

May 9, 2008

VIA E-MAIL

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

RECEIVED
C.F.T.C.
MAY 12 AM 10:07
OFFICE OF THE SECRETARY

Re: Rule Certification. New York Mercantile Exchange, Inc. Submission #08.56. Notification of Amendments to the "Definitions" and the "Delivery Procedures" for the Certified Emission Reduction ("CER") Futures Contract and the European Union Allowance ("EUA") Futures Contract, and the deletion of the "References to Seller and Buyer" Rule for the CER Contract.

Dear Mr. Stawick:

The New York Mercantile Exchange, Inc. ("NYMEX" or "Exchange") is notifying the Commodity Futures Trading Commission ("CFTC" or "Commission") that it is self-certifying rule amendments to the CER and EUA Futures Contracts pertaining to the definitions and the delivery procedures. The submission also includes housekeeping amendments to assign rule numbers to the Definitions sections and to remove a redundant provision. The following NYMEX Rules are amended: CER Definitions, EUA Definitions, and Rules 870.01A, 870.09(E), 868.01A and 869.09(E).

The Exchange is making housekeeping amendments by deleting existing rule 870.01A, which is redundant, and creating a new Rule 870.01A and Rule 868.01A, which will be the rule numbers assigned to the CER and EUA Definitions sections, respectively. The Definitions sections of these two contracts previously were not numbered. Additionally, in the original submission, the Scope sections for the CER and EUA contracts followed the Definitions sections and marked the beginning of the series of rule numbers. The amendments relocate the Scope sections for each contract to precede the Definitions sections.

Further, the Exchange is making housekeeping amendments to NYMEX Rules 870.09(E) and 868.09(E), by moving part of the language that was originally located in Rules 870.09(E)(1)(D) and 868.09(E)(1)(D), into newly created Sections 870.09(E)(1)(A) and 868.09(E)(1)(A), in order to provide greater clarity to the definitions in that section. Therefore, the subsections in Rules 870.09(E)(1) and 868.09(E)(1) are being renumbered for consistency.

The Exchange is also making substantive changes to the Definitions sections for both

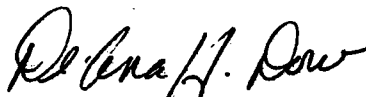
contracts, now located in Sections 870.01A (CER Contract) and 868.01A (EUA Contract). In newly numbered Sections 870.01A(E) and 868.01A(D), the definition for the "Seller's Customer" and "Buyer's Customer" is being broadened to include the seller and buyer of the swap transactions in addition to the physical product, in order to reflect the fact that these contracts are available for Exchange of Futures for Swaps ("EFS") trading. The original CER submission contained Section 870.01A, "References to Seller and Buyer" which is being removed since this amendment makes that section redundant.

Lastly, the Exchange is revising the timing elements in the "Delivery Procedures" Section (Rules 870.09(E) and 868.09(E)), which the Exchange believes will enhance the operation of standard delivery. The rules for the "Payment Date" (Rules 870.09(E)(1)(C) and 868.09(E)(1)(C)) are being amended to state that documentation must be supplied to the Buyer's Customer no later than 2:00 p.m. GMT, replacing the original time which was listed as 4:00 p.m. GMT. Also, the time period for when the Buyer shall pay the Seller (Rules 870.09(E)(1)(E) and 868.09(E)(1)(E)) is being amended to make the deadline 12:00 p.m. GMT, replacing the original time which was listed as 5:00 p.m. GMT.

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. These changes will be made effective on May 13, 2008.

Should you have any questions concerning the above, please contact Brad Leach at 212-299-2609 or the undersigned at (202) 715-8517.

Sincerely,



De'Ana H. Dow
Senior Vice President and
Chief Legislative Counsel

Attachments

**NOTIFICATION OF RULE AMENDMENTS FOR THE CERTIFIED EMISSION
REDUCTION (CER) FUTURES CONTRACT**

(Strikeouts in bold show deletions; Underlines in bold show additions;)

870.01 Scope

The provisions of these rules shall apply to all CERs, issued pursuant to Articles 12 and 17 of the Kyoto Protocol, bought or sold for future delivery on the Exchange with the Delivery at the UK Emissions Trading Registry or the Dutch CO₂ Emissions Trading Registry.

Definitions: 870.01A Definitions

- (A) Certified Emission Reduction (“CER”). CERs shall mean a unit issued pursuant to Articles 12 and 17 of the Kyoto Protocol and the decisions adopted pursuant to the UNFCCC or the Kyoto Protocol which may be used for compliance purposes under the EU ETS in accordance with Article 11a (3)(a) and (b) of the Directive 2003/87/EC (as amended from time to time) and the Linking Directive 2004/101/EC as implemented into Member State law. CER from nuclear facilities; land use, land use change and forestry activities (LULUCF); and hydroelectric projects with generating capacities exceeding 20 MW are excluded from this definition.
- (B) CDM (Clean Development Mechanism): A mechanism established by Article 12 of the Kyoto Protocol for project-based emission reduction activities in developing countries.
- (C) Clean Development Mechanism-Executive Board (CDM-EB): The CDM EB registers validated project activities as CDM projects, issues certified emission reductions to relevant projects participants, and manages series of technical panels and working groups meetings.
- (D) The terms “Seller” and “Buyer” shall mean the short Clearing Member and the long Clearing Member, respectively.
- (E) The terms “Seller’s Customer” and “Buyer’s Customer” shall mean the seller and buyer of the physical product **or swap transaction.**
- (F) ITL (International Transaction Log): All transactions between registries are maintained by transaction logs which verify the validity of transactions. The UNFCCC Secretariat maintains the ITL for the purposes of transfer under the Kyoto Protocol. Moreover the EU Commission has established and become the Administrator of a Community Transaction Independent Log (CITL) for transfers involving EU Member States. Transfers involving EU Entities entail an additional step from the ITL to the CITL under the Kyoto Protocol for

transfers of CERs between national registries.

(G) The term "Settlement Price" shall mean the final settlement price used as the price for delivery of the product, which shall be the settlement price for the last trading day of the expiring delivery month. The settlement price for the last trading day shall be determined in accordance with the procedures set forth in NYMEX Rule 11G.11.

870.01 Scope

~~The provisions of these rules shall apply to all CERs, issued pursuant to Articles 12 and 17 of the Kyoto Protocol, bought or sold for future delivery on the Exchange with the Delivery at the UK Emissions Trading Registry or the Dutch CO₂ Emissions Trading Registry.~~

~~870.01A References to Seller and Buyer~~

~~(A) Except with respect to Rules 870.12, the terms "seller" and "buyer" shall mean the short Clearing Member and the long Clearing Member respectively.~~

~~(B) In Rule 870.12, the terms "seller" and "buyer" shall mean the seller and buyer of the physical product.~~

870.02 – 870.08 ***

870.09 Delivery Procedures

(A) ***

(B) ***

(C) ***

(D) ***

(E) Payment and Delivery Margins

(1) Definitions

(A) The Buyer and Seller shall deposit with the Exchange margins in such amounts and in such form as required by the Exchange. Such margins which shall not be greater than the margins charged to the Buyer's Customer and Seller's Customer, shall be returned on the business day following notification to the Exchange that delivery and payment have been completed.

(B) (A) "Payment" shall include the settlement price times the number of contracts times 1000. If the link between the CITL and the ITL is not operational two business days prior to the

first business day of the delivery month, the payment of the Buyer shall include the Euro OverNight Index Average (EONIA) interest cost from the first business day of the contract month to the revised delivery date.

(C) ~~(B)~~ "Payment Date" shall mean the business day after the Buyer's Customer receipt of proper delivery notification from the UK Emissions Trading Registry or the Dutch CO2 Emissions Trading Registry that CERs have been transferred from the Seller's Customer account to the Buyer's Customer account, provided documentation is supplied to the Buyer's Customer by no later than ~~4:00~~ 2:00 p.m. GMT. Documentation supplied to Buyer after ~~4:00~~ 2:00 p.m. GMT on any Exchange business day, shall be considered received on the following Exchange business day.

(D) ~~(C)~~ On the second business day following the last day of trading, the long clearing member shall obtain from the long, if any, margin equal to the full value of the product to be delivered. Such margin shall consist of cash, securities issued by the United States Treasury Department maturing within ten (10) years from the date of deposit and guaranteed as to principal and interest by the United States Government or a letter of credit. Any Treasury securities so deposited shall be valued at ninety percent (90%) of the par value of such instruments. Any letter of credit so deposited shall be in a form approved by the Exchange, shall be issued or confirmed by an Exchange approved original margin depository, and shall be drawn in favor of the Exchange.

(E) ~~(D)~~ The Buyer shall pay the Seller at the office of the Seller by a certified check or electronic funds transfer, or any other method acceptable to both parties by ~~5:00~~ 12:00 p.m. GMT on the payment date. ~~The Buyer and Seller shall deposit with the Exchange margins in such amounts and in such form as required by the Exchange. Such margins which shall not be greater than the margins charged to the Buyer's Customer and Seller's Customer, shall be returned on the business day following notification to the Exchange that delivery and payment have been completed.~~

(F) ~~(E)~~ On the Payment Date, the Seller shall deliver a Notice of Payment to the Buyer with a copy to the Exchange by 4:30 p.m. GMT. Upon receipt of such notice the delivery shall be complete.

(G) ~~(F)~~ Any payment made on Payment Date shall be based on CERs actually delivered.

(F) ***

**NOTIFICATION OF RULE AMENDMENTS FOR THE EUROPEAN ALLOWANCE
(EUA) FUTURES CONTRACT**

(Strikeouts in bold show deletions; Underlines in bold show additions;)

868. 01 Scope

The provisions of these rules shall apply to all Phase 2008-2012 European Union EUA bought or sold for future delivery on the Exchange with the Delivery at the UK Emissions Trading Registry.

Definitions: 868. 01A Definitions:

- (A)** EU ETS: In January 2005, the European Union Emissions Trading Scheme commenced operation as the largest multi-country, multi-sector Greenhouse Gas emission trading scheme world-wide. It covers over 11,500 energy-intensive installations across the EU, which represent close to half of Europe's emissions of CO₂. These installations include combustion plants, oil refineries, coke ovens, iron and steel plants, and factories making cement, glass, lime, brick, ceramics, pulp and paper. The scheme is based on Directive 2003/87/EC, which entered into force on 25 October 2003.
- (B)** EUA: European Union Allowances ("EUA") granted under a National Allocation Plan of an EU member state.
- (C)** The terms "Seller" and "Buyer" shall mean the short Clearing Member and the long Clearing Member, respectively.
- (D)** The terms "Seller's Customer" and "Buyer's Customer" shall mean the seller and buyer of the physical product **or swap transaction.**
- (E)** The term "Settlement Price" shall mean the final settlement price used as the price for delivery of the product, which shall be the settlement price for the last trading day of the expiring delivery month. The settlement price for the last trading day shall be determined in accordance with the procedures set forth in NYMEX Rule 11G.11.
- (F)** ITL (International Transaction Log): All transactions between registries are maintained by transaction logs which verify the validity of transactions. The UNFCCC Secretariat maintains the ITL for the purposes of transfer under the Kyoto Protocol. Moreover the EU Commission has established and become the Administrator of a Community Transaction Independent Log (CITL) for transfers involving EU Member States. Transfers involving EU Entities entail an additional step from the ITL to the CITL under the Kyoto Protocol for transfers of CERs between national registries.

868. 01 Scope

The provisions of these rules shall apply to all Phase 2008-2012 European Union EUA bought or sold for future delivery on the Exchange with the Delivery at the UK Emissions Trading Registry.

868.02 – 868.08 ***

868.09 Delivery Procedures

(A) ***

(B) ***

(C) ***

(D) ***

(E) Payment and Delivery Margins

~~(2)~~ (1) Definitions

(A) The Buyer and Seller shall deposit with the Exchange margins in such amounts and in such form as required by the Exchange. Such margins which shall not be greater than the margins charged to the Buyer's Customer and Seller's Customer, shall be returned on the business day following notification to the Exchange that delivery and payment have been completed.

(B) ~~(A)~~ "Payment" shall include the settlement price times the number of contracts times 1000. If the link between the CITL and the ITL is not operational two business days prior to the first business day of the delivery month, the payment of the Buyer shall include the Euro OverNight Index Average (EONIA) interest cost from the first business day of the contract month to the revised delivery date.

(C) ~~(B)~~ "Payment Date" shall mean the business day after the Buyer's Customer receipt of proper notification from the UK Emissions Trading Registry that EUAs have been transferred from the Seller's Customer account to the Buyer's Customer account, provided documentation is supplied to the Buyer's Customer by no later than 4:00 ~~2:00~~ p.m. GMT. Documentation supplied to Buyer after 4:00 **2:00 p.m.** GMT on any Exchange business day, shall be considered received on the following Exchange business day.

(D) ~~(C)~~ On the second business day following the last day of trading, the long clearing member shall obtain from the long, if any, margin equal to the full value of the product to be delivered. Such margin shall consist of cash, securities issued by the United States Treasury Department maturing within ten (10) years from the date of deposit and guaranteed as to

principal and interest by the United States Government or a letter of credit. Any Treasury securities so deposited shall be valued at ninety percent (90%) of the par value of such instruments. Any letter of credit so deposited shall be in a form approved by the Exchange, shall be issued or confirmed by an Exchange approved original margin depository, and shall be drawn in favor of the Exchange.

(E) ~~(D)~~ The Buyer shall pay the Seller at the office of the Seller by a certified check or electronic funds transfer, or any other method acceptable to both parties by ~~5:00~~ 12:00 p.m. GMT on the payment date. ~~The Buyer and Seller shall deposit with the Exchange margins in such amounts and in such form as required by the Exchange. Such margins which shall not be greater than the margins charged to the Buyer's Customer and Seller's Customer, shall be returned on the business day following notification to the Exchange that delivery and payment have been completed.~~

(F) ~~(E)~~ On the Payment Date, the Seller shall deliver a Notice of Payment to the Buyer with a copy to the Exchange by 4:30 p.m. GMT. Upon receipt of such notice the delivery shall be complete.

(G) ~~(F)~~ Any payment made on Payment Date shall be based on EUAs actually delivered.

(F) ***