



Christopher Bowen
Managing Director and Chief Regulatory Counsel
Legal Department

January 13, 2012

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: NYMEX Coal Incentive Program. NYMEX Submission No. 12-020

Dear Mr. Stawick:

New York Mercantile Exchange, Inc. ("NYMEX," the "Clearing House", or the "Exchange") hereby notifies the Commodity Futures Trading Commission ("Commission") that it plans to implement an incentive program in support of certain coal products ("Program"). The proposed Program will become effective on January 31, 2012.

Exhibit 1 sets forth the terms of the proposed 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 Commodities 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 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 NYMEX trading floor. Additionally, the incentives are equal across all NYMEX execution venues. 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 proposed Program will be subject to the Exchange's record retention policies which comply with the CEA.

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

The incentives in this Program will have a non-material impact on the financial resources of the Clearing House. 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. All market participants will be able to participate in the Program. 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 an application or contractual agreement with NYMEX in which each participant expressly agrees to comply with and be subject to applicable regulations and NYMEX rules.

NYMEX certifies that the Program complies with the Commodity Exchange Act and the regulations thereunder. There were no substantive opposing views to this Program.

NYMEX certifies that this submission has been concurrently posted on the NYMEX 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. 12-020 in any related correspondence.

Sincerely,

/s/ Christopher Bowen
Managing Director, Chief Regulatory Counsel

Attachments

EXHIBIT 1

NYMEX OTC Coal Incentive Program

Program Purpose

The purpose of this Program is to encourage market participants to increase their volume in the products listed below, enhancing market liquidity for those products. A more liquid contract benefits all participants in the market.

Product Scope

The following NYMEX products regardless of execution or clearing venue ("Products"):

Coal (API 2) cif ARA (Argus/McCloskey) Swap Futures (MTF), Coal (API 4) fob Richards Bay (Argus/McCloskey) Swap Futures (MFF), Coal (API 4) fob Richards Bay (Argus/McCloskey) Options (MFO), Coal (API 4) fob Richards Bay (Argus/McCloskey) Option on Quarterly Futures Strip (RQA), Coal (API 4) fob Richards Bay (Argus/McCloskey) Option on Calendar Futures Strip (RLA), Coal (API 2) cif ARA (Argus/McCloskey) Options (CQA), Coal (API 2) cif ARA (Argus/McCloskey) Option on Calendar Futures Strip (CLA), Coal (API 2) cif ARA (Argus/McCloskey) Options (MTO).

Eligible Participants

There is no limit to the number of participants that may participate in the Program. Participants may be NYMEX members or non-members. The Program will be open to all participants that register with NYMEX.

Program Term

Start date is January 31, 2012. End date is June 30, 2012.

Hours

N/A

Program Incentives

Fee Waivers.

Months 1 and 2:

During the first two (2) calendar months of the Program, all participants shall have their transaction fees waived for the Products.

Months 3-6:

Qualification: If, during each of the first two (2) calendar months of the Program, a participant regardless of trading or clearing venue, trades/clears at least 250 combined sides in the Products through, the participant may be eligible to receive fee waivers for the Products the participant trades and/or clears through during months 3-6.

Incentives: If a participant qualifies in accordance with the above, then for each calendar month (for months 3-6) that the participant regardless of trading or clearing venue, trades/clears at least 300 combined sides in the Products through, the participant will receive fee waivers for the Products that the participant trades/clears during the applicable calendar month.

Monitoring and Termination of Status

NYMEX shall monitor activity in the Products and shall retain the right to revoke Program participant status if it concludes from review that a Program participant no longer meets the eligibility requirements.