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OFFICE OF THE  
SECRETARIAT

August 8, 2011

**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: Rule Certification. New York Mercantile Exchange, Inc. and Commodity Exchange, Inc. Submission# 11-290: Notification of Amendments to Allow for a 10:1 offset of E-micro Gold Futures Contract and Gold Futures Contract**

Dear Mr. Stawick:

The New York Mercantile Exchange, Inc. ("NYMEX") and the Commodity Exchange, Inc. ("COMEX" and collectively the "Exchanges") are notifying the Commodity Futures Trading Commission ("CFTC" or "Commission") that they are self-certifying amendments to NYMEX Rule 855 ("Offsetting Different Sized Futures Positions") and COMEX Rule 120.07 ("E-micro Gold Futures - Delivery and Conversion") in order to allow for a 10:1 offset of E-micro Gold futures and Gold futures contracts.

In October 2010, the Exchange launched the E-micro Gold futures contract (Commodity Code: MGC). Since inception, the E-micro Gold futures contract has traded an average daily volume of over 1,000 contracts reaching a daily high of 5,077 contracts on August 4, 2011. Open interest currently stands at over 1,100 contracts. The E-micro Gold futures contract was initially constructed to be able to be converted into a Gold futures contract positions through an accumulation program of acquiring ten (10) ACES (Accumulated Certificates of Exchange) and currently is not fully fungible with the Gold futures contract. The Gold futures contract size is 100 troy ounces whereas that of an E-micro Gold futures contract is 10 ounces. An E-micro Gold futures contract represents a 10% ownership in a 100-troy ounce gold bar held in the form of a COMEX gold warrant. Market makers and industry participants have requested that the Exchanges offer fungibility between the E-micro Gold futures contract and the Gold futures contract in order to allow for additional trading opportunities which would lead to volume growth.

In order to allow the E-micro Gold futures contract to be fungible with the Gold futures contract, the current delivery specifications would need to be modified such that on any day during the delivery period until the last intent day, only deliveries in ten (10) contract multiples would be allowed to be delivered. On the last intent day, any quantity of E-micro Gold futures can be delivered. This modification in the delivery mechanism will ensure that the E-micro Gold futures contract delivery process is not impacted.

The implementation of fungibility will occur in contracts months that currently have open interest. The Exchange believes that there will not be any material valuation change due to this implementation. Since inception of the E-Micro Gold futures contract, 31 contracts, which represent a relatively small number of E-Micro Gold futures contracts, have gone through delivery. In the event a participant held 1 short E-Micro Gold futures and had to carry the position until the end of the month in order to exercise delivery rather than deliver on the first day of the contract month, the participant would only incur a storage fee of \$1.50, which represents a nominal amount relative to Gold prices that are approximately \$1,600 per troy ounce.

In advance of September 12, 2011, the anticipated effective date of the amendments to NYMEX Rule 855 ("Offsetting Different Sized Futures Positions") and COMEX Rule 120.07 ("E-micro Gold Futures - Delivery and Conversion") to allow for a 10:1 offset of E-micro Gold futures and Gold futures contracts, the Exchanges will publish a notice to market participants on August 23, 2011, (copy enclosed) to inform them of such changes.

Pursuant to Section 5c(c) of the Commodity Exchange Act ("Act") and CFTC Rule 40.6, the Exchanges hereby certify that the attached amendments comply with the Act, including regulations under the Act. There were no substantive opposing views to this proposal. These amendments will go into effect on Monday, September 12, 2011.

Should you have any questions concerning the above, please contact Robert Levin at (212) 299-2390 [Robert.Levin@cmegroup.com](mailto:Robert.Levin@cmegroup.com) or the undersigned at (212) 299-2207, (347) 463-5347 or [felix.khalatnikov@cmegroup.com](mailto:felix.khalatnikov@cmegroup.com).

Sincerely,

/s/ Felix Khalatnikov  
Dir & Assoc General Counsel

Attachments: Exhibit A: Amendment to Rule 855  
Exhibit B: Amendment to Rule 120.07  
Exhibit C: Special Executive Report

**Exhibit A**

The revisions to Rule 855 are set forth below, with additions underscored and deletions overstruck.

**Chapter 8  
Clearing House and Performance Bonds**

**855.           OFFSETTING DIFFERENT SIZED FUTURES POSITIONS**

With the consent of the account controller, a clearing member may offset and liquidate long futures positions against short futures positions, or short futures positions against long futures positions, held in the same account in the following ratios:

E-mini Crude Oil (QM) to Crude Oil Financial (WS) 2:1

E-mini Natural Gas (QG) to Henry Hub Natural Gas Look-Alike Penultimate Financial (HP) 4:1

Henry Hub Natural Gas Look-Last Day Financial (NN) to Henry Hub Natural Gas Look-Alike Last Day Financial (HH) 4:1

Henry Hub Natural Gas Penultimate Financial (NP) to Henry Hub Natural Gas Look-Alike Penultimate Financial (HP) 4:1

E-mini RBOB Gasoline (QU) to RBOB Gasoline Financial (RT) 2:1

E-mini Heating Oil (QH) to Heating Oil Financial (BH) 2:1

E-mini Gold (MGC) to Gold (GC) 10:1

The clearing member shall notify the Clearing House of offsetting positions by submitting reports to the Clearing House in such form and manner as the Clearing House shall specify. The positions shall be offset at the previous day's settlement price.

The positions being offset shall be transferred to a Clearing House holding account. Long and short positions in the same contract and contract month held in the holding account shall be netted, thus reducing the number of open positions in such contract.

[remainder of Rule unchanged]

The revisions to Chapter 120 are set forth below, with additions underscored and deletions overstruck.

## Chapter 120 E-micro Gold Futures

**120.01 SCOPE**

The provision of these Rules shall apply to all gold bought or sold for future delivery on the Exchange. As used in this Chapter, defined terms shall have the meanings ascribed to them in Chapter 7A, Metals Rules for Electronic Warrants.

**120.02 CONTRACT UNIT**

The contract unit shall be ten (10) Troy Ounces. Each contract shall be valued as the contract unit multiplied by the settlement price of the corresponding contract of the Gold Futures contract.

**120.03 GRADE AND QUALITY SPECIFICATIONS**

Gold delivered under this contract shall meet all the specifications outlined in Chapter 7A ("Metals Rules for Electronic Warrants") and Chapter 113 ("Gold Futures") as they apply to the Exchange's 100-Troy Ounce Gold futures contract.

**120.04 DELIVERY MONTHS**

Trading shall be conducted in contract months as shall be determined by the Exchange.

**120.05 TERMINATION OF TRADING**

Trading terminates on the third last business day of the contract month.

**120.06 PRICE FLUCTUATIONS**

Prices for an E-micro Gold futures contract shall be in multiples of ten cents (\$0.10) per Troy Ounce. Contracts shall not be made on any other price basis. There shall be no maximum price fluctuation.

**120.07 DELIVERY AND CONVERSION**

Delivery shall be made in accordance with Rule 7A06.

Deliveries for E-micro Gold futures contracts, commencing with the October 2011 contract, will be restricted to multiples of ten E-micro Gold futures on all days on which deliveries may take place with the exception of the last intent day. On the last intent day, there will be no restriction on the delivery quantity.

Upon delivery of an E-micro Gold futures contract, the buyer receives/seller delivers an Accumulated Certificate of Exchange ("ACE"), issued by the CME clearing house. An ACE represents a 10% ownership in a 100-Troy Ounce Gold bar held in the form of a COMEX gold warrant.

A Clearing Member may request the issuance of ten (10) ACEs by electronically endorsing to the CME clearing house a COMEX gold warrant representing one (1) 100-Troy Ounce Gold bar.

ACEs may only be redeemed for a COMEX gold warrant upon the accumulation of ten (10) such certificates. Upon presentation and endorsement to the CME clearing house of ten (10) ACEs, the owner will receive one (1) COMEX gold warrant meeting the specifications of the 100-Troy Ounce Gold futures contract. Tolerance adjustments for ounces received vs. ounces represented by the ACEs will be made through the CME clearing house.

Storage charges are invoiced to the Clearing Member who owns the ACEs.

**120.08 EXCHANGE FOR RELATED POSITION**

Any exchange for related position (EFRP) transaction shall be governed by the provisions of Exchange Rule 538.



## Special Executive Report

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**DATE:** August 23, 2011

**SER#:** 5881

**SUBJECT:** New 10:1 Offset of E-micro Gold Futures (MGC) to Gold Futures (GC)

Effective September 12, 2011, the New York Mercantile Exchange, Inc. ("NYMEX") and the Commodity Exchange, Inc. ("COMEX" and collectively the "Exchanges") will implement amendments to NYMEX Rule 855 ("Offsetting Different Sized Futures Positions") and COMEX Rule 120.07 ("E-micro Gold Futures - Delivery and Conversion") to allow for a 10:1 offset of E-micro Gold futures and Gold futures contracts.

In order to allow the E-micro Gold futures contract to be fungible with the Gold futures contract, the current delivery specifications will be modified such that on any day during the delivery period until the last intent day, only deliveries in ten (10) contract multiples would be allowed to be delivered. On the last intent day, any quantity of E-micro Gold futures can be delivered.

The rule amendments are provided below additions underscored. The aforementioned changes will become effective on Monday, September 12, 2011.

Please refer questions on this subject to:

**Energy & Metals Research:**

Joann Arena

[joann.arena@cmegroup.com](mailto:joann.arena@cmegroup.com)

212.299.2356

**Products & Services:**

Patricia Cauley

[patricia.cauley@cmegroup.com](mailto:patricia.cauley@cmegroup.com)

212.299.2346

(additions underscored and deletions overstruck)

## Chapter 120 E-micro Gold Futures

120.07

### DELIVERY AND CONVERSION

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Storage charges are invoiced to the Clearing Member who owns the ACEs.

[remainder of Rule unchanged]

## Chapter 8 Clearing House and Performance Bonds

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