Sean M. Downey
Director and Assistant General Counsel
Legal Department

August 9, 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: Rule 40.2(a) Certification. Notification Regarding the Listing of a Liquefied Natural Gas Swap Futures Contract for Trading the NYMEX Trading Floor and Clearing through CME ClearPort®
NYMEX Submission 12-252

Dear Mr. Stawick:

The New York Mercantile Exchange, Inc. ("NYMEX" or the "Exchange") is notifying the Commodity Futures Trading Commission ("CFTC" or "Commission") that it is self-certifying the listing of a new LNG Japan/Korea Marker (Platts) Swap Futures contract for trading on the NYMEX trading floor and for submission for clearing through CME ClearPort beginning at 6:00 p.m. on Sunday, August 12, 2012, for trade date Monday, August 13, 2012.

SPECIFICATION SUMMARY

Contract Name	LNG Japan/Korea Marker (Platts) Swap Futures
Commodity Code	JKM
Chapter	868
Settlement Type	Financial
Contract Unit	10,000 MMBtu (million British thermal units)
Expiration Date	The 15th calendar day of the month prior to the contract month, or of this is not an Exchange business day, the preceding Exchange business day
Minimum Price Fluctuation	$0.005 per MMBtu
Minimum Price Fluctuation for Final Settlement	$0.001 per MMBtu
First Listed Contract	October 2012
Listing Convention	12 consecutive calendar months

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- **Exchange Hours**:

  Open Outcry: Monday – Friday 9:00 a.m. – 2:30 p.m. (8:00 a.m. – 1:30 p.m. Chicago Time/CT).

  CME ClearPort: Sunday – Friday 6:00 p.m. – 5:15 p.m. (5:00 p.m. – 4:15 p.m. CT) with a 45-minute break each day beginning at 5:15 p.m. (4:15 p.m. CT).

Exchange Fees

Exchange Fees					
	Member Day	**Member**	**Cross Division**	**Non-Member**	**IIP**
Pit	n/a	$5.00	$6.00	$7.00	
Globex	n/a	n/a	n/a	n/a	n/a
ClearPort		$5.00		$7.00	

Other Processing Fees		
	Member	**Non-Member**
Cash Settlement	$5.00	$7.00
Futures from E/A	n/a	n/a
	House Acct	**Customer Acct**
Options E/A Notice	n/a	n/a
Delivery Notice	n/a	n/a

Additional Fees and Surcharges	
EFS Surcharge	n/a
Block Surcharge	n/a
Facilitation Desk Fee	$0.20

The Exchange will allow the exchange for related position (EFRP) transactions to be submitted through CME ClearPort. EFRP transactions in this contract will be governed by the provisions of Exchange Rule 538.

The Exchange is also notifying the CFTC that it is self-certifying the insertion of the terms and conditions for the new contract into the Position Limit, Position Accountability and Reportable Level Table and Header Notes located in the Interpretations and Special Notices Section of Chapter 5 of the NYMEX Rulebook in relation to the listing of the new contract. These terms and conditions establish the diminishing balances, all month/any one month accountability levels, expiration month position limit, reportable level, and aggregation allocation for the new contract.

NYMEX business staff responsible for the new product and the NYMEX legal department collectively reviewed the designated contract market core principles (“Core Principles”) as set forth in the Commodity Exchange Act (the “Act” or “CEA”). During the review, NYMEX staff identified that the new product may have some bearing on the following Core Principles:

- Prevention of Market Disruption: Trading in this contract will be subject to Rulebook Chapters 4 and 7 which include prohibitions on manipulation, price distortion and disruptions of the delivery or cash-settlement process. As with all products listed for trading on one of CME Group’s designated contract markets, activity in the new product will be subject to extensive monitoring and surveillance by CME Group’s Market Regulation Department.

- Contracts not Readily Subject to Manipulation: The new contract is not readily subject to manipulation due to the liquidity and robustness in the underlying cash market, which provides diverse participation and sufficient spot transactions to support the final settlement index as assessed by Platts (methodology provided in the attached Cash Market Overview).

- Compliance with Rules: Trading in this contract will be subject to the rules in Rulebook Chapter 4 which includes prohibitions against fraudulent, noncompetitive, unfair and abusive practices. Additionally, trading in this contract will also be subject to the full range of trade practice rules, the majority of which are contained in Chapter 5 and Chapter 8 of the Rulebook. As with all products listed for trading on one of CME Group’s designated contract markets, activity in the new product will be subject to extensive monitoring and surveillance by CME Group’s Market Regulation Department.

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The Market Regulation Department has the authority to exercise its investigatory and enforcement power where potential rule violations are identified.

- Position Limitations or Accountability: The spot month position limit for the new contract is set at a conservative level that is less than 25% threshold of the monthly deliverable supply in the underlying market in accordance with the guidelines included in CFTC Part 151.
- Availability of General Information: The Exchange will publish information on the contract's specification on its website, together with daily trading volume, open interest and price information.
- Daily Publication of Trading Information: Trading volume, open interest and price information will be published daily on the Exchange's website and via quote vendors.
- Financial Integrity of Contracts: All contracts traded on the Exchange will be cleared by the CME Clearing House which is a registered derivatives clearing organization with the Commission and is subject to all Commission regulations related thereto.
- Execution of Transactions: The new contract is dually listed for clearing through the CME ClearPort platform and on the NYMEX trading floor for open outcry trading. The CME ClearPort platform provides a competitive, open and efficient mechanism for novating transactions that are competitively executed by brokers. In addition, the NYMEX trading floor is available as a venue to provide for competitive and open execution of transactions.
- Trade Information: All required trade information is included in the audit trail and is sufficient for the Market Regulation Department to monitor for market abuse.
- Protection of Market Participants: Rulebook Chapters 4 and 5 contain multiple prohibitions precluding intermediaries from disadvantaging their customers. These rules apply to trading on all of the Exchange's competitive trading venues and will be applicable to transactions in this product.
- Disciplinary Procedures: Chapter 4 of the Rulebook contains provisions that allow the Exchange to discipline, suspend or expel members or market participants that violate the rules. Trading in this contract will be subject to Chapter 4, and the Market Regulation Department has the authority to exercise its enforcement power in the event rule violations in these this product are identified.
- Dispute Resolution: Disputes with respect to trading in this contract will be subject to the arbitration provisions set forth in Chapter 6 of the Rulebook. The rules in Chapter 6 allow all non-members to submit a claim for financial losses resulting from transactions on the Exchange to arbitration. A member named as a respondent in a claim submitted by a non-member is required to participate in the arbitration pursuant to the rules in Chapter 6. Additionally, the Exchange requires that members resolve all disputes concerning transactions on the Exchange via arbitration.

Pursuant to Section 5c(c) of the Act and CFTC Regulation 40.2, the Exchange hereby certifies that the attached contract complies with the Act, including regulations under the Act. There were no substantive opposing views to this proposal. A description of the cash market for this new product is attached.

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

Should you have any questions concerning the above, please contact the undersigned at (312) 930-8167 or Sean.Downey@cmegroup.com.

Sincerely,

/s/Sean M. Downey
Director and Assistant General Counsel

Attachments: Appendix A: Rule Chapter
Appendix B: Chapter 5 Table
Appendix C: Cash Market Overview and Analysis of Deliverable Supply

Appendix A

Chapter 868
LNG Japan/Korea Marker (Platts) Swap Futures

868100. SCOPE OF CHAPTER

The provisions of these rules shall apply to all futures contracts bought or sold on the Exchange for cash settlement based on the Floating Price. The procedures for trading, clearing and cash settlement of this contract, and any other matters not specifically covered herein shall be governed by the general rules of the Exchange.

868101. CONTRACT SPECIFICATIONS

The 'Settlement Period' for a specified contract month shall be the one month period that starts on, and includes, the 16th calendar day of the month that is two months prior to the contract month, and ends on, and includes the 15th calendar day of the month prior to the contract month.

The Floating Price shall be determined following the publication of the DES Japan/Korea daily LNG marker (JKM) by Platts on the last publication day in the Settlement Period. If such day is not an Exchange business day, the Floating Price shall be determined on the following Exchange business day.

The Floating Price for each contract month is equal to the arithmetic average of the DES Japan/Korea Marker (JKM) published in respect of the contract month by Platts in LNG Daily for each day that it is published during the Settlement Period.

868102. TRADING SPECIFICATIONS

The number of months open for trading at a given time shall be determined by the Exchange.

868102.A. Trading Schedule

The hours of trading for this contract shall be determined by the Exchange.

868102.B. Trading Unit

The contract quantity shall be 10,000 MMBtu (million British thermal units). Each contract shall be valued as the contract quantity (10,000) multiplied by the settlement price.

868102.C. Price Increments

Prices shall be quoted in U.S. dollars and cents per MMBtu. The minimum price fluctuation shall be $0.005 per MMBtu. The minimum price fluctuation for the final settlement (Floating Price) shall be $0.001 per MMBtu.

868102.D. Position Limits and Position Accountability

For purposes of calculating compliance with position limits, each contract will be aggregated with positions held in LNG East Asia Index (ICIS Heren) Swap futures. Each position in the contract will be deemed equivalent to one position in the underlying LNG East Asia Index (ICIS Heren) Swap futures contract into which each contract aggregates.

For purposes of position limits and position accountability levels, contracts shall diminish ratably as the contract month progresses toward month end.

In accordance with Rule 559, no person shall own or control positions in excess of 5,000 contracts net long or net short in the spot month.

In accordance with Rule 560:

1. the all-months accountability level shall be 10,000 contracts net long or net short in all months combined;
2. the any-one month accountability level shall be 10,000 contracts net long or net short in any single contract month excluding the spot month.

Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.

868102.E. Termination of Trading

Trade submission shall cease on the last weekday (i.e. Monday to Friday inclusive) in the Settlement Period. If such day is not an Exchange business day, the trade submission shall cease on the preceding Exchange business day.

868103. FINAL SETTLEMENT

Final settlement under the contract shall be by cash settlement. Final settlement, following termination of trading for a contract month, will be based on the Floating Price. The final settlement price will be the Floating Price calculated for each contract month.

868104. DISCLAIMER

NEITHER NEW YORK MERCANTILE EXCHANGE, INC. ("NYMEX") ITS AFFILIATES NOR PLATTS, A DIVISION OF THE MCGRAW-HILL COMPANIES, INC. ("PLATTS") GUARANTEES THE ACCURACY NOR COMPLETENESS OF THE PLATTS PRICE ASSESSMENT OR ANY OF THE DATA INCLUDED THEREIN.

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"Platts," is a trademark of The McGraw-Hill Companies, Inc. and has been licensed for use by New York Mercantile Exchange, Inc. Platts does not sponsor, endorse, sell or promote the contract and Platts makes no recommendations concerning the advisability of investing in the contract.

Appendix B

NYMEX Rulebook Chapter 5 Position Limit Table
(Bold/underline indicates addition)

Contract Name	**Rule Chapter**	**Commodity Code**	**Diminishing Balances Contracts**	**All Month Accountability Level**	**Any One Month Accountability Level**	**Expiration Month Limit**	**Reporting Level**	**Aggregate Into (1)**
				Rule 560	Rule 560	Rule 559	Rule 561	
Light Hydrocarbons								
Asia								
LNG Japan/Korea Marker (Platts) Swap Futures	**868**	**JKM**	*****	**10,000**	**10,000**	**5,000**	**25**	**LAI**

Appendix C

CASH MARKET OVERVIEW

The New York Mercantile Exchange, Inc. ("NYMEX" or "Exchange") is self-certifying the listing of a new LNG Japan/Korea Marker (Platts) Swap futures contract for trading on the NYMEX trading floor and for submission for clearing through CME ClearPort.

This new contract is financially settled with reference to prices for liquefied natural gas ("LNG") published by Platts.

PRICE SOURCE

The new LNG Japan/Korea Marker (Platts) Swap futures contract is financially settled with reference to prices published by Platts, a division of The McGraw-Hill Companies, Inc. ("Platts"). Platts is one of the major pricing services used in the OTC market for the pricing of energy swap contracts, and the methodology utilized by Platts is well-known in the energy industry. Their pricing methodology[1] is derived from telephone surveys and electronic data collected from multiple market participants to determine market value. Platts has a long-standing reputation in the industry for price benchmarks that are fair and not manipulated. NYMEX is a party to license agreements with Platts to utilize their pricing data.

The LNG Japan/Korea Marker (Platts) Swap futures contract is based on price assessments for the Platts Japan/Korea Marker price assessment. This prices assessment is for cargoes delivered ex-ship at ports in Japan and Korea. Prices for cargoes delivering to Taiwan or China may be normalized back to be included in the assessment. Platts is expanding the range of named Chinese destination ports that may be included in the assessment[2]. Prices are published with reference to a calendar month, and are further broken down into half month periods. The prices reflect trades that will deliver with the specified calendar month or part calendar month. Prices are published on a daily basis.

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[1] See http://www.platts.com/IM.Platts.Content/MethodologyReferences/MethodologySpecs/lngmethodology.pdf
[2] See http://www.platts.com/SubscriberNotesDetails/7770530

LIQUEFIED NATURAL GAS MARKET OVERVIEW

Description

Liquefied natural gas ("LNG") is a growing part of the international supply and trade of energy. LNG is natural gas that is cooled and compressed into liquid form to make it more readily transportable. LNG is typically transported by sea in specially designed vessels. The International Group of Liquefied Natural Gas Importers ("GIIGNL") states that there were 18 countries with liquefaction facilities, and that there were 25 countries with regasification facilities at the end of 2011[3]. The GIIGNL states that international trade in 2011 was approximately 240.8 million tons.

The United Nations publishes international trade data in its Commodity Trade Statistics Database[4]. Table 1 shows the top 10 importer and exporter nations for LNG for the year 2010, for which complete statistics are available. Data for Taiwan is not included in the UN Comtrade database, however data from the GIINGL indicates that Taiwanese imports are comparable to that of China.

Table 1: Largest LNG Importers and Exporters 2010[5]

(volumes in million metric tons)

Exporter	Export Volume		Importer	Import Volume
Qatar	50.9		Japan	70.0
Indonesia	20.6		Republic of Korea	32.6
Malaysia	19.9		Spain	19.6
Australia	18.2		United Kingdom	13.5
Nigeria	14.2		France	11.5
Algeria	11.9		China	9.3
Trinidad and Tobago	11.5		India	8.7
Russian Federation	9.3		Italy	7.2
Oman	7.5		USA	6.8
Brunei	6.6		Belgium	4.6

[3] See http://www.giignl.org/fileadmin/user_upload/pdf/A_PUBLIC_INFORMATION/LNG_Industry/GIIGNL_The_LNG_Industry_2011.pdf
[4] See http://comtrade.un.org
[5] Source United Nations Comtrade Database, *DESA/UNSD*, based on data from importing countries

The largest exporter is Qatar, which is responsible for approximately one third of global international exports. Other large producers include Malaysia, Indonesia, Nigeria, and Australia. Together with Qatar, these five countries account for nearly two thirds of global exports.

Japan is currently the main importer, accounting for 35% of global imports. Substantial quantities are also imported into South East Asia in China, Taiwan and South Korea. European nations represent the second largest block of importers.

East Asia Imports

The new contract is based on the Platts Japan/Korea Marker, which comprises data for import prices of LNG to Japan and South Korea. Import prices for China and Taiwan may also be included, as described above. Table 2 shows import data for these countries available from the United Nations Comtrade Database. Data for Taiwan is not included in the UN Comtrade database.

Table 2: East Asia LNG Imports[6]

(volumes in million metric tons)

	2007	2008	2009	2010	2011	Average 2009-2011
Japan	66.8	69.3	64.6	70.0	78.5	71.0
Republic of Korea	25.6	27.3	25.8	32.6	36.7	31.7
China	2.9	3.3	5.5	9.3	12.2	9.0
Total	95.3	99.9	95.9	112.0	127.4	111.8

The UN Comtrade data shows that combined imports into Japan, Korea and China for the period 2009-2011 were on average 111.8 million metric tons per year.

[6] Source United Nations Comtrade Database, *DESA/UNSD*,

Market Activity

Given the nature of the product, the physical LNG market trades on a cargo basis. The GIINGL estimates that in excess of 4,000 cargo voyages were made in 2011. Many cargoes are sent as part of a term supply agreement, but the GIINGL estimates that over 25% of volume is conducted on a spot basis, and that this represents an increasing proportion of the physical market. Spot volumes therefore equated to over 60 million metric tons in 2011.

Vessel sizes range from 10,000 cubic metres capacity to the 266,000 cubic metre capacity Q-Max vessels. The average cargo size is 130,000 cubic metres.

Spot LNG cargoes are typically traded in U.S. dollars, on a price per energy content (i.e. $ per MMBtu) basis. Pricing on this basis accounts for variances in the chemical content of various LNG sources, and for different pressure and temperature regimes on different vessels. The conversion rate to MMBtu will vary with source. The U.S. Energy Information Administration (EIA) has published a conversion rate of 51.98 MMBtu per metric ton of LNG[7]. The standard conversion for one cubic metre of LNG is to equal 0.46 metric tons, or 23.69 MMBtu.

[7] See http://www.eia.gov/oiaf/analysispaper/global/pdf/eia_0637.pdf

ANALYSIS OF DELIVERABLE SUPPLY

The Exchange is assessing spot month position limits for the LNG Japan/Korea Marker (Platts) Swap futures contract based on import data from index constituent countries.

Table 2 above shows that the average imports into Japan, Korea and China for 2009-2011 were 111.8 million metric tons. It should be noted that that a substantial proportion of these imports were the result of medium and long term supply contracts. The Exchange has conducted an analysis of the impact of medium and long term supply contracts on the spot market. The typical supply structure is for LNG suppliers to agree contracts with trading firms. These trading firms are either acting as principal or acting as agent for a utility, which would likely become the ultimate consumer. Older term contracts would not typically permit delivery flexibility or diversion of the cargo, but this is standard for more recent term contracts. Flexible contract cargoes may be re-traded, and partial cargoes are also available for trading occasionally. Cargoes originally destined for Europe are frequently being redirected to the Far East, and reloading and reselling of delivered cargoes also takes place. Consumer utilities will sell contract cargoes for scheduling purposes. Individual cargoes may be re-traded multiple times, with the typical deal chain being up to four separate transactions. Price reporting agencies indicate that there are always multiple bids and offers for physical cargoes available in the market.

Given the presence of cargoes which are not available for re-trading, the Exchange has determined to reflect this in its deliverable supply estimate by reducing the available import volumes by the amount of fixed delivery cargoes. Estimates vary on the prevalence of these fixed delivery cargoes. Whilst they are a decreasing proportion of the market, the Exchange estimates that fixed delivery cargoes represent 60% to 75% of the medium and long term supply contracts, based on research conducted by the Exchange with market participants and industry analysts. Using the figure of 25% for spot market activity, which is conservative for the Far East LNG market, this implies that fixed delivery cargoes comprise 45% to 56% of the overall supply. Excluding these volumes, the Exchange's deliverable supply estimate is therefore in the range 48.9 to 61.5 million metric tons per annum (i.e. 44% to 55% of the average annual import level of 111.8 million metric tons, which does not include data for Taiwan).

The contract size for the LNG Japan/Korea Marker (Platts) Swap futures contract is 10,000 MMBtu. With a conversion factor of 51.98 MMBtu per metric tons, the range of 48.9 to 61.5 million metric tons becomes 254,159 to 319,514 lots per annum, or 21,180 to 26,626 lots per calendar month.

The spot month position limit has been set at 5,000 lots. This represents 18.8% of deliverable supply at the higher end of the range, and 23.6% of deliverable supply at the lower end of the range. In addition, the Exchange will aggregate positions in this contract with those of the Exchange's LNG East Asia Index (ICIS Heren) Swap futures contract (Chapter 1249; Commodity code LAI; listed on July 16, 2012) which is based on the same underlying market as this LNG Japan/Korea Marker (Platts) Swap futures contract.