

February 22, 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

OFFICE OF THE SECRETARY

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RECEIVED

**Re: Rule Certification. NYMEX Submission 07.32: Notification of Amendments to NYMEX Rule 6.21C, Block Trades, and Deletion of NYMEX Rule 6.21B, Inter-exchange Arbitrage Transactions.**

Dear Ms. Eileen Donovan:

The New York Mercantile Exchange ("NYMEX" or the "Exchange") is notifying the Commodity Futures Trading Commission ("CFTC" or "Commission") of amendments to NYMEX Rule 6.21C, Block Trades, and deletion of NYMEX Rule 6.21B, Inter-exchange Arbitrage Transactions.

Effective February 26, 2007, NYMEX Rule 6.21C, "Block Trades," is being amended to include NYMEX "core" energy Futures Contracts, namely Crude Oil (CL), Heating Oil (HO), New York Harbor Gasoline Blendstock (RB), and Natural Gas (NG). The rule amendments will allow for the submission of a Block Trade with a minimum quantity of 200 lots in CL and 100 lots in HO, RB and NG to the NYMEX Customer Service Desk ("NCS") via a fax submission in a similar fashion to what was previously implemented for the CL-BB spread and NYMEX Soft contracts or via the trading floor. In addition, activity previously conducted pursuant to Rule 6.21A in CL will now be handled pursuant to the Block Trading rules.

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.

If you have any questions, please contact Nancy Minett, Vice President, Compliance, at (212) 299-2940, or myself at (212) 299-2897.

Sincerely,

Thomas F. LaSala  
Chief Regulatory Officer

cc: Brian Regan  
Nancy Minett

### **Rule 6.21C, Block Trades**

(A) Block trades (privately negotiated transactions) shall be permitted in such Exchange products, and for such minimum threshold quantities and under other such conditions as are listed in paragraph (B) of this Rule 6.21C. The following shall govern block trades:

- (1) A block trade must be for a quantity that is at or in excess of the applicable minimum threshold. Orders from different accounts may not be aggregated in order to meet the minimum threshold, except in connection with the activities of a registered commodity trading advisor or foreign person performing a similar role, as described in Paragraphs 8 and 9, below.
- (2) Each party to a block trade must be an Eligible Contract Participant as that term is defined in Section 1a(12) of the Commodity Exchange Act.
- (3) A member shall not execute any order by means of a block trade for a customer unless such customer has specified that the order be executed as a block trade.
- (4) The price at which a block trade is executed must be fair and reasonable in light of (i) the size of the block trade, (ii) the prices and sizes of other transactions in the same contract at the relevant time, (iii) the prices and sizes of transactions in other relevant markets, including without limitation the underlying cash and futures markets, at the relevant time, and (iv) the circumstances of the markets or the parties to the block trade.
- (5) Block trades shall not set off conditional orders (e.g., Stop Orders and MIT Orders) or otherwise affect orders in the regular market.
- (6) The buyer and seller must ensure that each block trade is reported to the Exchange within five minutes of the time of execution. The block trade must be submitted in accordance with procedures prescribed by the Exchange. The Exchange shall promptly publish such information separately from the reports of transactions in the regular market.
- (7) Clearing members and members involved in the execution of block trades must maintain a complete record of the transaction in accordance with Exchange Rule 8.50.
- (8) A commodity trading advisor ("CTA") registered or exempt from registration under the Act, including, without limitation, any investment advisor registered or exempt from registration under the Investment Advisors Act of 1940, shall be the applicable entity for purposes of Paragraphs 1, 2, 3, and 4, provided such advisors have total assets under management exceeding \$25 million and the block trade is suitable for the customers of such advisors.
- (9) A foreign Person performing a similar role or function to a CTA or investment advisor as described in Section I, and subject as such to foreign regulation, shall be the applicable entity for purposes of Paragraphs 1, 2, 3, and 4, provided such Persons have total assets under management exceeding \$25 million and the block trade is suitable for the customers of such Persons.

(B) Block trades shall be permitted in accordance with this Rule 6.21C in the following Exchange products, under the conditions described:

- (1) Spreads transactions between the Light Sweet Crude Oil (CL) and the Brent Crude Oil – Financial (BB) futures contracts, for a threshold minimum quantity of 50 contracts in each leg of the spread.

(2) Transactions in NYMEX Soft Futures Contracts: NYMEX Cocoa (CJ), NYMEX Coffee (KT), NYMEX Cotton (TT), NYMEX FCOJ (FJ), NYMEX Sugar 11 (YO) and NYMEX Sugar 14 (FT), for a threshold minimum quantity of 100 contracts.

(3) Light Sweet Crude Oil futures (CL), for a threshold minimum quantity of 200 contracts;

(4) Natural Gas futures (NG), for a threshold minimum quantity of 100 contracts;

(5) Heating Oil futures (HO), for a threshold minimum quantity of 100 contracts; and

(6) New York Harbor RBOB Gasoline futures (RB), for a threshold minimum quantity of 100 contracts.

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#### **Rule 6.21B, Inter-Exchange Arbitrage Transactions**

~~(A) The Board of Directors may designate any contract as eligible for Inter-Exchange Arbitrage Trade transactions under this Rule 6.21B and shall determine the minimum transaction size thresholds, and such other conditions as it deems necessary or desirable, for the contracts in which Inter-Exchange Arbitrage Trade transactions are permitted. Those designated contracts and their corresponding minimum size thresholds and other conditions are listed in section (C) below.~~

~~(B) Members may execute privately negotiated transactions away from the centralized market with respect to contracts designated by the Exchange for such purpose (hereinafter referred to as "Inter-Exchange Arbitrage" or "IXA Trades"), provided that all of the following conditions are satisfied:~~

~~(1) Subject to any further restrictions listed in section (C), below, for a relevant contract, each IXA Trade must only be submitted in connection with an intermarket spread transaction against an economically equivalent sized trade in a futures contract traded on or subject to the rules of another board of trade.~~

~~(2) Each buy or sell order underlying an IXA Trade must:~~

~~(a) state explicitly that it is to be, or may be, executed by means of an IXA Trade; and~~

~~(b) be for at least the applicable minimum quantity specified in section (C), below, for the relevant contract. Orders from different accounts may not be aggregated in order to achieve the minimum transaction size, provided that only a CTA, including without limitation any investment adviser registered with the Securities and Exchange Commission that is exempt from regulation under the Act or Commission regulations, with total assets under management exceeding US\$25 million or a foreign entity performing a similar role or function to a CTA or investment advisor that is subject to foreign regulation with total assets under management exceeding US\$25 million, may satisfy this requirement by aggregating orders for different accounts.~~

~~(3) Each party to an IXA Trade transaction, other than a NYMEX Division Member or a member of the board of trade on which the offsetting economically equivalent futures trade is executed,~~

~~must qualify as an "eligible contract participant" ("ECP") as that term is defined in Section 1a(12) of the Commodity Exchange Act, provided that, if any IXA Trade is entered into on behalf of customers by a commodity trading advisor registered under the Act, including without limitation any investment advisor registered as such with the Securities and Exchange Commission that is exempt from regulation under the Act or Commodity Futures Trading Commission Regulations thereunder, or a foreign person performing a similar role or function subject as such to foreign regulation, with total assets under management exceeding \$25 million, the individual customers need not so qualify.~~

~~(4) Each IXA Trade submitted subject to this Rule 6.21B must be executed between separate persons or legal entities whose accounts are under separate control.~~

~~(5) The price at which an IXA Trade is executed must be fair and reasonable in light of (a) the size of such IXA Trade, (b) the price and size of other trades in the same contract at the relevant time; (c) the price and size of trades in other relevant markets, including without limitation the underlying futures markets, at the relevant time, and (d) the circumstances of the parties to such IXA Trade. Members and Member Firms submitting an IXA Trade at a price that is away from the competitive market price prevailing at the time of the transaction must retain documentation as to how the requirements of this paragraph are satisfied.~~

~~(6) IXA Trades shall not set off conditional orders, including but not limited to, stop orders, limit orders or market-if-touched orders, or otherwise affect orders or prices in the regular market.~~

~~(7) All IXA Trades transacted during Regular Trading Hours must be reported by the selling member to a designated Exchange official within five (5) minutes of the time of execution or, in the case of IXA Trades executed after the close of NYMEX Regular Trading Hours, within fifteen (15) minutes from the commencement of the opening range in the relevant Exchange contract on the next Exchange business day. The report must include the contract, contract month, price and quantity of the trade.~~

~~(8) Floor brokers submitting IXA Trades during RTH must record such IXA Trades on their trading cards along with the time of execution. All submitted IXA Trades must be cleared through clearing members.~~

~~(9) Each Member and/or Member Firm, as applicable, that submits an IXA Trade shall record the following details on an order ticket for such IXA Trade: the contract (including the delivery month); that the trade is an IXA Trade; the number of contracts; the price of execution; the price differential between the two markets; the identity of the counterparty; and, if applicable, details regarding the customer for which the IXA Trade was executed and submitted. Such order ticket must also be time stamped at the time the IXA Trade order was received and at the time the order was executed.~~

~~(10)(a) Each party to an IXA Trade including, where applicable, a customer, must satisfy the Exchange, at its request, that the transaction conforms to the requirements of this Rule 6.21B. Upon the request of the Exchange, all documentary evidence relating to the IXA Trade including, without limitation, the order ticket referred to in paragraph (B)(9) of this Rule, the documentation referred to in paragraph (B)(5) of this Rule, and any additional records required to be created under section (C) of this Rule, shall be obtained by the Clearing Member from the party and made available by the Clearing Member for examination by the Exchange. Additionally, if the party is a Member or Member Firm, the Exchange may obtain the information directly from such party.~~

~~(b) Failure by a party, or its Clearing Member to satisfy the Exchange that the IXA Trade conforms with this Rule 6.21B shall subject such party, if a Member or Member Firm, or the party's Clearing Member to disciplinary action. Such disciplinary action, depending on the gravity of the offense, may be deemed to be a Major Offense under the Exchange's rules. Further, if the party is not a Member or Member Firm, the Exchange may conduct a hearing before the Business Conduct Committee to limit, condition or deny that party access to the market.~~

~~(C) The following contracts have been designated as contracts eligible for IXA Trade transactions with the corresponding minimum transaction sizes and other conditions indicated:~~

~~(1) Light Sweet Crude Oil (CL). An IXA Trade in CL may be submitted for a minimum quantity of 50 contracts and only in connection with a spread transaction against an economically equivalent sized trade in a crude oil futures contract traded on or subject to the rules of another board of trade. Both legs of such spread transaction must be submitted to the relevant exchange within five (5) minutes of each other, or within 15 minutes of the commencement of such time that the relevant exchanges will accept trade submissions. Complete information regarding such spread transaction, including all of the information listed in paragraph (B)(9) pertaining to the corresponding transaction on such other board of trade, must be recorded on an order ticket by a Member or Member Firm submitting a CL IXA Trade.~~