



Marco Bianchi
Senior Vice President
NYSE Liffe US
20 Broad Street, 10th Floor
New York, NY 10005
T +1 212 656 4300

By Electronic Mail

May 17, 2012

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

Re: NYSE Liffe US Submission 2012-111 – Notice Announcing IDB Incentive Program

Dear Mr. Stawick:

I am a Senior Vice-President of NYSE Liffe US LLC (“NYSE Liffe US” or the “Exchange”). Pursuant to Section 5c(c) of the Commodity Exchange Act, as amended (the “Act”), and U.S. Commodity Futures Trading Commission (the “Commission”) Regulations (the “Regulations”) Section 40.6(a), I enclose a Cover Sheet for NYSE Liffe US Submission 2012-111 and NYSE Liffe US Notice 13/2012 which announces the introduction of the Inter-Dealer Broker (“IDB”) Incentive Program. The IDB Incentive Program will be applicable to U.S. Treasury Futures used in connection with the basis trading of U.S. Treasury securities.

NYSE Liffe US hereby certifies that: (i) the IDB Incentive Program complies with the Act and the regulations thereunder and (ii) a notice and copy of this submission has been concurrently posted on the Exchange’s web site. Additionally, a concise explanation and analysis of the IDB Incentive Program and its compliance with applicable provisions of the Act, including core principles and the Commission’s regulations thereunder, is attached. No substantive opposing views were expressed by members or others with respect to the IDB Incentive Program.

If you have any questions, please call me at (212) 656-4312, or Karl Cooper at (212) 656-4568.

Yours Truly,

A handwritten signature in black ink, appearing to read "Marco Bianchi".

Marco Bianchi
Enclosures

**Designated Contract Market Core Principles Implicated by
NYSE Liffe US Submission 2012-111**

CORE PRINCIPLE	ANALYSIS
<i>Core Principle 2: Compliance with Rules</i>	The Exchange will carefully vet all participants in the IDB Incentive Program. All participants are subject to an agreement by which each participant agrees to all existing rules of the Exchange including Chapter 3, governing access to the Exchange's Trading Platform, Chapter 6 governing the business conduct of Exchange members and prohibiting, among other things, fraudulent acts, fictitious and pre-arranged trades, market manipulation and acts inconsistent with just and equitable principles of trade. The Exchange monitors its markets on a constant basis in real-time. In addition, through the operation of a regulatory services agreement, the National Futures Association provides to the Exchange comprehensive trade practice and market surveillance services designed to detect activities that are not in compliance with the Act, CFTC Rules, or Exchange rules and policies. Additionally, the Exchange has the authority, through Chapter 7 of the Exchange's rulebook, and the capacity to investigate any possible rule violations and, where appropriate, bring disciplinary actions and impose sanctions for any violations. Finally, the Exchange has in place effective international information sharing arrangements and has entered into accords such as the Boca Declaration and the Intermarket Surveillance Group Agreement.
<i>Core Principle 3: Contracts not Readily Subject to Manipulation</i>	The IDB Incentive Program does not incentivize manipulative or other abusive practices. Further, the Exchange has policies and procedures to monitor the participants and trading in the relevant Exchange markets and to detect and prevent manipulative or abusive trading and practices.
<i>Core Principle 4: Prevention of Market Disruption</i>	Trading by participants in the IDB Incentive Program, like all trading on the Exchange, will be subject to the existing trade practice and market surveillance policies and procedures of the Exchange. As stated above, the Exchange has real-time surveillance capabilities involving both human interaction as well as technological tools. Furthermore, the Exchange staff, in coordination with the National Futures Association, has the capacity to detect and respond to manipulation and price distortions in its market and the ability to provide accurate and complete trade reconstruction.
<i>Core Principle 5: Position Limits or Accountability</i>	Participants in the IDB Incentive Program will be subject to all applicable position limits and accountability levels.

CORE PRINCIPLE	ANALYSIS
<i>Core Principle 9: Execution of Transactions</i>	The IDB Incentive Program should promote the price discovery process in the central market because IDBs will be expected to communicate Exchange central order book prices to their customers. This should result in the further dissemination of market prices to potential customers that may have been previously unaware of the Exchange. Moreover, positions being created through basis trades will need to be managed and adjusted as changes occur in underlying cash markets, such as changes to repo rates or the cheapest to deliver U.S. Treasury security. Furthermore, the Exchange will, as it does for all trading incentive programs, monitor the impact, if any, that these programs have on trading on the centralized market and, in the event the Exchange identifies any deleterious effect to the centralized market, will take appropriate action.
<i>Core Principle 10: Trade Information</i>	The Exchange records and maintains an audit trail with all trade information regarding trading by all market participants, including the participants in these programs, necessary to monitor for customer and market abuse.
<i>Core Principle 12: Protection of Markets and Market Participants</i>	Participants in the IDB Incentive Program will be subject to all of the Exchange's rules (as if they were Members in cases where the participant is not a Member). Chapter 6 of the Exchange's rulebook governs the business conduct of Exchange members and prohibits, among other things, fraudulent acts, fictitious and pre-arranged trades and other activities that could disadvantage their customers, as well as acts detrimental to the Exchange and inconsistent with just and equitable principles of trade. The Exchange monitors for and investigates any possible rule violations and where appropriate brings disciplinary actions and imposes sanctions for any violations by any participants in the IDB Incentive Program.
<i>Core Principle 19: Antitrust Considerations</i>	The IDB Incentive Program will not result in any restraint of trade as it puts no restrictions on trading in other competing markets and venues.



NYSE LIFFE U.S. NOTICE No. 13/2012

ISSUE DATE: May 17, 2012

EFFECTIVE DATE: June 4, 2012

Launch of the Inter-Dealer Broker (IDB) Incentive Program

Summary

This Notice announces the launch of the IDB Incentive Program for U.S. Treasury Futures listed on NYSE Liffe US.

1. Introduction

- 1.1. In an effort to further enhance liquidity and institutional participation in its markets, NYSE Liffe US has introduced the Inter-Dealer Broker (IDB) Incentive Program to support basis trading using futures contracts traded on the Exchange.
- 1.2. The IDB Incentive Program ("Program") will be available for basis trading activities facilitated by IDBs that involve the trading of U.S. Treasury Futures listed on NYSE Liffe US.

2. Description of the Program

- 2.1. The Program will be effective for two years, starting on June 4, 2012 and running through June 6, 2014 for U.S. Treasury Futures. The Exchange will retain the option in its sole discretion to extend the program for an additional year upon the issuance of a notice prior to the expiration of the Program.
- 2.2. The Program extends benefits to IDBs that promote basis trades to customers in U.S. Treasury securities by facilitating Exchange for Related Position transactions ("EFRPs") in U.S. Treasury Futures contracts on the Exchange. To participate, an IDB must enroll in the Program by completing the application attached as Appendix 1 and sending it to the Exchange ("Program Participants").
- 2.3. Subject to the terms of the Program set forth below, Program Participants will receive 50% of the EFRP surcharges generated by the EFRP transactions that they facilitate.
- 2.4. In addition, where necessary the Exchange will supply Program Participants with relevant futures market data in accordance with the terms of a market data agreement.

3. Eligibility

- 3.1. The Program is open to IDBs that promote and facilitate EFRP trades in U.S. Treasury Futures and related instruments on behalf of clients who qualify as Eligible Contract Participants as that term is defined by the Commodity Exchange Act. A Program Participant will be expected to actively promote NYSE Liffe US basis markets, including educating its sales force about the Exchange.
- 3.2. “Qualifying Business” under the Program is defined as U.S. Treasury Futures executed in connection with EFRPs on the Exchange by the IDB’s ECP customers.
- 3.3. While enrolled in the Program, Program Participants are excluded from participating in any other NYSE Liffe US incentive program for U.S. Treasury Futures.

4. Provisions Applicable to the Program

- 4.1. Clearing and non-trade activities associated with transacting in Futures contracts on the Exchange will continue to be subject to the fee schedules as posted on the [NYSE Liffe US website](#) and the [NYPC website](#).
- 4.2. In order to participate in the Program, Program Participants must complete the relevant application form attached hereto and return it to the Exchange via email to nyseliffeus@nyx.com. By executing the application, a Program Participant agrees to submit to the jurisdiction of the Exchange and abide by all Exchange Rules as if it were a Member.
- 4.3. Program Participants will be expected to track all Qualifying Business and to invoice the Exchange at the end of each month. The Exchange will review each invoice for accuracy prior to paying out any incentives earned under the Program.
- 4.4. Program Participants should ensure that all EFRPs are transacted in accordance with Exchange Rules and procedures. Please see the following notices for more details: [Notice No. 4/2009](#) (New Clearing Arrangements from trade date March 30, 2009 – see Section 4: Submission of Exchange for Physicals); [Notice No. 21/2009](#) (Amendments to Rules to Permit Exchanges for Related Positions); and [Notice No. 15/2010](#) (Alternative EFRP and Block Trade Submission).
- 4.5. The Exchange reserves the right to terminate or alter any and all benefits available under the Program.
- 4.6. The Exchange reserves the right to disqualify any Program Participant in part or in full from consideration for Program benefits, including with respect to specific transactions. Following the discovery that: (1) a Program Participant’s enrollment or participation in the Program is in violation of one or more terms of the Program; or (2) one or more transactions facilitated by a Program Participant was or were executed in violation of applicable law, regulation, or Exchange Rule, the Exchange reserves the right to adjust the award of benefits accordingly and to seek reimbursement of any benefits previously awarded. Specifically, if a portion of the EFRP surcharge(s) is paid to a Program Participant for a transaction or transactions later found to be in violation of applicable law, regulation or Exchange Rule, or the Program Participant’s participation in the Program is later found to be in violation of one or more terms of the Program, the Program Participant agrees by enrolling and participating in the Program to retroactively

pay such portion of the EFRP surcharge(s) back to the Exchange. This is in addition to any other remedies that may be pursued in a disciplinary proceeding under Chapter 7 of the Exchange's Rules.

5. Compliance with Laws, Rules and Regulations

5.1. All Members and other participants in the NYSE Liffe US marketplace are reminded that they remain subject to all applicable laws, rules and regulations otherwise applicable to their activities, including, but not limited to, the NYSE Liffe US Rules, the Commodity Exchange Act and the rules and regulations promulgated thereunder.

* * * *

For further information in relation to this Notice, Members should contact the following:

New York Office 1 212 656 4300 nyseliffeus@nyx.com
Chicago Office 1 312 442 7730 nyseliffeus@nyx.com

Appendix 1
NYSE Liffe U.S. IDB Incentive Program APPLICATION FORM

Applicant Information

1. Name of Firm	
2. Address	
3. Email	
4. Phone	
5. By the signing of this application form by a duly authorized officer of the Applicant, the Applicant agrees to be bound by Exchange Rules and the terms and conditions of the IDB Incentive Program.	Signature Date
6. Name of Signatory	
7. Title	

Please email this form to nyseliffeus@nyx.com

IDB Incentive Program

Eligible Participants

- Inter-Dealer Brokers (“IDB”) facilitating basis transactions using NYSE Liffe US Treasury Futures with ECP customers

Hours

- Entire Trading Session is covered: 7:16 p.m. – 5:00 p.m.[next day] NY Time

Program Term

- Two Years: June 4, 2012 through June 6, 2014

Participant Obligations

Participant must:

- Be an IDB
- Track all Qualifying Business
- Be in full compliance with Exchange rules
 - Non-members must submit to the Exchange’s jurisdiction
- Promote NYSE Liffe US basis markets to its brokers and existing basis customers

NYSE Liffe US Obligations

- NYLUS will conduct joint marketing efforts with the IDB

Incentives

- NYSE Liffe US will rebate to participant a portion of all EFRP surcharges paid in connection with the EFRPs that the participant facilitates. Note that, to be eligible for fee sharing, the participant’s customer must be an Eligible Contract Participant (“ECP”) as that term is defined by the Commodity Exchange Act.
- NYLUS will supply a market data feed pursuant to the terms of a related market data agreement

Monitoring and Termination Status

NYSE Liffe US will monitor participants’ activity on an ongoing basis, and retains the right to remove a participant from the program if NYSE Liffe US concludes from its review that a program participant is not complying with its program obligations or Exchange rules or CFTC regulations. In addition, NYSE Liffe US will monitor the effect of this program on the central order book and will take any necessary action to ensure compliance with Core Principle 9.