

November 20, 2008

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

RECEIVED
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OFFICE OF THE SECRETARIAT

Re: Rule Certification. New York Mercantile Exchange, Inc. Submission #08.114: Notification Regarding the Listing of the Russian Export Blend Crude Oil (REBCO) Financial Futures Contract on Globex[®] and ClearPort[®] Clearing

Dear Mr. Stawick:

The New York Mercantile Exchange, Inc. ("NYMEX" or "Exchange") is notifying the Commodity Futures Trading Commission ("CFTC" or "Commission") that it is self-certifying the listing of the Russian Export Blend Crude Oil (REBCO) financial futures contract. The REBCO financial futures contract will be listed on Globex[®] (code REB) and ClearPort[®] clearing (code R2) beginning on Sunday, November 23, 2008 for trade date Monday, November 24, 2008. It will be available during normal trading hours on ClearPort[®] clearing and Globex[®].

The REBCO financial futures contract will be cash-settled using the Urals FOB Primorsk assessment published by Argus Media. The new contract will expire on the business day immediately preceding the 15th day prior to the first day of the delivery month, if such 15th day is a banking day in London. The first contract month to be listed will be the January 2009 contract month. The Exchange will list up to 48 consecutive months with contract months added on an annual basis.

The exchange of futures for swaps transactions (EFS) and Exchange of Futures for Physical transactions (EFP) for these new futures contract shall be governed by the provisions of Rules 6.21 and 6.21A, respectively.

Pursuant to Section 5c(c) of the Commodity Exchange Act ("Act") and CFTC Rules 40.2 and 40.6, the Exchange hereby certifies that the attached contract complies with the Act, including regulations under the Act.

Should you have any questions concerning the above, please contact Daniel Brusstar at (212) 299-2604 or the undersigned at (202) 715-8517.

Sincerely,

A handwritten signature in black ink, appearing to read "De'Ana H. Dow". The signature is written in a cursive style with a large initial "D".

De'Ana H. Dow
Managing Director
Government Relations

Attachments: Contract terms and conditions
Supplemental Market Information

REBCO Financial Contract

Rule 207.01 Scope

The provisions of these rules shall apply to all contracts bought or sold on the Exchange for cash settlement based on the Floating Price.

Rule 207.02 Floating Price

The Floating Price is equal to the Urals FOB Primorsk price as published by Argus Media on the last trading day for the contract month.

Rule 207.03 Contract Quantity and Value

The contract quantity shall be 1,000 U.S. barrels. Each contract shall be valued as the contract quantity (1,000) multiplied by the settlement price.

Rule 207.04 Contract Months

Trading shall be conducted in contracts in such months as shall be determined by the Board of Directors.

Rule 207.05 Prices and Fluctuations

Prices shall be quoted in U.S. dollars and cents per barrel. The minimum price fluctuation shall be \$0.01 per barrel. There shall be no maximum price fluctuation.

Rule 207.06 Termination of Trading

Trading shall cease on the business day immediately preceding the 15th day prior to the first day of the delivery month, if such 15th day is a banking day in London. If the 15th day is a non-banking day in London (including Saturday), trading shall cease on the business day immediately preceding the first business day prior to the 15th day.

Rule 207.07 Final Settlement

Delivery 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.

Rule 207.08 Exchange of Futures for, or in Connection with, Product (EFP) and Exchange of Futures for, or in Connection with, Swap (EFS) Transactions

Any Exchange of Futures for, or in Connection with, Product (EFP) or Exchange of Futures for, or in Connection with, Swap (EFS) Transactions shall be governed by the provisions of Rules 6.21 and 6.21A, respectively.

Rule 207.09 Disclaimer

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Supplemental Information on the Russian Urals Market

Price Source: Argus Media

The price reporting service that is used for the final settlement of the new REBCO Financial futures contracts is Argus Media. Argus Media is the main pricing service that is used in the Urals market for pricing OTC swaps contracts, and their methodology is well-known in the industry. The Exchange has a formal agreement with Argus Media to utilize their pricing data, and it has a long-standing reputation in the industry as price benchmarks that are fair and not manipulated. The pricing methodology for Argus Media relies on telephone surveys and electronic data from dozens and dozens of market participants to determine market value. Their pricing methodology is well-defined and is attached below:

http://www1.argusmediagroup.com/ArgusStaticContent//Meth/crude_meth_latest.pdf

Russia is currently the world's second largest crude oil producer at 9.6 million barrels per day, and will surpass Saudi Arabia as the top producer in the next one or two years. Crude oil is exported via pipeline and via cargoes loading from several ports. The annual average exports for 2007 for Russian Urals was four million barrels per day. There are six ports on the Baltic Sea and Black Sea that account for exports of over two million barrels per day of Urals Blend, called Russian Export Blend crude oil (REBCO). The Baltic Sea port of Primorsk is the largest port for Urals exports, averaging 1.35 out of 3.8 million barrels per day in exports from the most recent data for October 2008. The port facilities at Primorsk are state-of-the-art, and the standard cargo size is 730,000 barrels.

The EIA publishes data on Russian exports, which can be viewed at the web link below:
http://www.eia.doe.gov/emeu/cabs/Russia/Oil_exports.html).

Further, the Russian Federal government reports monthly oil statistics for production and exports. The Energy Intelligence publication *Nefte Compass* (see attached copy dated Nov 6, 2008) publishes the monthly volume of REBCO exports with a breakdown of exporting companies.

The Black Sea port of Novorossiysk is the second largest Russian port, with crude oil exports at 700,000 barrels per day. The remaining ports are smaller and can handle ships in the range of 250,000 to 500,000 barrels.

In addition, Urals is sold via pipeline into Eastern Europe via the Druzhba Pipeline, which is operated by Transneft and accounts for around one million barrels per day. This pipeline supplies crude oil to Germany, Poland, the Czech Republic, Hungary, Slovakia, and the Baltic Sea. The Baltic port at Ventspils is also supplied via a connecting line to the Druzhba Pipeline, and has loading capacity of 300,000 barrels per day. Urals trading on the pipeline is limited, and the largest players in the pipeline market are refiners in Germany and Austria.

The estimated trading volume of REBCO in the cash market is approximately 1.0 to 1.5 million barrels per day. The typical transaction size is in cargo size increments of 500,000 to 750,000 barrels. The volume of spot transactions is approximately half of all cash transactions, and the balance of trades are longer-term contracts. There is active trading in forward cash deals and Urals is also traded in the Platts window each day. The bid/ask spreads are typically in increments of 25 cents per barrel.

In addition, there is a robust OTC Urals swaps market that is transacted by telephone brokers. The OTC market typically trades a cash-settled swap instrument. The estimated daily trading volume in the OTC swap market is approximately 750,000 to one million barrels per day. The forward month activity in the OTC market is typically concentrated in the first 12 to 18 months. The key participants in the OTC market are refiners, traders, and financial companies, as listed in the section below.

REBCO Market Participants

The Energy Intelligence publication *Nefte Compass* (see attached copy dated Nov 6, 2008) reports the monthly volume of REBCO exports with a breakdown of exporting companies. The main sellers of REBCO are the Russian oil companies, including Lukoil, Surgutneftegas, Sibneft, Tatneft, Bashneft, and Gazprom. On the demand side, the main consumers of REBCO are European refiners and traders. A partial listing is as follows:

<u>Russian Producers</u>	<u>Refiners</u>	<u>Traders/Retailers</u>	<u>Brokers</u>
Rosneft	ConocoPhillips	Gunvor	PVM
Lukoil	Total	Vitol	Amerex
Gazprom	Shell	Koch	Man Financial
Sugut	BP	Glencore	
Sibneft	Exxon	Morgan Stanley	
Tatneft	AGIP	Goldman Sachs	
Bashneft	Repsol	Arcadia	
	Neste	Mercuria	
	Statoil	Sempra	

Speculative Limits for the REBCO Financial Contract

The Exchange has set the expiration month limit for the new REBCO financial futures contract at 2000 contracts (equivalent to two million barrels) which is approximately 5% of the monthly deliverable supply of Urals crude oil from the Primorsk export facility.