~~f. g.~~ Name of the outgoing pipeline or storage facility with access to the incoming pipeline or storage facility designated in the Notice of Intention to Deliver (buyer(s) must confirm access with the incoming pipeline or storage facility designated in the Notice of Intention to Deliver);
- ~~g. h.~~ For inter-facility transfers, name of receiving facility with access to the facility designated in the Notice of Intention to Deliver; and
- ~~h. i.~~ Such additional information as may be required by the Exchange.

200105.B. Responsibilities of Clearing Members Having Open Short Positions

1. Notice of Intention to Deliver

Exchange clearing members having open short positions shall provide the Clearing House with a Notice of Intention to Deliver by 3:00 p.m. on the first business day after the final day of trading. The Notice of Intention to Deliver must be in the form prescribed by the Exchange, and must be properly completed, indicate the name(s) of the seller(s), and the number of contracts to be delivered, ~~and whether the designated crude stream shall be domestic or a specific foreign crude oil stream.~~ The seller(s) shall designate a qualified pipeline or storage facility, and shall also provide any additional information as may be required by the Exchange.

2. Scheduling Notice

As soon as possible following determination of scheduling, but no later than the last business day of the month preceding the delivery month, the seller's clearing member shall give the buyer's clearing member and the Exchange a Scheduling Notice in the form prescribed by the Exchange which must state the delivery time.

200105.C. Amendment of Delivery Instructions

Notwithstanding the foregoing, at any time prior to the twenty-fifth calendar day of the month preceding the delivery month (if the twenty-fifth calendar day of the month is a non-business day, then at any time prior to the last business day preceding the twenty-fifth calendar day of the month preceding the delivery month), the buyer(s) and the seller(s) may, by mutual agreement, elect to change the delivery terms with respect to the method of delivery, the timing of delivery, ~~the type and/or quality of crude oil to be delivered~~ and the designation of the buyer(s) and/or seller(s) delivery facility.

Any such changes must be made on the form prescribed by the Exchange. Any changes made with respect to the foregoing must be made in conformance with all contract requirements and specifications.

200105.D. Final Settlement Price

The final settlement price shall be the basis for delivery.

200105.E. Notice Day

The Clearing House shall allocate Delivery Notices and Notices of Intention to Accept by matching size of positions ~~and considering the type of light sweet crude oil by origin~~ to the extent possible. On the morning of the next business day, the Clearing House shall provide copies of the notices to the respective clearing members. The day on which the notices are provided to the clearing members shall be referred to as the Notice Day. The Notice Day shall be the second business day after the final day of trading.

200105.F. Non-Transferable

The clearing member who receives a Delivery Notice or a Notice of Intention to Accept from the Clearing House shall be deemed to have agreed to accept or deliver product. Delivery Notices and Notices of Intention to Accept are not transferable.

200105.G. Allocation of Foreign Crude Oil

~~Buyers' clearing members and sellers' clearing members in foreign crude oil deliveries will be matched as follows:~~

- ~~1. Foreign crude oil will be assigned first to the buyer(s) indicating a preference for foreign crude oil in their Notice(s) of Intention to Accept. For such buyer(s), foreign crude oil shall be allocated in order beginning with the buyer having the largest position.~~
- ~~2. If the quantity of foreign crude oil exceeds the quantity of foreign crude oil requested by buyers in their Notices of Intention to Accept, the balance of foreign crude oil remaining will be assigned to buyers.~~

200106.

TIMING OF DELIVERY

Delivery shall take place no earlier than the first calendar day of the delivery month and shall be completed no later than the last calendar day of the delivery month.

It is the obligation of the seller's clearing member to ensure that the seller's crude oil receipts, ~~including each specific foreign crude oil stream, if applicable,~~ are available to begin flowing ratably in Cushing, Oklahoma by the first day of the delivery month, in accordance with generally accepted pipeline scheduling practices.

Transfer of Title - The seller shall give the buyer a pipeline ticket, any other quantitative certificates and all appropriate documents upon receipt of payment.

The seller shall provide preliminary confirmation of title transfer at the time of delivery in electronic format or other appropriate form of documentation.

200107.

DELIVERY MARGIN AND PAYMENT

200107.A. Definitions

For the purposes of this Section 107,

"Payment Date" shall mean the twentieth day of the month following the delivery month or if such date is a Saturday or an Exchange or New York bank holiday other than Monday, payment shall be made on the preceding day which is not an Exchange or New York bank holiday. If such day is a Sunday or an Exchange or New York bank holiday which occurs on a Monday, payment shall be made on the next day which is not an Exchange or New York bank holiday.

200107.B. Margin

On the third business day following the last day of trading, the clearing member shall obtain from any buyer margin equal to the full value of the product to be delivered, ~~not including any adjustment for discounts and premiums accounted for in Section 107.C.~~ and the clearing member shall obtain from any seller margin in an amount fixed, from time to time, by the Exchange.

The buyer's clearing member and the seller's clearing member shall deposit with the Clearing House margins in such amounts and in such form as required by the Exchange. Such margins shall be returned on the business day following notification to the Exchange that delivery and payment have been completed.

200107.C. Payment

No later than 12:00 p.m. on the third business day prior to the Payment Date, the seller shall advise its clearing member of the name and address of the bank, and the name of the account to which payment shall be made. The clearing member shall advise the opposite clearing member who shall advise the buyer. On the Payment Date, the buyer shall pay the short contract value by federal funds wire transfer to the account of the seller at the bank nominated by the seller. The term "contract value" shall mean the amount equal to the settlement price on the last day of trading in a futures contract times one thousand (1,000) times the number of contracts to be delivered, ~~plus or minus any discount or premium as set forth in Section 101.B.1.~~

No later than 12:00 p.m. on the Payment Date, the buyer shall advise its clearing member of the federal funds wire transfer number and the name of the sending bank. The clearing member representing the buyer shall advise the opposite clearing member who shall similarly advise the seller.

No later than the business day following the Payment Date, the seller shall advise its clearing member of receipt of payment, who shall deliver a notice of payment to the clearing member representing the buyer and the Clearing House. Upon receipt of such notice, the delivery shall be complete.

Any payment made on the required Payment Date shall be based on volume actually delivered, determined at 60°F. If quantitative results are unavailable prior to the time established in the rules for payment of the product, a pro-forma payment based on 1,000 U.S. barrels per contract shall be made. Similarly, if the quality inspection is unavailable, a pro-forma payment ~~based on par qualities~~ shall be made. Payment adjustments based on the ~~actual quality or~~ quantity transferred shall be completed by 12:00 p.m. on the fifth business day after initial payment.

In the event that the seller's clearing member receives notification that payment has not been received, the seller's clearing member shall advise the Exchange in writing. On the following

business day, unless the buyer or the buyer's clearing member has advised the Exchange in writing that the seller failed to deliver, the Exchange shall liquidate the margins held and, when the liquidation is complete, shall pay the seller's clearing member which shall pay its seller. If the buyer or the buyer's clearing member has advised the Exchange in writing that the seller failed to deliver, the matter shall be deemed a failure to deliver pursuant to Rule 714.

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