



Christopher Bowen
Managing Director and Chief Regulatory Counsel
Legal Department

December 20, 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: Non-member Core Energy & Natural Gas Incentive Program
NYMEX Submission No. 11-515**

Dear Mr. Stawick:

New York Mercantile Exchange, Inc ("NYMEX" the "Exchange" or the "Clearing House") hereby notify the Commodity Futures Trading Commission ("Commission") that it plans to implement an incentive program in support of certain NYMEX Energy and Natural Gas products ("Program"). This proposed Program will become effective on January 6, 2012.

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 and the derivatives clearing organization core principles (collectively the "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;

Designated Contract Market Core Principles: 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 their trade practice and market surveillance obligations under the CEA and NYMEX market regulation staff will continue to monitor all market participants that trade the Program's products to prevent manipulative trading and market abuse. Additionally, NYMEX has implemented systems to track Program participants' volume to ensure proper distribution of earned incentives. The incentives in the proposed Program do not impact the Exchanges' order execution. 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. The proposed Program will be subject to the Exchange's record retention policies which comply with the CEA.

Derivatives Clearing Organization ("DCO") Core Principles: Financial Resources, Participant and Product Eligibility, Rule Enforcement, Recordkeeping, Public Information and Information Sharing:

The incentives in this Program will have a non-material impact on the financial resources of the Clearing House.

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As such, it will not prevent the Clearing House from demonstrating that it has adequate financial, operational, and managerial resources to discharge its responsibilities as a DCO. When selecting an applicant into the Program, NYMEX will take into account multiple factors from a candidate firm including those set forth in Exhibit 1. The incentives provided under the Program will not impact the Clearing House's ability to perform its monitoring or enforcement obligations under the CEA. Chapter 4 of the NYMEX rules includes prohibitions against fraudulent, non-competitive, unfair or abusive practices. All participants must execute a contractual agreement with the Clearing House in which each participant will expressly agree to comply with and be subject to, applicable regulations and NYMEX rules. The proposed Program will be subject to the Clearing House's records retention policies which comply with the CEA. The Program contains "information concerning" each clearing and other fee that the DCO charges members and participants. A potential participant in the Program who wishes to subscribe to the Program may contact the Clearing House to receive further information regarding the fees that are charged to Program participants.

The Exchange certifies that the Program complies with the Commodity Exchange Act 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, or contact me at 212-299-2200. Please reference our NYMEX Submission No. 11-515 in any related correspondence.

Sincerely,

/s/ Christopher Bowen
Managing Director, Chief Regulatory Counsel

Attachments

EXHIBIT 1

Non-member Core Energy & Natural Gas Incentive Program

Program Purpose

The purpose of the Program is to incentivize higher levels of volume contribution from non-members in NYMEX energy products, specifically in crude oil, refined and natural gas products across NYMEX's trading venues. Higher levels of volume and liquidity in the products listed below benefits all participants in the marketplace.

Product Scope

1. Light Sweet Crude Oil futures (LO), Natural Gas Futures (NG), Heating Oil Futures, RBOB Gasoline futures (RB) and Henry Hub Natural Gas Swap Futures (HG) traded on Globex®
2. All NYMEX over-the-counter energy contracts that are cleared through the Clearing House.

Eligible Participants

NYMEX may designate up to three (3) participants in the Program. A participant must be a NYMEX non-member. In order to be considered for the Program, an applicant must (i) have historically maintained a relatively high overall average daily volume and resting percentage of trades made in Light Sweet Crude Oil futures (LO), Natural Gas Futures (NG), Heating Oil Futures, RBOB Gasoline futures (RB) and Henry Hub Natural Gas Swap Futures (HG) on Globex® (ii) have, over a recent period of time, demonstrated consistent volume growth in average daily volume levels for European Natural Gas Options (LN) traded across all venues, and (iii) not currently be participating in another incentive program that includes the Products.

Program Term

Start date is January 6, 2012. End date is June 30, 2012.

Hours

N/A

Incentives

1. Volume Incentives. For each calendar month during the term of the Program, participants will be eligible to (i) participate in tiered volume incentives whereby participants may be charged reduced fee rates in certain NYMEX products traded on Globex® and on the NYMEX trading floor, and (ii) participate in tiered volume incentives whereby participants may be charged reduced fee rates in certain NYMEX OTC products that a participant submits for clearing to the Clearing House. The tiered volume levels are predetermined by NYMEX and are based on a participant's volume in the above-referenced products.
2. Fee Discounts. Participants will be eligible to receive predetermined fee discounts for certain NYMEX energy products that are traded on Globex® and certain NYMEX OTC energy products that are cleared by the Clearing House.
3. Fee Waivers. Participants will be eligible to receive predetermined fee waivers for certain NYMEX energy products that are traded on Globex®.

Monitoring and Termination of Status

The Exchange shall monitor participants' activity in the Products and retains the right to revoke Program participant status if it concludes from review that a Program participant no longer meets the eligibility requirements of the Program.