

February 16, 2007

**Via E-Mail**

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

RECEIVED  
FEB 16 11 51 15  
COMMODITY FUTURES TRADING COMMISSION

**Re: Rule Certification. NYMEX Submission 07.26: Notification of Compliance Advisory #01-07 – Policy Statement Related to Exemptions from Position Limits in NYMEX Natural Gas (NG) Futures Contracts.**

Dear Ms. Eileen Donovan:

The New York Mercantile Exchange ("NYMEX" or the "Exchange") is notifying the Commodity Futures Trading Commission ("CFTC" or "Commission") of Compliance Advisory #01-07 regarding a Policy Statement related to exemptions from position limits in NYMEX Natural Gas (NG) Futures Contracts.

The Compliance Advisory #01-07 (attached Notice No. 07-91) informs Members of the institution of new uniform verification procedures to document market participants' exposure justifying the use of an approved exemption in the NYMEX Natural Gas Futures Contract (NG) on the last trading day of an expiring contract month. These procedures will be applicable to all market participants who carry positions above the standard expiration position limit of 1,000 contracts going into the final day of trading for the expiring contract. Failure by a market participant to abide by the procedures may result in revocation of the exemption, or with respect to parties within the direct jurisdiction of NYMEX, disciplinary action as provided for under NYMEX Rule 8.55, "Classification of Offenses," under Section (A) – Major Offenses, or Section (B) – Minor Offenses.

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

If you have any questions, please contact me at (212) 299-2897.

Sincerely,

Thomas F. LaSala  
Chief Regulatory Officer

cc: Brian Regan

**Notice No. 07-91**  
**February 16, 2007**

**TO:** All NYMEX Division Members, Clearing Members and Member Firms

**FROM:** James E. Newsome, President

**RE:** **Compliance Advisory #01-07 – Policy Statement Related to Exemptions from Position Limits in NYMEX Natural Gas (NG) Futures Contracts.**

---

Effective immediately, pursuant to Rule 9.32, "Action by the Exchange," related to exemptions from position limits provided for in NYMEX Rules 9.28, "Exemptions from Position Limits for Bona Fide Hedge Transactions," and 9.29, "Exemptions from Position Limits for Exposure from Commodity Swap Transactions," NYMEX has instituted new uniform verification procedures to document market participants' exposure justifying the use of an approved exemption in the NYMEX Natural Gas Futures Contract (NG). These procedures will be applicable to all market participants who carry positions above the standard expiration position limit of 1,000 contracts going into the final day of trading for the expiring contract.

Prior to the market open of the last trading day of each expiration, NYMEX will require all market participants with positions above the Expiration Position Limit (1,000 contracts) to supply information on their complete book of all positions linked to the settlement price of the expiring NG contract. NYMEX has developed a form for submission of this information which will be provided to all market participants who currently maintain any NG exemptions. Please note that NYMEX may, as per its authority pursuant to any exemption, request underlying documentation as to any information supplied.

NYMEX will assess this information according to a two-pronged test.

- 1) Positions in excess of 1,000 contracts must offset a demonstrated risk in the book, and;
- 2) The net exposure of the entire book (including the hedge position in the NG contract justified under test (1)) must be no more than 1,000 contracts on the side of the market that could benefit by trading by that market participant during the closing range (e.g., if a market participant holds a short position in excess of 1,000 NG contracts and will (potentially) be buying back that position during the closing range, the position of the complete book must be no more than net long 1,000 contracts).

Consequences of failure to meet these tests:

- If point #1 above is not met, the position must be reduced prior to the closing range to a level justified as a hedge or to the position limit of 1,000 contracts.

- If point #2 above is not met, the position must be reduced to the position limit of 1,000 contracts prior to the closing range.
- The failure of a market participant to abide by the procedures set forth above may result in revocation of the exemption and/or disciplinary action by NYMEX.

Any questions regarding this Notice can be directed to Thomas F. LaSala, Chief Regulatory Officer, at (212) 299-2897, Nancy Minett, Vice President, Compliance, at (212) 299-2940, and Anthony V. Densieski, Senior Director, Market Surveillance, at (212) 299-2881.

**NATURAL GAS EXPOSURE FORM PURSUANT TO  
NYMEX COMPLIANCE ADVISORY/POLICY STATEMENT No. 01-07**

**Net Long/[Net Short]**

- |       |  |       |
|-------|--|-------|
| (I)   | (A) Physical/Forward Contracts at a fixed price differential* to NYMEX Last Trading Day                                | _____ |
|       | (B) Physical Basis at a fixed price differential* to NYMEX Last Trading Day  | _____ |
|       | (C) Physical bid Week Index <sup>1</sup>   | _____ |
| (II)  | (A) Cleared and Bi-Lateral Financial Swaps at a fixed price differential* to NYMEX Last Trading Day                    | _____ |
|       | (B) Cleared and Bi-Lateral Financial Basis Swaps at a fixed price differential* to NYMEX Last Trading Day <sup>2</sup> | _____ |
| (III) | Other (i.e., Fixed Price-Please Explain)**   | _____ |
| (IV)  | NYMEX Natural Gas (NG)   | _____ |

Submitted by: \_\_\_\_\_  
(please print)

Date: \_\_\_\_\_

\*Includes any differential including 0 which is assumed to be flat to NYMEX

\*\* Please attach any necessary documentation

<sup>1</sup> This should include, but not necessarily be limited to the following locations: ANR Louisiana, Columbia Gas Transmission Corp. (Appalachia, Louisiana), Florida Gas Transmission Co. (Zone 1, Zone 2, Zone 3), Natural Gas Pipeline Co. of America (Louisiana zone, Texas zone, South Texas zone), Tennessee Gas Pipeline Co. (Louisiana, 500 leg, Louisiana 800 leg, Texas zone 0), Texas Eastern Transmission Corp. (East Louisiana zone, West Louisiana zone, East Texas zone, South Texas Zone) Texas Gas Transmission Corp. (Zone 1, Zone SL), Texas Eastern M3, Transco (Zone 1,2,3,4, Zone 6 NY and Non NY), Algonquin Citygates, Tennessee Zone 6, Niagara, Consumers Energy Citygate, Mich-Con Citygate, ANR pipeline ML 7, Dawn Ontario, Katy, CenterPoint Energy Gas Transmission Corp. East, Dominion Transmission Inc. Appalachia, Trunkline Gas Co. Louisiana, Texas Eastern Transmission Corp. (East Louisiana, West Louisiana, East Texas Zone, South Texas Zone), Southern Natural Gas Co. Louisiana, and Henry Hub.

<sup>2</sup> This includes all basis locations not specifically cited in footnote #1.