



July 24, 2012

To: All NGX Customers

Re: CFTC Large Trader Reporting Rules for Swaps – July 2012 Update

Background

On September 20, 2011 we advised of the new Commodity Futures Trading Commission (“**CFTC**”, or the “**Commission**”) regulations (17 CFR Parts 15 and 20, Large Trader Reporting for Physical Commodity Swaps¹), which require the reporting by derivatives clearing organizations, clearing members and swap dealers 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 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.

NGX No-Action Relief

On November 18, 2011, NGX advised that the CFTC had granted a no-action request submitted by NGX on behalf of its participants that relieved NGX participants from the obligation to report cleared and uncleared transactions in NGX products that are subject to large trader reporting requirements for LTR Swaps (the “NGX No-Action”). The NGX No-Action relied upon NGX’s reporting of cleared transactions in LTR swaps as a DCO, and in addition, providing reports on behalf of its clearing members. The no-action, as it applies to uncleared large trader reporting requirements, **does not extend to** (i) NGX participants that are clearing members of another clearing organization as set out in Commission Regulation 20.1, or (ii) NGX participants that are ultimately deemed to be swap dealers under final Commission regulations.

March 22, 2012 CFTC No-Action Relief

On Thursday, March 22, 2012, the CFTC issued a letter to market participants providing temporary and conditional no-action relief for less than fully compliant reporting under the CFTC’s large trader reporting system. This relief allowed NGX to continue to provide large trader reports to the CFTC on its own behalf and on behalf of participants subject to the NGX No-Action in a pipe delimited format until July 2, 2012, after which time reports were to be submitted in XML format.

July 6th, 2012 CFTC No-Action Relief

¹ See <http://www.cftc.gov/ucm/groups/public/@Irfederalregister/documents/file/2011-18054a.pdf>

On Friday, July 6, 2012, the CFTC issued a letter to market participants providing further temporary no-action relief for less than fully compliant reporting of positions under the CFTC's large trader reporting system. This relief extends to July 27, 2012 and requires, as a condition of the relief, that market participants must submit by July 30, 2012, fully compliant reports dating back to July 2, 2012. NGX is in the process of converting from pipe delimited format prior to the July 27th deadline, after which NGX reports, including those on behalf of participants subject to the NGX No-Action, will be submitted in XML format.

A copy of the July 6, 2012 CFTC no-action relief is attached hereto as Schedule A and posted on NGX's website. For a complete understanding of the scope of this latest relief, please review the no-action letter in its entirety.

Communications

NGX will provide further updates on its website, www.ngx.com, as new information regarding the implementation of the new LTR Swap Rules becomes available.

Please address any questions to:

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