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Christopher Bowen  
Managing Director and Chief Regulatory Counsel  
Legal Department

November 15, 2011

**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

**CONFIDENTIAL TREATMENT  
REQUESTED**

**RE: SUPPLEMENTAL SUBMISSION NYMEX Submission No.11-465S: Additional  
Supplemental Information Relating to the NYMEX Incentive Program for  
Over-The-Counter Energy Options Products**

**Subject to a Freedom of Information Act Protection**

Dear Mr. Stawick:

Previously, pursuant to Submission No. 11-465 dated December 1, 2011, the New York Mercantile Exchange, Inc ("NYMEX") notified the Commodity Futures Trading Commission ("Commission") that they planned to implement a NYMEX Incentive Program for Over-The-Counter Energy Options Products ("Program").

In this letter, NYMEX is providing the Commission with certain additional information related to the incentives under the Program. The additional supplemental information is provided in Appendix A, for which a request for confidential treatment and detailed written justification is being simultaneously submitted to the Commission. A copy of the request for confidential treatment and detailed written justification is included with this supplemental filing.

NYMEX certifies that the Program complies with the Commodity Exchange Act and the regulations thereunder. A concise explanation and analysis of the operation, purpose and effect of the Program was provided in Submission No. 11-465. There were no substantive opposing views to this Program.

The Exchanges certify that this submission has been concurrently posted on the Exchanges' 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. 11-465S in any related correspondence.

Sincerely,

/s/ Christopher Bowen  
Managing Director, Chief Regulatory Counsel

Attachments

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Christopher Bowen  
Managing Director and Chief Regulatory Counsel  
Legal Department

OFFICE OF THE  
SECRETARIAT

December 1, 2011

VIA Electronic Mail – foiasubmissions@cftc.gov

Assistant Secretary of the Commission for FOIA,  
Privacy and Sunshine Acts Compliance  
Commodity Futures Trading Commission  
Three Lafayette Centre, 8<sup>th</sup> Fl.  
1155 – 21<sup>st</sup> Street, N.W.  
Washington, DC 20581

CONFIDENTIAL TREATMENT  
REQUESTED

**Re: FOIA Confidential Treatment Request: Appendix A to NYMEX Submission 11-465S**

Dear FOIA Compliance Staff:

I am writing on behalf of the New York Mercantile Exchange, Inc. ("NYMEX" or the "Clearing House"), a subsidiary of CME Group Inc. In accordance with the requirements set forth in Section 40.8 of the Commodity Exchange Act ("CEA"), NYMEX hereby submits its detailed written justification in support of continued confidentiality of the information set out in Appendix A to submission No. 11-465S ("Appendix A") and respectfully requests that the Commodity Futures Trading Commission (the "Commission") not release the information contained therein.

As discussed more fully below, Appendix A contains confidential and proprietary commercial information of NYMEX and is thus exempt from disclosure pursuant to Section 8 of the Commodity Exchange Act ("CEA"), Commission Regulation 145.9(d) and Exemption 4 (the "Exemption") to the Freedom of Information Act ("FOIA").

**Presumption Of Confidentiality**

There is a presumption of confidentiality for commercial information that is (1) provided voluntarily and (2) is of a kind the provider would not customarily make available to the public. See Critical Mass Energy Project v. Nuclear Regulatory Commission, 975 F.2d 871, 878 (D.C. Cir. 1992) (en banc); see also Center for Auto Safety v. National Highway Traffic Safety Administration, 244 F.3d 144, 147 (D.C. Cir. 2001) (affirming continuing validity of Critical Mass and applying tests detailed in that case). NYMEX provided the confidential information in Appendix A to the Commission voluntarily in connection with the above referenced submission in order to demonstrate to the Commission the compliance of the incentive program with the CEA and relevant Commission Regulations. Further, the incentive structure set out in Appendix A is much more complex than the simple incentives that may in some circumstances accompany a market maker or trading incentive program. The incentive structure set out in Appendix A was developed by NYMEX staff at significant cost and over a substantial period of time. NYMEX would not customarily make such complex incentive structures available to the public.

**Disclosure Would Likely Cause Competitive Harm to the Exchange**

Notwithstanding this presumption of confidentiality, the confidential information in Appendix A still would be considered "confidential" because it is information that NYMEX would not and have disclosed to the public and its disclosure would cause substantial harm to the competitive position of NYMEX. FOIA was enacted to facilitate the disclosure of information to the public, but was clearly not intended to allow business competitors "cheap" access to valuable confidential information, especially when "competition in business turns on the relative costs and opportunities faced by members of the same industry." Worthington Compressors v. Costle, 662 F.2d 45, 51 (D.C. Cir. 1981).

When a submitter of confidential information has a "commercial interest in the requested information the [E]xemption is properly invoked." ISG Group, Inc. v. Dept. of Defense, 1989 WL 168858 (D.D.C. 1989). The test for determining confidentiality under Exemption 4 is set forth in National Parks & Conservation Association v. Morton, where the court held that information is confidential if its disclosure would "cause substantial harm to the competitive position of the person from whom the information was obtained." In applying the "competitive harm" test for confidentiality, there is no requirement to demonstrate actual competitive harm. Gulf & Western Indus., Inc. v. United States, 615 F.2d 527, 530 (D.C. Cir. 1979). "Actual competition and the likelihood of substantial competitive injury is all that need to be shown." Gulf & Western Indus., Inc. v. United States, 615 F.2d at 530. Information is confidential if: 1) there is actual competition in the relevant market; and 2) disclosure is likely to cause substantial competitive injury. *Id.* Neither the Commission nor the courts must conduct a sophisticated economic analysis to determine the likely effects of disclosure; evidence demonstrating the *potential* for economic harm is sufficient. Utah v. Bahe et al. No. 00-4018, 2001 WL 777034, at 2 (10<sup>th</sup> Cir. July 10, 2001); Public Citizen Health Research Group v. Food & Drug Admin., 704 F.2d 1280, 1291 (D.C. Cir. 1983).

*Disclosure Would Likely Harm the Exchange*

The Exchange also satisfies the second requirement for the "competitive harm" test for confidentiality because the release of the information would likely cause substantial competitive injury to NYMEX. See Gulf & Western Indus. Inc. v. United States 615 F.2d 527,530 (D.C. Cir. 1979). As noted above, a sophisticated economic analysis is unnecessary; the potential for economic harm is sufficient. Utah v. Bahe et al., No. 00-4018, 2001 WL 777034, at 2 ( Cir. July 10, 2001); Public Citizen Health Research Group v. Food & Drug Admin., 704 F.2d 1280, 1291 (D.C. Cir. 1983).

Under circumstances similar to those involved here, courts have recognized that disclosure of commercial information holds the potential for significant competitive harm. Bahe No. 00-4018, 2001 WL 777034, at 2-3 (terms and structure of contract for storage of nuclear fuel confidential); Heeney v. Food & Drug Admin., 2001 U.S. App. Lexis 7732, at 3-4 (9<sup>th</sup> Cir. April 12, 2001) (manufacturing agreement and other information confidential); Professional Review Org. v. U.S. Department of Health and Human Servs., 607 F. Supp. 423, 425-26 (D.D.C. 1985) (business plans confidential). When applying the "substantial competitive harm test," courts "[c]onsider how valuable the information will be to the requesting competitors and how much this gain will damage the submitter." Worthington Compressors, 662 F.2d at 51.

Appendix A contains valuable commercial information with respect to the concessions that we found to be necessary to create liquid contracts in the Program's products. This information was developed at significant cost and over a substantial period of time. It would destroy the value of that work if we were required to make that information available to competitors, who could free ride our efforts with no cost. The incentive for clearing houses to develop competing incentive programs and market making programs will be destroyed. Additionally, there is no regulatory imperative to disclose such information.

FOIA Compliance Staff

December 1, 2011

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For the foregoing reasons, NYMEX respectfully requests that the Commission maintain the confidential privilege afforded to this type of information and refrain from releasing Appendix A as such action could prove harmful to NYMEX.

Please contact me if you have any questions regarding this matter.

Very truly yours,

/s/Christopher S. Bowen  
Managing Director, Chief Regulatory Counsel