



Christopher Bowen  
Managing Director and Chief Regulatory Counsel  
Legal Department

June 18, 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 Early Adopter Liquidity Provider Program.  
NYMEX Submission No. 12-207**

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 a Liquidity Provider Program in support of European Union Allowance contracts, Certified Emission Reduction contracts, Cross-State Air Pollution Rule contracts and California Carbon Allowance contracts ("Program"). The proposed Program will become effective on such date when the Program's products are formally transitioned from Green Exchange, LLC ("GreenX") to NYMEX.

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 Liquidity Provider Program will not impact the Exchange's ability to perform its trade practice and market surveillance obligations under the CEA. All thresholds requirements and participants will be disclosed to the Exchange's Market Regulation Department in order to monitor for any manipulative trading and/or 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 all available NYMEX execution and/or clearing venues. 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. This 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, 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. 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 fees 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.

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 Robert Lev at 312-930-3019 or via e-mail at [robert.lev@cmegroup.com](mailto:robert.lev@cmegroup.com), or contact me at 212-299-2200. Please reference our NYMEX Submission No. 12-207 in any related correspondence.

Sincerely,

/s/ Christopher Bowen  
Managing Director, Chief Regulatory Counsel

Enclosure

# EXHIBIT 1

## NYMEX Early Adopter Liquidity Provider Program

### Program Purpose

The purpose of this Program is to incentivize trading in the products listed below across all available NYMEX venues. Increasing overall volume levels in the products listed below will enhance market liquidity. A more liquid contract benefits all participants in the market.

### Product Scope

Certain European Union Allowance contracts, Certified Emission Reduction contracts, Cross-State Air Pollution Rule contracts and California Carbon Allowance contracts that are traded on the Globex Platform or cleared via CME ClearPort ("Product(s)").

### Eligible Participants

NYMEX may designate up to five (5) participants in the Program. Participants may be NYMEX members or non-members. In order to be eligible for the Program, potential participants must be either large utilities or dealers in the emissions markets. Notwithstanding the foregoing, NYMEX, in its sole discretion, may add or subtract from the aforementioned criteria as it deems necessary.

### Program Term

Start date is such date on which the Products are transitioned from GreenX to NYMEX. End date is December 31, 2012.

### Hours

N/A

### Obligations

Registration and Disclosure Requirements. Participants in the Program must register with NYMEX and agree to provide certain information to NYMEX with respect to their transactions in the Products. Participants are subject to reasonable reporting requirements, including providing supporting documentation for purposes of auditing Program compliance.

### Incentives

1. *Fee Credits:* For each calendar quarter of participation in the Program ("Measurement Period"), participants may receive predetermined fee credits based on their combined average daily volume in the Products traded on Globex or cleared through CME ClearPort. The credits earned during an applicable Measurement Period may be applied by participants towards fees for trading in any former GreenX products during the following Measurement Period.

### Monitoring and Termination of Status

The Exchange shall monitor trading activity and participants' performance and shall retain the right to revoke Program participant status if it concludes from review that a Program participant has failed to meet its obligations or no longer meets the eligibility requirements of the Program.