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July 13, 2006

OFFICE OF THE SECRETARIAT

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OFFICE OF THE SECRETARIAT

Ms. Eileen A. Donovan
Acting Secretary of the Commission
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

Re: **Amendments to Rule 4.29**
Submission Pursuant to Section 5c(c)(1) of the Act and Regulation 40.6

Dear Ms. Donovan:

Pursuant to Section 5c(c)(1) of the Commodity Exchange Act, as amended, and Commission Regulation 40.6, the Board of Trade of the City of New York, Inc. ("Exchange") submits, by written certification, amendment to Rule 4.29, attached as Exhibit A.

The Exchange has been utilizing a pilot program for determining settlement premiums in some of the Exchange's options markets. The pilot program provides that Exchange staff determine the settlement premiums using the various criteria detailed in Rule 4.29. The pilot program has proven to be a success, and many of the Exchange's trade committees have asked that the program be extended to their markets.

Under the pilot program, it has been New York Clearing Corporation ("NYCC") staff that has been determining the settlement premiums. In order to fully implement the pilot program, NYCC staff will continue to make such determinations and has added NYCC Rule 502A which authorizes NYCC to determine settlement premiums using the criteria set out in Exchange Rule 4.29 (see Submission 06-15). The amendments to Rule 4.29 authorize the use of the settlement premiums determined by NYCC by the Exchange. Since full implementation of the pilot program will be phased in, Rule 4.29 will continue to provide for the Exchange's Settlement Committee to determine settlement premiums for those options NYCC does not settle.

The Exchange certifies that the amendments comply with the requirements of the Commodity Exchange Act and the rules and regulations promulgated thereunder.

The amendments were adopted by the Exchange's Board of Governors on July 12, 2006. No substantive opposing views were expressed by members or others with respect to the amendments. The amendments will become effective on July 17, 2006.

If you have any questions or need further information, please contact me at jfusco@nybot.com or 212-748-4021.

Sincerely,

Jason V. Fusco
Compliance Counsel

Enc.

cc: Riva Adriance
CFTC, Division of Market Oversight
Allen Cooper
CFTC, New York Regional Office

EXHIBIT A

(In the text of the amendments below, additions are underlined and deletions are bracketed and lined out.)

Rule 4.29. Settlement Premiums

(a) If, after the close of trading in Exchange Options Contracts, the Clearing Organization determines a Settlement Premium for any Strike Price of any Option Month, the Settlement Premium so determined by the Clearing Organization shall be published by the Exchange as the Settlement Premium for such Strike Price.

(b) With respect to Exchange Options Contracts for which the Clearing Organization has not determined a Settlement Premium, the following settlement procedures will apply:

(i) Promptly after the close of trading in each Exchange Option Contract, the Settlement Price Committee or designated Exchange staff shall establish the Settlement Premium for each Strik ~~ing~~e Price of each Option Month of each Option listed for trading that has open interest. A Settlement Premium may be established for any Strike Price that has no open interest.

(b)ii) Each such Settlement Premium shall be established by the Committee or the Exchange staff after consideration of the following criteria:

(i)A) the weighted average price of all Trades executed during the closing period which shall mean the average by volume of all Trades executed during the closing period for all Trades in a single Strike Price rounded to the nearest minimum permissible price fluctuation of such contract;

(ii)B) bids and offers continuously made during the closing period;

(iii)C) the Option's intrinsic value;

(iv)D) the implied volatility of the (A)1) corresponding Call or Put of the same Strike Price, (B)2) nearest active prices of the particular contract, and (C)3) Trades in that Strike Price executed during the day, including the volume of the Trades, bids and offers used to calculate such implied volatility.

(v)E) the differential between the implied volatility of a Strike Price and the implied volatilities for Strike Prices of nearby contract months.

(vi)F) any other market information known to the Committee or the Exchange.

(e)iii) The Settlement Premiums so established shall then be verified as to their reasonableness by the Exchange's Option Settlement Program. Whenever the Exchange's Option Settlement Program queries a Settlement Premium, the Committee or the designated Exchange staff shall review such Premium and, if no change is made thereto, shall furnish an explanation of the basis on which the Settlement Premium was established. The Exchange shall maintain a record of any such explanation.

(d)iv) Notwithstanding the authority of the Settlement Price Committee as specified above, the Exchange can override any Premium established by the Settlement Price Committee and, if no Settlement Premium is established by the Settlement Price Committee in any case, it shall be established by designated Exchange staff pursuant to such procedures as may be in effect from time to time. The Exchange shall document the reasons for overriding any Settlement Premium established by the Settlement Price Committee and shall maintain a written record thereof.

(e)c) Any Settlement Premium established under this Rule shall not affect the validity of a Trade or cause a Floor Broker to be held on a resting order.