

October 5, 2012

VIA E-MAIL

Ms. Sauntia Warfield
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, DC 20581

**RE: Regulation 40.6(a). The New York Mercantile Exchange, Inc.
Submission # 12-310: Revisions to Position Limits and Position Accountability
Levels in NYMEX Last Day Financial Natural Gas Contracts**

Dear Ms. Warfield:

The New York Mercantile Exchange, Inc. ("NYMEX") is self-certifying the following changes to position limits and position accountability levels in NYMEX Last Day Financial Natural Gas Contracts:

- An increase in the expiration month position limits from 1,000 to 5,000 contracts in Henry Hub Natural Gas Look-Alike Last Day Financial futures ("HH"), Henry Hub Natural Gas Last Day Financial Swap futures ("NN"), Daily Natural Gas options ("KD"), Henry Hub Natural Gas Last Day Financial options ("E7") and Short-Term Natural Gas options ("U01-U31");
- The elimination of expiration month accountability levels in Natural Gas Option on Calendar Futures Strip ("6J"), Natural Gas Option on Summer Futures Strip ("4D") and Natural Gas Option on Winter Futures Strip ("6I");
- The establishment of expiration month position limits of 5,000 contracts in 6J, 4D and 6I; and
- The elimination of the conditional limit in NYMEX Last Day Financial Natural Gas Contracts pursuant to Rule 559.F. ("Position Limits and Exemptions – Conditional Limit in NYMEX Last Day Financial Natural Gas Contracts")

The above-referenced changes will ensure parity in the position limits applicable in the existing suite of NYMEX Last Day Financial Natural Gas contracts and the ICE Futures U.S. Henry Financial LD1 Fixed Price futures ("LD1"), all of which settle to the NYMEX Henry Hub Natural Gas futures contract ("NG"). As part of the October 15, 2012, transition of the Henry Financial LD1 Fixed Price Swap contract to ICE Futures U.S. from ICE OTC, ICE Futures U.S. established the position limit applicable to the LD1 contract at the 20,000 contract level. The position limit applicable to the corresponding ICE OTC swap contract is presently 4,000 contracts, but under a conditional limit provision, the limit can be expanded to 20,000 contracts provided that the party carrying such positions meets certain criteria, including having no activity or open positions in the NYMEX NG contract during the last three days of trading. ICE Futures U.S. has not adopted the conditional position limit provision currently applicable to ICE OTC's swap contract.

The Market Regulation Department and the Legal Department collectively reviewed the designated contract market core principles ("Core Principles") as set forth in the Commodity Exchange Act ("Act"). During the review, we have identified that the changes described above may have some bearing on the following Core Principle:

Contracts Not Readily Susceptible to Manipulation: NYMEX believes that by the Commission taking no action with respect to ICE Futures U.S.'s self-certification of the establishment of a 20,000 contract expiration month position limit in its LD1 contract with no corresponding conditional limit, the Commission has concluded that this limit is consistent with the Core Principle. Notwithstanding these amendments to NYMEX position limit rules, CME Group continues to support its previously argued position that market integrity is best served by establishing position limits in a 1:1 ratio between physically delivered contracts and their cash settled look-alike contracts. However, these rule changes are necessary to maintain a level playing field, as NYMEX must afford its market participants the ability to transact in its cash settled Natural Gas products at the same levels as permitted in the LD1 contract.

The NG contract, which the relevant contracts settle to, and the cash market underlying NG are liquid, and NYMEX has surveillance tools and resources necessary to prevent and detect manipulation, including, where necessary, obtaining information on a participant's holding of positions in the ICE Futures U.S. LD1 contract as part of an information sharing agreement between members of the Intermarket Surveillance Group, of which NYMEX and ICE Futures U.S. are both members.

Position Limitations or Accountability: This Core Principle requires the DCM to adopt for each contract, as is necessary and appropriate, position limitations or position accountability for speculators. The revisions to the NYMEX position limits in the Last Day Financial Gas contracts are being adopted to establish parity between the position limits applicable to the suite of NYMEX Last Day Financial Natural Gas contracts and the comparable LD1 contract being launched on October 15, 2012, by ICE Futures U.S.

The revisions are set forth in Exhibit A, with additions underscored and deletions overstruck. The revisions will become effective on October 23, 2012.

The Exchanges certify that the revisions in Exhibit A comply with the Act and regulations thereunder. There were no substantive opposing views to this proposal.

The Exchanges certify that this submission has been concurrently posted on the Exchange's website at <http://www.cmegroup.com/market-regulation/rule-filings.html>.

If you have any questions regarding this submission, please contact Joe Hawrysz, Market Regulation, at 312.341.7750 or via email at Joe.Hawrysz@cmegroup.com. Alternatively, you may contact me at 312.930.8167 or via email at Sean.Downey@cmegroup.com. Please reference NYMEX Submission No. 12-310 in any related correspondence.

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Sincerely,

/s/ Sean Downey
Director & Assistant General Counsel

Attachments: Exhibit A – Revisions to Rule 559 and Position Limit, Position Accountability and Reportable Level Table (black-lined)

EXHIBIT A

REVISIONS TO RULE 559 AND POSITION LIMIT, POSITION ACCOUNTABILITY AND REPORTABLE LEVEL TABLE (BLACK-LINED)

Rule 559 POSITION LIMITS AND EXEMPTIONS

[The introduction and Sections A. – E. are unchanged.]

559.F. Conditional Limit in NYMEX Last Day Financial Natural Gas Contracts

The Market Regulation Department may grant a Conditional limit in Last Day Financial Natural Gas contracts of up to the equivalent of five thousand (5,000) NYMEX Physical Natural Gas Contracts (NG) during the period that position limits are applicable. Any participant seeking such exemption must agree: (1) not to hold a position in the NG contract during the last three days of trading; (2) provide the Exchange information on the complete book of all positions related to the Henry Hub; and (3) any other information /documentation required by the Exchange.

559.G. Violations

Violations of position limits and approved exemption limits are subject to the provisions of Rule 562.

<u>Contract Name</u>	<u>Rule Chapter</u>	<u>Commodity Code</u>	<u>All Month Account-ability Level</u>	<u>Any One Month Account-ability Level</u>	<u>Expiration Month Limit</u>	<u>Expiration Account-ability Level Last Day Contracts</u>	<u>Report- ing Level</u>	<u>Aggre- gate Into (1)</u>
			Rule 560	Rule 560	Rule 559	Rule 560	Rule 561	
Natural Gas								
USA								
Henry Hub Natural Gas Look-Alike Last Day Financial Futures	823	HH	12,000	12,000	4,000 5,000		100	HH
Henry Hub Natural Gas Last Day Financial Swap Futures	508	NN	12,000	12,000	4,000 5,000		175	HH
Daily Natural Gas Option	832	KD	n/a	n/a	4,000 5,000		n/a	HH
Henry Hub Natural Gas Last Day Financial Option	375	E7	12,000	12,000	4,000 5,000		100	HH
Short-Term Natural Gas Option	1066	U01-U31	12,000	12,000	4,000 5,000		25	U01-U31
Natural Gas Option on Calendar Futures Strip	351	6J	12,000	12,000	5,000	4,000	100	HH
Natural Gas Option on Summer Futures Strip	352	4D	12,000	12,000	5,000	4,000	100	HH
Natural Gas Option on Winter Futures Strip	353	6I	12,000	12,000	5,000	4,000	100	HH