



Special Executive Report

DATE: March 4, 2015

SER#: 7276

SUBJECT: Amendments to the Gulf Coast Sour Crude Oil Futures Contract

Effective Sunday, March 22, 2015 for trade date Monday, March 23, 2015, and pending all relevant CFTC regulatory review periods, the New York Mercantile Exchange, Inc. (NYMEX or Exchange) will amend the terms and conditions of the Gulf Coast Sour Crude Oil Futures contract.

Name	Commodity Code	NYMEX Rulebook Chapter	Venues
Gulf Coast Sour Crude Oil Futures	MB	506	CME Globex, CME ClearPort, NYMEX Trading Floor

Specifically, the contract will be re-named "LOOP Gulf Coast Sour Crude Oil Futures" and the rules will be amended such that fungible blends of Poseidon and Mars blend type crude oil streams shall be deliverable under the contract. There is no open interest in this contract. The amended NYMEX rulebook chapter is as follows:

(bold/underline indicates addition; strikethrough indicates deletion)

Chapter 506 **LOOP Gulf Coast Sour Crude Oil Futures**

506100. SCOPE OF CHAPTER

This chapter is limited in application to **LOOP** Gulf Coast Sour Crude Oil futures. The procedures for trading, clearing, delivery and settlement not specifically covered herein or in Chapter 7 shall be governed by the general rules of the Exchange.

The provisions of these rules shall apply to crude oil bought or sold for future delivery on the Exchange with delivery in Covelty, Louisiana.

The terms "seller" and "buyer" shall mean the seller of the physical product and the buyer of the physical product, respectively.

For purposes of these rules, unless otherwise specified, times referred to herein shall refer to and indicate New York time.

506101. CONTRACT SPECIFICATIONS

(UNTIL FRIDAY, MARCH 20, 2015 AND PENDING RELEVANT CFTC REGULATORY REVIEW PERIOD.)

The contract grade for delivery on futures contracts shall be "crude oil" which shall meet the following designations and shall be deliverable in satisfaction of futures contract delivery obligations under this rule:

506101.A. Deliverable Domestic Crude Streams

Mars blend type crude oil shall be delivered in accordance with the standard operating procedures used by the Louisiana Offshore Oil Port (LOOP) LLC facility.

506101.B. Deliverable Foreign Crude Streams

1. Foreign crude oil from LOOP LLC's Segregated 17 (Seg 17) stream is deliverable at a discount of 50 cents per barrel below the final settlement price, in accordance with the standard operating procedures used by LOOP LLC;
2. Russian Urals, of normal export quality, is deliverable at a premium of 75 cents per barrel above the final settlement price, in accordance with the standard operation procedures used by LOOP LLC.
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 seller for all such taxes as had 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 under this contract.

506101. CONTRACT SPECIFICATIONS

(BEGINNING SUNDAY, MARCH 22, 2015 FOR TRADE DATE MONDAY, MARCH 23, 2015 AND EFFECTIVE STARTING WITH THE MAY 2015 CONTRACT MONTH AND PENDING RELEVANT CFTC REGULATORY REVIEW PERIOD.)

The contract grade for delivery on futures contracts shall be "~~crude oil~~" **"LOOP Sour" type crude oil** which shall meet the following designations and shall be deliverable in satisfaction of futures contract delivery obligations under this rule:

506101.A. Deliverable Domestic Crude Streams

Poseidon and Mars blend type crude oil streams shall be delivered in accordance with the standard operating procedures used by the Louisiana Offshore Oil Port (**owned and operated by LOOP LLC, referred herein as LOOP**) LLC facility. **Fungible blends of Poseidon and Mars blend type crude oil streams shall be deliverable under this contract.**

506101.B. Deliverable Foreign Crude Streams

1. Foreign crude oil from LOOP LLC's Segregated ~~17~~ (Seg 17) stream is deliverable ~~at a discount of 50 cents per barrel below the final settlement price,~~ in accordance with the standard operating procedures used by LOOP LLC;
2. Russian Urals, of normal export quality, is deliverable ~~at a premium of 75 cents per barrel above the final settlement price, in accordance with the standard operation procedures used by LOOP LLC.~~
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 seller for all such taxes as had been or will be paid by the seller.

Fungible No blends of foreign crude oil streams or **blends of** foreign and domestic crude oil streams shall be deliverable under this contract.

506102. TRADING SPECIFICATIONS

Trading in **LOOP** Gulf Coast Sour Crude Oil futures is regularly conducted in all calendar months. The number of months open for trading at a given time shall be determined by the Exchange.

506102.A. Trading Schedule

The hours for trading shall be determined by the Exchange.

506102.B. Trading Unit

The contract unit shall be 1,000 U.S. barrels (42,000 U.S. gallons). Except for delivery made by book-out, in-tank transfer, or in-line transfer pursuant to Section 104, a tolerance of two percent (2%) above or below (1020 U.S. Barrels or 980 U.S. Barrels) the contract unit is permitted. All volumes shall be determined at 60 degrees Fahrenheit.

506102.C. Price Increments

The minimum price fluctuation shall be \$0.01 (1 cent) per barrel. Prices shall be quoted in dollars and cents per barrel.

506102.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.

506102.E. Termination of Trading

No trades in LOOP Gulf Coast Sour Crude Oil futures in the expiring contract month shall be made after the third business day prior to the twenty-fifth calendar day of the month preceding the delivery month for such expiring contract. If the twenty-fifth calendar day of the month is a non-business day, trading shall cease on the third business day prior to the last business day preceding the twenty-fifth calendar day of the month preceding the delivery month. Any contracts remaining open after termination of trading must be either:

- (a) Settled by delivery which 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; or
- (b) Liquidated by means of a bona fide Exchange for Related Position ("EFRP") pursuant to Rule 538. An EFRP is permitted in an expired futures contract at any time before 2:00 p.m. on the first business day following termination of trading in the expired futures contract. An EFRP which establishes a futures position for either the buyer or the seller in an expired futures contract shall not be permitted following the termination of trading of an expired futures contract.

506103. RESERVED

506104. DELIVERY

(UNTIL FRIDAY, MARCH 20, 2015 AND PENDING RELEVANT CFTC REGULATORY REVIEW PERIOD.)

Delivery shall be made free-on-board ("F.O.B.") at any storage facility owned or operated by LOOP LLC at Clovelly, Louisiana. Delivery shall be made in accordance with all applicable Federal executive orders and all applicable Federal, State and local laws and regulations.

For the purposes of this rule, the term F.O.B. shall mean a delivery in which the seller: (1) provides crude oil to the point of connection between LOOP LLC's facilities and the buyer's outgoing pipeline or storage facility which is free from all import duties, liens, encumbrances, unpaid taxes, fees and other charges; (2) retains title to and bears the risk of loss for the product to the point of connection between the buyer's outgoing and the seller's incoming pipeline or storage facility.

At buyer's option, such delivery shall be made by any of the following methods: (1) by intrafacility or interfacility transfer ("pumpover") into a designated storage facility or pipeline; or (2) by in-line transfer, or by in-tank transfer of title to the buyer without physical movement of product, if the facility allows such transfer.

506104. DELIVERY

(BEGINNING SUNDAY, MARCH 22, 2015 FOR TRADE DATE MONDAY, MARCH 23, 2015 AND EFFECTIVE STARTING WITH THE MAY 2015 CONTRACT MONTH AND PENDING RELEVANT CFTC REGULATORY REVIEW PERIOD.)

Delivery shall be made free-on-board ("F.O.B.") LOOP LLC's storage cavern designated for LOOP Sour Storage, or any other storage facility designated by LOOP LLC, at any storage facility owned or operated by LOOP LLC at Clovelly, Louisiana. Delivery shall be made in accordance with LOOP's Port Complex Terms and Conditions of Service and/or Clovelly Hub Terminalling Services – Connecting Carrier Receipts Terms and Conditions of Service, as published and revised from time to time and available at www.loopllc.com or upon

request. Delivery shall be made in accordance with all applicable Federal executive orders and all applicable Federal, State and local laws and regulations.

For the purposes of this rule, the term F.O.B. shall mean a delivery in which the seller: (1) provides crude oil to the point of connection between LOOP LLC's facilities and the buyer's outgoing pipeline or storage facility which is free from all import duties, liens, encumbrances, unpaid taxes, fees and other charges; (2) retains title to and bears the risk of loss for the product to the point of connection between the buyer's outgoing and the seller's incoming pipeline or storage facility.

At buyer's option, such delivery shall be made by any of the following methods: (1) by intrafacility or interfacility transfer ("pumpover") into a designated storage facility or pipeline; or (2) by in-line transfer, **in-system transfer**, or by in-tank transfer of title to the buyer without physical movement of product, if the facility allows such transfer.

506105. DELIVERY PROCEDURES

(UNTIL FRIDAY, MARCH 20, 2015 AND PENDING RELEVANT CFTC REGULATORY REVIEW PERIOD.)

506105.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 sour 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 clearing member;
- b. Tender Number;
- c. Name of the seller(s)' designated crude oil stream (either a specific foreign crude oil stream(s) or domestic crude oil) specified in the Notice of Intention to Deliver;
- d. Name of incoming pipeline or storage facility specified in the Notice of Intention to Deliver;
- e. Number of contracts;
- 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);
- 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);
- h. For inter-facility transfers, name of receiving facility with access to the facility designated in the Notice of Intention to Deliver; and
- i. Any additional information as may be required by the Exchange.

506105.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), the number of contracts

to be delivered and whether the designated crude oil stream shall be domestic or a specific foreign crude oil stream. The seller(s) shall designate 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 provide the buyer's clearing member and the Exchange with a Scheduling Notice in the form prescribed by the Exchange which must state the delivery time.

506105.C. Amendment of Delivery Instructions

Notwithstanding the foregoing, at any time prior to the last business 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 buyer's and/or seller's facility.

Any such change 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.

506105.D. Final Settlement Price

The final settlement price as determined on the last trading day of the expiring contract month shall be the basis for delivery.

506105.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 sour 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.

506105.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 or Notices of Intention to Accept are not transferable.

506105. DELIVERY PROCEDURES

(BEGINNING SUNDAY, MARCH 22, 2015 FOR TRADE DATE MONDAY, MARCH 23, 2015 AND EFFECTIVE STARTING WITH THE MAY 2015 CONTRACT MONTH AND PENDING RELEVANT CFTC REGULATORY REVIEW PERIOD.)

506105.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 sour 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 clearing member;
- b. Tender Number;
- c. Name of the seller(s)' designated crude oil stream (either a specific foreign crude oil stream~~(s)~~ or domestic crude oil) specified in the Notice of Intention to Deliver;
- d. Name of incoming pipeline or storage facility specified in the Notice of Intention to Deliver;
- e. Number of contracts;

- f. Method of delivery (which must **be a ratable delivery and** 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);
- 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);
- h. For inter-facility transfers, name of receiving facility with access to the facility designated in the Notice of Intention to Deliver; and
- i. Any additional information as may be required by the Exchange.

506105.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), the number of contracts to be delivered and whether the designated crude oil stream shall be domestic or a specific foreign crude oil stream. The seller(s) shall designate 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 provide the buyer's clearing member and the Exchange with a Scheduling Notice in the form prescribed by the Exchange which must state the delivery time.

506105.C. Amendment of Delivery Instructions

Notwithstanding the foregoing, at any time prior to the last business 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 buyer's and/or seller's facility. Any such change 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.

506105.D. Final Settlement Price

The final settlement price as determined on the last trading day of the expiring contract month shall be the basis for delivery.

506105.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 sour 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.

506105.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 or Notices of Intention to Accept are not transferable.

506106.

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, to the extent possible, in Clovelly, Louisiana by the first day of the delivery month, subject to LOOP LLC's or the pipeline's scheduling practices. The timing of delivery shall be determined by either

LOOP LLC's or the pipeline's scheduler. The buyer and seller can mutually agree to the delivery timing, subject to the LOOP LLC's or the pipeline's schedule for delivery.

Transfer of Title — The seller shall provide the buyer with 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.

506107.

DELIVERY MARGIN AND PAYMENT

506107.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.

506107.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, 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.

506107.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.

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.

Any payment made on the Payment Date shall be based on volume actually delivered, as determined at sixty (60) degrees Fahrenheit. If quantitative results are unavailable prior to the time established in the rules for payment of product, a pro-forma payment based on 1,000 U.S. barrels per contract shall be made. Payment adjustments based on the actual quantity transferred shall be completed by 12:00 p.m. on the fifth business day after initial payment.

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.

506108.

VALIDITY OF DOCUMENTS

The Exchange makes no representation respecting the authenticity, validity or accuracy of any Notice of Intention to Deliver, Notice of Intention to Accept, check or any document or instrument delivered pursuant to these rules.

506109.

ALTERNATIVE DELIVERY PROCEDURES

A seller and buyer matched by the Exchange under Section 105.E. may agree to make and take delivery under terms or conditions which differ from the terms and conditions prescribed by this Chapter. In such a case, clearing members shall execute an Alternative Notice of Intention to Deliver on the form prescribed by the Exchange and shall deliver a completed and executed copy of such notice to the Exchange. The delivery of an executed Alternative Notice of Intention to Deliver to the Exchange shall release the clearing members and the Exchange from their respective obligations under the rules of this Chapter and any other rules regarding physical delivery.

In executing such notice, clearing members shall indemnify the Exchange against any liability, cost or expense the Exchange may incur for any reason as a result of the execution, delivery, or performance of such contracts or such agreement, or any breach thereof or default thereunder. Upon receipt of an executed Alternative Notice of Intention to Deliver, the Exchange will return to the clearing members all margin monies held for the account of each with respect to the contracts involved.

Please refer questions on this subject to:

Energy Research

Funda Saygin

Funda.Saygin@cmegroup.com

212.299.2338