



Chicago Climate Exchange®

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May 2, 2007

Ms. Eileen A Donovan  
Acting Secretary  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21<sup>st</sup> Street, N.W.  
Washington, C.C. 20581

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Re: **Chicago Climate Futures Exchange, LLC  
Submission No. 07-05**

Dear Ms. Donovan:

Pursuant to Section 5c(c)(1) of the Commodity Exchange Act, as amended (the "Act") and Part 40.6 of the regulations promulgated by the Commodity Futures Trading Commission ("CFTC") under the Act, Chicago Climate Futures Exchange, LLC ("CCFE") hereby amends Rules 1205 and 1306 to modify the delivery day deadline for Sulfur Financial Instrument ("SFI") and Nitrogen Financial Instrument (Ozone Season) ("NFI") futures contracts from 10:00 a.m. Central time to 3:00 p.m. Central time.

CCFE intends to make these amendments effective as of Thursday, May 3, 2007. The Exchange certifies that these amendments neither violate nor are inconsistent with any portion of the Act or of the rules thereunder.

A marked copy of the new Rules 1205 and 1306 and revised summaries of the contract specifications for SFI and NFI futures contracts are attached hereto.

Should you require additional information regarding this submission, please contact me at 312.554.0812. Please reference our submission number 07-05 in any related correspondence.

Very truly yours,

Ann M. Cresce  
Senior Vice President & General Counsel

bal  
enc.

cc: Riva Adriance  
Martin Murray  
Gregory Price

www.chicagoclimateexchange.com

**CHAPTER 12**  
**SULFUR FINANCIAL INSTRUMENT FUTURES**  
**CONTRACT SPECIFICATIONS**

**1201. Scope of Chapter**

This Chapter applies to trading in Sulfur Financial Instrument futures contracts. The procedures for clearing, trading, settlement, and any other matters not specifically covered herein shall be governed by the generally applicable rules of the Exchange.

**1202. Eligibility**

Clearing members and Trading Privilege Holders trading in Sulfur Financial Instruments futures contracts must have SO<sub>2</sub> registry accounts established with the EPA.

**1203. Contract Specifications**

(a) *Contract size.* The contract size for the Sulfur Financial Instrument futures contract is 25 of U.S. Environmental Protection Agency ("EPA") SO<sub>2</sub> emission allowances ("SO<sub>2</sub> Emission Allowances").

(b) *Schedule.*

(i) Standard-cycle Contract Listing The Exchange may list for trading up to six consecutive quarterly contract months on the March quarterly cycle (March, June, September, December) for the Sulfur Financial Instrument futures contract as well as up to eight annual December contracts after the last listed quarterly contract; and the front two serial calendar months.

(ii) CCFE may list any other calendar month contract off the standard-cycle listing schedule through the last annual December contract.

(iii) The trading hours for the Sulfur Financial Instrument futures contract shall be determined by the Exchange from time to time.

(c) *Products.* Within any listed contract, the Exchange may offer one or more vintage-year specific products having different delivery specifications as follows:

- (i) Front-Year Vintage
- (ii) 1-Year Deferred Vintage
- (iii) 2-Year Deferred Vintage
- (iv) 3-Year Deferred Vintage

- (v) 4-Year Deferred Vintage
- (vi) 5-Year Deferred Vintage
- (vii) 6-Year Deferred Vintage
- (viii) 7-Year Deferred Vintage
- (x) Additional Deferred Vintages as determined by the Exchange

(d) *Termination of Trading (Contract Expiration).* With the exception of February contracts, the last day of trading of a contract is the last business day of the expiration month at the normal Trading Session closing time.

The last trading day for February contracts will be at the normal Trading Session closing time on the third to last business day of the month in order to coordinate with the EPA's March 1<sup>st</sup> annual SO<sub>2</sub> compliance deadline.

(e) *New Contract Listing.* A new standard-cycle contract month will be listed on the next Business Day following a Contract Expiration.

(f) *Minimum Tick Increment.* The minimum tick increment of the Sulfur Financial Instrument futures contract is \$.10 per SO<sub>2</sub> Emission Allowance, which is equal to \$2.50 per contract.

(g) *Reportable Position.* Pursuant to Commission Regulation §15.03 and Commission Regulation Part 17, the position level that is required to be reported is any open position in Sulfur Financial Instrument futures products at the close of trading on any trading day equal to or in excess of twenty-five contracts net long or short.

If one product within a contract month has a reportable position, all contract months' positions must be reported.

(h) *Position Limits.* A person may not own or control more than 4,000 contracts, equivalent to 100,000 SO<sub>2</sub> Emission Allowances, on a net-futures equivalent basis, in each nearby month expiring futures product.

Commission Regulation 150.1(f) states that the futures-equivalent value of an option is determined by adjusting the option by its delta coefficient from the previous day.

For the purposes of this rule, the positions of all accounts for which a person directly or indirectly controls trading shall be included, as described in Rule 409(e).

The foregoing position limit shall not apply to bona fide hedge positions meeting the requirements of the Commission Regulation § 1.3(z)(1) and the Rules of the Exchange.

(i) *Contract Modifications.* Specifications are fixed as of the first day of trading of a contract. If any U.S. Government agency or body issues an order, ruling, directive or law that conflicts with the requirements of these rules, such order, ruling, directive or law shall be construed to take precedence and become part of these rules, and all open and new contracts shall be subject to such government orders.

(j) *Daily Price Limits.* Effective November 3, 2006 daily price limits were removed.

(k) **[Reserved]**

(l) **[Reserved]**

(m) *Exchange of Future for Physical.* There is no minimum size for an Exchange of Future for Physical transaction with respect to Sulfur Financial Instrument futures contracts. The Exchange of Future for Physical must meet all requirements of, and must be reported to the Exchange in accordance with, Rule 411.

(n) *Block Trades.* Pursuant to Rule 412(a)(i), the minimum Block Trade quantity for the Sulfur Financial Instrument futures contract shall be determined by the Exchange from time to time. If the Block Trade is executed as a spread or a combination, one leg must meet the minimum Block Trade quantity for the Sulfur Financial Instrument futures contract and the other leg(s) must have a contract size that is reasonably related to the leg meeting the minimum Block Trade quantity. The Block Trade must meet all requirements of, and must be reported to the Exchange in accordance with, Rule 412.

#### **1204. Settlement Price Calculations**

Contract month settlement prices will be based on the following criteria:

- (a) A single traded price during the pre-close.
- (b) If more than one trade occurs during the pre-close, the trade volume weighted average of the prices, rounded to the nearest tick.
- (c) If no trade occurs during the pre-close, the following will be given consideration:
  - (i) the volume weighted average of the last two trade prices, rounded to the nearest tick;
  - (ii) the mid-point between the best bid and offer (volume weighted) in the pre-close, rounded to the nearest tick;

- (iii) spread price relationships; and
- (iv) time value between the contract months.

(d) The Exchange reserves the right to take into account other factors in determining settlement prices.

## 1205. Deliverable Instruments

U.S. Environmental Protection Agency ("EPA") SO<sub>2</sub> Emission Allowances equal to the contract size.

### (a) *Contracts without a specified vintage year*

(i) Applicable for March through December contract expirations, the SO<sub>2</sub> emission allowances acceptable for delivery are allowances having a vintage corresponding to the calendar year of the contract expiration and allowances having a vintage of any year prior to the calendar year of the contract expiration.

(ii) Applicable for January and February contract expirations, the SO<sub>2</sub> emission allowances acceptable for delivery are allowances having a vintage of any year prior to the calendar year of the contract expiration.

### (b) *Contracts with a specified vintage year*

The SO<sub>2</sub> Emission Allowances acceptable for delivery are allowances having a vintage corresponding to the specific vintage year and allowances having a vintage of any year prior to the specified vintage year.

## 1206. Delivery Procedures

(a) *Delivery.* Delivery is a three day process consisting of Position Day, Notice Day and Delivery Day. The three days occur over three consecutive Business Days.

(i) *Position Day.* The tenth trading day prior to a Sulfur Financial Instrument futures contract's expiration is the first day that Clearing Members must report their long futures positions by trade date to the Clearing Service Provider as of the close of business on the tenth trading day prior to expiration. Starting on the first Position Day, Clearing Members holding open short positions (hereafter referred to as "seller Clearing Member") may submit delivery tender notices to the clearing Service Provider on their own behalf or on the behalf of their open short futures position holders, as applicable, in a format acceptable to the Clearing Service Provider. Upon receipt of a delivery tender notice,

the Clearing Service Provider will make the appropriate delivery assignment.

(ii) *Notice Day.* On the Business Day after the delivery tender notice has been submitted and the delivery assignment has been made by the Clearing Service Provider, the seller Clearing Member must provide to the buyer Clearing Member(s) a description of the underlying EPA SO<sub>2</sub> Emission Allowances to be delivered. The buyer Clearing Member(s) must provide EPA Allowance Tracking System (“ATS”) account information to the seller Clearing Member. This information exchange must be completed by 4:00 p.m. (Central time) on Notice Day. The seller Clearing Member must ensure the appropriate emission allowances are on deposit in its or its customer’s EPA ATS account by 5:00 p.m. (Central time) on the Notice Day.

(iii) *Delivery Day.* On the Delivery Day, the Clearing Service Provider shall issue payment instructions to the respective buyer Clearing Member(s) for the full contract value based upon the Position Day’s settlement price in a means and manner prescribed by the Clearing Service Provider. By ~~10:00 a.m.~~ 3:00 p.m. (Central time) on the Delivery Day, the seller Clearing Member must ensure that it or its customer has electronically submitted the SO<sub>2</sub> Emission Allowances transfer instructions via the EPA’s Clean Air Market Division (CAMD) Business System. The seller Clearing Member must forward the EPA confirmation of transfer to the Clearing Service Provider as verification that the delivery has been completed.

(iv) *Payment.* After receipt of the EPA confirmation of transfer from the seller Clearing Member, the Clearing Service Provider will release the delivery proceeds to the seller Clearing Member according to the following schedule:

EPA confirmation received by the Clearing Service Provider at or prior to 12:45 p.m. (Central time) – same day in the Clearing Service Provider’s mid-day variation cycle, if applicable.

EPA confirmation received by the Clearing Service Provider after 12:45 p.m. (Central time) – next business day through the 6:40 a.m. (Central time) settlement cycle.

#### **1207. Validity of Documents**

The Exchange makes no representation regarding the authenticity, validity or accuracy of any delivery tender notice, description of underlying EPA SO<sub>2</sub>

Emission Allowance transfer instructions, EPA confirmation of transfer or other document or instrument delivered pursuant to these rules.

**CHAPTER 13**  
**NITROGEN FINANCIAL INSTRUMENT (OZONE SEASON)**  
**FUTURES CONTRACT**

**1301. Scope of Chapter**

This Chapter applies to trading in Nitrogen Financial Instrument (Ozone Season) ("NFI-OS") futures contracts. The procedures for clearing, trading, settlement, and any other matters not specifically covered herein shall be governed by the generally applicable rules of the Exchange.

**1302. Eligibility**

Clearing members and Trading Privilege Holders trading in Nitrogen Financial Instruments (Ozone Season) futures contracts must have NO<sub>x</sub> (Nitrous Oxides) general accounts established with the U.S. Environmental Protection Agency ("EPA").

**1303. Contract Specifications**

(a) *Contract size.* The contract size for the Nitrogen Financial Instrument (Ozone Season) futures contract is 5 of U.S. EPA NO<sub>x</sub> SIP Call emission allowances ("NO<sub>x</sub> Emission Allowances") under the U.S. EPA NO<sub>x</sub> Budget Trading Program.

(b) *Schedule.*

(i) Standard-cycle Contract Listing The Exchange may list for trading up to six consecutive quarterly contract months on the March quarterly cycle (March, June, September, December) for the Nitrogen Financial Instrument (Ozone Season) futures contract as well as up to four annual September contracts after the last listed quarterly contract; and the front two serial calendar months.

(ii) CCFE may list any other calendar month contract off the standard-cycle listing schedule through the last annual September contract.

(iii) The trading hours for the Nitrogen Financial Instrument (Ozone Season) futures contract shall be determined by the Exchange from time to time.

(c) *Products.* Within any listed contract, the Exchange may offer one or more vintage-year specific products having different delivery specifications as follows:



- (i) Bank Vintage (all vintages prior to the current compliance year)
- (ii) Current Compliance Year Vintage
- (iii) 1-Year Deferred Vintage
- (iv) 2-Year Deferred Vintage
- (vi) Additional Deferred Vintages as determined by the Exchange

(d) *Termination of Trading (Contract Expiration).* The last day of trading of a contract is the third to the last business day of the expiration month at the normal Trading Session closing time.

(e) *New Contract Listing.* A new standard-cycle contract month will be listed on the next Business Day following a Contract Expiration.

(f) *Minimum Tick Increment.* The minimum tick increment of the Nitrogen Financial Instrument (Ozone Season) futures contract is \$1.00 per NOx SIP Call Emission Allowance, which is equal to \$5.00 per contract.

(g) *Reportable Position.* Pursuant to Commission Regulation §15.03 and Commission Regulation Part 17, the position level that is required to the Commission is any open position in Nitrogen Financial Instrument (Ozone Season) futures products at the close of trading on any trading day equal to or in excess of twenty-five contracts on either side of the market.

If one product within a contract month has a reportable position, all contract months' positions must be reported.

(h) *Position Limits.* A person may not own or control more than 4,000 contracts, equivalent to 20,000 NOx SIP Call Emission Allowances, net long or net short, in each nearby month expiring futures product.

For the purposes of this rule, the positions of all accounts for which a person directly or indirectly controls trading shall be included, as described in Rule 409(e).

The foregoing position limit shall not apply to bona fide hedge positions meeting the requirements of the Commission Regulation § 1.3(z)(1) and the Rules of the Exchange.

(i) *Contract Modifications.* Specifications are fixed as of the first day of trading of a contract. If any U.S. Government agency or body issues an order, ruling, directive or law that conflicts with the requirements of these rules, such order, ruling, directive or law shall be construed to take precedence and become part of these rules, and all open and new contracts shall be subject to such government orders.

(j) *Daily Price Limits.* Nitrogen Financial Instrument (Ozone Season) futures contracts do not have daily price limits.

(k) *Exchange of Future for Physical.* There is no minimum size for an Exchange of Future for Physical transaction with respect to Nitrogen Financial Instrument (Ozone Season) futures contracts. The Exchange of Future for Physical must meet all requirements of, and must be reported to the Exchange in accordance with, Rule 411.

(l) *Block Trades.* Pursuant to Rule 412(a)(i), the minimum Block Trade quantity for the Nitrogen Financial Instrument (Ozone Season) futures contract shall be determined by the Exchange from time to time. If the Block Trade is executed as a spread or a combination, one leg must meet the minimum Block Trade quantity for the Nitrogen Financial Instrument (Ozone Season) futures contract and the other legs(s) must have a contract size that is reasonably related to the leg meeting the minimum Block Trade quantity. The Block Trade must meet all requirements of, and must be reported to the Exchange in accordance with, Rule 412.

#### **1304. Settlement Price Calculations**

Contract month settlement prices will be based on the following criteria:

- (a) A single traded price during the pre-close.
- (b) If more than one trade occurs during the pre-close, the trade volume weighted average of the prices, rounded to the nearest tick.
- (c) If no trade occurs during the pre-close, the following will be given consideration:
  - (i) the volume weighted average of the last two trade prices, rounded to the nearest tick;
  - (ii) the mid-point between the best bid and offer (volume weighted) in the pre-close, rounded to the nearest tick;
  - (iii) spread price relationships; and
  - (iv) time value between the contract months.
- (d) The Exchange reserves the right to take into account other factors in determining settlement prices.

#### **1305. Deliverable Instruments**

U.S. Environmental Protection Agency ("EPA") NO<sub>x</sub> SIP Call Emission Allowances equal to the contract size.

*(a) Contracts without a specified vintage year*

Applicable for Bank Vintage contract expirations, the NOx SIP Call emission allowances acceptable for delivery are allowances having a vintage of any year prior to the current compliance year.

*(b) Contracts with a specified vintage year*

The NOx SIP Call Emission Allowances acceptable for delivery are allowances having the specified vintage corresponding to the specific vintage year.

**1306. Delivery Procedures**

*(a) Delivery.* Delivery is a three day process consisting of Position Day, Notice Day and Delivery Day. The three days occur over three consecutive Business Days.

*(i) Position Day.* The tenth trading day prior to a Nitrogen Financial Instrument futures contract's expiration is the first day that Clearing Members must report their long futures positions by trade date to the Clearing Service Provider as of the close of business on the tenth trading day prior to expiration. Starting on the first Position Day, Clearing Members holding open short positions (hereafter referred to as "seller Clearing Member") may submit delivery tender notices to the clearing Service Provider on their own behalf or on the behalf of their open short futures position holders, as applicable, in a format acceptable to the Clearing Service Provider. Upon receipt of a delivery tender notice, the Clearing Service Provider will make the appropriate delivery assignment.

*(ii) Notice Day.* On the Business Day after the delivery tender notice has been submitted and the delivery assignment has been made by the Clearing Service Provider, the seller Clearing Member must provide to the buyer Clearing Member(s) a description of the underlying EPA NOx SIP Call Emission Allowances to be delivered. The buyer Clearing Member(s) must provide EPA NOx Allowance Tracking System ("NATS") account information to the seller Clearing Member. This information exchange must be completed by 4:00 p.m. (Central time) on Notice Day. The seller Clearing Member must ensure the appropriate emission allowances are on deposit in its or its customer's EPA NATS account by 5:00 p.m. (Central time) on the Notice Day.

*(iii) Delivery Day* On the Delivery Day, the Clearing Service Provider shall issue payment instructions to the respective buyer Clearing Member(s) for the full contract value based upon the Position Day's settlement price in a means and manner prescribed by the Clearing Service

Provider. By ~~10:00 a.m.~~ 3:00 p.m. (Central time) on the Delivery Day, the seller Clearing Member must ensure that it or its customer has electronically submitted the NOx SIP Call Emission Allowances transfer instructions via the EPA's Clean Air Market Division (CAMD) Business System. The seller Clearing Member must forward the EPA confirmation of transfer to the Clearing Service Provider as verification that the delivery has been completed.

(iv) *Payment* After receipt of the EPA confirmation of transfer from the seller Clearing Member, the Clearing Service Provider will release the delivery proceeds to the seller Clearing Member according to the following schedule:

EPA confirmation received by the Clearing Service Provider at or prior to 12:45 p.m. (Central time) – same day in the Clearing Service Provider's mid-day variation cycle, if applicable.

EPA confirmation received by the Clearing Service Provider after 12:45 p.m. (Central time) – next business day through the 6:40 a.m. (Central time) settlement cycle.

#### **1307. Validity of Documents**

The Exchange makes no representation regarding the authenticity, validity or accuracy of any delivery tender notice, description of underlying EPA NOx SIP Call Emission Allowance transfer instructions, EPA confirmation of transfer or other document or instrument delivered pursuant to these rules.



**Chicago Climate Futures Exchange**

**Chicago Climate Futures Exchange, LLC**

**Sulfur Financial Instrument Futures Contract Specifications**

<b>Contract Size</b>	25 U.S EPA SO <sub>2</sub> Emission Allowances
<b>Quotation</b>	US dollars
<b>Minimum Tick Increment</b>	\$0.10 per U.S. EPA SO <sub>2</sub> Emission Allowance = \$2.50 per contract
<b>Symbol</b>	SFI
<b>Trading Hours</b>	7:00 a.m. – 3:00p.m. Central Time
<b>Contract Listing Cycle</b>	<p>1. Standard-cycle contract listings:</p> <ul style="list-style-type: none"> <li>a. Six consecutive quarterly contracts on a March, June, September, December cycle;</li> <li>b. Front three serial calendar months; and</li> <li>c. Up to eight annual December contracts</li> </ul> <p>2. CCFE may list any other calendar month contract off the standard-cycle listing schedule through the last annual December contract.</p> <p>As all annual December contracts through 2014 have been listed, expiration of a June contract will not require the listing of a new quarterly cycle contract through the June 2013 contract.</p>
<b>Products</b>	<p>Within any listed contract, CCFE may offer one or more vintage-year specific products having different delivery specifications as follows:</p> <ul style="list-style-type: none"> <li>1. Front-Year Vintage<sup>1</sup></li> <li>2. 1-Year Deferred Vintage</li> <li>3. 2-Year Deferred Vintage</li> <li>4. 3-Year Deferred Vintage</li> <li>5. 4-Year Deferred Vintage</li> <li>6. Additional Deferred Vintages as determined by CCFE</li> </ul>
<b>Deliverable Instruments</b>	U.S. Environmental Protection Agency (“EPA”) SO <sub>2</sub> Emission Allowances equal to the contract size. The SO <sub>2</sub> Emission Allowances acceptable for delivery are allowances having a vintage corresponding to the specified vintage of the product and allowances having a vintage of any year prior to the specified vintage year.
<b>First Trading Day</b>	The first trading day of a standard-cycle contract is the first business day following an expiration day of standard-cycle contract.
<b>Last Trading Day</b>	<p>With the exception of February contracts, the last day of trading of a contract is the last business day of the expiration month.</p> <p>The last trading day for February contracts will be the third to last business day of the month in order to coordinate with the EPA’s March 1<sup>st</sup> annual SO<sub>2</sub> compliance deadline.</p>
<b>Settlement Price Calculation</b>	<p>Settlement prices will be based on the following criteria:</p> <ul style="list-style-type: none"> <li>a. A single traded price during the pre-close.</li> <li>b. If more than one trade occurs during the pre-close, the trade volume weighted average of the prices, rounded to the nearest tick.</li> <li>c. If no trade occurs during the pre-close, the following will be given consideration; <ul style="list-style-type: none"> <li>1. the volume weighted average of the last two trade prices, rounded to the nearest tick;</li> </ul> </li> </ul>

<sup>1</sup> CCFE is in the process of modifying its Trading Platform to reflect the applicable vintage on all SFI futures products. The current January 07 and February 07 products call for delivery of allowances with vintages of 2006 or earlier.

	<ol style="list-style-type: none"> <li>2. the mid-point between the best bid and offer (volume weighted) in the pre-close rounded to the nearest tick;</li> <li>3. spread price relationships; and</li> <li>4. time value between the contract months</li> </ol> <p>d. The Exchange reserves the right to take into account other factors in determining settlement prices.</p>
<b>Delivery Process</b>	<p>Clearing participants and parties trading the market must have SO<sub>2</sub> allowance tracking accounts established with the EPA.</p> <p>Delivery is a three day process consisting of Position Day, Notice Day and Delivery Day. The three days occur over three consecutive business days.</p> <p><b><u>Position Day</u></b>  The tenth trading day prior to a contract's expiration (expiration occurring after the close on the final trading day) is the first day that CCFE clearing members must report their long futures positions in the expiring contract. The long positions as of the close of business on the tenth trading prior to expiration, by trade date, must be reported to the CCFE Clearing Service Provider ("CCFE CSP") in the time frame and format required by the CCFE CSP.</p> <p>Starting on the First Position Day, CCFE clearing members (hereafter referred to as "seller") on behalf of their short futures position holders may submit delivery tender notices to CCFE CSP, in a format acceptable to CCFE CSP.</p> <p><b><u>Notice Day</u></b>  Business day after the delivery tender notice has been submitted and the delivery assignment made by the CCFE CSP, the seller clearing member provides to the buyer clearing member(s) a description of the underlying EPA Emission Allowances to be delivered. The buyer clearing member(s) provides EPA Allowance Tracking System account information to the seller clearing member. Information exchange is to be completed by 4:00 p.m. Central Time.</p> <p>The seller clearing member must ensure the appropriate emission allowances are on deposit in its or its customer's EPA Allowance Tracking System account by the 5:00 p.m. Central Time.</p> <p><b><u>Delivery Day</u></b>  CCFE CSP will issue payment instructions to the respective buyer clearing member for the full contract value based upon the Position Day's settlement price in a means and manner prescribed by CCFE CSP.</p> <p>By 3:00 p.m. Central Time, the seller clearing member must ensure that it or its customer has electronically submitted the allowance transfer instructions via the EPA's CAMD Business System.</p> <p>Seller clearing member must forward the EPA confirmation to the CCFE CSP as verification that the delivery has been completed.</p> <p><b><u>Payment</u></b>  CCFE CSP will release the delivery proceeds to the seller clearing member on the following schedule.</p> <p>EPA confirmation received by CCFE CSP prior to 12:45 p.m. CT – same day in the mid-day variation cycle.</p> <p>EPA confirmation received by CCFE CSP after 12:45 p.m. CT – next business day through the 6:40 a.m. CT settlement cycle.</p>
<b>Price Limits</b>	No daily price limits
<b>Reportable Position Limits</b>	25 contracts, equivalent to 625 U.S. EPA SO <sub>2</sub> Emission Allowances
<b>Nearby Expiration Month Speculative Position Limits</b>	4,000 contracts, equivalent to 100,000 U.S. EPA SO <sub>2</sub> Emission Allowances per each expiring product

Contract specifications rules may be subject to change. If CCFE determines that changes to the contract specifications rules are warranted, reasonable efforts will be taken to provide appropriate advance notification of the changes.

This document is a summary of the CCFE contract specification rules. See the CCFE rulebook for complete contract specification rules.



Chicago Climate Futures Exchange

**Chicago Climate Futures Exchange, LLC  
Nitrogen Financial Instrument (Ozone Season) Contract Specifications**

<b>Contract Size</b>	5 U.S. EPA NOx SIP Call emission allowances
<b>Quotation</b>	US dollars
<b>Minimum Tick Increment</b>	\$1.00 per ton = \$5.00 per contract
<b>Symbol</b>	NFI-OS (OS = Ozone Season)
<b>Trading Hours</b>	7:00 a.m. – 3:00 p.m. Central Time
<b>Delivery Months</b>	<p>Standard-cycle contract listings:</p> <ul style="list-style-type: none"> <li>a. Six consecutive quarterly contracts on a March, June, September, December cycle;</li> <li>b. Front two serial calendar months; and</li> <li>c. Up to four annual September contracts</li> </ul> <p>CCFE may list any other calendar month contract off the standard-cycle listing schedule through the last annual September contract.</p>
<b>Products</b>	<p>Within any listed contract, CCFE may offer one or more vintage-year specific products having different delivery specifications as follows:</p> <ul style="list-style-type: none"> <li>1. Bank Vintage (all vintages prior to the current compliance year)</li> <li>2. Current Compliance Year Vintage (December 1<sup>st</sup> is the first day of the next compliance year)</li> <li>3. 1-Year Deferred Vintage</li> <li>4. 2-Year Deferred Vintage</li> <li>5. Additional Deferred Vintages as determined by CCFE</li> </ul>
<b>First Trading Day</b>	The first trading day of a contract is the first business day following an expiration day.
<b>Last Trading Day</b>	The last trading day will be the third to last business day of the expiration month.
<b>Settlement Price Calculation</b>	<p>Settlement prices will be based on the following criteria:</p> <ul style="list-style-type: none"> <li>a. A single traded price during the pre-close.</li> <li>b. If more than one trade occurs during the pre-close, the trade volume weighted average of the prices, rounded to the nearest tick.</li> <li>c. If no trade occurs during the pre-close, the following will be given consideration; <ul style="list-style-type: none"> <li>1. the volume weighted average of the last two trade prices, rounded to the nearest tick;</li> <li>2. the mid-point between the best bid and offer (volume weighted) in the pre-close rounded to the nearest tick;</li> <li>3. spread price relationships; and</li> <li>4. time value between the contract months</li> </ul> </li> <li>d. The Exchange reserves the right to take into account other factors in determining settlement prices.</li> </ul>
<b>Deliverable Instruments</b>	<p>Environmental Protection Agency NOx SIP Call emission allowances equal to the contract size. The eligible allowances for delivery are:</p> <p>Bank Vintage – all NOx SIP Call emission allowances having vintages prior to the current compliance year (<i>December expirations of Bank Vintage contracts will include the allowances having a current calendar year Vintage i.e. allowances that as of December 1 switch from current year vintage to bank vintage</i>)</p> <p>Current Compliance Year Vintage, 1-Year Deferred Vintage and 2-Year Deferred</p>

	Vintage – NOx SIP Call emission allowances with the vintage year corresponding to the specific product vintage
<b>Delivery Process</b>	<p>Clearing participants and parties trading the market must have NOx Allowance Tracking System accounts established with the U.S. EPA.</p> <p>Delivery is a three day process consisting of Position Day, Notice Day and Delivery Day. The three days occur over three consecutive business days.</p> <p><b><u>Position Day</u></b></p> <p>The seventh trading day prior to a contract’s expiration (expiration occurring after the close on the final trading day) is the first day that CCFE clearing members must report their long futures positions in the expiring contract. The long positions as of the close of business on the seventh trading prior to expiration, by trade date, must be reported to the CCFE Clearing Service Provider (“CCFE CSP”) in the time frame and format required by the CCFE CSP.</p> <p>Starting on the First Position Day, CCFE clearing members (hereafter referred to as “seller”) on behalf of their short futures position holders may submit delivery tender notices to CCFE CSP, in a format acceptable to CCFE CSP.</p> <p><b><u>Notice Day</u></b></p> <p>Business day after the delivery tender notice has been submitted and the delivery assignment made by the CCFE CSP, the seller clearing member provides to the buyer clearing member(s) a description of the underlying EPA Emission Allowances to be delivered. The buyer clearing member(s) provides EPA NOx Allowance Tracking System account information to the seller clearing member. Information exchange is to be completed by 4:00 p.m. Central Time.</p> <p>The seller clearing member must ensure the appropriate emission allowances are on deposit in its or its customer’s EPA Allowance Tracking System account by the 5:00 p.m. Central Time.</p> <p><b><u>Delivery Day</u></b></p> <p>CCFE CSP will issue payment instructions to the respective buyer clearing member for the full contract value based upon the Position Day’s settlement price in a means and manner prescribed by CCFE CSP.</p> <p>By 3:00 p.m. Central Time, the seller clearing member must ensure that it or its customer has electronically submitted the allowance transfer instructions via the EPA’s CAMD Business System.</p> <p>Seller clearing member must forward the EPA confirmation to the CCFE CSP as verification that the delivery has been completed.</p> <p><b><u>Payment</u></b></p> <p>CCFE CSP will release the delivery proceeds to the seller clearing member on the following schedule.</p> <p>EPA confirmation received by CCFE CSP prior to 12:45 p.m. CT – same day in the mid-day variation cycle.</p> <p>EPA confirmation received by CCFE CSP after 12:45 p.m. CT – next business day through the 6:40 a.m. CT settlement cycle.</p>
<b>Price Limits</b>	No daily price limits
<b>Reportable Position</b>	25 contracts, equivalent to 125 allowances
<b>Nearby Expiration Month Speculative Position Limits</b>	4,000 contracts, equivalent to 20,000 allowances