

# SULLIVAN & CROMWELL LLP

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September 24, 2004

Ms. Jane Croessmann,  
Division of Market Oversight,  
Commodity Futures Trading Commission,  
Three Lafayette Centre,  
1155 21st Street, N.W.,  
Washington, D.C. 20581.

Dear Jane:

As you requested, set forth below is an overview of Chicago Climate Futures Exchange, LLC (the "Exchange"). Terms used but not defined herein have the meanings given to them in the Exchange's Rulebook.

## **I. Governance**

The Exchange will be a designated contract market under the Commodity Exchange Act, as amended, and the regulations thereunder. The Exchange has been formed under the laws of the State of Delaware as a limited liability company and is a wholly owned subsidiary of Chicago Climate Exchange, Inc. ("CCX"). CCX is the sole limited liability company member (*i.e.*, owner) of the Exchange.

As more fully described in the Exchange's Limited Liability Company Agreement (the "LLC Agreement"), the Exchange will be managed by a Board of Directors. The Board of Directors initially will be comprised of ten Directors. The size of the Board of Directors may be changed by a resolution signed by CCX or by an amendment to the LLC Agreement.

## **II. Trading Privileges**

An applicant for Trading Privileges on (*i.e.*, access to) the Exchange must demonstrate that it meets the financial and other requirements set forth in the Exchange's Rulebook and such other requirements as the Exchange may establish from time to time. In addition, any applicant for Trading Privileges that is not a member of the Exchange's Clearing Service Provider must be guaranteed by a Clearing Member.

Each person granted Trading Privileges (a "Trading Privilege Holder") may authorize its employees or contracted agents ("Authorized Traders") to access the CCFE Trading Platform. Each Trading Privilege Holder is responsible for ensuring that, among other things, none of its Authorized Traders is subject to disqualification pursuant to Applicable Law (unless an appropriate exemption has been obtained with respect thereto). Authorized Traders must satisfy any requirements the Exchange establishes from time to time.

## **III. Trading System**

The Exchange's trading system (*i.e.*, the CCFE Trading Platform) will be established using network architecture operated by InterContinental Exchange, Inc. ("ICE"), which operates CCX's current exempt commercial market. The CCFE Trading Platform will have web-based access. ICE has operated the CCX exempt commercial market trading platform since December 2003.

The Exchange's trading system will be fully anonymous, and all Trading Privilege Holders and Authorized Traders will have access to the same trade information on the Exchange, including information regarding prices, bids and offers. Orders will be executed impartially by the CCFE Trading Platform in accordance with the Exchange's rules and procedures.

The Exchange will permit block trades and exchange of future for physical trades in accordance with the Exchange's rules and procedures.

## **IV. Clearing and Settlement**

The Clearing Corporation will provide settlement and clearing services for the Exchange. The Clearing Corporation is a derivatives clearing organization that is registered with the Commission.

**V. Compliance and Surveillance Programs**

Real-time surveillance of the Exchange will be conducted by the Market Regulation Department, with support from the Help Desk. Regulatory surveillance of the Exchange will be performed by NFA pursuant to a regulatory services agreement. Both trade practice surveillance and market surveillance will be provided by NFA. NFA will also conduct investigations into potential violations of the Exchange's policies and procedures and will provide a forum for arbitration of disputes relating to the Exchange.

**VI. Contracts**

The Exchange intends to offer both futures and options on futures, although the Exchange expects to offer only futures contracts initially. The Exchange expects that new contracts will be listed by self-certification under Commission Regulation § 40.2.

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Please contact me if you have any questions about the matters set forth in this letter.

Sincerely,



Kenneth M. Raisler

cc: Ann M. Cresce  
(Chicago Climate Exchange, Inc.)