



September 20, 2011

To: All NGX Customers

Re: CFTC Large Trader Reporting Rules for Swaps

Background

Effective September 20, 2011 the Commodity Futures Trading Commission (“**CFTC**”, the “**Commission**”) adopted new regulations (17 CFR Parts 15 and 20, Large Trader Reporting for Physical Commodity Swaps), which require the reporting of physical commodity swap and swaption (collectively, “**swaps**”) activity reports to the Commission (the “**LTR Swap Rules**”). The LTR Swap Rules apply to those swaps that (i) are linked or priced at a differential to either the price of any of the 46 covered futures or options contracts listed by designated contracts markets (“Covered Contracts”) or the price of the physical commodity for delivery at the same location or locations as that of a Covered Contract (“**Paired Swaps**”) and (ii) comprise a position, in any one futures equivalent month, meeting the reporting threshold of 50 or more futures equivalent paired swaps or swaptions based on the same commodity underlying a Covered Contract (the “**Reporting Threshold**”).

NGX anticipates that certain of its physical natural gas basis products and physical crude oil differential contracts will constitute Paired Swaps and may meet the Reporting Threshold.

Temporary Relief from LTR Reporting Obligations

On September 16, 2011 the CFTC issued a letter granting temporary and conditional relief to clearing organizations, clearing members and swap dealers from the reporting requirements contained in the LTR Swap Rules (Sections 20.3 and 20.4) until November 21, 2011 for cleared Paired Swaps and January 20, 2012 for uncleared Paired Swaps (the “**Relief**”).

The Relief is conditional on clearing organizations, clearing members and swap dealers satisfying a requirement to submit month end open interest reports to the CFTC no later than February 20, 2012 for periods commencing September 30, 2011. However, the Relief exempts from the condition clearing members that are swap counterparties to exclusively self-cleared contracts described in Section 15.00 of the Commission’s regulations (the “**Exemption**”).

As NGX contracts are exclusively self-cleared, NGX clearing participants qualify for the Exemption with respect to their activities on NGX.

Long-Term Relief

NGX has been working closely with Commission staff on a long-term solution that would grant perpetual relief from LTR Swap reporting requirements for NGX clearing members (other than swap dealers). NGX has offered to submit cleared swaps LTR transaction data to the Commission on behalf of its non swap dealer clearing members. We anticipate these same participants would also be exempt from the requirement to submit uncleared swap LTR transaction data to the Commission. NGX will confirm the scope of any long-term exemptive relief once clarity is issued by the Commission.

Communications

A list of NGX contracts which constitute Paired Swaps and meet the Reporting Threshold will be confirmed by NGX at our earliest opportunity, and in any event once the final product definitions under Dodd-Frank are settled.

NGX will provide further updates on its website, www.ngx.com, as new information regarding the implementation of the new LTR Swap Rules and any ongoing exemptive relief becomes available. Please address any questions to:

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