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November 29, 2006

Via E-Mail

OFFICE OF THE SECRETARIAT

Office of the Secretariat  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21st Street, N.W.  
Washington, D.C. 20581

**Re: Rule Certification. NYMEX Submission 06.144: Notification of Amendments to Rule 11G.22, to Provide for Exchange of miNY Futures for, or in Connection with, Futures Transactions on the COMEX Division.**

Dear Ms. Jean Webb:

The New York Mercantile Exchange ("NYMEX" or the "Exchange") is notifying the Commodity Futures Trading Commission ("CFTC" or "Commission") of amendments to Rule 11G.22 to provide for Exchange of miNY Futures for, or in connection with, Futures transactions on the COMEX Division.

In connection with the launch of the COMEX miNY futures contracts in Gold, Silver and Copper, Rule 11G.22 is amended to incorporate an Exchange of COMEX Futures for COMEX miNY Futures ("EFM"). The amended rule will become effective upon the launch of the miNY contracts on December 3, 2006 for trade date December 4, 2006.

- **EFM Transactions.** The execution of an EFM transaction will consist of a purchase (sale) of a COMEX miNY futures contract and the sale (purchase) of the corresponding full or "Big" COMEX futures contract in the appropriate ratio of 2:1 miNY futures contract to a full-size COMEX futures contract.
- **Purpose.** The purpose of the EFM transaction is to provide an ex-pit offset facility for persons who have an arbitrage position between one of the COMEX miNY and a COMEX Big contract.
- **Analogy to EFP/EFS Transactions.** These transactions will be transacted in a fashion similar in nature to that of an EFP or EFS in that they are pre-negotiated, non-competitive transactions. The party who sells the Big component will, for operational purposes, be referred to as the seller of the EFM.
- **EFM Transaction Price.** The trade will not have either the miNY or Big legs priced on trade entry (values based on the settlement price from the prior session will be used as a placeholder) but instead ultimately will have the Big settlement price (as determined that trading day) assigned to both legs of the EFM transaction. Alternatively, the EFM may be posted at a differential to the settlement price for the physical COMEX futures contract for the trading session in which the EFM transaction was reported to the Exchange. The point differential will have the same minimum tick increment as the settlement tick of the full-sized contract. For example, GC has a minimum trade and settlement tick of 0.1, while QO has a minimum tick of 0.25. Therefore, the EFM will trade at the GC tick of 0.1 (a point differential of +1 in this case). For Silver, where the settlement tick is 0.001, the EFM points will correspond to a change of 0.001 to the settlement price. Further, the differential will always be applied to the Big component of the EFM.
- **Fees.** NYMEX will NOT charge ANY fees for these transactions to any party.

- **EFM Transaction Deadline.** The deadline for posting EFM transactions is the close of trading on the last day of trading in the applicable miNY contract.

### **Example of an EFM Transaction**

An EFM would be transacted as follows:

- Trader AAA has an open arbitrage position of Long 50 Gold miNYs and Short 25 Gold Bigs.
- Trader BBB has an open arbitrage position of Short 50 Gold miNYs and Long 25 Gold Bigs.
- Rather than going into both the miNY market AND the Big market and executing competitive liquidating transactions, which effectively look like an inter-market spread, AAA and BBB negotiate to process an EFM.
- Both AAA and BBB may have openly expressed interest in the trading pit in seeking an EFM counterparty or their clearing members may have directed them to one another.
- An EFM is processed on the COMEX Division with BBB recognized as the seller of the EFM. BBB simultaneously sold 25 Gold Bigs and purchased 50 Gold miNYs from AAA.
- AAA and BBB would **submit their trades to the TRADE PROCESSING ROOM ONLY. See the attached copies of trading cards which illustrate EFM transactions submitted at: a) settlement price, and b) a differential to settlement price.**

Note: EFM trades must be processed in the Trade Management System ("TMS"). Both the seller and the buyer will need to bring their respective trading cards to the Trade Processing Room where Exchange personnel will go about entering the trade details. It will then be each broker's responsibility to allocate accordingly. These trades, as well as all Globex®-traded products will appear on the broker's Daily Brokerage Recap ("DBR") with their TMS IDs.

Pursuant to Section 5c(c) of the Commodity Exchange Act ("Act") and CFTC Rule 40.6, the Exchange hereby certifies that the attached rule amendments comply with the Act, including regulations under the Act.

Should you have any questions concerning the above, please contact me at (212) 299-2897.

Very truly yours,

Thomas F. LaSala  
Chief Regulatory Officer

cc: Nancy Minett  
Brian Regan

**11G.22 Exchange of NYMEX or COMEX miNY Futures for, or in Connection with, NYMEX or COMEX Futures Transactions**

(A) General Requirements. An exchange of futures for, or in connection with, mini futures (EFM) consists of two discrete, but related transactions; a purchase (sale) transaction in a NYMEX/COMEX miNY futures contract and a sale (purchase) transaction in the related NYMEX futures contract. At the time such transaction is effected, the buyer (seller) of the NYMEX/COMEX miNY shall be the seller (buyer) of the related NYMEX/COMEX futures contract in the ratio designated by the Board of Directors.

(B) Final Deadline for Transactions. An EFM involving an expiring NYMEX/COMEX miNY futures contract month is permitted at any time up to and must be reported to the Exchange by the close of trading on the expiration date of the NYMEX/COMEX miNY Crude and Natural Gas contracts.

(C) Contract Month and Quantity. An EFM transaction may only be effected for the same contract month in both of the applicable NYMEX/COMEX futures contracts. The quantity of contracts to be exchanged in the EFM transaction must be consistent with the size ratio then in effect between the applicable NYMEX/COMEX miNY NYMEX futures contract listed for trading on NYMEX ClearPort® Trading and the regular size NYMEX/COMEX contract listed for trading at NYMEX.

(D) Transaction Price. An EFM transaction may be transacted at the settlement price for the Physical NYMEX/COMEX futures contract for the trading session in which the EFM transaction was reported to the Exchange, or at a differential to the settlement price for the Physical NYMEX/COMEX futures contract for the trading session ~~preceding the session~~ in which the EFM transaction was reported to the Exchange.

(E) Floor Reporting Requirements and Deadlines. A report of each EFM transaction must be given and notice thereof must be posted on the Floor of the Exchange. The report of an EFM transaction must be given on the Floor prior to the end of the trading session on the day that the agreement was made, or if such agreement was made after the close of trading, then during the trading session on the next business day.

(F) Clearing. EFM transactions shall be cleared through the Exchange in accordance with normal procedures, shall be clearly identified and marked in the manner provided by the Exchange, and shall be recorded by the Exchange and by the Clearing Members involved.

COMMODITY **GC** CARD # **XF-00000111**  
 BKR # **AAA** DATE **11**

**FUTURES**

BOUGHT				SOLD						
QTY	MO	PRICE	OPP BROKER	ACCT	MIN SPD	QTY	MO	PRICE	OPP BROKER	ACCT
25	GC Z	A	BBB		15 EFM	50	GC Z	A	BBB	
		B						B		
		C						C		
		D	BBB		16 EFM	50	GC Z	D	BBB	
		E						E		
		F						F		
		G						G		
		H						H		
		I						I		

*EFM (BUYER)*

COMMODITY **GC** CARD # **XF-00000112**  
 BKR # **BBB** DATE **11**

**FUTURES**

BOUGHT				SOLD						
QTY	MO	PRICE	OPP BROKER	ACCT	MIN SPD	QTY	MO	PRICE	OPP BROKER	ACCT
50	GC Z	A	AAA		15 EFM	25	GC Z	A	AAA	
		B						B		
		C						C		
		D	AAA		16 EFM	25	GC Z	D	AAA	
		E						E		
		F						F		
		G						G		
		H						H		
		I						I		

*EFM (SELLER)*