

FORM FBOT—EXHIBIT G-4

Request: Attach a description of the market surveillance program (and any related rules), addressing:

- The dedicated market surveillance department or the delegation or outsourcing of that function, including a general description of the staff;
- the data collected on traders' market activity;
- data collected to determine whether prices are responding to supply and demand;
- data on the size and ownership of deliverable supplies;
- a description of the manner in which the foreign board of trade detects and deters market manipulation;
- for cash-settled contracts, methods of monitoring the settlement price or value; and
- any foreign board of trade position limit, position management, large trader or other position reporting system.

Response:

NGX has a market surveillance staff currently comprised of 1.5 FTEs, who examine positions, prices, and the conditions of the markets for abusive practices.

NGX uses its audit trail and other electronic systems in conducting trade practice surveillance. It is currently building out its automated trade practice systems. These systems are designed to review transaction details and to issue alerts with respect to particular transactions or patterns of transactions that are flagged by the system. If a transaction is flagged, staff will make inquiries and determine whether further investigation of the facts surrounding the transaction is appropriate.

Staff also rely upon various systems and other sources of information in conducting real-time market surveillance. Market surveillance relies upon analysis from a number of databases including audit trail data, volume, open interest and net changes in position. Staff use information developed in interviews with persons in the trade relating to deliveries, delivery intentions and cash market developments. To determine whether prices are responding to supply and demand, staff collects data from market vendors, data sources such as Platt's and Bloomberg, the NGX market, ICE, and ClearPort. These streams of information are aggregated to provide a mosaic of factors that may influence market behavior and provide the staff with the information to pursue more intensively through trade interviews and investigations any anomalous price behaviors. Compliance staff also will be responsible for monitoring compliance with speculative position limits.

NGX also conducts a vigorous program of financial surveillance. NGX's Clearing Department monitors the status of each Participant's margin requirements, collateral posted and available margin in real time and provides a daily report to NGX's Clearing Committee (which consists of the Vice-President of Clearing & Development and the President) identifying Participants that have reached any margin trigger. NGX's Clearing Department documents and secures daily approval from NGX's Clearing Committee for any exceptions to these general requirements. In determining whether to grant an exception, the Clearing Committee examines a

number of factors, including the total amount of collateral posted by the Participant, upcoming delivery or settlement responsibilities and the time of the month in relation to those responsibilities, the level of diversification of the Participant's portfolio and the Participant's creditworthiness and track record with NGX.

As part of its financial surveillance program, NGX maintains a credit watch list based on NGX's assessment of each Participant's creditworthiness and the possibility of default. NGX typically reviews the financial status of any Participant on the watch list. The watch list is confidential and is used for internal monitoring purposes only.

To monitor the settlement price or value of cash-settled contracts, the surveillance staff often look to information from external sources (both publicly available and through private entities) that might impact prices or trading behavior in NGX markets, including, but not limited to, commodity futures market transaction and settlement prices, weather patterns, storage information, economic updates, and infrastructure-related stimuli such as pipeline maintenance or failures, and electric transmission and generation maintenance. Additionally, due to the physical links and high degree of price correlation across energy commodities markets, Compliance staff frequently analyze variations in price and volatility across locations in geographical proximity (traded through NGX and elsewhere), while also comparing prices at a single location across adjacent delivery periods, taking into account seasonal supply and demand adjustments as necessary.

As a clearing organization (and on behalf of its Clearing Participants), NGX reports to the Commission as required by the Large Trader Reporting Rules for Physical Commodity Swaps.¹

¹ See 76 Fed. Reg. 43851.