

New York Clearing Corporation
One North End Avenue, 13th Floor
New York, New York 10282

BY ELECTRONIC TRANSMISSION

06-15
July 12, 2006

Ms. Eileen A. Donovan
Acting Secretary of the Commission
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

Re: **Amendments to NYCC By-Law Section 6.5 and Rules 101, 604, 801
and 905 and New Rule 502A -
Submission Pursuant to Section 5c(c)(1) of the Act and Regulation 40.6**

Dear Ms. Donovan:

Pursuant to Section 5c(c)(1) of the Commodity Exchange Act, as amended, and Commission Regulation 40.6(a), the New York Clearing Corporation ("NYCC") submits, by written certification, new Rule 502A and amendments to NYCC By-Law Section 6.5 and Rules 101, 604, 801 and 905, attached as Exhibit A.

NYCC By-Law Section 6.5 and Rule 604

The amendments to By-Law §6.5 add provisions exculpating NYCC and the Board of Trade of the City of New York, Inc. ("NYBOT[®]") from liability resulting from the failure or malfunction of any electronic system used by NYCC to perform clearing and/or delivery functions. The added provisions are similar to NYBOT's By-Law §606. The amendments to Rule 604 exculpate NYCC from liability when NYCC becomes the holder of currencies in its bank account in order to facilitate the delivery of NYBOT's currency and USDX[®] futures contracts.

Rule 101 and New Rule 502A

NYCC and NYBOT have instituted a pilot program in which NYCC personnel has been determining the settlement premiums for some of the option contracts traded at NYBOT. The program has been a success, and many of NYBOT's market participants have asked that it be implemented for all of NYBOT's option contracts. The amendments to Rule 101 and new Rule 502A authorize NYCC to determine settlement premiums. In making such determinations,

NYCC staff has been using the following criteria:

- (i) the views expressed by market participants;
- (ii) bids, offers and trades on the close;
- (iii) transaction prices and implied volatilities during the trading day;
- (iv) option spread transactions executed during the trading day; and
- (v) any other relevant information known by NYCC staff.

In turn, NYBOT will be filing with the Commission amendments to its Rule 4.29 which will authorize the use of the settlement premiums determined by NYCC by NYBOT.

Rule 801

The amendments to Rule 801 make it clear that a default event will occur even if the default is cured by the clearing member's guarantor or other third party.

Rule 905

The amendments to Rule 905 authorizes NYCC to terminate a clearing member if such clearing member has been suspended and it has not applied for reinstatement within thirty (30) days or, if after such application, NYCC's Board rejects the application. Such termination will not occur until after the clearing member has been given notice and an opportunity to be heard.

NYCC certifies that the amendments and new rule comply with the requirements of the Commodity Exchange Act and the rules and regulations promulgated thereunder.

NYCC's Board of Directors approved the amendments and new rule on July 10, 2006. No substantive opposing views were expressed by members or others with respect to the amendments. The amendments and new rule will go into effect on Monday, July 17, 2006.

If you have any questions or need further information, please contact me at 212-748-4084.

Sincerely,

Jill S. Fassler
NYBOT®
Vice President
Associate General Counsel

cc: John Lawton
CFTC, Division of Clearing and Intermediary Oversight
Allen Cooper
CFTC, New York Regional Office

EXHIBIT A

(In the text of the amendments below, additions are underlined and deletions are bracketed and lined out.)

Section 6.5. *Exculpation and Reimbursement of Corporation*

(a) NEITHER THE CORPORATION, NYBOT NOR ANY EXCHANGE, NOR ANY DIRECTOR, COMMITTEE MEMBER, OFFICER, AGENT OR EMPLOYEE OF THE CORPORATION, NYBOT OR ANY EXCHANGE, SHALL BE LIABLE TO ANY CLEARING MEMBER FOR ANY DAMAGES ARISING OUT OF OR IN CONNECTION WITH ANY ERROR, ACT OR OMISSION ON THE PART OF THE CORPORATION, OR ON THE PART OF ANY PERSON IN THE CAPACITY OF MEMBER OR IN THE CAPACITY OF DIRECTOR, COMMITTEE MEMBER, OFFICER, AGENT OR EMPLOYEE OF A MEMBER OR OF THE CORPORATION, WHETHER OR NOT SUCH DAMAGES ARE DUE TO NEGLIGENCE, UNLESS SUCH ERROR, ACT OR OMISSION WAS THE RESULT OF WILLFUL OR WANTON CONDUCT OR WAS IN BAD FAITH.

(b) EXCEPT IN INSTANCES WHERE THERE HAS BEEN A FINDING OF WILLFUL MISCONDUCT OR BAD FAITH, IN WHICH CASE THE PARTY FOUND TO HAVE ENGAGED IN SUCH CONDUCT CANNOT AVAIL ITSELF OF THE PROTECTIONS IN THIS PARAGRAPH (b), NEITHER THE CORPORATION, NYBOT NOR ANY EXCHANGE, NOR ANY DIRECTOR, COMMITTEE MEMBER, OFFICER, AGENT OR EMPLOYEE OF THE CORPORATION, NYBOT OR ANY EXCHANGE, SHALL BE LIABLE TO ANY PERSON, INCLUDING BUT NOT LIMITED TO A CUSTOMER, FOR ANY LOSSES, DAMAGES, COSTS OR EXPENSES (INCLUDING, BUT NOT LIMITED TO, LOSS OF PROFITS, LOSS OF USE, DIRECT, INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES), ARISING FROM (i) ANY FAILURE OR MALFUNCTION OF ANY ELECTRONIC SYSTEM UTILIZED BY THE CORPORATION OR ANY OF THE CORPORATION'S SERVICES OR FACILITIES USED TO SUPPORT ANY SUCH SYSTEM, (ii) ANY FAULT IN DELIVERY, DELAY, OMISSION, SUSPENSION, INACCURACY OR TERMINATION, OR ANY OTHER CAUSE, IN CONNECTION WITH THE FURNISHING, PERFORMANCE, MAINTENANCE, USE OF OR INABILITY TO USE ALL OR ANY PART OF ANY ELECTRONIC SYSTEM UTILIZED BY THE CORPORATION OR ANY OF THE CORPORATION'S SERVICES OR FACILITIES USED TO SUPPORT ANY SUCH SYSTEM, OR (iii) THE USE OF THE CONTINUOUS LINKED SETTLEMENT SYSTEM ("CLS") IN THE DELIVERY OF CURRENCIES. THE FOREGOING PROVISIONS OF THIS PARAGRAPH (b) SHALL APPLY REGARDLESS OF WHETHER A CLAIM ARISES IN CONTRACT, TORT, NEGLIGENCE, STRICT LIABILITY OR OTHERWISE. THE FOREGOING SHALL NOT LIMIT THE LIABILITY OF ANY CLEARING MEMBER OR ANY OF THEIR RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES OR AGENTS FOR ANY ACT, INCIDENT OR OCCURRENCE WITHIN THEIR CONTROL.

(c) THERE ARE NO EXPRESS OR IMPLIED WARRANTIES OR REPRESENTATIONS PROVIDED BY THE CORPORATION, NYBOT OR ANY EXCHANGE TO ANY PERSON RELATING TO ANY ELECTRONIC SYSTEM, INCLUDING BUT NOT LIMITED TO WARRANTIES OF MERCHANTABILITY AND WARRANTIES OF FITNESS FOR A PARTICULAR PURPOSE OR USE.

(d) ANY ACTIONS, SUITS OR PROCEEDINGS AGAINST THE CORPORATION, NYBOT, OR ANY EXCHANGE, OR ANY OF THEIR RESPECTIVE OFFICERS, DIRECTORS OR EMPLOYEES OR AGENTS, MUST BE BROUGHT WITHIN TWO (2) YEARS FROM THE TIME THAT A CAUSE OF ACTION, SUIT OR PROCEEDING HAS ACCRUED. ANY PARTY BRINGING ANY SUCH ACTION, SUIT OR PROCEEDING CONSENTS TO JURISDICTION IN THE U.S. DISTRICT COURT FOR THE SOUTHERN DISCTRICT OF NEW YORK AND THE SUPREME COURT OF

NEW YORK COUNTY, NEW YORK, AND WAIVES ANY OBJECTION TO VENUE THEREIN. THIS PROVISION SHALL IN NO WAY CREATE A CAUSE OF ACTION AND SHALL NOT AUTHORIZE AN ACTION THAT WOULD OTHERWISE BE PROHIBITED BY THIS PROVISION OR THE RULES OF THE CORPORATION, NYBOT OR ANY EXCHANGE.

(e) IN ANY ACTION, SUIT OR PROCEEDING AGAINST THE CORPORATION, NYBOT OR ANY EXCHANGE, OR ANY OF THEIR RESPECTIVE OFFICERS, DIRECTORS EMPLOYEES OR AGENTS, EACH PARTY WAIVES ANY RIGHT IT MIGHT HAVE TO A TRIAL BY JURY.

(f) Any Clearing Member which institutes an action or proceeding against the Corporation, or any of the officers, directors, committee members, agents or employees of the Corporation, and which fails to prevail in such action or proceeding, shall reimburse the Corporation and such officer, director, committee member, agent or employee, for any and all costs or expenses (including but not limited to attorneys' fees, expenses of investigation and amounts paid by way of indemnifying any officers, directors, employees or other persons by the Corporation) incurred in connection with the defense of such action or proceeding.

Rule 604. Deliveries Involving Electronic Warehouse Receipts or Foreign Exchange

(a) WHEN, UNDER THE RULES OF THE LISTING EXCHANGE, THE CORPORATION BECOMES EITHER THE TITLE HOLDER OF AN ELECTRONIC WAREHOUSE RECEIPT ("EWR") OR HOLDER OF CURRENCIES IN THE CORPORATION'S BANK ACCOUNT IN CONNECTION WITH THE DELIVERY OF COMMODITIES OR CURRENCIES UNDER A CONTRACT, THE CORPORATION SHALL HOLD TITLE TO SUCH EWR OR CURRENCIES SOLELY AS AN ESCROW AGENT ON BEHALF OF THE CLEARING MEMBER WHICH ISSUED THE DELIVERY NOTICE OR DEPOSITED THE CURRENCIES INTO THE CORPORATION'S BANK ACCOUNT WITH RESPECT TO THE COMMODITIES OR CURRENCIES. AS ESCROW AGENT, THE CORPORATION SHALL ACT SOLELY AS A STAKEHOLDER FOR THE CONVENIENCE OF THE CLEARING MEMBER. NEITHER THE CORPORATION, NOR ANY DIRECTOR, COMMITTEE MEMBER, OFFICER, AGENT OR EMPLOYEE OF THE CORPORATION ("OFFICIALS") SHALL BE LIABLE TO ANY PARTY FOR ANY DAMAGES ARISING OUT OF OR IN CONNECTION WITH ANY ACT OR OMISSION WITH RESPECT TO THE EWR OR CURRENCIES DURING THE PERIOD THE CORPORATION IS THE TITLE HOLDER, EXCEPT TO THE EXTENT THE DAMAGE IS THE RESULT OF WILLFUL OR WANTON CONDUCT OR BAD FAITH. THE CLEARING MEMBER ON BEHALF OF WHICH THE CORPORATION IS HOLDING TITLE TO THE EWR OR CURRENCIES AS ESCROW AGENT SHALL INDEMNIFY AND HOLD HARMLESS THE CORPORATION AND ITS OFFICIALS AGAINST ANY CLAIMS, DAMAGES, LOSSES, COSTS, FEES, TAXES, OR EXPENSES RELATING IN ANY WAY TO THE EWR, THE CURRENCIES OR THE DISPOSITION THEREOF (INCLUDING WITHOUT LIMITATION, ATTORNEYS' FEES, EXPENSES OF INVESTIGATION, JUDGMENTS AND AMOUNTS PAID IN SETTLEMENT), EXCEPT TO THE EXTENT OF CLAIMS, DAMAGES OR LOSSES ARISING SOLELY FROM THE CORPORATION'S WILLFUL OR WANTON CONDUCT OR BAD FAITH.

Rule 101. Definitions

Unless the context otherwise clearly requires, all terms defined in the By-Laws shall have the same meanings when used in these Rules, and in addition the following terms shall have the following meanings when used in these Rules:

* * *

The term "Settlement Premium" shall mean the settlement premium for any option determined in accordance with Rule 502A.

The term "Settlement Price" shall mean the settlement price for any Contract (other than an option) as determined in accordance with the rules of the Listing Exchange of such Contract; except that if on any

day a Contract shall cease trading because of price limits on such Contract set by the Listing Exchange, then, for the purposes of establishing original and variation margin, the Corporation may treat as the Settlement Price for such Contract on such day a synthetic price determined by the Corporation, or by the Exchange and accepted by the Corporation, as reflecting the fair market value of such Contract as of the close of trading in such Contract on such day.

Rule 502A. Settlement Premium

(a) With respect to such Options as the President may from time to time determine, the amount of original margin required to be on deposit by each clearing Member with the Corporation shall be calculated with reference to the settlement premium for such Options established as hereinafter provided (the "Settlement Premium"). Promptly after the close of trading in such Options, the Corporation staff shall establish a Settlement Premium for each Strike Price of each Option Month of each Option that has open interest, and may establish a Settlement Premium for any Strike Price of any Option Month of any Option that has no open interest. The Settlement Premium for each Option shall be established by the Corporation staff in accordance with such procedures as the Board may approve from time to time.

(b) Any capitalized term used in this Rule 502A which is not defined in the By-Laws or Rules of the Corporation shall have the meaning set forth in the definitions contained in the Rules of the Listing Exchange.

Rule 502[-A]B. Cross Margining

(a) The Corporation may establish Cross Margining Programs

[REMAINDER OF RULE UNCHANGED]

Rule 801. Defaults

If any of the following events ("Events of Default") shall occur with respect to any Clearing Member (regardless of whether any such Event of Default is cured by any guarantor or other third party on behalf of such clearing member or otherwise):

[REMAINDER OF RULE UNCHANGED]

Rule 905. Reinstatement of Suspended Member; Revocation or Modification of Other Actions; Termination of Status

A Clearing Member which has been suspended pursuant to Rule 801 or 904, or which has been the subject of any other action pursuant to Rule 904, may seek reinstatement or revocation or modification of such action by submitting an application therefore in such form and accompanied by such information as the Corporation may prescribe. Such application may be rejected or granted in whole or in part by the Board in its discretion. If a Clearing Member which has been so suspended does not so apply for reinstatement within thirty (30) days after the commencement of such suspension, or if such Clearing Member shall have so applied and the Board shall have rejected the application, the Board may terminate such Clearing Member's status as a Clearing Member after giving such Clearing Member notice and an opportunity to be heard in accordance with the procedures set forth in Section 5.3(b) of the By-Laws for denying an application to become a Clearing Member.