



Christopher Bowen  
Managing Director and Chief Regulatory Counsel  
Legal Department

March 19, 2012

**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: Modifications to NYMEX Incentive Program for Over-The-Counter Energy  
Options Products  
NYMEX Submission No. 12-089**

Dear Mr. Stawick:

New York Mercantile Exchange, Inc ("NYMEX" or the "Clearing House") hereby notifies the Commodity Futures Trading Commission ("Commission") that it plans to extend the Incentive Program for Over-The-Counter Energy Options Products ("Program"). Modifications to the Program will become effective on April 3, 2012.

Exhibit 1 sets forth the terms of this Program. Additions to the Program have been underlined and deletions to the Program have been ~~everstruck~~.

NYMEX business staff responsible for the Program and the NYMEX legal department collectively reviewed the derivatives clearing organization core principles (the "Core Principles") as set forth in the Commodity Exchange Act ("CEA"). During the review, NYMEX staff identified the following Core Principles as potentially being impacted;

Derivatives Clearing Organization ("DCO") Core Principles: Financial Resources, Participant and Product Eligibility, Rule Enforcement Recordkeeping, Public Information and Information Sharing:

The incentives in this Program will have a non-material impact on the financial resources of the Clearing House. As such, it will not prevent the Clearing House from demonstrating that it has adequate financial, operational, and managerial resources to discharge its responsibilities as a DCO. When selecting an applicant into the Program, NYMEX will take into account multiple factors from a candidate firm including those set forth in Exhibit 1. The incentives provided under the Program will not impact the Clearing House's ability to perform its monitoring or enforcement obligations under the CEA. Chapter 4 of the NYMEX rules includes prohibitions against fraudulent, non-competitive, unfair or abusive practices. All participants must execute an application or contractual agreement with the Clearing House in which each participant will expressly agree to comply with and be subject to, applicable regulations and NYMEX rules. The Program will be subject to the Clearing House's records retention policies which comply with the CEA. The Program contains "information concerning" each clearing and other fee that the DCO charges members and participants. A potential participant in the program who wishes to subscribe to the program may contact the Clearing House to receive further information regarding the fees that are charged to Program participants.

NYMEX certifies that the Program complies with the CEA and the regulations thereunder. There were no substantive opposing views to this Program.

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NYMEX certifies that this submission has been concurrently posted on NYMEX's website at <http://www.cmegroup.com/market-regulation/rule-filings.html>

If you require any additional information regarding this submission, please contact Robert Lev at 312-930-3019 or via e-mail at [robert.lev@cmegroup.com](mailto:robert.lev@cmegroup.com), or contact me at 212-299-2200. Please reference our NYMEX Submission No. 12-089 in any related correspondence.

Sincerely,

/s/ Christopher Bowen  
Managing Director, Chief Regulatory Counsel

Attachments

# EXHIBIT 1

## Incentive Program for Over-The-Counter Energy Options Products

### Program Purpose

The purpose of the Program is to incentivize higher levels of volume contribution in the NYMEX over-the-counter ("OTC") to improve market liquidity. The resulting addition of liquidity for these products benefits all participants in the market.

### Product Scope

Different combinations of the following OTC products cleared through the Clearing House:

Light Sweet Crude Oil Options (LO), Henry Hub Natural Gas Look-Alike Options (LN), WTI Look-Alike Options (LC), Henry Hub Natural Gas Options (ON), WTI Average Price Options (AO), Heating Oil Average Price Options (AT), RBOB Gasoline Options (OB), Heating Oil Options (OH).

### Eligible Participants

NYMEX may designate up to six (6) participants in the Program. A participant may be a NYMEX member or non-member. In order to be considered for the Program, an applicant must (i) have, over a recent time period, achieved a significantly high average daily volume in the Products above (ii) have, over a recent time period, showed sustained volume growth in the Products above, and (iii) have over a recent period of time, achieved combined high volume levels in NYMEX energy products across all venues.

### Program Term

Start date is December 16, 2011. End date is ~~March 31, 2012.~~ June 30, 2012.

### Hours

N/A

### Incentives

Volume Incentives. Once accepted into the Program, participants will be eligible to participate in tiered volume incentives whereby participants may be charged reduced fee rates in certain combinations of the Products that a participant submits for clearing to the Clearing House. The tiered volume levels are predetermined by NYMEX.

### Monitoring and Termination of Status

The Clearing House shall monitor participants' activity and performance and shall retain the right to revoke Program participant status if they conclude from review that a Program participant no longer meets the eligibility requirements of the Program.