

SUBMISSION COVER SHEET

Exchange Identifier Code (optional) 04-19

Date **04-27-04**

ORGANIZATION

NEW YORK COTTON EXCHANGE

FILING AS A:

DCM

DCO

DTEF

TYPE OF FILING

- **Rule Amendments**

Self-Certification Under Reg. 40.6(a)

Commission Approval Requested Under Reg. 40.5 or 40.4 (a)

Notification of Rule Amendment Under Reg. 40.6(c)

Non-Material Agricultural Rule Change Determination Under Reg. 40.4(b)

- **New Products**

Self-Certification Under Reg. 40.2 or 41.23

Commission Approval Requested Under Reg. 40.3

RULE NUMBERS

NYCE By-Laws and Rules Adopted In Connection With Merger Into NYBOT

DESCRIPTION (Rule Amendments Only)

*New York Cotton Exchange
World Financial Center
One North End Avenue
New York, N.Y. 10282*

04-19
April 26, 2004

Ms. Jean A. Webb
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Center
1155 21st Street, NW
Washington, DC 20581

RE: Request for Commission Approval of New York Cotton Exchange, Inc. (“NYCE”) Proposed By-Laws and Certain Rule Amendments Pursuant to Section 5c(c)(2) of the Act and Regulation § 40.5 and Certification of Proposed Rules of NYCE Pursuant to Regulation §§40.4 and 40.6

Dear Ms. Webb:

I. SUBMISSION

New York Cotton Exchange (“NYCE”) hereby submits proposed By-Laws and Rules (the “New By-Laws and Rules”) that will become effective in connection with the Merger of NYCE and the Coffee, Sugar & Cocoa Exchange, Inc. (“CSCE”) with and into the Board of Trade of the City of New York, Inc. (“NYBOT”). NYCE requests Commission approval, pursuant to Section 5c(c)(2) of the Commodity Exchange Act (the “Act”) and Regulation §40.5, of the New By-Laws and the amendments to Chapters 1 and 2 of the New Rules and New Rule 6.41, and submits the remainder of the New Rules pursuant to Regulation §§ 40.4 and 40.6. Separate submissions are being filed contemporaneously herewith by CSCE and NYBOT in connection with the aforesaid Merger, with the objective that the New By-Laws and Rules submitted by CSCE and NYCE shall become the By-Laws and Rules of NYBOT on Merger Date (currently expected to be June 10, 2004), and the designations of CSCE and NYCE as contract markets transferred to NYBOT as of that date. Text of the New By-Laws and Rules accompany the NYBOT submission.

II. TEXT OF PROPOSED BY-LAWS AND RULES

As a result of the planned completion of the Merger of CSCE and NYCE into NYBOT, CSCE and NYCE will cease to exist, NYBOT will be the sole surviving entity, and thus, the successor to the business currently conducted by CSCE and NYCE. In that connection CSCE has consolidated the current Rules of CSCE and NYCE into a new Rulebook, without any material change, except for those By-Laws and Rules as to which Commission approval is requested herein.

III. EFFECTIVE DATE AND RULE PROMULGATING AUTHORITY

The New By-Laws and Rules submitted herewith were adopted by the NYCE Board pursuant to current NYCE By-Law §§1.27 and 1.28 on February 11, 2004. The New By-Laws and Rules will become effective at the close of business on the day prior to the Merger date.

IV. OPERATION, PURPOSE AND EFFECT OF THE PROPOSED BY-LAWS AND RULES

NYBOT was formed in 1998 in connection with the initial merger of CSCE and NYCE, each of which became wholly owned subsidiaries of NYBOT. As part of that transaction, the members of both exchanges were issued Notes providing for annual payments until June 10, 2004. Upon such final payment, CSCE and NYCE are to be merged with and into NYBOT in completion of the merger, CSCE and NYCE will cease to exist, all open interest in contracts listed on CSCE and NYCE will be transferred to NYBOT and NYBOT is to become the exchange on which all products currently traded on CSCE and NYCE will, thereafter, be listed and traded.

1. The New By-Laws

Except with respect to the nomination and composition of the Board, and amendments necessary to conform to the structure that will exist post-Merger, the New By-Laws are derived from the existing CSCE and NYCE By-Laws without significant change. Those By-Laws previously were submitted to, and approved by, the Commission. A summary of the more significant provisions in the New By-Laws is set forth below.

Nomination and Election of Governors

The New By-Laws significantly change the process by which members of the Board of Governors are nominated and elected, except for the President and Public Governors, who are appointed. Specifically, the Nominating Committee

and the concept of a nominated “slate” of candidates has been eliminated in favor of a form of open nomination process. The nomination of candidates will be made by petition signed by 30 Members who are eligible to vote. As is currently the practice, candidates will be elected by plurality of the votes cast. In the event of a tie for any position, the Board would fill the position with one of the tied candidates.

Elimination of Distinction between Class A and Class B Members

The New By-Laws no longer recognize any distinction between Class A members (CSCE) and Class B members (NYCE) in light of the fact that both classes of membership will be merged into one upon completion of the Merger. Likewise, members of the Board of Governors thereafter elected will no longer be identified as Class A or Class B governors and will be elected by the full membership of NYBOT, rather than separately by class.

Reordering of By-Law Sections and Expansion of Certain Articles

Current NYCE Article 1, covering the Board and Committees has been renumbered and is addressed in Articles 3 and 5 of the New By-Laws, respectively. Current NYCE Article 2 (Members) has been renumbered as Article 1 and revised to account for the fact that NYBOT, not CSCE and NYCE, will be the exchange with respect to which memberships will be purchased, sold and leased. The matters addressed in current NYCE Articles 3,5 and 6 are covered in the appropriate sections of the New Rules based upon the subject matter of the By-Law.

2. The New Rules

There are 22 chapters of Rules, of which 12 contain the contract terms for the products in which CSCE and NYCE have already been designated as contract markets. The New Rules reflect a codification and renumbering of the current Rules of CSCE and NYCE without material change, except with respect to the Definitions (Chapter 1), the Membership Rules (Chapter 2) and the Broker Association Rule (Rule 6.41) which have been submitted for Commission approval. Set forth below is a brief overview of the subject matters covered in each chapter.

Chapter 1 – Definitions

This chapter expands upon the definitions currently contained in the CSCE Rules and includes over 100 defined terms that are used consistently throughout the New Rules. These definitions also are applicable to the New By-Laws.

Chapter 2 – Membership

This chapter is derived from the uniform membership rules that were adopted by CSCE and NYCE in 2000. It also incorporates certain changes to bring the New Rules into conformity with the structure that will exist post Merger. Specifically, a New Rule 2.38 sets forth the 3 categories of Trading Permits that will exist post-Merger (Option, Finex and Finex-Europe). In addition, a revised Rule 2.14 preserves the status quo by codifying the requirement that a clearing member must have four (4) memberships in order to clear all NYBOT products, except where the firm chooses to continue clearing only CSCE or NYCE products, in which case two (2) memberships are required. Clearing of Finex products will continue to require two (2) Finex Trading Permits in addition to the memberships otherwise required to be held by the clearing member.

Chapter 3 – Committees

Chapter 3 sets forth the composition requirements and general authority of each of the 36 committees that will exist post-Merger. The charter and composition requirements of these committees parallel the standards in the CSCE and NYCE committee rules from which they are derived.

Chapter 4 – Floor Trading Rules

The current Floor Trading Rules associated with the various products of CSCE and NYCE are disparate in certain respects. Accordingly, where differences exist, the New Rules preserve them by providing for product-specific trading rules. Otherwise, the trading rules are uniform for all products and have been unaltered.

Chapter 5 – Margins

The margin rules of both exchanges have been integrated into one chapter that reflects current practices on both exchanges.

Chapter 6 – Regulatory Requirements

A new chapter 6, similar to the current NYCE Chapter 5, has been formed containing Rules that stem from CFTC requirements applicable to members, the Exchange and its employees. It covers Emergency Action, Conflicts of Interest, Position Limits and Reporting, Exchange Trading Policy and a number of other regulatory matters.

Chapter 7 – Licensing

The various warehouse and licensing rules applicable to cotton and FCOJ (in addition to coffee and cocoa) have been consolidated into one chapter, with product-specific subchapters as necessary.

Chapters 8 – 19

These chapters contain the contract and other related rules for each of the products currently listed on CSCE and NYCE. Minor conforming changes have been made to account for the use of defined terms and to eliminate clearly obsolete provisions. Otherwise, these chapters mirror the contract terms as they exist today.

Chapter 20 – Arbitration

The arbitration rules of CSCE and NYCE were generally identical and no material change has been made to the, as codified in new Chapter 20.

Chapter 21 – Disciplinary Rules

The disciplinary process at both exchanges was harmonized in 1999 and the rules of CSCE and NYCE were identical, except that summary fines may be issued in connection with certain practices on NYCE that have not been covered by the CSCE rules. Therefore, these practices are separately identified in Rule 21.25 as applicable only to products listed on NYCE today.

Chapter 22 – Standing Resolutions

Wherever possible, existing resolutions were incorporated into the chapter of the New Rules that deals with the subject matter of the Resolution. The CSCE Resolutions that remained are contained in Chapter 22. Because the fee structure that will become effective has not yet been determined, the Standing Resolution on that subject (SR-17) has been eliminated in its entirety.

3. Operation of NYBOT

Although the Merger of CSCE and NYCE technically will not occur until the Merger date, the two exchanges have operated as one since NYBOT became their holding company parent in 1998. The NYBOT staff has served all entities in the NYBOT family since that time, ensuring that the exchanges fulfilled their self-regulatory responsibilities. There will be no change in the level of staffing devoted to the continuation of CSCE's and NYCE's markets as NYBOT markets, and no change to the market surveillance, disciplinary, membership, arbitration and other self-regulatory programs that are in place. Likewise, New York Clearing Corporation, the clearing organization for CSCE and NYCE contracts will be designated as the clearing organization for NYBOT so that the transition to NYBOT will be entirely transparent.

OPPOSING VIEWS

There were no opposing views expressed by the sole equity member of NYCE (NYBOT) or others with respect to the adoption of the New By-Laws and Rules.

RELEVANT PROVISIONS OF THE CEA OR COMMISSION REGULATIONS

Upon review of the CEA and Commission Regulations, we believe it is not necessary for the Commission to amend or interpret any such rules or regulation in order to approve the portions of this submission as to which approval is requested.

CERTIFICATION

NYCE certifies that the New Rules submitted pursuant to Regulation §§ 40.4 and 40.6 comply with the requirements of the Commodity Exchange Act and the regulations promulgated thereunder.

If you have any questions, please call me at (212) 748-4083.

Very truly yours,

Audrey R. Hirschfeld
Senior Vice President
General Counsel

cc: David Van Wagner - Washington
Allen Cooper - New York Regional Office