



Christopher Bowen  
Managing Director and Chief Regulatory Counsel  
Legal Department

July 20, 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 International Crude and Refined Products Incentive Program.  
NYMEX Submission No 12-243**

Dear Mr. Stawick:

New York Mercantile Exchange, Inc. ("NYMEX," "Clearing House" or the "Exchange") hereby notifies the Commodity Futures Trading Commission ("Commission") that it plans to implement an incentive program in support of certain European petroleum products ("Program"). The proposed Program will become effective on August 6, 2012.

Exhibit 1 sets forth the terms of the proposed 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 proposed 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. The products included in this Program are listed for trading in the open and competitive market. Participants who might meet the criteria for this Program generally perform complex trading strategies that include both on-exchange and off-exchange activities. The set of incentives encompassed by the Program have been developed to increase volume across all NYMEX venues through additional execution of these strategies, ultimately having a positive impact on the price discovery process taking place in the centralized market as the Program is designed to increase liquidity on that venue. 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 proposed 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, Recordkeeping and Information Sharing

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 NYMEX in which each participant expressly agrees to comply with and be subject to applicable regulations and NYMEX rules. The proposed Program will be subject to NYMEX 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.

NYMEX certifies that this submission has been concurrently posted on the NYMEX 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](mailto:robert.lev@cmegroup.com), or contact me at 212-299-2200. Please reference our NYMEX Submission No. 12-243 in any related correspondence.

Sincerely,

/s/ Christopher Bowen  
Managing Director, Chief Regulatory Counsel

Attachments

# EXHIBIT 1

## NYMEX International Crude and Refined Products Incentive Program

### **Program Purpose**

The purpose of this Program is to incentivize Program participants to increase their volume in the European petroleum products listed below, enhancing market liquidity. A more liquid contract benefits all participants in the market.

### **Product Scope**

The following European petroleum NYMEX products that are submitted to the clearing house for clearing via CME ClearPort: European Gasoil Crack Spread Swap Futures (GZ), RBOB Gasoline vs. Brent Crack Spread Swap Futures (RBB), WTI-Brent Calendar Swap Futures (BK), WTI-Brent Bullet Swap Futures (BY), European Gasoil Swap Futures (GX), Gasoline Euro-bob Oxy NWE Barges Crack Spread Swap Futures (7K), Gasoline Euro-bob Oxy NWE Barges Swap Futures (7H), RBOB Gasoline vs. Euro-bob Oxy NWE Barges Swap Futures (EXR) ("Products").

### **Eligible Participants**

NYMEX may select up to three (3) participants into this Program. The Program is only available to NYMEX non-members. In determining whether or not a prospective applicant is selected to participate in the Program, NYMEX staff may take into account a variety of factors including the prospective participant's overall experience and historical volume traded and/or cleared in the Products and experience in other energy contracts traded on or cleared by NYMEX. NYMEX may, from time to time, add or subtract from the aforementioned factors as it deems necessary.

### **Program Term**

Start date is August 6, 2012. End date is July 31, 2013.

### **Hours**

N/A

### **Program Incentives**

Fee Discounts. For each calendar month that a participant meets predetermined volume levels in the Products submitted through CME ClearPort and cleared by the Clearing House, the respective participant shall be entitled to discounted fee rates in the Products as determined by NYMEX.

### **Monitoring and Termination of Status**

NYMEX 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.