



Sean M. Downey
Associate Director and Assistant General Counsel
Legal Department

January 19, 2012

VIA E-MAIL

Mr. David Stawick
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, D.C. 20581

Re: Rule 40.2 (a) Certification. New York Mercantile Exchange, Inc. Submission # 12-025: Notification Regarding the Listing of One (1) New ULSD Futures Contract and Two (2) New ULSD Option Contracts for Trading on the CME Globex, NYMEX Trading Floor and for Clearing through CME ClearPort

Dear Mr. Stawick:

The New York Mercantile Exchange, Inc. ("NYMEX" or the "Exchange") is notifying the Commodity Futures Trading Commission ("CFTC" or "Commission") that it is self-certifying the listing of one (1) new financially settled ultra low sulfur diesel futures contract and two (2) new (American- and European-style) ultra low sulfur diesel option contracts for trading on the CME Globex, NYMEX trading floor and for submission for clearing through CME ClearPort beginning at 6:00 p.m. on Sunday, January 22, 2012, for trade date Monday, January 23, 2012.

The futures contract specifications are as follows:

CONTRACT NAME	CHAPTER	CODE	CONTRACT UNIT	MINIMUM PRICE FLUCTUATION	EXPIRATION	LISTING CONVENTION
NY ULSD Financial Futures	1152	ULS	42,000 gallons	\$0.0001	Trading shall cease one business day prior to the termination of trading of the NYMEX New York Harbor Ultra-Low Sulfur Diesel (ULSD) futures contract for the contract month.	Current year and next 4 years

The option contracts' specifications are as follows:

CONTRACT NAME	CHAPTER	CODE	CONTRACT UNIT	MINIMUM PRICE FLUCTUATION	EXPIRATION	LISTING CONVENTION	STRIKE PRICE INTERVALS
NY ULSD Option	1153	ULO	42,000 gallons	\$0.0001	Third business day immediately preceding the expiration of the underlying New York Harbor Ultra-Low Sulfur Diesel (ULSD) futures.	Current year and next 4 years	\$0.01
NY ULSD European Option	1154	ULE	42,000 gallons	\$0.0001	Third business day immediately preceding the expiration of the underlying New York Harbor Ultra-Low Sulfur Diesel (ULSD) futures	Current year and next 4 years	\$0.01

The Exchange will allow the exchange for related position (EFRP) transactions to be submitted through CME ClearPort. EFRP transactions in these contracts will be governed by the provisions of Exchange Rule 538.

Trading and Clearing Hours:

- CME Globex: Sunday – Friday 6:00 p.m. – 5:15 p.m. (5:00 p.m. – 4:15 p.m. Chicago Time/CT) with a 45-minute break each day beginning at 5:15 p.m. (4:15 p.m. CT).
- CME ClearPort: Sunday – Friday 6:00 p.m. – 5:15 p.m. (5:00 p.m. – 4:15 p.m. CT) with a 45-minute break each day beginning at 5:15 p.m. (4:15 p.m. CT).
- Open Outcry: Monday – Friday 9:00 a.m. – 2:30 p.m. (8:00 a.m. – 1:30 p.m. CT).

Trading and Clearing Fees:

- **Futures Contract Fee Schedule:**
NY ULSD Financial Futures (Chapter 1152; Code ULS)

Exchange Fees					
	Member Day	Member	Cross Division	Non-Member	IIP
Pit	\$0.45	\$0.70	\$0.95	\$1.45	
Globex	\$0.45	\$0.70	\$0.95	\$1.45	\$0.75
ClearPort		\$0.70		\$1.45	

Processing Fees		
	Member	Non-Member
Cash Settlement	\$0.00	\$0.00
Futures from E/A	NA	NA
	House Acct	Cust Acct
Options E/A Notice	NA	NA
Delivery Notice	NA	NA

Additional Fees and Surcharges	
EFS Surcharge	NA
Facilitation Desk Fee	\$0.20

- **Option Contracts Fee Schedule:**
1. NY ULSD Option (Chapter: 1153; Code: ULO)

Exchange Fees					
	Member Day	Member	Cross Division	Non-Member	IIP
Pit	\$0.45	\$0.70	\$0.95	\$1.45	
Globex	\$0.45	\$0.70	\$0.95	\$1.45	\$0.75
ClearPort		\$1.75		\$2.50	

Processing Fees			Additional Fees and Surcharges	
	Member	Non-Member	EFS Surcharge	NA
Cash Settlement	NA	NA	Block Surcharge	NA
Futures from E/A	NA	NA	Facilitation Desk Fee	\$0.20
	House Acct	Cust Acct		
Options E/A Notice	\$0.40	\$0.85		
Delivery Notice	NA	NA		

2. NY ULSD European Option (Chapter: 1154; Code: ULE)

Exchange Fees					
	Member Day	Member	Cross Division	Non-Member	IIP
Pit	\$0.45	\$0.70	\$0.95	\$1.45	
Globex	\$0.45	\$0.70	\$0.95	\$1.45	\$0.75
ClearPort		\$1.75		\$2.50	

Processing Fees			Additional Fees and Surcharges	
	Member	Non-Member	EFS Surcharge	NA
Cash Settlement	\$0.90	\$1.15	Block Surcharge	NA
Futures from E/A	NA	NA	Facilitation Desk Fee	\$0.20
	House Acct	Cust Acct		
Options E/A Notice	NA	NA		
Delivery Notice	NA	NA		

The Exchange is also notifying the CFTC that it is self-certifying the insertion of the terms and conditions for the new futures and option contracts into 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 in relation to the listing of the new contracts. These terms and conditions establish the all month/any one month accountability levels, expiration month position limit, reportable level, diminishing balance and aggregation allocation for the new contracts. In addition, the Exchange is self-certifying the insertion of the non-reviewable range ("NRR") for the futures contract into Rule 588.G. The bid/ask reasonability ("BAR") allowance and NRR for the option contracts will be consistent with the BAR and NRR in the Refined Products (NYMEX) section of Rule 588.G. Specifically, the BAR for the option contracts will be "[t]he greater of the delta times the underlying futures non-reviewable range or 20% of the fair value premium up to the underlying futures non-reviewable range with a minimum reasonability of \$.0076" and the NRR for the options contracts will be "20% of premium up to 1/4 of the underlying futures non-reviewable range."

The Exchange is also notifying the CFTC that it is self-certifying the insertion of the NY ULSD Financial futures (ULS) contract into the Associated Products Appendix" of the special price fluctuation limits rules for Light Sweet Crude Oil futures (Rule 200.06A), New York Harbor No. 2 Heating Oil futures (Rule 150.07A), RBOB Gasoline futures (Rule 191.07A) and New York Harbor Ultra-Low Sulfur Diesel (ULSD) futures (Rule 151.07A) contracts in order to implement maximum price fluctuation limits for the NY ULSD Financial futures and its associated option contracts such that the maximum price fluctuation limits are consistent with the prevailing price limits of the NYMEX New York Harbor Ultra-Low Sulfur Diesel (ULSD) futures contract.

The "Associated Products Appendix" contained in each of the above-listed rules is intended to ensure that whenever one of the four petroleum products listed in the appendix (i.e., Light Sweet Crude Oil futures, New York Harbor N. 2 Heating Oil futures, New York Harbor Ultra-Low Sulfur Diesel (ULSD) futures, or RBOB Gasoline futures) reaches the maximum price fluctuation limits (in accordance with the Special Price Fluctuation Limits rule for the respective product), this results in a market halt of all three other products and any others listed in the Associated Products Appendix. Therefore, in order to implement maximum price fluctuation limits for the NY ULSD Financial futures and its associated option contracts, the Exchange is notifying the CFTC that it is inserting the futures contract into the "Associated Products Appendix" of the above-mentioned rules.

NYMEX business staff responsible for the new products and the NYMEX legal department collectively reviewed the designated contract market core principles ("Core Principles") as set forth in the Commodity Exchange Act ("CEA"). During the review, NYMEX staff identified that the new products may have some bearing on the following Core Principles:

- Prevention of Market Disruption: Trading in these contracts will be subject to the NYMEX rules ("Rulebook") Chapters 4 and 7 which include prohibitions on manipulation, price distortion and disruptions of the delivery or cash-settlement process. As with all products listed for trading on one of CME Group's designated contract markets, activity in the new products will be subject to extensive monitoring and surveillance by CME Group's Market Regulation Department.
- Contracts not Readily Subject to Manipulation: The new contracts are not readily subject to manipulation due to the deep liquidity and robustness in the underlying cash market, which provides diverse participation and sufficient spot transactions to support the final settlement.
- Compliance with Rules: Trading in these contracts will be subject to the rules in Rulebook Chapter 4 which includes prohibitions against fraudulent, noncompetitive, unfair and abusive practices. Additionally, trading in these contracts will also be subject to the full panoply of trade practice rules, the majority of which are contained in Chapter 5 and Chapter 8 of the Rulebook. As with all products listed for trading on one of CME Group's designated contract markets, activity in the new products will be subject to extensive monitoring and surveillance by CME Group's Market Regulation Department. The Market Regulation Department has the authority to exercise its investigatory and enforcement power where potential rule violations are identified.
- Position Limitations or Accountability: The spot month position limits for the new products are set at conservative levels that are less than 10% of the monthly deliverable supply in the respective underlying markets. Accountability levels are set at approximately half of the monthly deliverable supply in the underlying market.
- Availability of General Information: The Exchange will publish information on the contracts' specification on its website, together with daily trading volume, open interest and price information.
- Daily Publication of Trading Information: Trading volume, open interest and price information will be published daily on the Exchange's website and via quote vendors.
- Financial Integrity of Contracts: All contracts traded on the Exchange will be cleared by the Clearing House of the Chicago Mercantile Exchange Inc. which is a registered derivatives clearing organization with the Commission and is subject to all Commission regulations related thereto.
- Execution of Transactions: The new contracts are dually listed for clearing through the CME ClearPort platform and for trading on the CME Globex trading platform. The CME ClearPort platform provides a competitive, open and efficient mechanism for novating transactions that are competitively executed by brokers. The CME Globex electronic trading platform provides for a competitive and open execution of transactions due to its advanced functionality, high reliability and global connectivity. It runs continuously, so it is not restricted by borders or time zones. CME Globex remains among the fastest global electronic trading systems.

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- Trade Information: All required trade information is included in the audit trail and is sufficient for the Market Regulation Department to monitor for market abuse.
- Protection of Market Participants: Rulebook Chapters 4 and 5 contain multiple prohibitions precluding intermediaries from disadvantaging their customers. These rules apply to trading on all of the Exchange's competitive trading venues and will be applicable to transactions in these products.
- Disciplinary Procedures: Chapter 4 of the Rulebook contains provisions that allow the Exchange to discipline, suspend or expel members or market participants that violate the Rulebook. Trading in these contracts will be subject to Chapter 4, and the Market Regulation Department has the authority to exercise its enforcement power in the event rule violations in these products are identified.
- Dispute Resolution: Disputes with respect to trading in these contracts will be subject to the arbitration provisions set forth in Chapter 6 of the Rulebook. Chapter 6 allows all nonmembers to submit a claim for financial losses resulting from transactions on the Exchange to arbitration. A member named as a respondent in a claim submitted by a nonmember is required to participate in the arbitration pursuant to Chapter 6. Additionally, the Exchange requires that members resolve all disputes concerning transactions on the Exchange via arbitration.

Pursuant to Section 5c(c) of the Commodity Exchange Act ("Act") and CFTC Regulation 40.2, the Exchange hereby certifies that the attached contracts comply with the Act, including regulations under the Act. There were no substantive opposing views to this proposal. A description of the cash market for these new products is attached.

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 (312) 930-8167 or Sean.Downey@cmegroup.com.

Sincerely,

/s/Sean M. Downey
Associate Director and Assistant General Counsel

Attachments: Appendix A: Rule Chapter
Appendix B: Chapter 5 Table
Appendix C: Rule 588.G. No Bust Ranges
Appendix D: Insertion of Futures Contract into Associated Product Appendix – CL, LH, RB and HO
Appendix E: Cash Market Overview and Analysis of Deliverable Supply

Chapter 1152 NY ULSD Financial Futures

1152100. 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.

1152101. CONTRACT SPECIFICATIONS

The Floating Price is equal to the NYMEX New York Harbor Ultra-Low Sulfur Deisel (ULSD) futures first nearby contract settlement price on the penultimate (second-to-last) trading day for the contract month of the NYMEX New York Harbor Ultra-Low Sulfur Deisel (ULSD) futures contract.

1152102. TRADING SPECIFICATIONS

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

1152102.A. Trading Schedule

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

1152102.B. Trading Unit

The contract quantity shall be 42,000 gallons. Each contract shall be valued as the contract quantity (42,000) multiplied by the settlement price.

1152102.C. Price Increments

Prices shall be quoted in U.S. dollars and cents per gallon. The minimum price fluctuation shall be \$0.0001 per gallon. The maximum price fluctuation shall be consistent with the prevailing price limits of the NYMEX New York Harbor Ultra-Low Sulfur Deisel (ULSD) futures contract.

1152102.D. Position Limits and Position Accountability

In accordance with Rule 559, no person shall own or control positions in excess of 1,000 contracts net long or net short in the spot month.

In accordance with Rule 560:

1. the all-months accountability level shall be 7,000 contracts net long or net short in all months combined;
2. the any-one month accountability level shall be 7,000 contracts net long or net short in any single contract month excluding the spot month.

Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.

1152102.E. Termination of Trading

Trading shall cease one business day prior to the termination of trading of the NYMEX New York Harbor Ultra-Low Sulfur Diesel (ULSD) futures contract for the contract month.

1152103. 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.

1152104. DISCLAIMER

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Chapter 1153 NY ULSD Option

1153100. SCOPE OF CHAPTER

This chapter is limited in application to put and call options on NYMEX New York Harbor Ultra-Low Sulfur Diesel (ULSD) futures contracts. In addition to the rules of this chapter, transactions in options on New York Harbor Ultra-Low Sulfur Diesel (ULSD) futures shall be subject to the general rules of the Exchange insofar as applicable.

1153101. OPTION CHARACTERISTICS

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

1153101.A. Trading Schedule

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

1153101.B. Trading Unit

A NY ULSD Call Option traded on the Exchange represents an option to assume a long position in the underlying New York Harbor Ultra-Low Sulfur Diesel (ULSD) futures contract. A NY ULSD Put Option traded on the Exchange represents an option to assume a short position in the underlying New York Harbor Ultra-Low Sulfur Diesel (ULSD) futures contract.

1153101.C. Price Increments

Prices shall be quoted in dollars and cents per gallon and prices shall be in multiples of \$0.0001 per gallon. The minimum price increment will be \$0.0001. A cabinet trade may occur at a price of \$0.0000238 per gallon, or \$1.00 per contract.

1153101.D. Position Limits and Position Accountability

For purposes of calculating compliance with position limits, each contract will be aggregated with positions held in New York Harbor Ultra-Low Sulfur Diesel (ULSD) futures. Each position in the contract will be calculated as a single position in the New York Harbor Ultra-Low Sulfur Diesel (ULSD) futures contract.

In accordance with Rule 559, no person shall own or control positions in excess of 650 contracts net long or net short in the spot month.

In accordance with Rule 560:

1. the all-months accountability level shall be 7,000 futures-equivalent contracts net long or net short in all months combined;
2. the any-one month accountability level shall be 7,000 futures-equivalent contracts net long or net short in any single contract month excluding the spot month.

Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.

1153101.E. Termination of Trading

The option contract shall expire at the close of trading on the third business day immediately preceding the expiration of the underlying New York Harbor Ultra-Low Sulfur Diesel (ULSD) futures contract.

1153101.F. Type Option

The option is an American-style option which can be exercised on any business day prior to and until expiration day.

1153102. EXERCISE PRICES

(A) On the first business day of trading in an option contract month, trading shall be at the following strike prices: (i) the previous day's settlement price for New York Harbor Ultra-Low Sulfur Diesel (ULSD) futures contracts in the corresponding delivery month rounded off to the nearest one-cent increment strike price unless such settlement price is precisely midway between two one-cent increment strike prices in which case it shall be rounded off to the lower one-cent increment strike price and (ii) the twenty one-cent increment strike prices which are twenty increments higher than the strike price described in subsection (A)(i) of this rule and (iii) the twenty one-cent increment strike prices which are twenty increments lower than the strike price described in subsection (A)(i) of this rule and (iv) an additional ten strike prices at five-cent increments above the highest one-cent increment strike as described in subsection (A)(ii) of this rule, beginning with the first available such strike that is divisible by \$0.05 and (v) an additional ten strike prices at five-cent increments below the lowest one-cent increment as described in subsection (A)(iii) of this rule.

(B) Thereafter, on any business day prior to the expiration of the option, (i) new consecutive strike prices for both puts and calls will be added such that at all times there will be at least twenty one-

cent increment strike prices above and below the at-the-money strike price available for trading in all options contract months and (ii) new five-cent increment strike will be added such that at all times there shall be ten five-cent strike prices above the highest one-cent strike, (iii) new five-cent increment strike prices will be added such that at all times there shall be ten five-cent strike prices below the lowest one-cent strike and each such strike price shall be above zero. The at-the-money strike price will be determined in accordance with the procedures set forth in subsection (A)(i) of this rule.

(C) Notwithstanding the provisions of subsections (A) and (B) of this rule, if the Exchange determines that trading in NY ULSD Option will be facilitated thereby, the Exchange may, by resolution, change the increments between strike prices, the number of strike prices which shall be traded on the first day in any new option contract month, the number of new strike prices which will be introduced on each business day or the period preceding the expiration of a NY ULSD Option in which no new strike prices may be introduced.

1153103.

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Chapter 1154

NY ULSD European Option

1154100. SCOPE OF CHAPTER

This chapter is limited in application to put and call options on NYMEX New York Harbor Ultra-Low Sulfur Diesel (ULSD) futures contracts. In addition to the rules of this chapter, transactions in options on New York Harbor Ultra-Low Sulfur Diesel (ULSD) futures shall be subject to the general rules of the Exchange insofar as applicable.

1154101. OPTION CHARACTERISTICS

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

1154101.A. Trading Schedule

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

1154101.B. Trading Unit

A NY ULSD European Call Option traded on the Exchange represents the differential between the final settlement price of the underlying New York Harbor Ultra-Low Sulfur Diesel (ULSD) futures and the strike price multiplied by 42,000 gallons, or zero, whichever is greater. A NY ULSD European Put Option traded on the Exchange represents the differential between the strike price and the final settlement price of the underlying New York Harbor Ultra-Low Sulfur Diesel futures multiplied by 42,000 gallons, or zero, whichever is greater.

1154101.C. Price Increments

Prices shall be quoted in dollars and cents per gallon and prices shall be in multiples of \$0.0001 per gallon. The minimum price increment will be \$0.0001. A cabinet trade may occur at a price of \$0.0000238 per gallon, or \$1.00 per contract.

1154101.D. Position Limits and Position Accountability

For purposes of calculating compliance with position limits, each contract will be aggregated with positions held in NY ULSD Financial futures. Each position in the contract will be calculated as a single position in the NY ULSD Financial futures contract.

In accordance with Rule 559, no person shall own or control positions in excess of 1,000 contracts net long or net short in the spot month.

In accordance with Rule 560:

1. the all-months accountability level shall be 7,000 futures-equivalent contracts net long or net short in all months combined;
2. the any-one month accountability level shall be 7,000 futures-equivalent contracts net long or net short in any single contract month excluding the spot month.

Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.

1154101.E. Termination of Trading

The option contract shall expire at the close of trading on the third business day immediately preceding the expiration of the underlying New York Harbor Ultra-Low Sulfur Diesel (ULSD) futures contract.

1154101.F. Type Option

The option is a European-style option cash settled only on expiration day.

1154102. EXERCISE PRICES

(A) On the first business day of trading in an option contract month, trading shall be at the following strike prices: (i) the previous day's settlement price for New York Harbor Ultra-Low Sulfur Diesel (ULSD) futures contracts in the corresponding delivery month rounded off to the nearest one-cent increment strike price unless such settlement price is precisely midway between two one-cent increment strike prices in which case it shall be rounded off to the lower one-cent increment strike price and (ii) the twenty one-cent increment strike prices which are twenty increments higher than the strike price described in subsection (A)(i) of this rule and (iii) the twenty one-cent increment strike prices which are twenty increments lower than the strike price described in subsection (A)(i) of this rule and (iv) an additional ten strike prices at five-cent increments above the highest one-cent increment strike as described in subsection (A)(ii) of this rule, beginning with the first available such strike that is divisible by \$0.05 and (v) an additional ten strike prices at five-cent increments below the lowest one-cent increment as described in subsection (A)(iii) of this rule.

(B) Thereafter, on any business day prior to the expiration of the option, (i) new consecutive strike prices for both puts and calls will be added such that at all times there will be at least twenty one-

cent increment strike prices above and below the at-the-money strike price available for trading in all options contract months and (ii) new five-cent increment strike will be added such that at all times there shall be ten five-cent strike prices above the highest one-cent strike, (iii) new five-cent increment strike prices will be added such that at all times there shall be ten five-cent strike prices below the lowest one-cent strike and each such strike price shall be above zero. The at-the-money strike price will be determined in accordance with the procedures set forth in subsection (A)(i) of this rule.

(C) Notwithstanding the provisions of subsections (A) and (B) of this rule, if the Exchange determines that trading in NY ULSD European Option will be facilitated thereby, the Exchange may, by resolution, change the increments between strike prices, the number of strike prices which shall be traded on the first day in any new option contract month, the number of new strike prices which will be introduced on each business day or the period preceding the expiration of a NY ULSD European Option in which no new strike prices may be introduced.

1154103.

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Appendix B

NYMEX Rulebook Chapter 5 Position Limit Table
(Bold/underline indicates additions)

Contract Name	Rule Chapter	Commodity Code	All Month Accountability Level	Any One Month Accountability Level	Expiration Month Limit	Reporting Level	Aggregate Into (1)
			Rule 560	Rule 560	Rule 559	Rule 561	
<i>New York Harbor</i>							
<u>NY ULSD Financial Futures</u>	<u>1152</u>	<u>ULS</u>	<u>7,000</u>	<u>7,000</u>	<u>1,000</u>	<u>25</u>	<u>ULS</u>
<u>NY ULSD Option</u>	<u>1153</u>	<u>ULO</u>	<u>7,000</u>	<u>7,000</u>	<u>650</u>	<u>25</u>	<u>LH</u>
<u>NY ULSD European Option</u>	<u>1154</u>	<u>ULE</u>	<u>7,000</u>	<u>7,000</u>	<u>1,000</u>	<u>25</u>	<u>ULS</u>

Appendix C

RULE 588.G.
(Bold/Underline Indicates Additions)

NAME	NON-REVIEWABLE RANGE	NRR INCLUDING UNIT OF MEASURE	NRR TICKS
<u>NY ULSD Financial Futures (ULS)</u>	<u>250</u>	<u>\$.025 per gallon</u>	<u>250</u>

(underline indicates addition)

Chapter 200
Light Sweet Crude Oil Futures

200.06A. SPECIAL PRICE FLUCTUATION LIMITS

(A) Initial Price Fluctuation Limits for All Contract Months. At the commencement of each trading day, there shall be price fluctuation limits in effect for each contract month of this futures contract of \$10.00 per barrel above or below the previous day's settlement price for such contract month.

(B)

(1) Triggering Event and Temporary Trading Halt Related to Trading on Globex®.

If a market for any of the first three (3) contract months is bid or offered at the upper or lower price fluctuation limit, as applicable, on Globex it will be considered a Triggering Event which will halt trading for a five (5) minute period in all contract months of the CL futures contract, as well as all contract months in all products cited in the Associated Product Appendix of this rule. Trading in any option related to this contract or in an option contract related to any products cited in the Associated Product Appendix which may be available for trading on either Globex or on the Trading Floor, shall additionally be subject to a coordinated trading halt.

(2) Expansion of Limits Following Temporary Trading Halt.

Following the end of the 5-minute Temporary Trading Halt, the affected markets shall re-open simultaneously in all contract months of these futures contracts. When trading resumes, price fluctuation limits for each contract month shall be expanded an additional increment of the price fluctuation limits, above and below the previous day's settlement price for each contract month in the affected contracts on Globex and on the trading floor (as applicable).

(3) Each instance in which a Triggering Event occurs, a Temporary Trading Halt will commence as provided by Sub-Sections (1)-(2) above and the price fluctuation limits for all contract months shall be expanded by an additional increment of the price fluctuation limits for CL as well as all products cited in the Associated Products Appendix in this rule.

(4) End of Day Lifting of Price Fluctuation Limits.

On any Exchange business day, regardless of any prior action concerning price fluctuation limits during the trading session, commencing sixty (60) minutes before the close of the Regular Trading Hours (RTH) session, there shall be no price fluctuation limits on any contract month in CL and all products cited in the Associated Products Appendix of this rule. The Price Fluctuation Limits shall be reinstated after the close of RTH for trading on Globex and shall be in effect through to the conclusion of the current trading day's Globex trading session.

(C) Price Fluctuation Limits on the Trading Floor (Floor Trading)

(1) The price fluctuation limits cited in section (A) of this rule shall be applicable on the Trading Floor (Floor Trading). However, all markets on the trading floor shall be limited to trading at these price levels (locked limit) and shall not constitute a Triggering Event for purposes of a Temporary Trading halt on Globex.

(2) In all instances when a Triggering Event in CL occurs on Globex, Floor Trading in CL and any products cited in the Associated Products Appendix of this rule shall immediately halt. Additionally, trading in any option related to this contract or in an option contract related to any products cited in the Associated Product Appendix, shall be subject to a coordinated trading halt.

(3) Whenever Globex markets are expanded and re-opened pursuant to the provisions of Section (B) of this rule, effected markets on the Trading Floor shall re-open with the expanded limits in place.

(D) Associated Products Appendix

CL	Light Sweet Crude Oil Futures
HO	New York Harbor No. 2 Heating Oil Futures
RB	RBOB Gasoline Futures
LH	New York Harbor Ultra-Low Sulfur Diesel (ULSD) Futures
QM	E-mini Crude Oil Futures
QH	E-mini Heating Oil Futures
QU	E-mini RBOB Gasoline Futures

WS	Crude Oil Financial Futures
RT	RBOB Gasoline Financial Futures
ULS	<u>NY ULSD Financial Futures</u>

Chapter 150
New York Harbor No. 2 Heating Oil Futures

150.07A SPECIAL PRICE FLUCTUATION LIMITS

(A) Initial Price Fluctuation Limits for All Contract Months. At the commencement of each trading day, there shall be price fluctuation limits in effect for each contract month of this futures contract of \$.25 per gallon above or below the previous day's settlement price for such contract month.

(B) (1) Triggering Event and Temporary Trading Halt Related to Trading on Globex®.

If a market for any of the first three (3) contract months is bid or offered at the upper or lower price fluctuation limit, as applicable, on Globex it will be considered a Triggering Event which will halt trading for a five (5) minute period in all contract months of the HO futures contract, as well as all contract months in all products cited in the Associated Product Appendix of this rule. Trading in any option related to this contract or in an option contract related to any products cited in the Associated Product Appendix which may be available for trading on either Globex or on the Trading Floor, shall additionally be subject to a coordinated trading halt.

(2) Expansion of Limits Following Temporary Trading Halt.

Following the end of the 5-minute Temporary Trading Halt, the affected markets shall re-open simultaneously in all contract months of these futures contracts. When trading resumes, price fluctuation limits for each contract month shall be expanded an additional increment of the price fluctuation limits, above and below the previous day's settlement price for each contract month in the affected contracts on Globex and on the trading floor (as applicable).

(3) Each instance in which a Triggering Event occurs, a Temporary Trading Halt will commence as provided by Sub-Sections (1)-(2) above and the price fluctuation limits for all contract months shall be expanded by an additional increment of the price fluctuation limits for HO as well as all products cited in the Associated Products Appendix in this rule.

(4) End of Day Lifting of Price Fluctuation Limits.

On any Exchange business day, regardless of any prior action concerning price fluctuation limits during the trading session, commencing sixty (60) minutes before the close of the Regular Trading Hours (RTH) session, there shall be no price fluctuation limits on any contract month in HO and all products cited in the Associated Products Appendix of this rule. The Price Fluctuation Limits shall be reinstated after the close of RTH for trading on Globex and shall be in effect through to the conclusion of the current trading day's Globex trading session.

(C) Price Fluctuation Limits on the Trading Floor (Floor Trading)

(1) The price fluctuation limits cited in section (A) of this rule shall be applicable on the Trading Floor (Floor Trading). However, all markets on the trading floor shall be limited to trading at these price levels (locked limit) and shall not constitute a Triggering Event for purposes of a Temporary Trading halt on Globex.

(2) In all instances when a Triggering Event in HO occurs on Globex, Floor Trading In HO and any products cited in the Associated Products Appendix of this rule shall immediately halt. Additionally, trading in any option related to this contract or in an option contract related to any products cited in the Associated Product Appendix, shall be subject to a coordinated trading halt.

(3) Whenever Globex markets are expanded and re-opened pursuant to the provisions of Section (B) of this rule, effected markets on the Trading Floor shall re-open with the expanded limits in place.

(D) Associated Products Appendix

CL	Light Sweet Crude Oil Futures
HO	New York Harbor No. 2 Heating Oil Futures
RB	RBOB Gasoline Futures
LH	New York Harbor Ultra-Low Sulfur Diesel (ULSD) Futures
QM	E-mini Crude Oil Futures

QH	E-mini Heating Oil Futures
QU	E-mini RBOB Gasoline Futures
WS	Crude Oil Financial Futures
RT	RBOB Gasoline Financial Futures
<u>ULS</u>	<u>NY ULSD Financial Futures</u>

Chapter 151
New York Harbor Ultra-Low Sulfur Diesel (ULSD) Futures

151.07A SPECIAL PRICE FLUCTUATION LIMITS

(A) Initial Price Fluctuation Limits for All Contract Months. At the commencement of each trading day, there shall be price fluctuation limits in effect for each contract month of this futures contract of \$.25 per gallon above or below the previous day's settlement price for such contract month.

(B) (1) Triggering Event and Temporary Trading Halt Related to Trading on Globex®.

If a market for any of the first three (3) contract months is bid or offered at the upper or lower price fluctuation limit, as applicable, on Globex it will be considered a Triggering Event which will halt trading for a five (5) minute period in all contract months of the LH futures contract, as well as all contract months in all products cited in the Associated Product Appendix of this rule. Trading in any option related to this contract or in an option contract related to any products cited in the Associated Product Appendix which may be available for trading on either Globex or on the Trading Floor, shall additionally be subject to a coordinated trading halt.

(2) Expansion of Limits Following Temporary Trading Halt. Following the end of the 5-minute Temporary Trading Halt, the affected markets shall re-open simultaneously in all contract months of these futures contracts. When trading resumes, price fluctuation limits for each contract month shall be expanded an additional increment of the price fluctuation limits, above and below the previous day's settlement price for each contract month in the affected contracts on Globex and on the trading floor (as applicable).

(3) Each instance in which a Triggering Event occurs, a Temporary Trading Halt will commence as provided by Sub-Sections (1)-(2) above and the price fluctuation limits for all contract months shall be expanded by an additional increment of the price fluctuation limits for LH as well as all products cited in the Associated Products Appendix in this rule.

(4) End of Day Lifting of Price Fluctuation Limits. On any Exchange business day, regardless of any prior action concerning price fluctuation limits during the trading session, commencing sixty (60) minutes before the close of the Regular Trading Hours (RTH) session, there shall be no price fluctuation limits on any contract month in LH and all products cited in the Associated Products Appendix of this rule. The Price Fluctuation Limits shall be reinstated after the close of RTH for trading on Globex and shall be in effect through to the conclusion of the current trading day's Globex trading session.

(C) Price Fluctuation Limits on the Trading Floor (Floor Trading)

(1) The price fluctuation limits cited in section (A) of this rule shall be applicable on the Trading Floor (Floor Trading). However, all markets on the trading floor shall be limited to trading at these price levels (locked limit) and shall not constitute a Triggering Event for purposes of a Temporary Trading halt on Globex.

(2) In all instances when a Triggering Event in LH occurs on Globex, Floor Trading in LH and any products cited in the Associated Products Appendix of this rule shall immediately halt. Additionally, trading in any option related to this contract or in an option contract related to any products cited in the Associated Product Appendix, shall be subject to a coordinated trading halt.

(3) Whenever Globex markets are expanded and re-opened pursuant to the provisions of Section (B) of this rule, effected markets on the Trading Floor shall re-open with the expanded limits in place.

(D) Associated Products Appendix

CL	Light Sweet Crude Oil Futures
HO	New York Harbor No. 2 Heating Oil Futures
RB	RBOB Gasoline Futures
LH	New York Harbor Ultra-Low Sulfur Diesel (ULSD) Futures

QM	E-mini Crude Oil Futures
QH	E-mini Heating Oil Futures
QU	E-mini RBOB Gasoline Futures
WS	Crude Oil Financial Futures
RT	RBOB Gasoline Financial Futures
<u>ULS</u>	<u>NY ULSD Financial Futures</u>

Chapter 191 RBOB Gasoline Futures

191.07A. SPECIAL PRICE FLUCUATION LIMITS

(A) Initial Price Fluctuation Limits for All Contract Months. At the commencement of each trading day, there shall be price fluctuation limits in effect for each contract month of this futures contract of \$.25 per gallon above or below the previous day's settlement price for such contract month.

(B)(1) Triggering Event and Temporary Trading Halt Related to Trading on Globex®.

If a market for any of the first three (3) contract months is bid or offered at the upper or lower price fluctuation limit, as applicable, on Globex it will be considered a Triggering Event which will halt trading for a five (5) minute period in all contract months of the RB futures contract, as well as all contract months in all products cited in the Associated Product Appendix of this rule. Trading in any option related to this contract or in an option contract related to any products cited in the Associated Product Appendix which may be available for trading on either Globex or on the Trading Floor, shall additionally be subject to a coordinated trading halt.

(2) Expansion of Limits Following Temporary Trading Halt.

Following the end of the 5-minute Temporary Trading Halt, the affected markets shall re-open simultaneously in all contract months of these futures contracts. When trading resumes, price fluctuation limits for each contract month shall be expanded an additional increment of the price fluctuation limits, above and below the previous day's settlement price for each contract month in the affected contracts on Globex and on the trading floor (as applicable).

(3) Each instance in which a Triggering Event occurs, a Temporary Trading Halt will commence as provided by Sub-Sections (1)-(2) above and the price fluctuation limits for all contract months shall be expanded by an additional increment of the price fluctuation limits for RB as well as all products cited in the Associated Products Appendix in this rule.

(4) End of Day Lifting of Price Fluctuation Limits.

On any Exchange business day, regardless of any prior action concerning price fluctuation limits during the trading session, commencing sixty (60) minutes before the close of the Regular Trading Hours (RTH) session, there shall be no price fluctuation limits on any contract month in RB and all products cited in the Associated Products Appendix of this rule. The Price Fluctuation Limits shall be reinstated after the close of RTH for trading on Globex and shall be in effect through to the conclusion of the current trading day's Globex trading session.

(C) Price Fluctuation Limits on the Trading Floor (Floor Trading)

(1) The price fluctuation limits cited in section (A) of this rule shall be applicable on the Trading Floor (Floor Trading). However, all markets on the trading floor shall be limited to trading at these price levels (locked limit) and shall not constitute a Triggering Event for purposes of a Temporary Trading halt on Globex.

(2) In all instances when a Triggering Event in RB occurs on Globex, Floor Trading in RB and any products cited in the Associated Products Appendix of this rule shall immediately halt. Additionally, trading in any option related to this contract or in an option contract related to any products cited in the Associated Product Appendix shall be subject to a coordinated trading halt.

(3) Whenever Globex markets are expanded and re-opened pursuant to the provisions of Section (B) of this rule, effected markets on the Trading Floor shall re-open with the expanded limits in place.

(D) Associated Products Appendix.

CL	Light Sweet Crude Oil Futures
HO	New York Harbor No. 2 Heating Oil Futures

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RB	RBOB Gasoline Futures
LH	New York Harbor Ultra-Low Sulfur Diesel (ULSD) Futures
QM	E-mini Crude Oil Futures
QH	E-mini Heating Oil Futures
QU	E-mini RBOB Gasoline Futures
WS	Crude Oil Financial Futures
RT	RBOB Gasoline Financial Futures
<u>ULS</u>	<u>NY ULSD Financial Futures</u>

CASH MARKET OVERVIEW

These new ULSD-related futures and option contracts are based on the NYMEX New York Harbor Ultra-Low Sulfur Diesel (ULSD) futures contract. The NYMEX New York Harbor Ultra-Low Sulfur Diesel (ULSD) futures contract is intended to ultimately replace the NYMEX New York Harbor No. 2 Heating Oil futures contract as a result of regulatory changes in New York State resulting in the reduction of sulfur levels in heating oil. Consequently, the NYMEX New York Harbor Ultra-Low Sulfur Diesel (ULSD) futures contract will become the main benchmark for pricing of the distillate products, including diesel fuel, heating oil, and jet fuel.

U.S. Distillates Market

Distillate fuel oil is a general classification for one of the petroleum product categories produced by distillation operations, a boiling process that separates crude oil into fractions¹. The lightest and the first fraction of distillate fuel is jet kerosene, followed by on-road diesel, heating oil/off-road diesel, and residual fuel oils.

The U.S. distillates market represents a large physical market. Total U.S. refining capacity averaged at 17.584 million barrels per day (b/d) in 2010², with average distillates production representing about 24%, or 4.223 million b/d³ of this capacity. During the same year, approximately 82%, or 3.39 million b/d of distillates production consisted of Ultra-low Sulfur Diesel (ULSD)⁴.

The Colonial Pipeline⁵ is the main pipeline that connects the U.S. Gulf Coast (USGC) refineries to the New York Harbor market, and delivers 2.3 million b/d of refined products. Colonial has seven grades of kerosene and 16 grades of home heating oil and diesel fuel oil. The Colonial pipeline's specifications serve as the benchmark for physical refined products⁶. Colonial Pipeline grade 61 refers to the main grade of ULSD which is a dual-use fuel for heating oil and on-road use. Further, Colonial Pipeline grade

¹ <http://www.epa.gov/otaq/regs/nonroad/marine/ci/fr/dfuelrpt.pdf>

² http://www.eia.gov/dnav/pet/pet_pnp_cap1_dcu_nus_a.htm

³ http://www.eia.gov/dnav/pet/pet_sum_snd_a_epd0_mbbldpd_a_cur.htm

⁴ http://www.eia.gov/dnav/pet/pet_sum_snd_a_EPDXL0_mbbldpd_a_cur.htm

⁵ http://www.colpipe.com/ab_main.asp

⁶ <http://www.colpipe.com/pdfs/Sect%203%20Prod%20Spec%20Jan%201%202011%20update%20ver%202.pdf>

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54 refers to the main grade of jet fuel and has maximum sulfur specification of 3,000 parts per million (“ppm”).⁷

ULSD Market

The distillate fuels sector consists of several grades of fuel, as follows: No.1 fuel oil (ULSD for on-road and heating); No.2 (off-road diesel fuel and heating oil), and No.4 (commercial/industrial heating oil). These grades of fuel oils are used in diesel engines, boilers and power generators. Diesel fuel containing a maximum of 15ppm of sulfur is called Ultra-low Sulfur Diesel (ULSD).

The ULSD cash and futures market participation is diverse and includes many commercial entities that are active in USGC and in the New York Harbor markets.

The estimated trading volume of ULSD in the New York Harbor cash market is approximately 250,000 to 300,000 barrels per day. The typical transaction size is 25,000 barrels, with numerous separate transactions occurring per day. The volume of spot transactions is more than half of all cash transactions, and the balance of trades are longer-term contracts. There is active trading in forward cash deals on the Colonial Pipeline (which links Houston with the New York Harbor market) and in the New York Harbor cash market. The bid/ask spreads are typically in increments of one-quarter cent, although this can tighten to one-tenth cent spreads when the cash market is active. There are approximately 30 to 40 participants in the New York Harbor ULSD cash market. The cash market is competitively traded, and is actively quoted by dozens of cash brokers.

Further, there is an active OTC swaps market in distillate products, including ULSD and heating oil swaps, with OTC swap trading volume of approximately 600,000 to 800,000 barrels per day. The typical OTC transaction size consists of 25,000 barrels, with 25 to 30 transactions traded daily in the OTC swaps market. The bid/ask spreads are typically in increments of 10 cents per barrel, which reflects robust liquidity in the OTC market.

Regulatory Changes

The U.S. Environmental Protection Agency (“EPA”) “2007 Highway Rule”⁸ mandated the use of ULSD in all heavy-duty highway engine and vehicles beginning June 2006, and effectively reducing the

⁷ <http://www.colpipe.com/pdfs/Sect%203%20Prod%20Spec%20Jan%201%202011%20update%20over%202.pdf>

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sulfur content of highway diesel from 500ppm to 15ppm. In addition, the "temporary compliance" rule, or the 80/20 rule, provisioned that 80% of total U.S. production and imports of highway diesel fuel (No.1 and No.2) had to meet the 15ppm cap starting in June 2006. Effective June 2010, full compliance replaced the "80/20" rule for imports and production, and 100% of all highway diesel fuel was capped by the 15ppm level. By the end of 2010, all highway fuel terminals and diesel retailers had converted to 100% ULSD in compliance with EPA guidelines.

The EPA implemented a similar sulfur program in non-road diesel fuel, binding diesel fuel used in industries like agriculture to the 15ppm standard in June 2010. Starting in June 2012⁹, the 15ppm sulfur cap will apply to marine and locomotive diesel fuel, effectively making the entirety of the diesel complex a 15ppm maximum sulfur market at the federal level.

New York State mandated all No. 2 heating oil sold for residential, commercial and industrial heating applications within the State to contain no more than 15ppm of sulfur as of July 1, 2012. With EPA's pre-existing sulfur regulations, ULSD in New York has effectively become a dual-use (heating and transportation) low sulfur fuel oil product. Following New York's footsteps, the New Jersey Department of Environmental Protection amended its sulfur content standards to phase out high sulfur heating oil, and gradually implementing a 15ppm sulfur cap by July 1, 2016. The first phase of the rule will take effect in July 2014, with an initial limit of 500ppm¹⁰.

Due to regulatory changes in New York State, the NYMEX New York Harbor Ultra-Low Sulfur Diesel (ULSD) futures contract will become the main benchmark for pricing of the distillate products, including diesel fuel, heating oil, and jet fuel.

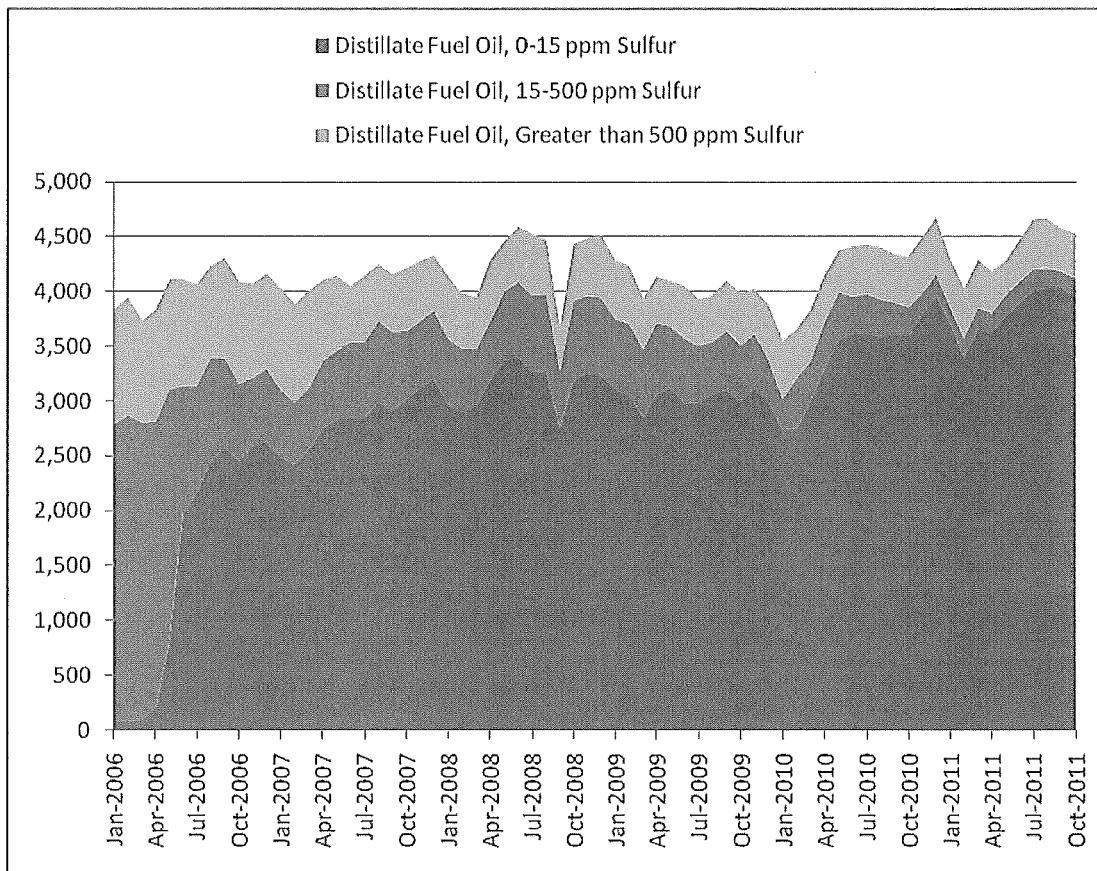
⁸ <http://www.epa.gov/oms/highway-diesel/regs/f00057.pdf>

⁹ <http://www.epa.gov/nonroad-diesel/2004fr/420r04007a.pdf>

¹⁰ http://www.nj.gov/dep/newsrel/2010/10_0086.htm

Figure 1. US Distillates Production by Sulfur Content, 2006- Oct 2011

(Thousand barrels per day)



Source: <http://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=pet&s=mdgrpus2&f=m>
http://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=pet&s=md1rp_nus_2&f=m
http://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=pet&s=md0rp_nus_2&f=m

Demand and Supply Analysis

The U.S. Department of Energy's Energy Information Administration ("EIA"), provides detailed consumption, production, stocks, and trade statistics for ULSD with maximum 15ppm sulfur.

The data contained in Tables 1 and 2 reflect supply and demand statistics for ULSD in 2008-2010 in Petroleum Administration for Defense District ("PADD") I (U.S. Atlantic Coast) and PADD III (U.S. Gulf Coast). These tables contain data on refinery production, shipments between PADD regions, imports, exports, and consumption. The EIA uses "Product Supplied" data as a proxy for consumption as "it

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measures the disappearance of these products from primary sources, i.e., refineries, natural gas processing plants, blending plants, pipelines, and bulk terminals.”

Table 1. Selected Statistics for ULSD: U.S. Atlantic Coast (PADD I)

(Annual, Thousand Barrels per Day)

Distillate Fuel Oil, 15 ppm and under Sulfur	2008	2009	2010	Average 2008-2010
Refinery and Blender Net Production	262	214	222	233
Net Receipts from Other PADDs (pipeline, tanker, barge)	391	417	475	428
Imports	110	101	107	106
Exports	NA	5	7	6
Consumption (Product Supplied)	758	706	801	755

http://www.eia.gov/dnav/pet/pet_sum_snd_a_EPDXL0_mbbldpd_a_cur.htm

Table 2. Selected Statistics for ULSD: U.S. Gulf Coast (PADD III)

(Annual, Thousand Barrels per Day)

Distillate Fuel Oil, 15 ppm and under Sulfur	2008	2009	2010	Average 2008-2010
Refinery and Blender Net Production	1,397	1,435	1,710	1,514
Net Receipts from Other PADDs (pipeline, tanker, barge)	-628	-604	-689	-640
Imports	1	0	NA	0.5
Exports	NA	203	287	245
Consumption (Product Supplied)	723	577	704	668

http://www.eia.gov/dnav/pet/pet_sum_snd_a_EPDXL0_mbbldpd_a_cur.htm

According to the EIA, during the 2008 to 2010 period, PADD III refinery production of ULSD averaged 1.5 million barrels per day, with approximately 42% of Gulf Coast production shipped to other U.S. PADD regions via pipeline, tanker or barges.

Meanwhile, the main consuming region, PADD I, received approximately 57% of its ULSD fuel via shipments from other PADDs, mostly from PADD III. Further, PADD I production and imports production made up approximately 43% of the 755,000 b/d total ULSD consumption.

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Tables 3 and 4 below indicate monthly stocks of ULSD in PADD I and PADD III, respectively.

Changes in stocks reflect changes in the fundamentals of a market, and vary with demand and supply.

Stocks in both regions grew in the January 2008 – October 2011 period.

Table 3. ULSD Stocks: U.S. Atlantic Coast (PADD I)

(Monthly, Thousand Barrels)

	2008	2009	2010	2011
January	16,327	19,849	24,728	26,182
February	13,003	19,712	22,119	24,213
March	13,970	18,858	20,850	22,785
April	14,305	20,139	19,741	22,769
May	14,646	21,572	22,528	25,064
June	17,328	23,294	23,982	23,143
July	16,650	22,492	25,662	25,907
August	17,716	23,486	26,260	24,175
September	15,949	24,282	26,393	24,081
October	14,749	23,202	25,801	23,426
November	16,253	26,838	24,446	NA
December	18,350	25,266	22,844	NA
Average	15,771	22,416	23,780	24,175

http://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=MD0ST_R10_1&f=M

Table 4. ULSD Stocks: U.S. Gulf Coast (PADD III)

(Monthly, Thousand Barrels)

	2008	2009	2010	2011
January	17,521	25,298	31,994	41,698
February	16,688	25,065	30,922	39,007
March	18,878	25,645	33,142	41,621
April	19,124	27,453	32,804	36,876
May	20,580	28,892	32,989	38,132
June	20,181	30,459	36,322	37,814
July	22,708	32,508	37,719	36,644
August	22,190	35,095	39,896	41,655
September	20,053	35,606	36,294	40,842
October	20,634	35,223	36,358	36,233
November	22,156	33,035	35,237	NA
December	25,746	36,511	39,595	NA
Average	20,527	30,899	35,273	39,052

http://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=MD0ST_R30_1&f=M

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Historical Prices

Table 5 below presents historical price information for the proposed contracts' underlying futures, NYMEX New York Harbor Ultra-Low Sulfur Diesel (ULSD) futures contract listed for trading on the NYMEX trading floor and CME Globex and for clearing through CME ClearPort.

Table 5. Monthly Prices for NYMEX New York Harbor Ultra-Low Sulfur Diesel (ULSD) Futures Spot Prices (US Dollars per gallon)

Year	Month	Price		Year	Month	Price
2009	Jan	\$ 1.4600		2011	Jan	\$ 2.6357
	Feb	\$ 1.2308			Feb	\$ 2.8330
	Mar	\$ 1.3085			Mar	\$ 3.1177
	Apr	\$ 1.3663			Apr	\$ 3.2719
	May	\$ 1.4614			May	\$ 3.0228
	Jun	\$ 1.5774			Jun	\$ 3.0529
	Jul	\$ 1.7126			Jul	\$ 3.1480
	Aug	\$ 1.9456			Aug	\$ 3.0075
	Sep	\$ 1.8205			Sep	\$ 2.9710
	Oct	\$ 1.9784			Oct	\$ 2.9680
	Nov	\$ 2.0177			Nov	\$ 3.0625
	Dec	\$ 2.0022			Dec	\$ 2.8852
2010	Jan	\$ 2.0674				
	Feb	\$ 2.0212				
	Mar	\$ 2.1512				
	Apr	\$ 2.2944				
	May	\$ 2.1142				
	Jun	\$ 2.1014				
	Jul	\$ 2.0844				
	Aug	\$ 2.1439				
	Sep	\$ 2.1667				
	Oct	\$ 2.2762				
	Nov	\$ 2.3517				
	Dec	\$ 2.5053				

ANALYSIS OF DELIVERABLE SUPPLY

These new ULSD-related futures and options contracts that are being listed will replace the existing slate of New York Harbor No. 2 Heating Oil (HO) -related futures and option contracts which are being phased out as a result of new regulations requiring lower sulfur content. As stated above, due to regulatory changes in New York State related to the sulfur levels in heating oil, the NYMEX New York Harbor Ultra-Low Sulfur Diesel (ULSD) futures contract will become the main benchmark for pricing of the distillate products, including diesel fuel, heating oil, and jet fuel. Given that these new ULSD-related contracts will replace the existing HO-related contracts, the new position limits will be set at the same levels as the existing position limits, as these new contracts are intended to replace the existing HO-related contracts.

The New York Harbor area is the main trading and distribution hub for the PADD I region of the U.S. Most of the PADD I imports enter via the New York Harbor area. In addition, most of the refining capacity in PADD I is located within 40 miles of the New York Harbor area. Consequently, the Exchange has focused on the PADD I imports and refining production of ULSD as the basis for the spot month position limits. Based on the PADD I refinery production data provided by the EIA from Table 1 above, the average refinery supply of ULSD for the three-year period from January 2008 to December 2010 was approximately 233,000 barrels per day. Further, the PADD I imports of ULSD were approximately 106,000 barrels per day. Therefore, the total PADD I refinery production and imports of ULSD was approximately 339,000 barrels per day, which is equivalent to over 10 million barrels per month. Thus, the spot month position limit of 1,000 contracts (or 1.0 million barrels) for the ULSD Financial futures contract (code ULS) represents approximately less than 10% of the total monthly deliverable supply of ULSD in the New York Harbor market. The position limits for the NY ULSD European option contract will be the same as, and aggregate into, the ULSD Financial futures contract.

The American-style option contract, NY ULSD Option, will exercise into the underlying New York Harbor Ultra-Low Sulfur Diesel (ULSD) futures contract. The position limits for the option are then aggregated into the underlying futures contracts. The spot month limits for the futures is currently set at 650 contracts.

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Please note that for these new futures and option contracts, at this time, the Exchange is not including stocks data in its analysis of deliverable supply. Although ULSD stocks are substantial in PADD I, the stocks data tend to vary and, at least upon initial launch of products, we would rather not condition recommended position limits based on stock data. Further, the Exchange has determined not to adjust the deliverable supply estimate based on the spot availability because spot market liquidity is not restrictive and tends to vary depending on the market fundamentals of demand and supply. The typical term agreement in the cash market allows flexibility for re-trading of the contracted quantity in the spot market, so the term agreements do not restrict the potential deliverable supply. Also, the spot trading is not restricted in that it could increase if the market demand increases. Therefore, we believe that it is not necessary to adjust the deliverable supply estimate on the basis of the spot trading because this does not restrict the deliverable supply, and spot trading volume can expand to allow for more supply to flow if needed in the spot market.