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Managing Director and Chief Regulatory Counsel
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OFFICE OF THE
SECRETARIAT

December 20, 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

**RE: NYMEX Incentive Program for Over-The-Counter Natural Gas Products
NYMEX Submission No. 11-499**

Dear Mr. Stawick:

New York Mercantile Exchange, Inc ("NYMEX" or the "Clearing House") hereby notify the Commodity Futures Trading Commission ("Commission") that it plans to implement an Incentive Program for Over-The-Counter Natural Gas Products ("Program"). This Program will become effective on January 6, 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 derivatives clearing organization core principles (the "Core Principles") as set forth in the Commodity Exchange Act ("CEA"). During the review, NYMEX staff identified the following Core Principles as potentially being impacted;

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 proposed 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 Commodity Exchange Act 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>

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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. 11-499 in any related correspondence.

Sincerely,

/s/ Christopher Bowen
Managing Director, Chief Regulatory Counsel

Attachments

EXHIBIT 1

Incentive Program for Over-The-Counter Natural Gas Products

Program Purpose

The purpose of the Program is to incentivize higher levels of volume contribution in certain NYMEX over-the-counter ("OTC") 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 OTC 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 products cleared through the Clearing House ("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 cleared by the applicant through the Clearing House, and the average daily volume in the applicable Product or combinations of the Products 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 6, 2012. End date is June 30, 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 Clearing House 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.