



Christopher Bowen  
Managing Director and Chief Regulatory Counsel  
Legal Department

June 10, 2014

**VIA E-MAIL**

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

**RE: Modifications to the NYMEX Natural Gas and Power Incentive Program for Hedge Funds  
NYMEX Submission No. 14-204**

Dear Ms. Jurgens:

New York Mercantile Exchange, Inc. ("NYMEX" or "Exchange") hereby notifies the Commodity Futures Trading Commission ("CFTC" or "Commission") of plans to modify its incentive program in support of all Natural Gas, Natural Gas Liquids & Petrochemicals (NGLs) and Power/Electricity ("Power") products ("Program"). The modifications to the Program will become effective on July 1, 2014.

Modifications to the Program appear below in Exhibit 1, with additions underscored and deletions ~~overstruck~~.

NYMEX reviewed the designated contract market ("DCM") 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 modifications to the Program will not impact the Exchange's ability to perform its trade practice and market surveillance obligations under the CEA. The Exchange's market regulation staff will monitor trading in the Program's products to prevent manipulative trading and 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 to transactions by participants via any of NYMEX's execution and/or clearing venues, including the pit and our central limit order book. 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. The Program is subject to the Exchange's record retention policies which comply with the CEA.

NYMEX certifies that the 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 Tim Elliott at 312-466-7478 or via e-mail at [tim.elliott@cmegroup.com](mailto:tim.elliott@cmegroup.com), or contact me at 212-299-2200. Please reference our NYMEX Submission No. 14-204 in any related correspondence.

Sincerely,

/s/ Christopher Bowen  
Managing Director and Chief Regulatory Counsel

Attachment: Exhibit 1

# EXHIBIT 1

## **NYMEX Natural Gas and Power Incentive Program For Hedge Funds**

### **Program Purpose**

The purpose of the Program is to incentivize higher levels of volume contribution in NYMEX Natural Gas, NGL and Power products across NYMEX's trading and clearing venues. Higher levels of volume and liquidity in the products listed below benefits all participants in the marketplace.

### **Product Scope**

All NYMEX Natural Gas, Natural Gas Liquids & Petrochemicals (NGLs) and Power/Electricity ("Power") products that are traded on the Globex Platform, the NYMEX trading floor, or cleared through the CME clearing house ("Products").

### **Eligible Participants**

NYMEX may designate up to three (3) participants in the Program. Participants must be structured as hedge funds, as determined by Exchange personnel. In order to be considered for the Program, an applicant must have, over a recent time period, maintained significant average monthly volume levels in the Products. Eligible participants cannot participate in any other NYMEX program for which incentives are given with respect to the Products, with the exception of the ~~2013~~ 2014 NYMEX Natural Gas Options Incentive Program.

### **Program Term**

Start date is August 19, 2013. End date is ~~December 31, 2014~~ June 30, 2015.

### **Hours**

N/A

### **Incentives**

If a participant meets certain average monthly volume levels in the Products as determined by the Exchange, the respective participant may qualify to receive predetermined transaction fee rates with respect to the Products.

### **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.