

CONFIDENTIAL TREATMENT REQUESTED BY
CHICAGO CLIMATE FUTURES EXCHANGE, LLC

Appendix D-6 to the Application



Chicago Climate Exchange
Chicago Climate Futures Exchange

Chicago Climate Futures Exchange

Error Trade Resolution Process

Version 1.0

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1 Overview¹

The Chicago Climate Futures Exchange LLC (“CCFE”) Trading Platform has a number of safeguards to prevent order submission errors. The CCX Help Desk supports CCFE in the implementation of the CCFE error trade resolution process. CCFE reserves the right to change its error trade resolution process at any time.

Order Confirmation

All orders accepted by the Trading Platform are eligible for execution. As a safeguard, the CCFE Trading Platform requires the submitting party to confirm the order before it is transmitted to the trading platform.

Reasonability Limits

In addition to daily price limits, CCFE will implement reasonability checks for its products (also referred to as “soft price checks”). Throughout each trading session, the reasonability check functionality will be active. The reasonability check will compare each newly entered order against a base level and within pre-established parameters. The base level may be the last trade price, a resting the bid or offer that has passed validation, the previous day’s settlement price or a manual update from CCFE. Order prices that are “thru” (better than the current anchor / greater than the reasonable limit value) and “out of” (worse than the current anchor / greater than the reasonable limit value) for each contract month are identified by the trading system. The reasonability limits will be communicated to the market place via notices.

Attempts to enter orders outside the reasonability check parameters will result in a CCFE Trading Platform message to the party submitting the order. The order will be withheld from the CCFE Trading Platform from the moment the message is sent to the submitting party and while the submitting party takes the required action and responds to the message, as detailed below. The message will notify the submitting party that the order price is outside of the reasonability check parameters. The message will require an action by the submitting party to either cancel, re-price or to proceed with the order’s submission to the CCFE Trading Platform with an acknowledgement that the order price is outside of the reasonability check level.

Bid / Offer Thru Message

After the market has opened, a party entering a bid price that is thru an offer price or vice versa will receive a system message informing them of the situation. The party can elect to either proceed or cancel the order. An election to proceed will result in a trade execution at the price of the resting offers (in the case of a bid thru the offer) to the extend of offers that are better or equal to the bid up to the quantity level of the bid order or the quantity level of the eligible better or equal offers.

¹ Capitalized terms used and not otherwise defined herein have the meaning assigned to such terms in the Rulebook of Chicago Climate Futures Exchange, LLC (“the Rulebook”). All references herein to any “Rule” shall mean the rules contained in the Rulebook.

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In the event a Trading Privilege Holder (“TPH”) or Authorized Trader (“AT”) believes that an order placed by the TPH has been executed in error, the following process will be followed.

2 Error Resolution

2.1 TPH or AT Invoking Error Resolution Process

Any request to have a trade busted resulting from an error on the part of a TPH or AT must be made to the CCX Help Desk.

Phone: 770.857.0330
e-mail: ccxhelpdesk@chicagoclimateexchange.com

The CCX Help Desk will require the requesting party to e-mail the following information.

Trade ID
Trade detail (product, contract, price, volume)
Reasons for requesting the trade be busted.

Requests to bust a trade along with the required supporting reasons must be received by the CCX Help Desk no later than 10 minutes after the trade's execution and at least 15 minutes prior to the CCFE product's trading session close.

If a potential error is not brought to the attention of the CCX Help Desk within 10 minutes of the trade's execution, the trade will stand.

2.2 CCX Help Desk / CCFE Review

The CCX Help Desk will notify CCFE regarding the request to bust a trade and the reasons behind the request. If CCFE determines to bust the trade, the CCX Help Desk will take the appropriate action to bust the trade and notify the parties to the trade.

In determining whether to bust a trade executed in error, CCFE will take into consideration the following factors:

- last trade price and bids and offers for the contract;
- bids and offers in other contract months;
- whether the party ignored a reasonability limit message or bid thru /offer thru message;
- willingness of other party to bust the trade.

The decision of CCFE is final.

2.3 TPH Option If Trade Is Not Busted

If CCFE determines the trade will not be busted, a TPH may elect to exercise its option under Rule 407 – Errors of Trading Privilege Holders.

3 CCFE Trade Invalidation

3.1 General

CCFE may invalidate trades if it determines that the trades may have occurred at unrepresentative prices. Criteria CCFE will take into account when considering whether a trade should be invalidated include:

- Trade was triggered as a result of a busted trade
- Recent prices, bid and offers in the contract month and other contract months
- Time period between different quotes

If CCFE directs the CCX Help Desk to bust the trade, the CCX Help Desk will take the appropriate action to invalidate the trade and notify the parties to the trade(s).

3.2 Same Party Is On Both Sides of Trade

If a trade has the same Account Identifier (owner) on the buy-side and sell-side, the trade will be “flagged” by the CCFE Trading Platform for review. It is the standard policy of CCFE to bust such trades unless the TPH can justify to the satisfaction of CCFE why the trade should not be busted.

While the trade is under review, it will be held back from being sent to The Clearing Corp. for clearance. In the event that CCFE determines to allow the trade to stand, the trade will be sent to The Clearing Corp for clearance.

4 Communication

When a trade is placed under review, the CCX Help Desk will issue a system message via the GUI.

If it is determined to invalidate the trade, the CCX Help Desk will issue a system message via the GUI and contact the TPHs that are party to the busted trade to explain the reason for the invalidation.