

**SUBMISSION COVER SHEET**

**IMPORTANT:** Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 24-006

Organization: New York Mercantile Exchange, Inc. ("NYMEX")

Filing as a:  DCM  SEF  DCO  SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 02/08/24 Filing Description: Various Amendments to the LNG Japan/Korea Marker (Platts) Yen Denominated Futures Contract to Decrease the Size From 10,000 MMBtu to 1,000 MMBtu and Temporary Suspension of Trading and Clearing of the Contract

**SPECIFY FILING TYPE**

Please note only ONE choice allowed per Submission.

**Organization Rules and Rule Amendments**

- Certification § 40.6(a)
- Approval § 40.5(a)
- Notification § 40.6(d)
- Advance Notice of SIDCO Rule Change § 40.10(a)
- SIDCO Emergency Rule Change § 40.10(h)

**Rule Numbers:**

**New Product**

Please note only ONE product per Submission.

- Certification § 40.2(a)
- Certification Security Futures § 41.23(a)
- Certification Swap Class § 40.2(d)
- Approval § 40.3(a)
- Approval Security Futures § 41.23(b)
- Novel Derivative Product Notification § 40.12(a)
- Swap Submission § 39.5

**Official Product Name:**

**Product Terms and Conditions (product related Rules and Rule Amendments)**

- Certification § 40.6(a)
- Certification Made Available to Trade Determination § 40.6(a)
- Certification Security Futures § 41.24(a)
- Delisting (No Open Interest) § 40.6(a)
- Approval § 40.5(a)
- Approval Made Available to Trade Determination § 40.5(a)
- Approval Security Futures § 41.24(c)
- Approval Amendments to enumerated agricultural products § 40.4(a), § 40.5(a)
- "Non-Material Agricultural Rule Change" § 40.4(b)(5)
- Notification § 40.6(d)

**Official Name(s) of Product(s) Affected:** See filing.

**Rule Numbers:** See filing.

February 8, 2024

**VIA ELECTRONIC PORTAL**

Mr. Christopher J. Kirkpatrick  
 Office of the Secretariat  
 Commodity Futures Trading Commission  
 Three Lafayette Centre  
 1155 21<sup>st</sup> Street, N.W.  
 Washington, D.C. 20581

**Re: CFTC Regulation 40.6(a) Certification. Various Amendments to the LNG Japan/Korea Marker (Platts) Yen Denominated Futures Contract to Decrease the Size From 10,000 MMBtu to 1,000 MMBtu and Temporary Suspension of Trading and Clearing of the Contract. NYMEX Submission No. 24-006**

Dear Mr. Kirkpatrick:

New York Mercantile Exchange, Inc. (“NYMEX” or “Exchange”) is certifying to the Commodity Futures Trading Commission (“CFTC” or “Commission”) various amendments to the LNG Japan/Korea Marker (Platts) Yen Denominated Futures contract (the “Contract”) to decrease the size of the Contract from 10,000 MMBtu to 1,000 MMBtu effective for trade date Monday, February 26, 2024 as more specifically described below. There is no open interest in the Contract.

Current Contract Title	Amended Contract Title	Rulebook Chapter	CME Globex and CME ClearPort Code	Current Trading Unit	Decreased Trading Unit
LNG Japan/Korea Marker (Platts) Yen Denominated Futures	<b>Mini</b> LNG Japan/Korea Marker (Platts) Yen Denominated Futures	1305	JKY	10,000 MMBtu	<b><u>1,000 MMBtu</u></b>

In order to decrease the contract size of the Contract to 1,000 MMBtu, the Exchange will amend:

- Chapter 1305 to change the contract title of the Contract and Rule 1305102.B. (“Trading Unit”) to reduce the trading unit (see Exhibit A); and
- Rule 588.H. (“Globex Non-Reviewable Trading Ranges”) Table (see Exhibit B); and
- The Position Limit, Position Accountability and Reportable Level table (see Exhibit C under separate cover); and
- the related Exchange transaction fees (see Exhibit D)
- *effective immediately*, temporarily suspend trading and clearing of the Contract until the effective date of this submission on February 26, 2024 (collectively, the “Rule Amendments”).

The Rule Amendments establish a contract size that is more suitable for managing LNG price exposure in Japanese Yen. Market participants who have exposure in the local currency tend to conduct trades in smaller volume increment than the original contract size of 10,000 MMBtu. The Rule Amendments will further facilitate implementing hedging strategies and general trading activity in what the market believes to be a more precise size of the Contract.

The Exchange reviewed the designated contract market core principles (“Core Principles”) as set forth in the Commodity Exchange Act (“CEA”) and identified that the Rule Amendments may have some bearing on the following Core Principles:

- **Availability of General Information:** The Exchange will publish information on the change via a Special Executive Report (“SER”) to notify the marketplace of the Rule Amendments. The SER is also posted on the CME Group website.
- **Daily Publication of Trading Information:** The Exchange will continue to comply with this Core Principle by making public daily information on settlement prices, volume, open interest, and opening and closing ranges for the Contract. This will be accomplished by publishing this information daily on the Exchange’s website.
- **Position Limits or Accountability:** Positions in the Contract will continue to aggregate into the LNG Japan/Korea Marker (Platts) Futures (Rulebook Chapter: 868; Commodity Code: JKM) for position limit and accountability level purposes. The aggregation ratio will change from 1:1 to 10:1 because of the reduced new contract size. There is no change to the aggregate position limits. Trading activity in the Contract shall continue to be subject to monitoring and surveillance by CME Group’s Market Regulation Department, which has the authority to exercise its investigatory and enforcement power where potential rule violations are identified.
- **Prevention of Market Disruption:** Trading in the Contract will continue to be subject to the rules of the Exchange, which include prohibitions on manipulation, price distortion, and disruption to the cash settlement process.

Pursuant to Section 5c(c) of the Act and CFTC Regulation 40.6(a), the Exchange hereby certifies that the Rule Amendments comply with the Act, including regulations under the Act. There were no substantive opposing views to the proposal.

The Exchange certifies that this submission has been concurrently posted on the CME Group website at <http://www.cmegroup.com/market-regulation/rule-filings.html>.

Should you have any questions concerning the above, please contact the undersigned at (312) 466-7478 or via e-mail at [CMEGSubmissionInquiry@cmegroup.com](mailto:CMEGSubmissionInquiry@cmegroup.com).

Sincerely,

/s/ Timothy Elliott  
Managing Director and Chief Regulatory Counsel

Attachments: Exhibit A: Amendments to NYMEX Rulebook Chapter 1305 (blackline format)  
Exhibit B: Amendments to NYMEX Rule 588.H. ("Globex Non-Reviewable Trading Ranges") Table (blackline format)  
Exhibit C: Amendments to Position Limit, Position Accountability, and Reportable Level Table (blackline format) (attached under separate cover)  
Exhibit D: Exchange Fees (blackline format)  
Exhibit E: Cash Market Overview and Analysis of Deliverable Supply

## EXHIBIT A

### **NYMEX Rulebook**

(additions underscored, deletions ~~struck through~~)

## **Chapter 1305**

### **Mini LNG Japan/Korea Marker (Platts) Yen Denominated Futures**

#### **1305100. SCOPE OF CHAPTER**

The provisions of these rules shall apply to all futures contracts bought or sold on the Exchange for cash settlement based on the Floating Price. The procedures for trading, clearing and cash settlement of this contract, and any other matters not specifically covered herein shall be governed by the general rules of the Exchange.

#### **1305101. CONTRACT SPECIFICATIONS**

The 'Settlement Period' for a specified contract month shall be the one-month period that starts on, and includes, the 16th calendar day of the month that is two months prior to the contract month, and ends on, and includes the 15th calendar day of the month prior to the contract month.

The Floating Price shall be determined following the publication of the DES Japan/Korea daily LNG marker (JKM) in Japanese Yen by Platts on the last publication day in the Settlement Period. If such day is not an Exchange business day, the Floating Price shall be determined on the following Exchange business day.

The Floating Price for each contract month is equal to the arithmetic average of the DES Japan/Korea Marker (JKM) in Japanese Yen published in respect of the contract month by Platts in LNG Daily for each day that it is published during the Settlement Period.

#### **1305102. TRADING SPECIFICATIONS**

The number of months open for trading at a given time shall be determined by the Exchange.

##### **1305102.A. Trading Schedule**

The hours of trading for this contract shall be determined by the Exchange.

##### **1305102.B. Trading Unit**

The contract quantity shall be ~~40,000~~ 1,000 MMBtu (million British thermal units). Each contract shall be valued as the contract quantity (~~40,000~~ 1,000) multiplied by the settlement price.

##### **1305102.C. Price Increments**

Prices shall be quoted in Japanese Yen per MMBtu. The minimum price fluctuation shall be ¥0.5 per MMBtu. There shall be no maximum price fluctuation.

##### **1305102.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.

##### **1305102.E. Termination of Trading**

Trading shall terminate on the last weekday (i.e. Monday to Friday inclusive) in the Settlement Period. If such day is not an Exchange business day, trading shall terminate on the preceding Exchange business day.

#### **1305103. FINAL SETTLEMENT**

Final settlement under the contract shall be by cash settlement. Final settlement, following termination of trading for a contract month, will be based on the Floating Price. The final settlement price will be the Floating Price calculated for each contract month.

#### **1305104. DISCLAIMER**

See [NYMEX/COMEX Chapter iv. \("DISCLAIMERS"\)](#) incorporated herein by reference.

**EXHIBIT B**

**NYMEX Rulebook  
Chapter 5  
("Trading Qualifications and Practices")  
Rule 588.H. ("Globex Non-Reviewable Trading Ranges") Table**

(additions underscored)

		Outrights		
Instrument	Globex Symbol	Globex Non-Reviewable Ranges (NRR)	NRR: Globex Format	NRR: Minimum Ticks
<b><u>Mini LNG</u></b>				
Japan/Korea Marker (Platts) JPY Futures	JKY	10 JPY per MMBtu	100	20

**EXHIBIT C**

**NYMEX Rulebook  
Chapter 5  
("Trading Qualifications and Practices")**

**Position Limit, Position Accountability, and Reportable Level Table**

(additions **underscored**; deletions ~~struck through~~)

(attached under separate cover)

**EXHIBIT D**

**Exchange Fees**

(additions underscored, deletions ~~struck through~~)

	<b>Member</b>	<b>Non-Member</b>
CME Globex	<del>\$5.00</del> <u>\$0.80</u>	<del>\$7.00</del> <u>\$1.00</u>
EFP	<del>\$5.00</del> <u>\$0.80</u>	<del>\$7.00</del> <u>\$1.00</u>
Block	<del>\$5.00</del> <u>\$0.80</u>	<del>\$7.00</del> <u>\$1.00</u>
EFR/EOO	<del>\$5.00</del> <u>\$0.80</u>	<del>\$7.00</del> <u>\$1.00</u>
<b>Processing Fees</b>	<b>Member</b>	<b>Non-Member</b>
Cash Settlement	<del>\$1.00</del> <u>\$0.10</u>	<del>\$1.00</del> <u>\$0.10</u>
	<b>Fee</b>	
Facilitation Fee	\$0.60	
Give-Up Surcharge	\$0.05	
Position Adjustment/Position Transfer	\$0.10	



## EXHIBIT E

### Cash Market Overview and Analysis of Deliverable Supply

#### Japan LNG Market

Liquefied natural gas (“LNG”) is a growing part of the international supply and trade of energy. LNG is natural gas that is cooled and compressed into liquid form to make it more readily transportable. LNG is typically transported by sea in specially designed vessels. In its 2023 annual report, the International Group of Liquefied Natural Gas Importers (GIIGNL) states that, a total of 45 countries imported LNG and 20 countries exported it in 2022. Overall, 389.2 million tons were imported (vs. 372.3 million tons in 2021) with Asia representing 65% of the global LNG demand. Of the total volume imported, 35% was procured on a spot/ short-term basis.<sup>1</sup>

Table 1. provides the five largest importers and Table 2. provides the five largest exporters of LNG in 2022 according to the GIIGNL. The five largest importers are all Asian countries except France. These countries together account for 58.4% of global imports. The top five exporters include Qatar, Australia, USA, Malaysia and Nigeria. These countries represent 66% of global LNG supply.

#### Table 1. Top 5 LNG Net Importing Country in 2022

Units: Million Metric Tons

Source: GIIGNL

<b>Country</b>	<b>Net Imports</b>	<b>% of total</b>
Japan	72.16	18.5%
China	63.32	16.3%
South Korea	47.19	12.1%
France	24.75	6.4%
Taiwan	19.96	5.1%
<b>Total Top Five Importers</b>	<b>222.53</b>	<b>58.4%</b>

#### Table 2. Top 5 LNG Net Exporting Country in 2022

Units: Million Metric Tons

Source: GIIGNL

<b>Country</b>	<b>Net Exports</b>	<b>% of total</b>
Qatar	79.04	20.3%
Australia	78.50	20.2%
USA	75.44	19.4%
Russia	32.07	8.2%
Malaysia	27.60	7.1%
<b>Total Top Ten Exporters</b>	<b>292.65</b>	<b>75.2%</b>

The Platts spot LNG assessment “Japan Korea Marker (JKM)” represents spot LNG cargoes price delivered into Northeast Asia including Japan, South Korean, China and Taiwan. Table 3. provides net imports of LNG from 2020 to 2022. In the three-year period, total LNG imports averaged 207.87 million metric tons per year, or 17.32 million metric tons per month.

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<sup>1</sup> <https://giignl.org/wp-content/uploads/2023/07/GIIGNL-2023-Annual-Report-July20.pdf>

**Table 3. Northeast Asia LNG Net Imports**

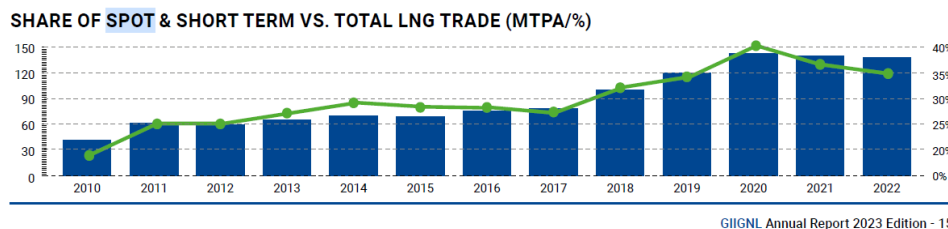
Units: Million Metric Tons

Source: GIIGNL

LNG imports (m MT)	2020	2021	2022	Average 2020-2022
Japan	74.43	73.45	72.16	<b>73.35</b>
China	68.91	79.27	63.32	<b>70.50</b>
South Korea	40.81	46.92	47.19	<b>44.97</b>
Taiwan	17.76	19.44	19.96	<b>19.05</b>
<b>Total</b>	<b>201.91</b>	<b>219.08</b>	<b>202.63</b>	<b>207.87</b>

The physical LNG market trades in cargoes. According to the GIIGNL, the global LNG tanker fleet consisted of 734 vessels at the end of 2022. Most of the vessels operated with a cargo capacity of between 170,000 and 210,000 cubic meters. The majority of LNG cargoes are sold under term supply agreements however, there is a growing volume of cargoes traded on a spot market basis. The data from GIIGNL shows that 35% of the total volume delivered in 2022 was tied to spot/short-term purchases (provided in the right hand axis in the chart below). Spot LNG cargoes are typically traded in U.S. dollars, on a price per energy content (i.e., \$ per MMBtu) basis. Pricing on the basis of the energy content takes into account any variances in the chemical make-up of the different LNG production streams available in the market and for different pressure and temperature regimes on different vessels.

Spot & Short-term (duration of 4 years or less) vs total LNG trade



GIIGNL Annual Report 2023 Edition - 15

Source: GIIGNL Annual Report 2023<sup>2</sup>

The share of spot and short-term deals has dropped slightly in the past two years but is in general increasing in longer timespan. This long-term growth is on the back of increasing US exports, contracting for portfolio trades and the growing volume handled by trading intermediaries. Historically, the market for LNG was restrictive in the sense that long-term supply agreements did not allow for destination flexibility. Today, non-destination restricted term cargoes are re-traded multiple times and may be redirected. Overall, destination restrictions are being progressively shelved. In 2017, the Japan Fair Trade Commission stated that restrictions that stopped customers from reselling LNG cargoes violated The Antimonopoly Act.<sup>3</sup> According to International Energy Agency (“IEA”), the share of destination free contracts rose from 30% in 2016 to over 46% in 2022, mainly driven by the expansion of US LNG.<sup>4</sup> Pricing term also became more diverse, with the share of oil-indexed LNG export contracts declining from over 71% in 2016 to 59% in 2022, replaced by hub indexation and hybrid pricing formula.

<sup>2</sup> <https://giignl.org/wp-content/uploads/2023/07/GIIGNL-2023-Annual-Report-July20.pdf>

<sup>3</sup> <https://www.ft.com/content/9245d034-5bd9-11e7-9bc8-8055f264aa8b>

<sup>4</sup> <https://iea.blob.core.windows.net/assets/f45a2340-8479-4585-b26e-ec5e9b14feca/GlobalGasSecurityReview2023IncludingtheGasMarketReportQ32023.pdf>

## Analysis of Deliverable Supply

### Japan LNG Market

As noted above, average imports of LNG into Japan, Korea, China and Taiwan for 2020-2022 is 207.87 million metric tons per year or 17.32 million metric tons per month. It should be noted that a substantial proportion of these imports were the result of medium and long-term supply contracts. The Exchange has conducted an analysis of the impact of medium and long-term supply contracts on the deliverable supply.

Given the presence of cargoes resulting from contracts that are destination restricted, the Exchange has determined to adjust the available import volumes by the amount of fixed delivery cargoes. Of the total LNG trade, 35% of the total is traded in flexible spot and short-term markets (source: GIIGNL). Non-spot/short-term contracts accounted for the remaining 65% share. In addition, according to IEA approximately 46% of the contracts were traded with destination flexibility. The Exchange therefore estimates that contracted cargoes with destination flexibility represented 29.9% of total LNG imports (46% destination flexibility of 65% non-spot/short-term contracts).

Consequently, the adjusted import availability has been calculated at 64.9% (35% spot/short-term + 29.9% contracted cargoes with destination flexibility). The average monthly 17.32 million metric tons imports are hence reduced to 11.24 million metric tons (17.32 x 64.9%). According to the IEA's statistics manual<sup>5</sup>, a kilogram of LNG is equivalent to 51,560 Btu, or a metric ton is equivalent to 51.56 MMBtu. Using this conversion factor, the deliverable supply of 11.24 million metric tons is equivalent to 579,534,400 MMBtu per month. The position limits of the **Mini LNG Japan/Korea Marker (Platts) Yen Denominated Futures** aggregate into the **LNG Japan/Korea Marker (Platts) Futures** with a contract size of 10,000 MMBtu. The deliverable supply of 579,534,400 MMBtu therefore equates to 57,953 contracts per month. The current spot month position limit for **LNG Japan/Korea Marker (Platts) Futures** is 5,000 contracts. This represents 8.6% of the deliverable supply.

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<sup>5</sup> <https://iea.blob.core.windows.net/assets/67fb0049-ec99-470d-8412-1ed9201e576f/EnergyStatisticsManual.pdf> , table A3.9