



New York
Mercantile Exchange

July 30, 2007

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

**Re: Supplemental Letter on NYMEX Rule Certification Submission #07.78:
Addition of new NYMEX Rule 11.70**

Dear CFTC Commissioners:

In the original filing, which was submitted by letter dated June 21, 2007, the New York Mercantile Exchange, Inc. ("Exchange") notified the Commodity Futures Trading Commission ("Commission") that it was self-certifying new NYMEX Rule 11.70, which governs a new market maker program pertaining to the electronic trading on the CME Globex® system of certain NYMEX and COMEX options contracts to be listed on that trading venue. This letter is intended to supplement the original filing by providing additional information.

As to hours of operation: market makers generally are held to make markets on CME Globex® but only during regular floor trading hours for the applicable NYMEX or COMEX contract, *i.e.*, from 9:00 a.m. to 2:30 p.m. for NYMEX energy options contracts (quoting at a minimum of 90% of that period) and for COMEX metals options contracts from 8:00 a.m. to 1:20 p.m. for metals (again quoting at a minimum of 90% of that period).

This options maker-maker program does require that the market maker maintain a specified bid-ask spread. However, as this was the first Exchange market maker program to be established focusing upon the electronic trading of options, it was difficult for NYMEX staff to calculate the precise parameters to establish for the bid-ask spreads for the respective options contracts. Accordingly, NYMEX staff gave consideration to the bid-ask spreads proposed by potential market makers, and there is thus a range of required bid-ask spreads that vary somewhat by market maker.

Although the program was initially open to qualified market makers, the program is now closed to further participants, and Exchange staff will be analyzing the performance of existing market makers over the next three months. At the end of that review period, the Exchange currently anticipates that the number of market makers will be winnowed down, and a new market maker program will be implemented with new terms, which will be addressed in a filing to the CFTC at that time.

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*The New York Mercantile Exchange, Inc., is composed of two divisions.
The NYMEX Division offers trading in crude oil, heating oil, unleaded gasoline,
natural gas, electricity, coal, propane, platinum, and palladium. The COMEX Division
offers trading in gold, silver, copper, and aluminum.*

CFTC Commissioners
July 30, 2007
Page 2

With regard to incentive structures, the stated Market Maker transaction fee rates generally are the applicable member rates for the division in which the product is listed (either COMEX for metals or NYMEX for energy products). As a note, many of the market makers already receive member rates as members or through other exchange agreements with the CME. Member rates on CME Globex for COMEX Division Products are as follows: \$0.25 for day trades and \$0.50 for overnight trades. Member rates on CME Globex for NYMEX Division Products are as follows: \$0.35 for day trades and \$0.60 for overnight trades. The CME Globex® system includes a mass quote API functionality, which allows participating firms to add, modify or delete quotes in a very rapid and systematic way. As this functionality has a limited bandwidth or usage level, like the CME, NYMEX has chosen to limit use of this functionality for the trading of its products to firms participating in the Exchange's market-maker program. It may be the case that it is the access to this functionality rather than the applicable transaction rate that is the more significant inducement for firms to participate in the Exchange's options market maker program.

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

Very truly yours,



Brian J. Regan
Vice President and Counsel