

NYMEX



# Evolution of Energy Trading- Adapting to a Changing World

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# Table of Contents

- Introduction to NYMEX
- Ties to the past - old habits die hard
- New World – rapid changes in the marketplace
- NYMEX-CME Alliance – Growth thru Distribution and Superior Technology
- NYMEX ClearPort® Clearing Fuel Oil Complex
- What lies ahead



# Structure of NYMEX

- 135+ Year History
- One of the Oldest Continuous Exchanges in the United States
- AA+ Credit Rating
- Largest Physical Commodity Futures Exchange
- Global Benchmark Pricing for Energy and Metals



# Structure of NYMEX

- 816 NYMEX Members and 772 COMEX Members
  - NYMEX Trading Rights decoupled from Seat Ownership
- 47 Clearing Firms
- Member Firms
  - 64 COMEX
  - 65 NYMEX



# Ties to the past - old habits die hard

- Open Outcry remains predominant source of volume
- NYMEX ACCESS launches 1993
  - NYMEX Members fear loss in volume
- June 2006 - NYMEX Launches partnership with CME and CME Globex®
  - NYMEX Members fear loss in volume
- Open outcry volume remains steady as electronic volume expands at a rapid pace



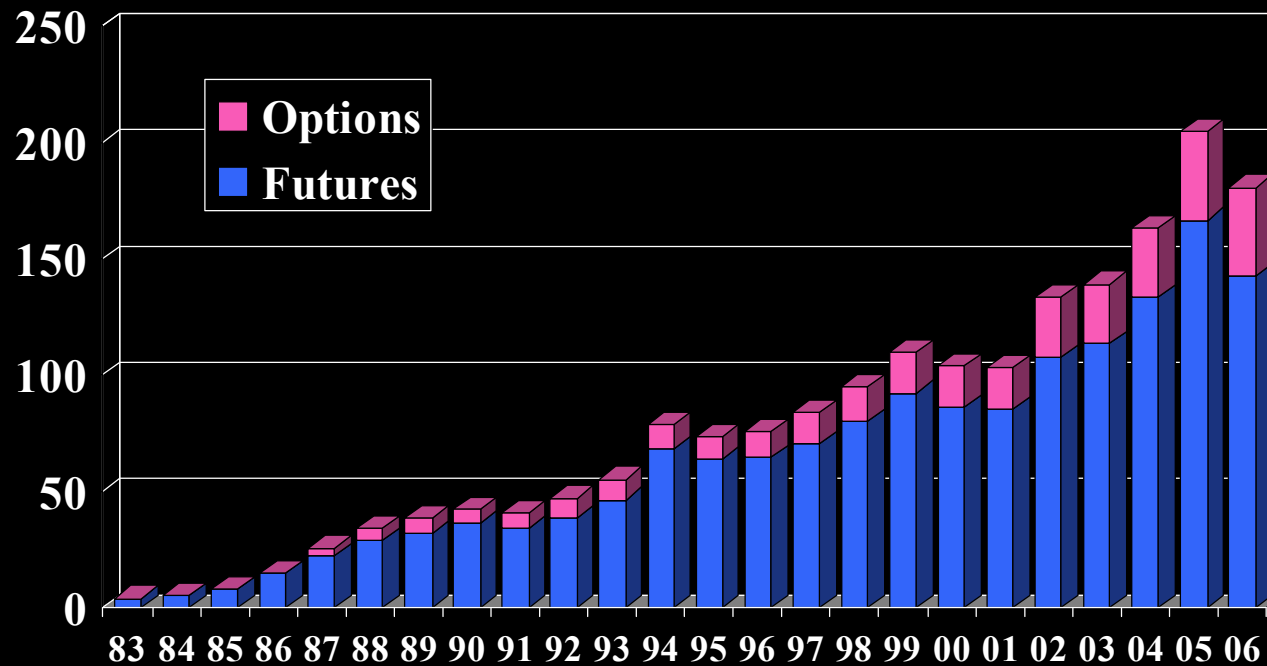
# New World – rapid changes in the marketplace

- Customers habits and demands are changing
  - Ease of execution
  - Better fills, more transparency of bid/offer and fills
  - Ease of execution becomes apparent
  - Straight-thru processing is key
  - ICE launches WTI CASH futures contract February 2006
  - NYMEX launches WTI PHYSICAL contracts on CME Globex® September 5, 2006



# NYMEX Volume (Millions of Contracts per Year)

2006 Data as of Aug 2006





# NYMEX Side-by-Side Trading

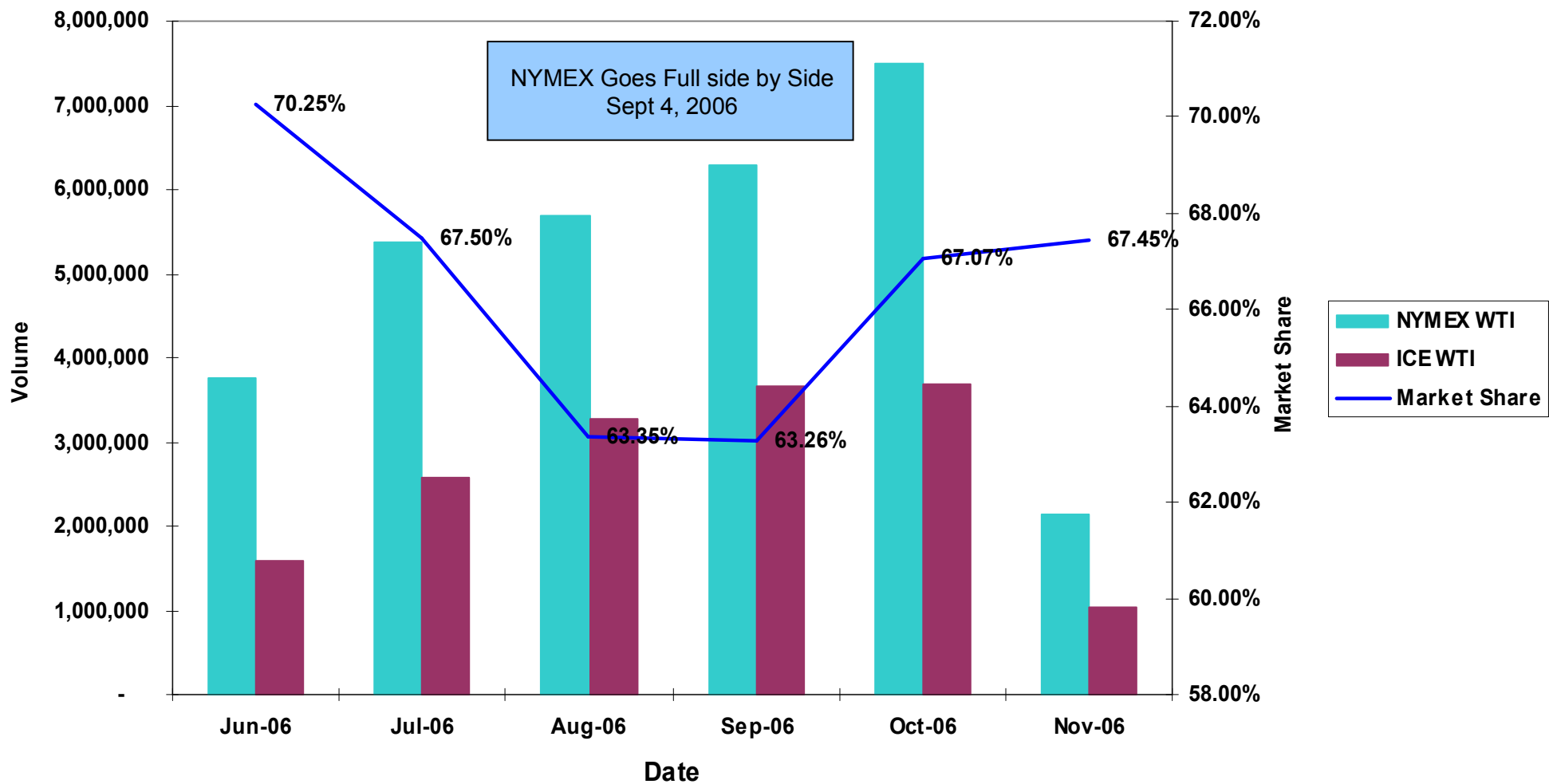
## Open Outcry and Electronic Matching of NYMEX Benchmark Futures Contracts

- From June 2002 through November 2005, NYMEX miNY™ crude oil and natural gas futures contracts were available on CME Globex®
- Floor trading of NYMEX's energy contracts increased 28.3% since 2003.
- NYMEX ClearPort® and NYMEX ACCESS® averaged 330,280 contracts per day Q1 2006, 128% more than Q1 2005.
- Side-by-side trading marries these two trading strategies together



# WTI Crude Electronic Market share

## NYMEX WTI Volume vs. ICE WTI Volume



# NYMEX-CME Alliance – Growth thru Distribution and Superior Technology

- Why will the CME alliance with the NYMEX succeed?
  - Customers are demanding Superior Technology
  - Global Distribution – Our customers want efficiency of transaction, in one location.
  - Ability to work with many ISVs – no restrictions on who “writes” into the Globex match engine.
  - Ability to add key new contracts for better market efficiencies.

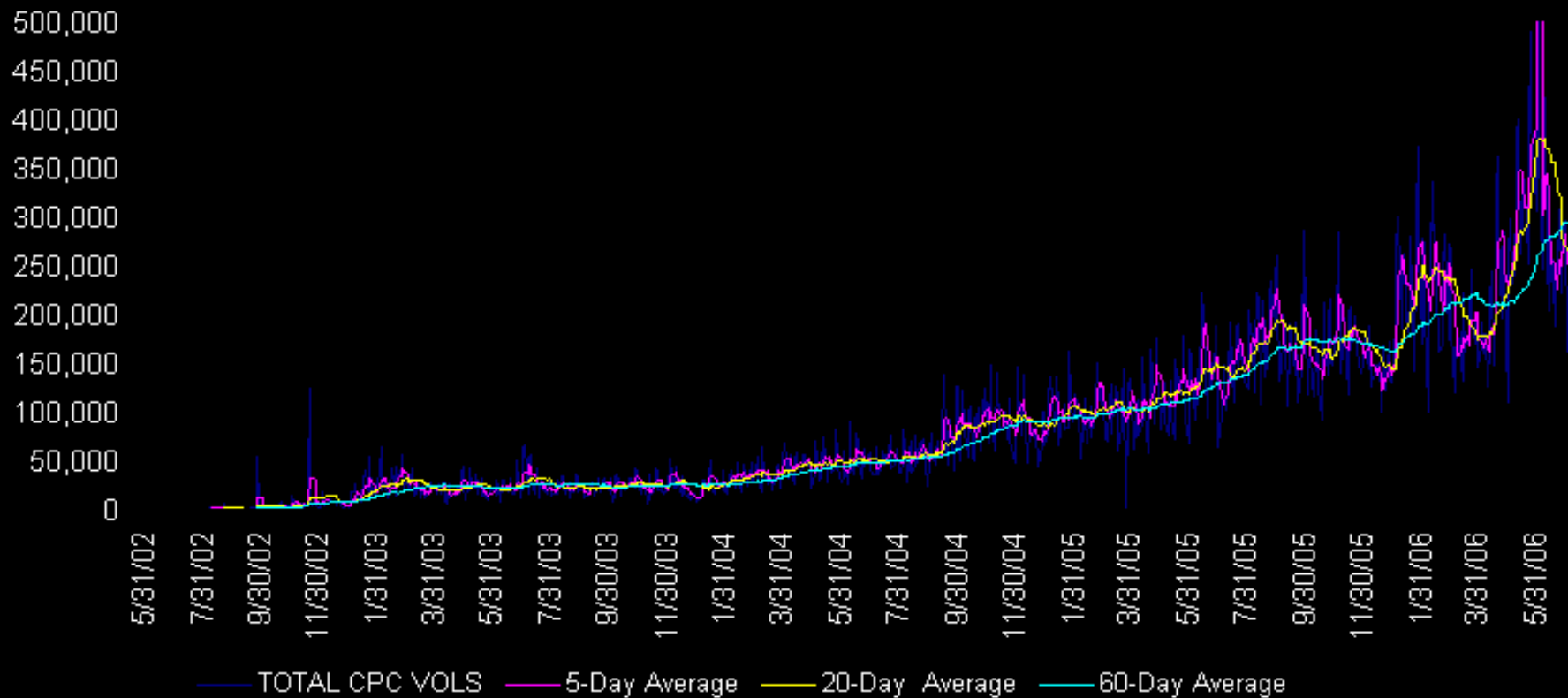


# The Development of NYMEX ClearPort®

- The CFMA (*Commodity Futures Modernization Act of 2000*) allows for the clearing of OTC trades by clearing organizations
- Enron collapses in late 2001 and all OTC Energy Trading grinds to a halt
- NYMEX started to clear trades executed off exchange trades May 31, 2002
- **Current Status**
  - Open interest now exceeding 10 Million contracts
  - Product slate of over 280 contracts includes: natural gas, power, crude oil, petroleum, emissions, options, freight derivatives and coal
  - Volume today is averaging over 280,000 contracts cleared per day.
  - ALL contracts are cleared as regulated NYMEX Futures contracts



# NYMEX ClearPort<sup>®</sup> Volumes



# NYMEX ClearPort® Clearing: Three Main Points

- Mitigation of counterparty credit risk
- No bilateral netting agreements necessary for the counterparties because of the clearinghouse
  - Ability to transact with any company registered
- Portfolio management
  - Reduces capital requirements
  - Off-sets existing positions



# NYMEX ClearPort® Clearing Fuel Oil Complex

- 18 Residual Fuel Oil Contracts listed on NYMEX ClearPort Clearing including:
  - Singapore 380cst PHYSICAL on ClearPort and Globex
  - Rotterdam 3.5% Fuel Oil – Platt's
  - Singapore 180cst – Platt's
  - East/West Spread
  - Fuel Oil Cracks vs ICE Brent and ICE Gasoil
- Daily volume of Singapore 180cst over 2millions bbls
- Significant new entrants from the Middle East and Asia

Full slate available at : [http://www.nymex.com/cp\\_produc.aspx](http://www.nymex.com/cp_produc.aspx)



# What's on the horizon for NYMEX ClearPort® Clearing?

- Exotic Options Contracts
  - Variance Options
  - Swaptions
- Clearing of Indices
- Fuel Oil Cracks in Asia and Europe
- Custom Structured Deals
- Cross-margining with CME products?
  - Correlation of CME Weather to NYMEX Emissions, Natgas and Power contracts
- New Gulf Coast Petroleum contracts – ULSD, Gulf Coast Unlidd







**EVOLUTION IS INEVITABLE. HOW WILL YOU RESPOND?**

BUILDING ON A HISTORY OF INNOVATION, NYMEX CONTINUES TO PRESENT A FORWARD VIEW OF RISK MANAGEMENT OPPORTUNITY. TODAY, OUR MARKET INTEGRITY, TECHNOLOGICAL ADVANCEMENTS, MARKET TRANSPARENCY, AND UNMATCHED LIQUIDITY MAKE US THE PREMIER GLOBAL RESOURCE FOR COMMODITY FUTURES TRADING. TO STAY ON TOP OF EVOLVING MARKET STRATEGIES, TAP INTO OUR VISION. IT IS OUR GREATEST COMMODITY.



VISION IS OUR GREATEST COMMODITY™

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