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2010 DEC 7 PM 12 52

December 6, 2010

Mr. David Stawick  
Office of the Secretariat  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21<sup>st</sup> Street, N.W.  
Washington, D.C. 20581

**Re: Petition for Amendments to NYMEX Rule 559, Spot Month Position Limits for Soft Commodity Futures and to NYMEX Rule 932, Daily Price Limits for Cotton Futures  
NYMEX Submission No. 10-358**

**A. Proposed amendments.**

The New York Mercantile Exchange, Inc. ("NYMEX" or "Exchange") hereby notifies Commodity Futures Trading Commission ("Commission" or "CFTC") that it intends, with CFTC approval, to amend NYMEX Rule 559 specifying spot month position limits for Soft Commodity futures and NYMEX Rule 932 specifying daily price limits for Cotton futures.

Currently, four agricultural soft commodity futures contracts are traded at NYMEX (Cocoa, Coffee, Cotton, and No. 11 Sugar). All four of these contracts are cash settled with their daily and final cash settlement prices set at the value of the corresponding ICE futures contracts each day, including the termination day of the contract. The current spot month (expiration month) speculative position limits for Cocoa stand at 300 contracts, for Coffee at 100 contracts, for Cotton at 50 contracts, and for No. 11 Sugar at 100 contracts, respectively. These spot month position limits go into effect as of the open of trading on the third to the last trading day of the expiring contract. The single- and all-month limits for Cotton are 2,500 contracts and 5,000 contracts, respectively. Cocoa, Coffee and Sugar specify position accountability levels of 6,000/6,000; 5,000/5,000; and 9,000/9,000 in single- and all-months, respectively.

The Exchange proposes the spot month speculative position limits be increased from 300 to 1,000 for NYMEX Cocoa futures; from 100 to 500 for NYMEX Coffee futures; from 50 to 300 for NYMEX Cotton futures; and from 100 to 1,000 for NYMEX No. 11 Sugar futures.

Currently, none of the four NYMEX soft commodity futures contracts have daily price limits. However, ICE cotton futures have a 3 cent per pound daily price limit, which is subject to expansion in certain circumstances. The Exchange proposes the adoption of daily price limits, consistent with ICE Cotton futures, be applied to NYMEX Cotton futures.

**B. Justification of the amendments.**

1. Market participants support the increase of spot month speculative position limits.

Due to the currently specified low spot month limits, market participants have indicated that they hit these spot month position limits frequently. Furthermore, traders who hold large positions in non-spot month futures contracts have to unwind these positions prior to entering the spot month, which may cause unnecessary volatility in these markets. Therefore, market participants have recently requested that the Exchange increase the spot month position limits.

2. The proposed increases are justified by the application of the percentage of open interest formula that has been adopted by the Commission as the appropriate method for determining the levels of speculative position limits.

The CFTC has provided guidance for compliance with Core Principle 5 (Position Limitations or Accountability) in CFTC Regulation 150.5 criteria. The criteria states that the spot month speculative position limit for cash settled futures contracts must be no greater than necessary to minimize the potential for manipulation or distortion of the contract's or the underlying commodity's price.

Since 1992, the Commission has consistently taken the position that the levels of speculative position limits are appropriately based upon a percentage of average open interest in the relevant contracts.

The average month-end open interest in the ICE Cocoa futures from January to August 2010 was 127,935 contracts and the spot month position limit for the ICE Cocoa futures is 1000. The Exchange recommends approval of a 1,000 contract spot month speculative position limit for NYMEX Cocoa futures, which is less than 1% of the ICE average open interest and is no more than that for the ICE Cocoa futures.

The average month-end open interest in the ICE Coffee futures from January to August 2010 was 141,121 contracts and the spot month position limit for the ICE Coffee futures is 500. The Exchange recommends approval of a 500 contract spot month speculative position limit for NYMEX Coffee futures, which is less than 1% of the ICE average open interest and is no more than that for the ICE Coffee futures.

The average month-end open interest in the ICE Cotton futures from January to August 2010 was 184,241 contracts and the spot month position limit for the ICE Cotton futures is 300. Cotton is subject to a federal spot month limit of 300 contracts stated in CFTC Regulation 150.2 criteria. Thus the Exchange recommends approval of a 300 contract spot month speculative position limit for NYMEX Cotton futures.

The average month-end open interest in the ICE No. 11 Sugar futures from January to August 2010 was 686,534 contracts and the spot month position limit for the ICE No. 11 Sugar futures is 5000. The Exchange recommends approval of a 1,000 contract spot month speculative position limit for NYMEX No. 11 Sugar futures, which is less than 0.2% of the ICE average open interest and is less than that for the ICE No. 11 Sugar futures.

3. The maintenance of market consistency requires the Exchange to adopt the daily price limit for ICE Cotton futures to NYMEX Cotton futures.

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Because the NYMEX cash settled Cotton futures daily and final settlement prices are based on the ICE Cotton futures, consistency in daily price limits should be maintained with the primary market.

**C. Conclusion**

The Exchange requests that the Commission approve the amendments to NYMEX Rule 559 to raise the spot month speculative position limits applicable to NYMEX Cocoa, Coffee, Cotton, and No. 11 Sugar futures contracts to the levels specified above and for the reasons discussed herein.

The Exchange also requests that the Commission approve the amendments to NYMEX Rule 932 to adopt the daily price limit applied to ICE Cotton futures to NYMEX Cotton futures for the reasons discussed herein.

The Exchange intends to implement these amendments shortly after commission approval.

NYMEX certifies that these contract terms and conditions comply with the Commodity Exchange Act and regulations thereunder.

If you require any additional information, please contact Randy Shao at 312-648-3795 or via e-mail at [Renyuan.Shao@cmegroup.com](mailto:Renyuan.Shao@cmegroup.com); Fred Seamon at 312-634-1587 or via e-mail at [Fred.Seamon@cmegroup.com](mailto:Fred.Seamon@cmegroup.com); or contact me at 212-299-2200. Please reference our NYMEX Submission No. 10-358 in any related correspondence.

Sincerely,

Christopher K. Bowen  
Managing Director, Chief Regulatory Counsel

Deletions [~~bracketed and struck through~~]; Additions **bolded** and underlined.

## NYMEX Rulebook Chapter 5 Trading Qualifications and Practices

### 559. POSITION LIMITS AND EXEMPTIONS

The position limit levels applicable to those contracts with position limits are set forth in the Position Limit, Position Accountability and Reportable Level Table ("Table") in the Interpretations Section at the end of Chapter 5.

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Position Limit, Position Accountability and Reportable Level Table												
Contract Name	Rule Chapter	Commodity Code	Diminishing Balances Contracts	All Month Accountability Level	Any One Month Accountability Level	Any/All Month Limit	Expiration Month Limit	Expiration Accountability Level - Penultimate and Metals Contracts	Expiration Accountability Level Last Day Contracts	Reporting Level	Aggregate Into (1)	Aggregate Into (2)
				Rule 560	Rule 560	Rule 559	Rule 559	Rule 560	Rule 560	Rule 561		
<b>PECO Zone</b>												
PJM PECO Zone 5 MW Peak Calendar-Month Day-Ahead LMP Swap Futures	182	4N		9,000	7,000		2,000			25	4N	
PJM PECO Zone 5 MW Off-Peak Calendar-Month Day-Ahead LMP Swap Futures	183	4P		100,000	80,000		40,000			25	4P	
<b>PENELEC Zone</b>												
PJM PENELEC Zone Peak Calendar-Month Day-Ahead LMP Swap Futures	292	49		9,000	7,000		2,000			25	49	
PJM PENELEC Zone Off-Peak Calendar-Month Day-Ahead LMP Swap Futures	293	50		200,000	150,000		40,000			25	50	
<b>PEPCO Zone</b>												
PJM PEPCO Zone Peak Calendar-Month Day-Ahead LMP Swap Futures	168	R8		9,000	7,000		2,000			25	R8	
PJM PEPCO Zone Peak Calendar-Month Day-Ahead LMP Swap Option	924	PEP		9,000	7,000		2,000			25	R8	
PJM PEPCO Zone Off-Peak Calendar-Month Day-Ahead LMP Swap Futures	169	Q8		100,000	80,000		40,000			25	Q8	
<b>PPL Zone</b>												
PJM PPL Zone Peak Calendar-Month Day-Ahead LMP Swap Futures	170	L5		9,000	7,000		2,000			25	L5	
PJM PPL Zone Off-Peak Calendar-Month Day-Ahead LMP Swap Futures	171	F5		100,000	80,000		40,000			25	F5	
<b>PSEG Zone</b>												
PJM PSEG Zone Peak Calendar-Month Day-Ahead LMP Swap Futures	172	L6		9,000	7,000		2,000			25	L6	
PJM PSEG Zone Peak Calendar-Month Day-Ahead LMP Swap Option	922	PSG		9,000	7,000		2,000			25	L6	
PJM PSEG Zone Off-Peak Calendar-Month Day-Ahead LMP Swap Futures	173	W6		100,000	80,000		40,000			25	W6	
<b>Western Hub</b>												
PJM Peak Calendar-Month LMP Swap Futures	635	JM		7,000	5,000		1,000			25	JM	

PJM Calendar-Month LMP Swap Option	380	JO		7,000	5,000		1,000			25	JM	
PJM Peak Calendar-Day LMP Swap Futures	637	JD		7,000	5,000		1,000			25	JM	
PJM Western Hub Peak Calendar-Month Real-Time LMP Swap Futures	176	L1		7,000	5,000		1,000			25	JM	
PJM Western Hub 50 MW Peak Calendar-Month Real-Time LMP Swap Futures	178	4S		7,000	5,000		1,000			25	JM	
PJM Electricity Option on Calendar Futures Strip	354	6O		7,000	5,000		1,000			25	JM	
PJM Western Hub Peak Calendar-Month Day-Ahead LMP Swap Futures	174	J4		50,000	30,000		7,000			25	J4	
PJM Off-Peak Calendar-Month LMP Swap Futures	635A	JP		4,500	3,000		600			25	JP	
PJM Western Hub Off-Peak Calendar-Month Real-Time LMP Swap Futures	177	N9		4,500	3,000		600			25	JP	
PJM Western Hub Off-Peak Calendar-Month Day-Ahead LMP Swap Futures	175	E4		300,000	250,000		120,000			25	E4	
<b>Soft Commodities</b>												
NYMEX Cocoa Futures	930	CJ		6,000	6,000		[300] 1,000			25	CJ	
NYMEX Coffee Futures	931	KT		5,000	5,000		[400] 500			25	KT	
NYMEX Cotton Futures	932	TT					2,500/5,000			[50] 300	25	TT

Position Limit, Position Accountability and Reportable Level Table

Contract Name	Rule Chapter	Commodity Code	Diminishing Balances Contracts	All Month Accountability Level	Any One Month Accountability Level	Any/All Month Limit	Expiration Month Limit	Expiration Accountability Level - Penultimate and Metals Contracts	Expiration Accountability Level Last Day Contracts	Reporting Level	Aggregate Into (1)	Aggregate Into (2)
				Rule 560	Rule 560	Rule 559	Rule 559	Rule 560	Rule 560	Rule 561		
NYMEX No. 11 Sugar Futures	934	YO		9,000	9,000		[400] 1,000			25	YO	
<b>Currency Commodities</b>												
NYMEX US Dollar/Colombian Peso Futures	972	V2		20,000	12,000		4,000			350	V2	

## **NYMEX Rulebook 932**

### **932.05 Prices, Price Fluctuations, and Daily Price Limit**

NYMEX Cotton Futures Contract bids and offers shall be quoted in increments of cents and hundredths of a cent per pound. The minimum price increment shall be one hundredth of a cent (\$.0001) per pound.

A 3 cent per pound daily trading limit for all months, subject to expansion as noted below.

An expanded daily trading limit of 4 cents per pound for all months on the business day after any two of the first five listed futures contracts that are subject to limits (or the one remaining futures delivery month in a crop year) close at the 3 cent limit bid or limit offer, provided that the limit reverts to 3 cents on the business day after no contract month closes at the 4 cent expanded limit bid or offer.

An expanded daily trading limit of 5 cents per pound on the business day after any two of the first five listed futures contracts that are subject to limits (or the one remaining futures delivery month in a crop year) close at the 4 cent limit bid or limit offer, provided that the limit reverts to 4 cents on the business day after no contract month closes at the 5 cent expanded limit bid or offer.

An additional expansion of the 3, 4 or 5 cent per pound daily price limit specified above by 1 cent per pound (to 4, 5 or 6 cents respectively) on any business day on which either of the two futures delivery months with the highest open interest settles at a price of 84 cents per pound or higher.

For the purposes of this Daily Price Limit Rule, a crop year is defined as beginning with the October delivery month and ending with the July delivery month of the next calendar year.