



Christopher Bowen
Managing Director and Chief Regulatory Counsel
Legal Department

July 11, 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: NYMEX Energy Products Incentive Program For High Volume Hedging Contributors
NYMEX Submission No. 12-229**

Dear Mr. Stawick:

New York Mercantile Exchange, Inc. ("NYMEX," the "Exchange," or the "Clearing House") hereby notifies the Commodity Futures Trading Commission ("Commission") that it plans to implement an incentive program for banks, hedge funds and commercial firms in support of certain NYMEX energy contracts that are traded on CME Globex®, the NYMEX trading floor, or submitted for clearing via CME ClearPort("Program"). The proposed Program will become effective on July 26, 2012.

Exhibit 1 sets forth the terms of this Program.

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 an application 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.

Derivatives Clearing Organization ("DCO") Core Principles: Financial Resources, Participant and Product Eligibility, Rule Enforcement, Recordkeeping and Information Sharing:

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The incentives in this Program will have a non-material impact on the financial resources of the Clearing House. As such, they 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 an application 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. The Program contains "information concerning" each clearing and other fee that the DCO charges members and participants. A potential participant in the Program who wishes to subscribe to the Program may contact the Clearing House to receive further information regarding the fees that are charged to Program participants.

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

The Exchange certifies that this submission has been concurrently posted on the Exchange'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. 12-229 in any related correspondence.

Sincerely,

/s/ Christopher Bowen
Managing Director, Chief Regulatory Counsel

Enclosure

EXHIBIT 1

NYMEX Energy Products Incentive Program For High Volume Hedging Contributors

Program Purpose

The purpose of this Program is to incentivize banks, hedge funds and commercial firms to grow volume and market liquidity in the energy products listed below. The resulting addition of cross-venue liquidity benefits all participants in the market.

Product Scope

All energy contracts (excluding products with fee waivers in place and contracts with fees less than \$0.10) that are traded on CME Globex, the NYMEX trading floor, or submitted for clearing via CME ClearPort ("Products").

Eligible Participants

There is no limit to the number of participants that may participate in the Program. In order to qualify for the Program, a potential applicant must (i) have maintained a pre-determined combined average daily volume or more in the Products measured over the six month period immediately preceding the time of applying for the Program and (ii) be a bank, commercial firm or hedge fund. The Exchange, in its sole discretion and based on a variety of factors, will make the final decision regarding disputes of eligibility in the Program. NYMEX may, from time to time, add or subtract from the aforementioned requirements as it deems necessary.

Program Term

Start date is July 26, 2012. End date is December 31, 2012.

Hours

N/A

Incentives

For each calendar month that a participant maintains a pre-determined combined average daily volume in the Products, the applicable participant shall be eligible for a predetermined fee discount in the Products.

Monitoring and Termination of Status

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