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**Via E-Mail**

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 05.146: Notification of  
New NYMEX Rule 6.21B, Inter-Exchange Arbitrage ("IXA") Trades.**

Dear Ms. Jean Webb:

The New York Mercantile Exchange ("NYMEX" or the "Exchange") is notifying the Commodity Futures Trading Commission ("CFTC" or "Commission") of new NYMEX Rule 6.21B, Inter-Exchange Arbitrage ("IXA") Trades.

This new Rule would permit sophisticated market participants to post a negotiated transaction of 50 contracts or more in the Crude Oil ("CL") futures contract solely in connection with a contemporaneous arbitrage transaction against an opposite but economically equivalent futures transaction on another board of trade. This new rule would address the legitimate needs of market participants who maintain exposure in the various physical markets for Crude Oil worldwide. This new rule will be effective as of Monday, August 22, 2005. Pursuant to Section 5c(c) of the Commodity Exchange Act ("Act") and CFTC Rule 40.6, the Exchange hereby certifies that the attached rule amendment complies 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  
Senior Vice President  
Compliance and Risk Management

cc: Brian Regan  
Nancy Minett

## **PROPOSED NEW NYMEX RULE 6.21B**

(Entire Rule is New)

### **NYMEX 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 adviser 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, 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.