

November 29, 2012

**VIA E-Mail**

Ms. Sauntia Warfield  
Office of the Secretariat  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21st Street, N.W.  
Washington, D.C. 20581

**RE: NYMEX Early Adopter Liquidity Generating Program for Emissions Products  
NYMEX Submission No. 12-400**

Dear Ms. Warfield:

New York Mercantile Exchange, Inc. ("NYMEX", or the "Exchange") hereby notifies the Commodity Futures Trading Commission ("Commission") that it plans to implement an incentive program in support of certain emissions products ("Program"). The proposed Program will become effective on January 2, 2013.

Exhibit 1 sets forth the terms of this Program.

NYMEX business staff responsible for the Program and the NYMEX legal department collectively reviewed the designated contract market core principles ("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: Prevention of Market Disruption, Execution of Transactions, Protection of Market Participants, Compliance with Rules and Recordkeeping.

The proposed Program will not impact the Exchange's ability to perform its trade practice and market surveillance obligations under the CEA. All thresholds requirements and participants will be disclosed to the Exchange's Market Regulation Department in order to monitor for any manipulative trading and/or market abuse. Additionally, the Exchange has implemented systems to track Program participants' volume to ensure proper distribution of earned incentives. The products included in this Program are listed for trading in the open and competitive market. The incentives available under the Program will apply equally to transactions by participants via all available NYMEX execution and/or clearing venues including the Globex Platform. Therefore, the incentives under this Program protect any price discovery taking place in the centralized market. Participants in the Program will be selected by NYMEX staff using criteria as further stated in Exhibit 1. Chapter 4 of the NYMEX rules includes prohibitions against fraudulent, non-competitive, unfair or abusive practices. All participants must execute a contractual agreement with NYMEX in which each participant will expressly agree to comply with, and be subject to, applicable regulations and NYMEX rules. This proposed Program will be subject to the Exchange's record retention policies, which comply with the CEA.

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

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>.

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. 12-400 in any related correspondence.

Sincerely,

/s/ Christopher Bowen  
Managing Director, Chief Regulatory Counsel

Enclosure

# EXHIBIT 1

## **NYMEX Early Adopter Liquidity Generating Program For Emissions Products**

### **Program Purpose**

The purpose of this Program is to incentivize trading in the products listed below across all available NYMEX venues. Increasing overall volume levels in the products listed below will enhance market liquidity. A more liquid contract benefits all participants in the market.

### **Product Scope**

Certain European Union Allowance contracts, Certified Emission Reduction contracts, Cross-State Air Pollution Rule contracts and California Carbon Allowance contracts that are traded on the Globex Platform or cleared via CME ClearPort ("Product(s)").

### **Eligible Participants**

NYMEX may designate up to five (5) participants in the Program. Participants may be NYMEX members or non-members. In order to be eligible for the Program, potential participants must be either (i) a European commercial entity with significantly high compliance obligations or (ii) a bank managing emission exposure for a significant number of European entities. Notwithstanding the foregoing, NYMEX, in its sole discretion, may add or subtract from the aforementioned criteria as it deems necessary.

### **Program Term**

Start date is January 2, 2013. End date is December 31, 2015.

### **Hours**

N/A

### **Incentives**

*Fee Discounts.* For each calendar quarter of participation in the Program ("Measurement Period"), participants may receive predetermined fee discounts based on their combined average daily volume in the Products traded on Globex or cleared through CME ClearPort.

### **Monitoring and Termination of Status**

The Exchange shall monitor trading activity and participants' performance and shall retain the right to revoke Program participant status if it concludes from review that a Program participant has failed to meet its obligations or no longer meets the eligibility requirements of the Program.