



RECEIVED
CFTC

2011 FEB 24 AM 11:17

February 24, 2011

OFFICE OF THE
SECRETARIAT

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 Certification. New York Mercantile Exchange, Inc. Submission #11-081: Notification Regarding the Listing of Brent Option on Calendar Futures Strip and Brent Option on Quarterly Futures Strip Contracts on NYMEX Trading Floor and CME ClearPort®

Dear Mr. Stawick:

The New York Mercantile Exchange, Inc. ("NYMEX" or "Exchange") is notifying the Commodity Futures Trading Commission ("CFTC" or "Commission") that it is self-certifying the listing of two new crude oil option contracts: 1) Brent Option on Calendar Futures Strip (Rule 826; Code BPC) and 2) Brent Option on Quarterly Futures Strip (Rule 827; Code BQP). The option contracts will be traded on the NYMEX floor and will be available for clearing services through CME ClearPort, beginning at 6:00 p.m. on Sunday, February 27, 2011 for trade date Monday, February 28, 2011.

The proposed option contracts will be European style and will exercise into a strip of underlying futures upon expiration. The contracts specifications are as follows:

Product Specification:

Product Name	Brent Option on Calendar Futures Strip	Brent Option on Quarterly Futures Strip
Symbol	BPC	BQP
Rule Chapter	826	827
Option Type	European style; option contracts will exercise into underlying futures	
Underlying Futures	Brent (ICE) Calendar Swap Futures (CY)	
Contract Unit	12 consecutive futures contract months beginning with the underlying month of the option contract.	3 consecutive futures contract months beginning with the underlying month of the option contract.
Expiration	One business day prior to the delivery month of the first underlying futures contract.	
Price Fluctuations	\$0.01 per barrel	
Strike Intervals	20 strikes in \$0.50 per barrel intervals above and below the at the money strike price	
First List Month	January 2012	April 2011
Listing Series	3 consecutive years	4 consecutive quarters
Trading Hours	Open Outcry: Monday – Friday 9:00 a.m. – 2:30 p.m. (8:00 p.m. – 1:30 p.m. Chicago Time/CT). CME ClearPort: 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).	

Fee Schedule:

Symbol	NY Trading Floor Fee				CME ClearPort Fee		Options E/A Notice	
	Member Day	Member Overnight	Blended	Non-Member	Member	Non-Member	House	Customer
BPC	N/A	\$5.00	\$7.00	\$7.00	\$5.00	\$7.00	\$0.40	\$0.85
BQP	N/A	\$1.25	\$1.75	\$1.75	\$1.25	\$1.75	\$0.40	\$0.85

Pursuant to Section 5c(c) of the Commodity Exchange Act ("Act") and CFTC Rules 40.2 and 40.6, 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.

Should you have any questions concerning the above, please contact the undersigned at (212) 299-2207 or Robert Biolsi at (212) 299-2610.

Sincerely,

/s/ Felix Khalatnikov
Dir & Assoc General Counsel

Attachments: Contract terms and conditions
Cash market overview and analysis of deliverable supply

Chapter 826
Brent Option on Calendar Futures Strip

826.01 EXPIRATION

A Brent Option on Calendar Futures Strip contract shall expire one (1) business day prior to the delivery month of the first underlying Brent (ICE) Calendar Swap Futures (CY) contract.

826.02 TYPE OF OPTION

A Brent Option on Calendar Futures Strip contract is a European-style option.

826.03 TRADING UNIT

On expiration of a call option, the long position will be assigned twelve consecutive long futures months beginning with the first underlying month of long Brent (ICE) Calendar Swap Futures contracts at the strike price. On exercise of a put option, the long position will be assigned twelve consecutive short futures months beginning with the first underlying month of the short Brent (ICE) Calendar Swap Futures contracts at the strike price.

826.04 STRIKE PRICES

Trading shall be conducted for options with strike prices in increments as set forth below.

(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 average settlement price for the underlying Brent (ICE) Calendar Swap strip of futures rounded off to the nearest fifty cent increment, unless such settlement price is precisely midway between two (2) fifty cent increments in which case it shall be rounded off to the lower fifty cent increment; (ii) the twenty (20) strike prices which are twenty (20) fifty cent increments higher than the strike price described in section (i) of this Rule 826.04(A); and (iii) the twenty (20) strike prices which are twenty (20) fifty cent increments lower than the strike price described in section (i) of this Rule 826.04(A).

(B) Thereafter, on any business day prior to the expiration of the option, new strike prices for both puts and calls will be added, such that at all times there will be at least twenty (20) fifty cent increment strike prices above and below the at-the-money strike price available for trading in all options contract months. The at-the-money strike price will be determined in accordance with the procedures set forth in Subsection (A) of this Rule 826.04.

(C) Notwithstanding the provisions of subsections (A) and (B) of this Rule, if the Exchange determines that trading in Brent Option on Calendar Futures Strip 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 Brent Option on Calendar Futures Strip in which no new strike prices may be introduced.

826.05 TRADING MONTHS

Trading in Brent Option on Calendar Futures Strip contracts shall be conducted in the months determined by the Exchange.

826.06 PRICES

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

826.07 ABSENCE OF PRICE FLUCTUATION

Trading in Brent Option on Calendar Futures Strip contract shall not be subject to price fluctuation limitations.

Chapter 827
Brent Option on Quarterly Futures Strip

827.01 EXPIRATION

A Brent Option on Quarterly Futures Strip contract shall expire one (1) business day prior to the delivery month of the first underlying Brent (ICE) Calendar Swap Futures (CY) contract.

827.02 TYPE OF OPTION

A Brent Option on Quarterly Futures Strip contract is a European-style option.

827.03 TRADING UNIT

On expiration of a call option, the long position will be assigned three consecutive long futures months beginning with the first underlying month of long Brent (ICE) Calendar Swap Futures contracts at the strike price. On exercise of a put option, the long position will be assigned three consecutive short futures months beginning with the first underlying month of short Brent (ICE) Calendar Swap Futures contracts at the strike price.

827.04 STRIKE PRICES

Trading shall be conducted for options with strike prices in increments as set forth below.

(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 average settlement price for the underlying Brent (ICE) Calendar Swap strip of futures rounded off to the nearest fifty cent increment, unless such settlement price is precisely midway between two (2) fifty cent increments in which case it shall be rounded off to the lower fifty cent increment; (ii) the twenty (20) strike prices which are twenty (20) fifty cent increments higher than the strike price described in section (i) of this Rule 827.04(A); and (iii) the twenty (20) strike prices which are twenty (20) fifty cent increments lower than the strike price described in section (i) of this Rule 827.04(A).

(B) Thereafter, on any business day prior to the expiration of the option, new strike prices for both puts and calls will be added, such that at all times there will be at least twenty (20) fifty cent increment strike prices above and below the at-the-money strike price available for trading in all options contract months. The at-the-money strike price will be determined in accordance with the procedures set forth in Subsection (A) of this Rule 827.04.

(C) Notwithstanding the provisions of subsections (A) and (B) of this Rule, if the Exchange determines that trading in Brent Option on Quarterly Futures Strip 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 Brent Option on Quarterly Futures Strip in which no new strike prices may be introduced.

827.05 TRADING MONTHS

Trading in Brent Option on Quarterly Futures Strip contracts shall be conducted in the months determined by the Exchange.

827.06 PRICES

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

827.07 ABSENCE OF PRICE FLUCTUATION

Trading in Brent Option on Quarterly Futures Strip contract shall not be subject to price fluctuation limitations.

CASH MARKET OVERVIEW

Description

Crude oil is a flammable liquid composed mostly of complex hydrocarbons formed from the remains of animal and plants over million years. After oil is removed from the ground, it is sent to the refineries and is further separated into usable petroleum products. According to the Department of Energy's *Energy Information Administration* ("EIA") data as of 2009, a barrel of crude oil can produce roughly 44 gallons of petroleum products, including diesel, distillates, fuel oil, liquefied petroleum gases, heating oil, gasoline and other refined products.

There are different kinds of crude oil being produced in the world. A light sweet crude oil is considered to be more productive due to its low density and low sulfur content, and hence is usually trading at premiums to heavy sour crudes. Brent crude oil is characterized as light sweet crude sourced from the North Sea.

Production

Based on EIA's data, the average production of crude oil in the United Kingdom for both inland and offshore was approximately 1,392 thousand barrels per day in 2008, 1,329 thousand barrels per day in 2009 and 1,233 thousand barrels per day in 2010. Table I below presents data collected by EIA for the United Kingdom production of crude oil including lease condensate.

Table I. Selected Statistics for United Kingdom Production of Crude Oil including Lease Condensate (Thousand Barrels per Day)¹

Date	Production of United Kingdom	Production of United Kingdom (Offshore)
Jan-2008	28	1,429
Feb-2008	28	1,463
Mar-2008	27	1,422
Apr-2008	27	1,464
May-2008	26	1,459
Jun-2008	26	1,337
Jul-2008	26	1,281
Aug-2008	26	1,073
Sep-2008	26	1,366
Oct-2008	25	1,326
Date	Production of United	Production of United

¹EIA Production of Crude Oil including Lease Condensate (Thousand Barrels Per Day)
<http://tonto.eia.doe.gov/cfapps/ipdbproject/iedindex3.cfm?tid=50&pid=57&aid=1&cid=r3.&syid=2008&evid=2010&freq=M&unit=TBPD>

	Kingdom	Kingdom (Offshore)
Nov-2008	20	1,376
Dec-2008	24	1,400
2008 Average	26	1,366
Jan-2009	24	1,401
Feb-2009	25	1,425
Mar-2009	24	1,427
Apr-2009	25	1,443
May-2009	24	1,366
Jun-2009	26	1,333
Jul-2009	25	1,316
Aug-2009	25	968
Sep-2009	24	1,095
Oct-2009	25	1,241
Nov-2009	22	1,350
Dec-2009	25	1,285
2009 Average	24	1,304
Jan-2010	24	1,347
Feb-2010	24	1,260
Mar-2010	24	1,393
Apr-2010	22	1,364
May-2010	23	1,275
Jun-2010	23	1,053
Jul-2010	22	1,018
Aug-2010	21	1,032
Sep-2010	17	1,166
Oct-2010	22	1,200
Nov-2010	NA	NA
Dec-2010	NA	NA
2010 Average	22	1,211

Storage

Storage is an important market short term supply/demand indicator. Changes in inventory level are used to offset imbalances between production and consumption. Due to the lack of stocks level for crude oil, the inventory data for total petroleum product is presented as a proxy. Table II below shows the end of period total petroleum stocks for United Kingdom (in million barrels) for the last three years as per EIA. Storage levels fluctuated between 92 million barrels to 100 million barrels.

Table II. Selected Statistics for United Kingdom Total Petroleum Stocks, End of Period (Million Barrels)²

Date	Petroleum Stocks of United Kingdom
Jan-2008	95
Feb-2008	95
Mar-2008	100
Apr-2008	98
May-2008	99
Jun-2008	99
Jul-2008	95
Aug-2008	96
Sep-2008	95
Oct-2008	93
Nov-2008	96
Dec-2008	99
2008 Average	97
Jan-2009	100
Feb-2009	98
Mar-2009	100
Apr-2009	98
May-2009	92
Jun-2009	92
Jul-2009	97
Aug-2009	96
Sep-2009	94
Oct-2009	96
Nov-2009	96
Dec-2009	94
2009 Average	96
Jan-2010	95
Feb-2010	99
Mar-2010	93
Apr-2010	95
May-2010	99
Jun-2010	96
Jul-2010	95
Aug-2010	93
Sep-2010	95
Oct-2010	NA
Nov-2010	NA
Dec-2010	NA
2010 Average	96

²EIA Total Petroleum Stock, End of Period (Millions Barrels)

<http://tonto.eia.doe.gov/cfapps/ipdbproject/iedindex3.cfm?tid=50&pid=5&aid=5&cid=CG7,&syid=2008&eyid=2010&freq=M&unit=MBBL>

Consumption

EIA also does not provide crude oil consumption data; however, the data for monthly petroleum products consumption is available. In 2009, the average monthly consumption of petroleum of United Kingdom was 1,667 thousand barrels per day. During the last three years, monthly consumption ranged from a high of 1,853 thousand barrels per day in April 2008 to a low of 1,532 thousand barrels per day in December 2009. Table III, below, contains the monthly United Kingdom Total Consumption of Petroleum Products from 2008 through 2010, as per EIA.

Table III. Selected Statistics for United Kingdom Total Consumption of Petroleum Products (Thousand Barrels Per Day)³

Date	Consumption of Petroleum of United Kingdom
Jan-2008	1,726
Feb-2008	1,837
Mar-2008	1,705
Apr-2008	1,853
May-2008	1,651
Jun-2008	1,740
Jul-2008	1,654
Aug-2008	1,607
Sep-2008	1,753
Oct-2008	1,758
Nov-2008	1,741
Dec-2008	1,740
2008 Average	1,730
Jan-2009	1,744
Feb-2009	1,698
Mar-2009	1,739
Apr-2009	1,708
May-2009	1,614
Jun-2009	1,692
Jul-2009	1,660
Aug-2009	1,656
Sep-2009	1,674
Oct-2009	1,654
Nov-2009	1,637
Dec-2009	1,532
2009 Average	1,667
Jan-2010	1,582

³EIA Total Consumption of Petroleum Products (Thousand Barrels Per Day)
<http://tonto.eia.doe.gov/cfapps/ipdbproject/iedindex3.cfm?tid=50&pid=54&aid=2&cid=UK,&syid=2006&eyid=2010&freq=M&unit=TBPD>

Date	Consumption of Petroleum of United Kingdom
Feb-2010	1,683
Mar-2010	1,678
Apr-2010	1,642
May-2010	1,611
Jun-2010	1,594
Jul-2010	1,627
Aug-2010	1,639
Sep-2010	1,636
Oct-2010	NA
Nov-2010	NA
Dec-2010	NA
2010 Average	1,632

Imports and Exports

Table VI below provides average daily import and export of United Kingdom Crude Oil (including lease condensate) for the last three years as provided by EIA. During 2009, average daily imports were approximately 957 thousand barrels and the average daily exports were approximately 775 thousand barrels. Net import in 2009 was 182 thousand barrels per day.

Table VI. Selected Statistics for United Kingdom Imports and Exports of Crude Oil including Lease Condensate (Thousand Barrels Per Day)

Date	Imports of Crude Oil including Lease Condensate ⁴	Exports of Crude Oil including Lease Condensate ⁵	Net Imports
2007	1,009	911	98
2008	1,041	921	120
2009	957	775	182

Prices

Table V below provides end of month prices for the underlying futures, NYMEX Brent (ICE) Calendar Swap Futures, front month contract for the last three years. For the last three years, prices ranged from a low of \$43.15 per barrel in December 2008 to a high of \$134.55 per barrel in July 2008.

⁴ EIA United Kingdom Imports of Crude Oil including Lease Condensate (Thousand Barrels Per Day)
<http://tonto.eia.doe.gov/cfapps/ipdbproject/iedindex3.cfm?tid=5&pid=57&aid=3&cid=UK,&syid=2007&eyid=2009&unit=TBDP>

⁵ EIA United Kingdom Exports of Crude Oil including Lease Condensate (Thousand Barrels Per Day)
<http://tonto.eia.doe.gov/cfapps/ipdbproject/iedindex3.cfm?tid=5&pid=57&aid=4&cid=UK,&syid=2007&eyid=2009&unit=TBDP>

Table V. Selected Statistics for NYMEX Brent (ICE) Calendar Swap Futures Front Month Contract End of Month Settlement Prices (Dollars per Barrel)

Date	NYMEX Brent (ICE) Calendar Swap Futures Front Month Contract End of Month Settlement Prices
Jan-2008	\$ 91.90
Feb-2008	\$ 94.67
Mar-2008	\$ 102.80
Apr-2008	\$ 110.44
May-2008	\$ 124.74
Jun-2008	\$ 133.78
Jul-2008	\$ 134.55
Aug-2008	\$ 115.29
Sep-2008	\$ 100.87
Oct-2008	\$ 73.75
Nov-2008	\$ 54.96
Dec-2008	\$ 43.15
2008 Average	\$ 98.41
Jan-2009	\$ 45.85
Feb-2009	\$ 43.94
Mar-2009	\$ 47.53
Apr-2009	\$ 51.42
May-2009	\$ 58.68
Jun-2009	\$ 69.31
Jul-2009	\$ 65.79
Aug-2009	\$ 73.01
Sep-2009	\$ 68.26
Oct-2009	\$ 74.01
Nov-2009	\$ 77.62
Dec-2009	\$ 75.24
2009 Average	\$ 62.56
Jan-2010	\$ 77.05
Feb-2010	\$ 74.84
Mar-2010	\$ 80.00
Apr-2010	\$ 85.77
May-2010	\$ 77.00
Jun-2010	\$ 75.70
Jul-2010	\$ 75.35
Aug-2010	\$ 77.15
Sep-2010	\$ 78.44
Oct-2010	\$ 83.52
Nov-2010	\$ 86.16
Dec-2010	\$ 92.25
2010 Average	\$ 80.27

Futures Market

The NYMEX Brent (ICE) Calendar Swap Futures market is an active and highly liquid market. Table VI below provides end of month open interest and monthly volume for the underlying NYMEX Brent (ICE) Calendar Swap Futures contract. As illustrated in Table VI, futures open interest has averaged 79,632 contracts per month and futures volume has average 13,103 contracts during 2010. As the contract size is equivalent to 1,000 barrels, the monthly volume represented below is equivalent to approximately 13 million barrels of crude oil and open interest represented below is equivalent to approximately 80 million barrels of crude oil.

Table VI. NYMEX Brent (ICE) Calendar Swap Futures End-of-Month Open Interest and Monthly Volume

Calendar Year Month	Monthly Volume	End of Month Open Interest
Jan-2008	11,840	25,061
Feb-2008	6,189	27,677
Mar-2008	26,692	41,842
Apr-2008	14,756	42,865
May-2008	19,721	52,394
Jun-2008	18,887	56,269
Jul-2008	34,441	66,725
Aug-2008	13,792	69,064
Sep-2008	41,077	73,350
Oct-2008	62,401	90,170
Nov-2008	42,018	94,943
Dec-2008	43,826	103,035
2008 Average	27,970	61,950
Jan-2009	41,471	105,014
Feb-2009	37,451	104,747
Mar-2009	46,283	110,111
Apr-2009	29,405	113,298
May-2009	29,037	112,605
Jun-2009	24,957	111,217
Jul-2009	20,499	114,100
Aug-2009	14,441	112,706
Sep-2009	12,749	109,284
Oct-2009	20,483	109,516
Nov-2009	22,395	106,797
Dec-2009	14,401	104,411
2009 Average	26,131	109,484
Jan-2010	18,434	99,361
Feb-2010	18,437	96,855
Mar-2010	15,467	94,099
Apr-2010	14,289	89,949
May-2010	15,900	85,178
Jun-2010	7,300	80,820
Jul-2010	5,839	74,589
Aug-2010	10,968	70,510
Sep-2010	16,300	69,525
Oct-2010	10,670	67,320
Nov-2010	13,126	65,870
Dec-2010	10,507	61,507
2010 Average	13,103	79,632

Market Participants

Brent crude oil has active over-the-counter ("OTC") physical and paper markets. The liquidity in the OTC swaps market is robust. There are several OTC brokerage firms that are active in Brent swaps markets, including PVM, Amerex, Tullet Prebon and ICAP. The OTC market participation is deep and diverse, and includes both cash market and OTC market players. The Brent cash markets and OTC market participants include many commercial companies, including, but not limited to, the following participants:

<u>Refiners</u>	<u>Traders/End Users</u>	<u>Brokers</u>	<u>Financial (Swaps)</u>
ConocoPhillips	Hess Energy Trading	GFI Starsupply	Citibank
Valero	Vitol	PVM	Deutsche Bank
Shell	Glencore	Man Financial	Barclays
ExxonMobil	Total	ICAP	BankAmerica
BP	Northville	Aspen Oil	JP Morgan
Total	Cargill	GFI Spectron	
Koch Petroleum	Morgan Stanley	TFS	
Repsol	Goldman Sachs	Amerex	
CEPSA	RWE Trading	Tullet Prebon	
Netherlands Refining	Mabanaft		
OMV	Phibro		
Lukoil (Russia)	Arcadia		
Statoil (Norway)	Mercuria		
MOL Hungary	Sempra		

ANALYSIS OF DELIVERABLE SUPPLY

The estimation of deliverable supply is a function of the production and net receipts. Using data supplied from EIA, Table I is used to estimate the supply of Brent crude oil. According to Table I above, during 2009, production of United Kingdom Crude Oil including Lease condensate averaged 1,328 thousand barrels per day. According to Table VI above, during 2009, net imports of United Kingdom Crude Oil (including lease condensate) were 182 thousand barrels per day. Therefore, during 2009, the average deliverable supply amounted to approximately 1,510 thousand barrels per day, or 45,300 thousand barrels per month for a 30-calendar day month.

The Exchange has determined to set spot month position limits for this contract at 2,000 contract units (contract size: 1,000 barrels) which is approximately 4.4% of the monthly deliverable supply for 2009.

The Exchange further proposes to aggregate positions of the proposed Brent Option on Calendar Futures Strip and Brent Option on Quarterly Futures Strip contracts into the underlying Brent (ICE) Calendar Swap Futures (Ticker symbol CY). Please note that the underlying Brent (ICE) Calendar Swap Futures (Ticker symbol CY) aggregates into Brent Crude Oil Last Day Financial Futures (Ticker symbol BZ). Therefore, the options are reflected to aggregate into Brent Crude Oil Last Day Financial Futures (Ticker symbol BZ) in the Chapter 5 Table (below), which is self-certified under separate cover.

<u>Contract Name</u>	<u>Rule Chapter</u>	<u>Commodity Code</u>	<u>All Month Accountability Level</u>	<u>Any One Month Accountability Level</u>	<u>Expiration Month Limit</u>	<u>Reporting Level</u>	<u>Aggregate Into (1)</u>
			<u>Rule 560</u>	<u>Rule 560</u>	<u>Rule 559</u>	<u>Rule 561</u>	
<i>Petroleum</i>							
<i>Europe</i>							
<i>Northwest Europe</i>							
<u>Brent Option on Calendar Futures Strip</u>	<u>826</u>	<u>BPC</u>	<u>20,000</u>	<u>20,000</u>	<u>2,000</u>	<u>25</u>	<u>BZ</u>
<u>Brent Option on Quarterly Futures Strip</u>	<u>827</u>	<u>BPQ</u>	<u>20,000</u>	<u>20,000</u>	<u>2,000</u>	<u>25</u>	<u>BZ</u>