

RECEIVED  
CFTC

April 16, 2007 16 AM 11: 23

**BY EMAIL AND AIRBORNE EXPRESS**

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

OFFICE OF THE SECRETARIAT

**Re: Listing of Product for Clearing by Certification and Related Rule  
Certification. NYMEX Submission 07-49: Notification of New  
Platform For Crude Oil Option.**

Dear CFTC Commissioners:

The New York Mercantile Exchange, Inc. ("NYMEX" or the "Exchange") is notifying the Commodity Futures Trading Commission ("CFTC" or "Commission") that it will be listing its Crude Oil (ticker symbol LO) option that is currently traded in Open Outcry on the NYMEX trading floor on NYMEX ClearPort® for clearing. More specifically then, the launch of these option contracts on NYMEX ClearPort®, are pursuant to current NYMEX rules 6.21F.

These existing contracts will continue to be listed for trading. In connection with the launch of these traded and cleared option contracts, the Exchange is also submitting existing terms and conditions rule chapters: NYMEX Chapter 310, which is comprised of Rules 310.01 – 310.07 for Crude Oil Options, as well as NYMEX Chapter 6.21F, which governs its Exchange of OTC Energy Options for, or in Connection with, NYMEX Energy Options.

The first contract month to be listed will be the May 2007 Contract Month for this option. As a general matter, the Exchange intends to list contract months for each subsequent month such that there is listed a contract month for each underlying Crude Oil futures contract. The Exchange will list: consecutive monthly option contracts through 2012, as well as 3 additional years on a June-December cycle. As noted in the above Rules, the hours for posting cleared trades will begin at 6:00 P.M. Sunday April 15, 2007 and extend to 5:15 P.M. Thereafter, as of the launch of this contract, the listing hours for these new contracts will be 6:00 P.M. – 5:15 P.M. New York prevailing time.

Pursuant to Section 5c(c) of the Commodity Exchange Act ("Act") and CFTC Rule 40.2 and Rule 40.6, the Exchange hereby certifies that the listing for clearing by certification of this new product and the attached existing rules all comply with the Act, including regulations under the Act.

Should you have any questions concerning the above, please contact the undersigned at (212) 299-2390 or Bob Biolsi at 212-299-2610.

Very truly yours,

Robert A. Levin  
Senior Vice President - Research

Attachment: NYMEX Chapter 310, Crude Oil Options  
NYMEX Chapter 6.21F Exchange of OTC Energy Options  
for, or in Connection with, NYMEX Energy Options

## **NYMEX Chapter 310, Crude Oil Options**

### **310.01 Expiration of Crude Oil Option Contract**

A crude oil option contract on the Exchange shall expire at the close of trading on the third business day immediately preceding the expiration of the underlying futures contract. The expiration date shall be announced prior to the listing of the option contract.

### **310.02 Trading Unit for Crude Oil Option Contract**

A crude oil put or call option contract traded on the Exchange represents an option to assume a short or long position in the underlying futures contract traded on the Exchange.

### **310.03 Trading Months for Crude Oil Option Contract**

Trading in crude oil option contracts shall be conducted in the months as shall be determined by the Board of Directors. Trading shall commence on the day fixed by resolution of the Board of Directors.

### **310.04 Hours of Trading in Crude Oil Option Contracts**

The hours of trading in crude oil option contracts on the Exchange shall be the same as the hours of trading for crude oil futures contracts. All such trading shall take place on the trading floor of the Exchange within the hours prescribed by the Board.

### **310.05 Strike Prices for Crude Oil Option Contracts**

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

(B) 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 crude oil futures contracts in the corresponding delivery month rounded off to the nearest fifty-cent increment strike price unless such settlement price is precisely midway between two fifty-cent increment strike prices in which case it shall be rounded off to the lower fifty-cent increment strike price and (ii) the twenty fifty-cent increment strike prices which are twenty increments higher than the strike price described in (i) of this Rule 310.05(B) and (iii) the twenty fifty-cent increment strike prices which are twenty increments lower than the strike price described in (i) of this Rule 310.05(B) and (iv) an additional ten strike prices for both call and put options will be listed at \$2.50 increments above the highest fifty-cent increment as described in (ii) of this Rule 310.05 (B), beginning with the first available such strike that is evenly divisible by \$2.50 and (v) an additional ten strike prices for both call and put options will be listed at \$2.50 increments below the lowest fifty-cent increment as described in (iii) of this Rule 310.05(B), beginning with the first available such strike that is evenly divisible by \$2.50.

(C) Thereafter, on any business day prior to the expiration of the option: (i) new consecutive fifty-cent increment striking prices for both puts and calls will be added such that at all times there will be at least twenty fifty-cent increment strike prices above and below the at-the-money strike price available for trading in all options contract months;

and (ii) new \$2.50 increment strike prices will be added such that at all times there shall be ten \$2.50 strike prices above and below the nearest fifty cent increment strike price. The at-of-the-money strike price will be determined in accordance with the procedures set forth in Subsection (B) of this Rule 310.05.

(D) Notwithstanding the provisions of subsections (A) through (C) of this Rule, if the Board determines that trading in crude oil futures options will be facilitated thereby, the Board 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 crude oil futures option in which no new strike prices may be introduced.

**310.06 Prices in Crude Oil Option Contracts**

Prices shall be quoted in dollars and cents per barrel and prices shall be in multiples of one (1) cent per barrel. A cabinet trade may occur at a price of \$0.001 per barrel, or \$1.00, however, if it results in the liquidation of positions for both parties to the trade.

**310.07 Absence of Price Fluctuation Limitations for Crude Oil Option Contract**

Trading in crude oil option contracts shall not be subject to price fluctuation limitations.

## **6.21F Exchange of OTC Energy Options for, or in Connection with, NYMEX Energy Options**

**(A) (1) An exchange of Exchange energy options for, or in connection with, an over-the counter ("OTC") energy options product (or an OTC product with similar characteristics) (hereafter an exchange of options for options or "EOO") consists of two discrete, but related, transactions; an OTC options transaction and an Exchange options transaction. At the time such transaction is effected, the buyer and seller of the Exchange options must be, respectively, the seller and the buyer of the OTC options. The OTC options component shall involve the commodity underlying the related futures contract to the Exchange options contract (or a derivative, by-product or related product of such commodity). The quantity covered by the OTC options must be approximately equivalent to the quantity covered by the Exchange options contracts.**

**(2) Restriction on Eligible Contracts. EOO transactions may be effected for transactions in any of the Exchange's energy options contracts.**

**(3) Restriction on Transactions. An EOO that establishes a NYMEX options position for both buyer and seller shall not be permitted on the first business day following the expired NYMEX contract.**

**(B)(1) The report of an EOO transaction shall be given on the Floor of the Exchange during the hours of futures trading. (2) EOO transactions are permitted until trading terminates on the last day of trading in the applicable expiring options contract month.**

**(C) A report of such EOO transaction shall be submitted to the Exchange by each Clearing Member representing the buyer and/or seller. Such report shall identify the EOO as made under this Rule and shall contain the following information: a statement that the OTC options component of the EOO complied with any applicable CFTC regulatory requirements at the time the EOO was entered into between the buyer and seller, a statement that the EOO has resulted or will result in a change of payments or other such change, the kind and quantity of the options, the price at which the options transaction is to be cleared, the names of the Clearing Members and customers and such other information as the Exchange may require. Such report (form) shall be submitted to the Compliance Department by 12:00 noon, no later than two (2) Exchange business days after the day of posting the EOO on the Floor of the Exchange.**

**(D)(1) Each buyer and seller must satisfy the Exchange, at its request, that the transaction is a legitimate EOO transaction. Upon the request of the Exchange, all documentary evidence relating to the EOO, including relevant OTC documentation, shall be obtained by the Clearing Members from the buyer or seller and made available by the Clearing Members for examination by the Exchange. Additionally,**

if the buyer or seller is a Member/Member Firm, the Exchange may obtain the information directly from such person(s).

**(2) No EOO that is linked to or contingent upon entry into a second, offsetting OTC options transaction may be transacted at any time.**

**(3) Failure by a buyer or seller, or its Clearing Member to satisfy the Exchange that an EOO transaction is bona fide shall subject such buyer or seller, if a Member/Member Firm, or the Clearing Member to disciplinary action. Such disciplinary action, depending on the gravity of the offense, may be deemed to be a major offense of the Exchange's rules. Further, if the buyer or seller is not a Member/Member Firm, the Exchange may conduct a hearing before the Business Conduct Committee to limit, condition or deny access to the market.**

**(E) Each EOO transaction shall be posted by the Floor Members and cleared through the Exchange in accordance with normal procedures and by the Clearing Members involved.**

**(F) All omnibus accounts and foreign brokers shall submit a signed EOO reporting agreement in the form prescribed by the s Compliance Department. Such Agreement shall provide=Exchange to the Exchange that any omnibus account or foreign broker identified by a Clearing Member (or another omnibus account or foreign broker) as the buyer or seller of an EOO pursuant to Rule 6.21F(C), shall supply the name of its customer and such other information as the Exchange may require. Such information shall be submitted to s Compliance Department by 12:00 noon no later than two (2)=the Exchange Exchange business days after the day of posting the EOO on the Floor of the Exchange. Failure by an omnibus account or foreign broker to submit either the agreement or the particular EOO information to the Exchange may result in a hearing by the Business Conduct Committee to limit, condition or deny access of such omnibus account or foreign broker to the market.**