



## U.S. COMMODITY FUTURES TRADING COMMISSION

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July 22, 2010

Michael Philipp  
Winston & Strawn, LLP  
35 W. Wacker Drive  
Chicago, IL 60601-9703

Re: Application of Green Exchange, LLC, for Designation as a Contract Market;  
Request for the transfer to Green Exchange, LLC of the environmental risk management contracts currently listed for trading on the New York Mercantile Exchange, Transfer to Green Exchange of all associated existing open interest; and Request for approval of the Green Exchange rules, all submitted as part of the Green Exchange, LLC application for designation as a contract market.

Dear Mr. Philipp:

By submissions dated July 31, 2009 through July 9, 2010 (collectively the "DCM application"), and Part 38 of the Commission's regulations, Green Exchange, LLC ("GreenEx" or "Exchange") has applied to the Commodity Futures Trading Commission ("Commission"), pursuant to Section 5(b) of the Commodity Exchange Act ("Act"), 7 U.S.C. § 7(b), for designation as a contract market. The Commission has reviewed the materials submitted and has determined to designate GreenEx as a contract market, pursuant to Section 5(b) of the Act, 7 U.S.C. § 7(b), subject to the terms and conditions of the accompanying order.

In addition, the Commission has approved the transfer to GreenEx of all environmental risk management contracts ("Environmental Contracts") currently traded on the New York Mercantile Exchange, Inc. ("NYMEX") (as shown in the attached list), and associated existing open interest to GreenEx. The Commission's approval of these transfers is based upon the representations of GreenEx that the transfer of open positions will not affect the rights and obligations of any participants holding positions in the Environmental Contracts on NYMEX at the time of the transfer. The Commission also relies on the representation that GreenEx will notify all NYMEX members with open interest in the Environmental Contracts at least 10 business days prior to the date that the Environmental Contracts are transferred from NYMEX to GreenEx. The Commission further relies on the representation provided by GreenEx that it will notify the Commission of the transfer at least 20 business days prior to the date that the NYMEX Environmental Contracts are transferred to GreenEx and will formally notify the Commission when the Environmental Contracts have completed the transition to GreenEx. The Commission finally relies on NYMEX and GreenEx's representations that, upon legal consummation of the transfer, GreenEx will assume responsibility for maintaining compliance with the designation criteria and applicable core principles for all contracts listed for trading by Exchange certification or Commission approval.

Concurrent with designation, the Commission approved, pursuant to Section 5c(c) of the Act, 7 U.S.C. §7a-2(c), the following documents submitted as part of the DCM application:

- GreenEx Rules — Chapter 1 definitions; Rules 201-213; 301-314; 401-410; 501-543; 601-606; 701-720; 801-828; 901-908; 1001-1006.
- Limited Liability Company Agreement of Green Exchange, LLC.

The Commission's designation is based upon, among other things, written submissions, explanations, demonstrations and representations provided by GreenEx describing the manner in which it will operate. The Commission points out that the GreenEx Order of Designation is conditioned upon GreenEx's compliance with representations it made to the Commission in its DCM application. The Commission's designation is also based upon written submissions, explanations, demonstrations, and representations provided by:

(1) GreenEx, Green Exchange Holdings, the parent company of GreenEx, and the Chicago Mercantile Exchange Inc. ("CME");

(2) May 17, 2010 Side Agreement signed by GreenEx, NYMEX and CME regarding the transition of the NYMEX Environmental Contracts to GreenEx;

(3) GreenEx and CME, a derivatives clearing organization that will perform clearing and settlement services for environmental contracts trading on GreenEx;

(4) GreenEx and CME, a Designated Contract Market that will provide trade practice and market surveillance, and other regulatory oversight services;

(5) GreenEx and CME, a company that will provide access to the existing electronic trading platform, Globex, to accept, disseminate, and match GreenEx environmental contract orders and provide front-line surveillance.

In approving GreenEx's designation application, the Commission is not approving the agreements covering services between GreenEx and third parties, including but not limited to agreements between GreenEx, CME and NYMEX.

Moreover, it is important to note that GreenEx itself shall remain directly responsible for ensuring the performance of all self-regulatory functions required of it as a designated contract market under the Act and the Commission's regulations, including enforcement of all GreenEx rules. The Commission points out that GreenEx's responsibility for compliance with all designation criteria and core principles, as required by the Act and its Order of Designation, includes those for which relevant functions have been contracted out to a third party. The Commission notes this includes the responsibility to make available directly to Commission staff and the Department of Justice, upon request, for all third party entities that provide such regulatory services to GreenEx: (i) information and records concerning their role in performing services for GreenEx; and (ii) direct contact and access to offices, as the Commission staff or the

Department of Justice deems necessary and appropriate in conducting its regulatory oversight responsibilities relating to GreenEx.

The Commission further notes that the following items, among others, are considered "rules" under Part 40 of the Commission's regulations and that, accordingly, changes thereto should be submitted to the Commission for review pursuant to 5c(c) of the Act, 7 U.S.C. § 7a-2(c), and Part 40 of the Commission's regulations: (1) any changes or modifications to the Exchange's trading system; (2) any policies and procedures; (3) any change in the identity of regulatory services providers or the regulatory services they provide to the Exchange; (4) the no bust range for error trades and adjustments to the trade matching algorithm; (5) Market Maker programs; and (6) the minimum contract size thresholds and reporting times for block trades. In addition, the Commission reminds the Exchange that Position Limits or Position Accountability procedures must be specified for futures contracts listed by the Exchange. All Position Limits or Position Accountability procedures should be submitted to the Commission in connection with the listing of each futures contract submitted under the Commission's certification or approval procedures.

The Commission finally notes that GreenEx must inform the Commission of any material modification to the operation of the Exchange, including the clearing and settlement arrangements with CME.

Sincerely,



David A. Stawick  
Secretary of the Commission

Attachment