

RECEIVED
C.F.T.C.

2004 JUN -3 PM 12: 36

June 3, 2004

BY EMAIL AND FACSIMILE

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

NYMEX Submission 04.75

**Re: Terms and Conditions for Market Maker Program for PJM Financially-Settled
Monthly Contracts**

Dear CFTC Commissioners:

The New York Mercantile Exchange, Inc. ("NYMEX" or the "Exchange") is notifying the Commodity Futures Trading Commission ("CFTC" or "Commission") that it will offering a Market Maker program for its PJM Financially-Settled Monthly contracts. This program will begin on June 4, 2004.

Pursuant to Section 5c(c) of the Commodity Exchange Act ("Act") and CFTC Rule 40.2 and Rule 40.6, the Exchange hereby certifies that this program and its terms and conditions all comply with the Act, including regulations under the Act.

Should you have any questions concerning the above, please contact the undersigned at (212) 299-2390 or Jay Gottlieb at 212-299-2607.

Very truly yours,

Robert A. Levin
Senior Vice President - Research

Attachment: Terms and Conditions for Market Maker Program for PJM Financially-Settled
Monthly Contracts.

Terms and Conditions for Market Maker Program for PJM Financially-Settled Monthly Contracts

The Board of Directors of the New York Mercantile Exchange, Inc., has approved a Market Maker Program (MM) for the PJM Monthly Financially-Settled Futures Contract (JM). The program is open to any market participant who executes JM trades through the floor venue. The terms and conditions of the program are as follows.

Benefits to Market Maker

- During calendar quarters when JM averages less than 4000 contracts/day through competitive floor executions, the MM will be rewarded NYMEX fee discounts as stipulated below.
 - For every JM contract directly executed by the MM (or employee or contractor who only executes for the MM), a \$5.40 credit towards NYMEX fees will be provided for any competitive executions of floor-traded futures or options contracts, beginning with the next calendar quarter.
 - For every JM contract executed competitively by a floor-broker on behalf of the MM, a credit of \$2.70 will be provided to the MM.
- During calendar quarters when JM averages 4000 contracts/day or greater through competitive floor executions, the MM will be rewarded NYMEX fee discounts as stipulated below.
 - For every JM contract directly executed by the MM (or employee or contractor who only executes for the MM), a \$3.60 credit towards NYMEX fees will be provided for any competitive executions of floor-traded futures or options contracts, beginning with the next quarter.
 - For every JM contract executed by a floor-broker on behalf of the MM, a credit of \$1.80 will be provided to the MM.
- Non-member MMs will be eligible to have all NYMEX margin levels for JM positions and positions in products that have a spread-margin rate with JM applied at member margin rates. (As is always the case, Clearing Members can apply higher margins to their customers than the Exchange's minimum required levels.)

Market Maker Obligations

- All position and trading requirements apply to the JM contract only. In addition, they do not apply to the currently expiring month contract—the “balance-of-month” traded contract—which does not trade on the floor.
- Maintaining a minimum average daily open-interest of 100 gross positions across the first 12 calendar month contracts during the calendar quarter.

- Maintaining open-interest each day during the calendar quarter in an average of 5 different contract months from among the first 12.
- At least 80% of the contracts executed by the MM during the calendar quarter are transacted through competitive floor executions.

MM Program Administration

- Credits issued under this program to MMs expire 1 year after issuance. They can be accumulated and survive removal of MM designation. For MMs that are partnerships, the credits may be transferred to individuals identified as partners on the MM's application.
- This program confers no trading or execution rights for any contracts. These rights must be acquired independently of the MM designation.
- The program can only be terminated effective the end of a calendar quarter.
- The MM program cannot be terminated sooner than December 31, 2006.
- To terminate program, NYMEX must give at least six months written notice.
- MMs can terminate participation in program by written notice.
- Registration for MM program must be by September 30, 2004.
- To be eligible, MMs need the approval of the NYMEX Clearing Member used in clearing JM and the other relevant floor-traded futures or options contracts trades. Once designated, the MM can change the authorizing Clearing Member upon written notification and approval by the MM and new Clearing Member.
- For MMs operating prior to the 4th calendar quarter of 2004, there will be two program changes that apply only during that period.
 - The open interest and trading requirements will be averaged from the date when the participant entered the market as an MM.
 - The floor-executed trading requirement will be an average of 50% for the same transition period.
 - Beginning with 4th quarter 2004 there will be full compliance regarding MM obligations.
- During the month following a calendar quarter, NYMEX will issue credits to eligible MMs based on JM transactions during the quarter.

- If a MM fails to meet obligations over two consecutive quarters, then they forfeit the MM designation.
- There is a \$250 application fee.