



Christopher Bowen
Managing Director and Chief Regulatory Counsel
Legal Department

June 12, 2012

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

**RE: Modifications to the NYMEX Incentive Program for Natural Gas Products
NYMEX Submission No. 12-163**

Dear Mr. Stawick:

New York Mercantile Exchange, Inc. ("NYMEX," the "Clearing House", or the "Exchange") hereby notifies the Commodity Futures Trading Commission ("Commission") of modifications to the existing Incentive Program for Natural Gas Products ("Program"). The modifications to the program will become effective July 1, 2012 and the Program will extend until December 31, 2012.

Exhibit 1 sets forth the terms of this Program. The modifications appear below, with additions underscored and deletions ~~overstruck~~.

NYMEX business staff responsible for the Program and the NYMEX legal department collectively reviewed the designated contract market core principles and the derivatives clearing organization core principles (collectively the "Core Principles") as set forth in the Commodities Exchange Act ("CEA"). During the review, NYMEX staff identified the following Core Principles as potentially being impacted;

Designated Contract Market Core Principles: Prevention of Market Disruption, Execution of Transactions, Protection of Market Participants, Compliance with Rules and Recordkeeping.

The Program will not impact the Exchange's ability to perform its trade practice and market surveillance obligations under the CEA and NYMEX market regulation staff will continue to monitor all market participants that trade the Program's products to prevent manipulative trading and market abuse. Additionally, NYMEX has implemented systems to track Program participants' volume to ensure proper distribution of earned incentives. The products included in this Program are listed for trading in the open and competitive market. The incentives available under the Program will apply to transactions by participants via any of NYMEX's execution and/or clearing venues, including the pit and our central limit order book. Additionally, the incentives are equal across all NYMEX execution venues. Therefore, the incentives under this Program protect any price discovery taking place in the centralized market. Participants in the Program will be selected by NYMEX staff using criteria as further stated in Exhibit 1. Chapter 4 of the NYMEX rules includes prohibitions against fraudulent, non-competitive, unfair or abusive practices. All participants must execute a contractual agreement with NYMEX in which each participant will expressly agree to comply with and be subject to, applicable regulations and NYMEX rules. The Program will be subject to the Exchange's record retention policies which comply with the CEA.

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Derivatives Clearing Organization (“DCO”) Core Principles: Financial Resources, Participant and Product Eligibility, Rule Enforcement and Recordkeeping.

The incentives in this Program will have a non-material impact on the financial resources of the Clearing House. As such, it will not prevent the Clearing House from demonstrating that it has adequate financial, operational, and managerial resources to discharge its responsibilities as a DCO. When selecting an applicant into the Program, NYMEX will take into account multiple factors from a candidate firm including those set forth in Exhibit 1. The incentives provided under the Program will not impact the Clearing House’s ability to perform its monitoring or enforcement obligations under the CEA. Chapter 4 of the NYMEX rules includes prohibitions against fraudulent, non-competitive, unfair or abusive practices. All participants must execute a contractual agreement with the Clearing House in which each participant will expressly agree to comply with and be subject to, applicable regulations and NYMEX rules. The Program will be subject to the Clearing House’s records retention policies which comply with the CEA.

NYMEX certifies that the Program complies with the CEA and the regulations thereunder. There were no substantive opposing views to this Program.

NYMEX certifies that this submission has been concurrently posted on NYMEX’s website at <http://www.cmegroup.com/market-regulation/rule-filings.html>

If you require any additional information regarding this submission, please contact Robert Lev at 312-930-3019 or via e-mail at robert.lev@cmegroup.com, or contact me at 212-299-2200. Please reference our NYMEX Submission No. 12-163 in any related correspondence.

Sincerely,

/s/ Christopher Bowen
Managing Director, Chief Regulatory Counsel

Attachments

EXHIBIT 1

Incentive Program for Natural Gas Products

Program Purpose

The purpose of the Program is to incentivize higher levels of volume contribution in certain NYMEX Natural Gas products in order to improve market liquidity. The resulting addition of liquidity for these products benefits all participants in the market.

Product Scope

Any combination (depending on the criteria described below) of Henry Hub Natural Gas Swap Futures, ~~Henry Hub Natural Gas Look-Alike Options, Daily Natural Gas Options~~ and Henry Hub Natural Gas Penultimate Financial Futures regardless of NYMEX execution or clearing venue ("Products").

Eligible Participants

NYMEX may designate up to three (3) participants in the Program. A participant must be a NYMEX non-member. When determining whether to accept an applicant into the Program, and when determining the combination of Products for which a participant qualifies to receive the incentives listed below, NYMEX will take into account multiple factors including the percentage of the overall product market traded and/or cleared by the applicant through NYMEX, and the average daily volume in the applicable Product or combinations of the Products traded and/or cleared by the applicant over a recent period of time. NYMEX may, from time to time, add or subtract additional factors from those listed above as it deems necessary.

Program Term

Start date is January 31, 2012. End date is ~~June 30, 2012~~December 31, 2012.

Hours

N/A

Incentives

Fee Discounts. For each calendar month during the term of the Program, participants will be eligible to receive discounted fee rates in a combination of the Products listed above so that the rate that the participant will be charged for such Products will equal the then prevailing NYMEX member rate.

Monitoring and Termination of Status

The NYMEX shall monitor participants' activity and performance and shall retain the right to revoke Program participant status if they conclude from review that a Program participant no longer meets the eligibility requirements of the Program.