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CFTC OFFICE OF THE SECRETARIAT

Via E-Mail

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

Re: Rule Certification. NYMEX Submission 06.31 – Notification of Amendments to NYMEX Rule 11.63, Electronic Trading Error Trade Procedures.

Dear Ms. Jean Webb:

The New York Mercantile Exchange, Inc. (“NYMEX” or the “Exchange”) hereby notifies the Commodity Futures Trading Commission (“CFTC”) of amendments to NYMEX Division Rule 11.63, Electronic Trading Error Trade Procedures.

Effective March 6, 2006, which begins with the session on Sunday evening, March 5, 2006, the amendments include generally expanding the “No Bust Ranges (NBR)” incorporating the ability to double the NBRs with notice to the market, increasing penalties for busted or cancelled trades, and trade “adjusting” an execution which is outside of the NBR to the limits of the NBR when it is part of an implied execution. Pursuant to Section 5c(c) of the Commodity Exchange Act (“Act”) and CFTC Rule 40.6, the Exchange hereby certifies that the new amendments comply with the Act, including regulations under the Act.

Should you have any questions concerning the above, please feel free to contact me at (212) 299-2897.

Very truly yours,

Thomas F. LaSala
Senior Vice President
Compliance and Risk Management

Attachments

cc: Brian Regan
Nancy Minett

(Underlining in bold indicates additions; strikethroughs in bold indicate deletions.)

11.63 Electronic Trading Error Trade Procedures

(A) NYMEX Customer Service Call Center Trade Cancellation Authority

The Exchange's trade cancellation policy authorizes the NCSCC to mitigate market disrupting events caused by the improper or erroneous use any electronic trading system authorized by the Exchange system or by system defects by adjusting trade prices or canceling ("busting") trades. For the purposes of this rule, the term "Alternative Electronic Trading System" shall mean any electronic trading system other than NYMEX ACCESS® on which NYMEX Division or COMEX Division products are traded. Further, both an "Alternative Electronic Trading System" and NYMEX ACCESS® shall be considered an "Authorized Electronic System" for purposes of this rule. Notwithstanding any other provisions of this rule, the NCSCC may also adjust trade prices or cancel any trade if the NCSCC determines that failure to adjust the price or cancel the trade may have a material, adverse effect on the integrity of the market. The decision of the NCSCC shall be final.

(B) Review of Trades

The NCSCC may review a trade based on its analysis of market conditions or upon a request by a user of an authorized electronic system. Whenever an Electronic Trader or Authorized Terminal User believes that he or she executed a trade through NYMEX ACCESS® or through an Alternative Electronic Trading System in error as a result of an error ("Error"), the Electronic Trader or Authorized Terminal User or a representative of the firm that is a party to the trade must contact the NYMEX Customer Service Call Center ("NCSCC") immediately. ~~For the purposes of this rule, the term "Alternative Electronic Trading System" shall mean any electronic trading system other than NYMEX ACCESS® on which NYMEX Division or COMEX Division products are traded, but not including GLOBEX®.~~ (B) Except as provided in Section (F) below, if a potential user Error is observed by or brought to the attention of the NCSCC within ten (10) minutes after the trade occurs, the following procedures will apply:

(~~H~~) (C) Trade Price Adjustment and Cancellation Process

The NCSCC staff will determine whether the trade price is within the No Bust Range as defined in section (D) of this rule, less than the number of ticks set forth below away from the fair market value as determined by the NCSCC. During fast market conditions, upon the release of significant news events, or in other circumstances in which the NCSCC determines it is appropriate, the NCSCC may temporarily double the published No Bust Range with prior notice to the market. In applying the No Bust Range, the NCSCC shall determine the actual or implied market price for that contract immediately before the trade under review. The NCSCC may consider any relevant information, including but not limited to the existing market conditions, the volatility of the market, the prices of related instruments in other markets, the last trade price on an Authorized Electronic Market, a better bid or offer price, a more recent price in a different contract month, the price of the same or related contract established in open outcry trading and any other factors that the NCSCC deems relevant. In determining the fair market value, the NCSCC will consider the notional settlement price, the actual settlement price, the last traded price, a better bid or offer price, or any other information the NCSCC staff deems relevant.

(1) Trade Price Inside the No Bust Range

If the trade price is within the No Bust Range ~~relevant range~~, then the trade will stand.

(2) Trade Price Outside the No Bust Range

a. Implied Futures Contract Execution

If the NCSCC determines that a trade price is outside the applicable No Bust Range, the NCSCC will have the option to adjust the trade price to a price that equals the actual or implied market price for that contract at the time of the questioned trade, plus or minus the standard or doubled No Bust Range, as may be applicable. Further, the NCSCC shall maintain the option to bust the leg of the trade where appropriate depending on the circumstances. The NCSCC will promptly issue an alert indicating that the prices of the trades outside the No Bust Range have been busted or adjusted to the No Bust Range limit.

For example, if the standard No Bust Range for Crude Oil is 25 points above and below the market price, all trade prices outside the No Bust Range shall be adjusted to the applicable No Bust Range limit, i.e., 25 points above or below the market price.

b. Non-Implied Contract Execution

If the NCSCC determines that the trade price is outside the No Bust Range, the NCSCC shall have the option to bust the trade or to adjust the trade price where appropriate depending on the circumstance. The NCSCC will promptly issue an alert indicating that trades outside the No Bust Range have been busted or adjusted to the No Bust Range Limit.

(3) Liability for Losses Resulting from a Price Adjustment or Trade Bust

A party responsible for entering an order that results in a trade price adjustment shall not be liable for losses incurred by persons whose trade prices were adjusted.

Upon determining that the trade price is outside the relevant range indicated above, the NCSCC immediately will initiate an alert over the relevant trading system and to the quote vendor network indicating that the trade may be an Error and will attempt to contact the parties to the transaction to determine whether all parties to the trade consent to the cancellation of the trade.

(3) If both parties consent to void the trade within ten (10) minutes after the alert is sent, and no third party objects to the cancellation of the trade within ten (10) minutes of the alert, the trade will be cancelled.

(4) If a third party contacts the NCSCC within ten (10) minutes of the time the system alert and the alert to the quote vendor network set forth in Subsection (B)(2) were sent, objecting to the cancellation of the trade, the NCSCC will not immediately cancel the trade and the transaction will be reviewed by the Electronic Trading Review Committee.

(5) If the NCSCC is unable to contact all parties to a transaction or both parties do not consent to cancel the trade within ten (10) minutes after the NCSCC is notified of a potential user Error then the transaction will be reviewed by the Electronic Trading Review Committee, which shall be comprised of Exchange employees in accordance with Exchange Rule 3.46.

(6) (a) If a transaction is to be reviewed by the Electronic Trading Review Committee, a Panel of at least two (2) members of the Committee shall be convened to review circumstances surrounding the transaction and determine whether the transaction was an Error and, if so, whether such trade should be cancelled. The panel may, at its discretion, consult with Electronic Traders, Authorized Terminal Users or market participants and consider market information provided by those sources in rendering its decision.

(b) The factors that may be considered by the Committee include:

(i) the market conditions before and after the transaction occurred, including, but not limited to, current bids and/or offers or transactions in other contract months;

~~(ii) whether one or more parties to the trade believe the trade was at a valid price or quantity, as applicable;~~

~~(iii) whether there is any indication that the transaction in question triggered stops or resulted in the execution of a spread transaction as a result thereof;~~

~~(iv) whether a third party relied on the price; and~~

~~(v) any other factors that the Committee deems relevant.~~

~~(e) The Panel shall make its decision as soon as practicable after being convened. The decision of the Panel shall be a final decision.~~

~~(7) Once the Panel has reached a decision, the NCSCC shall send a system notice indicating whether the trade will be cancelled and shall also directly contact the parties to the trade in this regard.~~

~~(8) In addition, the NCSCC will initiate an alert to the quote vendor network indicating whether the trade will be cancelled.~~

~~(9) If a trade is cancelled subject to these error procedures, the NCSCC may also cancel any and all trades that were executed, and bids or offers posted, as a result of contingent orders having been elected by the Error trade. NCSCC shall consider the factors indicated in subsection (6)(b), above, in determining whether to cancel such additional trades and shall take the actions required under subsection (B)(7) and (B)(8) of this rule in connection with such cancelled trades.~~

~~(C) The party requesting that the trade be cancelled must submit to the NCSCC no later than two (2) hours after the end of the applicable trading session, a completed Exchange form documenting in writing the reasons for the request that previously had been provided verbally to the NCSCC.~~

~~(D) (4) Schedule of Administrative Fees~~

~~A fee for each Error trade cancelled in accordance with this rule shall be charged to the party responsible for such Error trade as follows:~~

~~(1) ~~\$250~~ \$500 for each of the first three (3) instances within one calendar year;~~

~~(2) ~~\$500~~ \$1,000 for each of the next ~~five (5)~~ three (3) instances within one calendar year; and~~

~~(3) ~~\$1000~~ \$2,000 for each instance thereafter within one calendar year.~~

~~Notwithstanding the above, there shall be no fee charged in connection with any Error Trade cancelled for any product traded on an Alternative Electronic Trading System, i.e., NYMEX Clearport® Trading.~~

~~(E) Except as provided in Section (F) below, if a potential user Error is brought to the attention of the NCSCC by one of the parties to the potential Error trade later than ten (10) minutes after the trade occurs, the trade will stand. However, NCSCC staff will assign both sides of the transaction to the account of one of the parties if:~~

~~(1) The trade would otherwise qualify for treatment as an Error in accordance with section (B)(1) of this rule;~~

~~(2) the NCSCC staff, using its best efforts, is able to contact the opposite party to the transaction; and~~

~~(3) both parties to the transaction agree to the assignment.~~

~~The party reporting the Error and requesting the assignment under this section shall be charged an Error fee in accordance with section (D) of this rule.~~

(D) No Bust Ranges

Contract Outrights	# Ticks From Market	Minimum Tick Size	\$ per Tick
CL	<u>2510</u>	0.01	10.00
SC	<u>2510</u>	0.01	10.00
HO	<u>6025</u>	0.0001	4.20
HU	<u>6025</u>	0.0001	4.20
GR	<u>84</u>	.25	25.00
NG	<u>2520</u>	0.001	10.00
PN	<u>5025</u>	0.0001	4.20
PL	<u>4020</u>	0.10	5.00
PA	<u>2010</u>	0.05	5.00
QL	<u>2010</u>	0.01	15.50
GC	<u>2010</u>	0.10	10.00
SI	<u>84</u>	0.005	25.00
HG	<u>2010</u>	0.0005	12.50
AL	<u>105</u>	0.0005	22.00
JM	<u>2412</u>	0.05	42.00
RS	<u>84</u>	0.25	25.00
RN	<u>42</u>	25.00	250.0 0

Intra- Commodity Spreads	# Ticks From Market	Minimum Tick Size	\$ per Tick
CL	<u>104</u>	0.01	10.00
HO	<u>2510</u>	0.0001	4.20
HU	<u>2510</u>	0.0001	4.20
NG	<u>205</u>	0.001	10.00
PN	<u>2010</u>	0.0001	4.20
PL	<u>2010</u>	0.10	5.00
PA	<u>105</u>	0.05	5.00
QL	<u>2010</u>	0.01	15.50
GC	<u>105</u>	0.10	10.00
SI	<u>2010</u>	0.001	25.00
HG	<u>42</u>	0.0005	12.50
AL	<u>105</u>	0.0005	22.00

JM	<u>2412</u>	0.05	42.00
	# Ticks From Market	Minimum Tick Size	\$ per Tick
Inter-Commodity Spreads			
CL / HO	<u>255</u>	0.01	10.00
CL / HU	<u>255</u>	0.01	10.00
HO / HU	<u>5025</u>	0.0001	4.20

Products Traded on an Alternative Electronic Trading System (categorized generically by commodity and by unit size)

Product (Unit Size)	# Ticks From Market
Crude Oil and Crude Products (1000 Barrels)	<u>2510</u>
Crude Oil and Crude Products (42,000 Gallons)	<u>4824</u>
Natural Gas	<u>2016</u>
Electricity	<u>4030</u>
NYMEX miNY™ Crude Oil	<u>156</u>
NYMEX miNY™ Natural Gas	<u>2016</u>
<u>NYMEX miNY™ Heating Oil</u>	<u>10</u>
<u>NYMEX miNY™ Unleaded Gasoline</u>	<u>10</u>

~~(F) Clearly Erroneous Trades Brought to the NCSCC Attention Outside 10 Minute Window. If any transaction is brought to the attention of or is otherwise identified by NCSCC Staff as clearly erroneous and thus inconsistent with the maintenance of overall integrity in the marketplace, Staff shall be authorized to assemble an Electronic Trading Review Committee for the purpose of determining whether to cancel or bust such transaction regardless of whether the notification occurred outside the prescribed 10-minute notification period.~~