

**SUBMISSION COVER SHEET**

**IMPORTANT:** Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 15-432

Organization: New York Mercantile Exchange, Inc. ("NYMEX")

Filing as a:  DCM  SEF  DCO  SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 11/09/2015 Filing Description: Delisting of Two (2) California Carbon Allowance (CCA) Futures and Option Contracts

**SPECIFY FILING TYPE**

Please note only ONE choice allowed per Submission.

**Organization Rules and Rule Amendments**

- |                          |                                     |            |
|--------------------------|-------------------------------------|------------|
| <input type="checkbox"/> | Certification                       | § 40.6(a)  |
| <input type="checkbox"/> | Approval                            | § 40.5(a)  |
| <input type="checkbox"/> | Notification                        | § 40.6(d)  |
| <input type="checkbox"/> | Advance Notice of SIDCO Rule Change | § 40.10(a) |
| <input type="checkbox"/> | SIDCO Emergency Rule Change         | § 40.10(h) |

**Rule Numbers:**

**New Product**

Please note only ONE product per Submission.

- |                          |                                       |            |
|--------------------------|---------------------------------------|------------|
| <input type="checkbox"/> | Certification                         | § 40.2(a)  |
| <input type="checkbox"/> | Certification Security Futures        | § 41.23(a) |
| <input type="checkbox"/> | Certification Swap Class              | § 40.2(d)  |
| <input type="checkbox"/> | Approval                              | § 40.3(a)  |
| <input type="checkbox"/> | Approval Security Futures             | § 41.23(b) |
| <input type="checkbox"/> | Novel Derivative Product Notification | § 40.12(a) |
| <input type="checkbox"/> | Swap Submission                       | § 39.5     |

**Official Product Name:**

**Product Terms and Conditions (product related Rules and Rule Amendments)**

- |                                     |   |                      |
|-------------------------------------|---|----------------------|
| <input type="checkbox"/>            | Certification   | § 40.6(a)            |
| <input type="checkbox"/>            | Certification Made Available to Trade Determination     | § 40.6(a)            |
| <input type="checkbox"/>            | Certification Security Futures                          | § 41.24(a)           |
| <input checked="" type="checkbox"/> | Delisting (No Open Interest)                            | § 40.6(a)            |
| <input type="checkbox"/>            | Approval  | § 40.5(a)            |
| <input type="checkbox"/>            | Approval Made Available to Trade Determination          | § 40.5(a)            |
| <input type="checkbox"/>            | Approval Security Futures                               | § 41.24(c)           |
| <input type="checkbox"/>            | Approval Amendments to enumerated agricultural products | § 40.4(a), § 40.5(a) |
| <input type="checkbox"/>            | "Non-Material Agricultural Rule Change"                 | § 40.4(b)(5)         |
| <input type="checkbox"/>            | Notification  | § 40.6(d)            |

Official Name(s) of Product(s) Affected: California Carbon Allowance (CCA) Futures, California Carbon Allowance (CCA) Option

Rule Numbers: 1273 and 1274

November 9, 2015

**VIA ELECTRONIC PORTAL**

Mr. Christopher J. Kirkpatrick  
Office of the Secretariat  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21st Street, N.W.  
Washington, D.C. 20581

**Re: CFTC Regulation 40.6(a) Certification. Notification Regarding the Delisting of Two (2) California Carbon Allowance (CCA) Futures and Option Contracts.  
NYMEX Submission No. 15-432**

Dear Mr. Kirkpatrick:

New York Mercantile Exchange, Inc. (“NYMEX” or “Exchange”) is notifying the Commodity Futures Trading Commission (“CFTC” or “Commission”) that it is self-certifying the delisting of two (2) California Carbon Allowance (CCA) futures and option contracts (the “Contracts”), effective immediately as set forth in the table below. The effected contracts have no open interest.

Contract Title	CME Globex Code	Clearing Code	Chapter
California Carbon Allowance (CCA) Futures	CCA	CCA	1273
California Carbon Allowance (CCA) Option	CAO	CAO	1274

The Contracts were delisted from all trading and clearing venues on which they were listed. As a result of the delisting, the product rule chapters and terms and conditions contained in Rule 588.H. and in the Position Limit, Position Accountability and Reportable Level Table located in the Interpretations and Special Notices Section of Chapter 5 (Trading Qualifications and Practices) of the NYMEX Rulebook were removed from the Exchange Rulebook.

The Exchange reviewed the designated contract market core principles (“Core Principles”) as set forth in the Commodity Exchange Act (“CEA” or “Act”) and identified that the delisting of the contracts may impact the following Core Principles as follows:

- **Emergency Authority:** There is no open interest in the Contracts, and, therefore, there will be no market disruption related to their delisting.
- **Availability of General Information:** The Exchange will make publically available the details of the Contracts’ delisting by publishing a notice to the market. Furthermore, the Exchange will update the NYMEX rulebook to reflect the delisting of the Contracts.

Pursuant to Section 5c(c) of the Act and Regulation 40.6(a), the Exchange hereby certifies that the delisting of the Contracts complies with the Act, including regulations under the Act. There were no substantive opposing views to this proposal.

The Exchange certifies that this submission has been concurrently posted on the Exchange's website at <http://www.cmegroup.com/market-regulation/rule-filings.html>.

Should you have any questions concerning the above, please contact the undersigned at (212) 299-2200 or via e-mail at [CMEGSubmissionInquiry@cmegroup.com](mailto:CMEGSubmissionInquiry@cmegroup.com).

Sincerely,

/s/Christopher Bowen  
Managing Director and Chief Regulatory Counsel

Attachments: Appendix A – Amendments to NYMEX Rulebook Chapters (blackline format)  
Appendix B – Amendments to Position Limit, Position Accountability, and Reportable  
Level Table in Chapter 5 of the NYMEX Rulebook (under separate cover)

## APPENDIX A

### **NYMEX Rulebook**

(deletions overstruck)

#### **Chapter 1273**

#### **California Carbon Allowance (CCA) Futures**

##### **1273100. SCOPE OF CHAPTER**

This chapter is limited in application to California Carbon Allowance (CCA) futures. The procedures for trading, clearing, delivery and settlement not specifically covered herein or in Chapter 7B shall be governed by the general rules of the Exchange.

The provisions of these rules shall apply to all California Carbon Allowance (CCA) futures bought or sold for future delivery on the Exchange with the delivery of CCAs made through the Market Tracking System.

The terms "seller" and "buyer" shall mean the seller of the physical product and the buyer of the physical product, respectively.

The term "Applicable Emissions Law" shall mean Assembly Bill 32, the State of California's Global Warming Solutions Act of 2006, together with associated regulations or rules, and amendments thereto.

The term "Auction Reserve Price" or "ARP" shall refer to the minimum price at which CCAs can be auctioned in a given year, as defined by the Applicable Emissions Law. In the event that the ARP is not defined by the Applicable Emissions Law, ARP will be \$10 per metric ton in 2012 and 2013. For all years following 2013, the ARP for the delivery month will increase by 5 percent per year plus a CPI calculated on the previous 12 months.

The term "CCA" shall mean a California Carbon Allowance or California Greenhouse Gas Allowance, a limited authorization to emit up to one metric ton of CO<sub>2</sub> or CO<sub>2</sub> equivalent, as defined by the California Air Resources Board in accordance with the Applicable Emissions Law.

The term "Consumer Price Index" or "CPI" shall refer to changes in prices of all goods and services purchased for consumption by urban households for the last twelve (12) month period as defined by the United States Department of Labor.

The term "ETS" shall refer to the California Emissions Trading System -- a cap-and-trade program designed to reduce emissions of greenhouse gases (GHG) pursuant to Applicable Emissions Law.

The term "In-Force" shall mean: (i) CCAs have been issued; and (ii) the MTS has been established and has commenced operations.

The term "Market Tracking System" or "MTS" shall mean the system Tracking System by which California Carbon Allowances are allocated, deducted, or transferred.

The term "Vintage Year" shall mean the first calendar year for which the allowance may be utilized for compliance.

For purposes of this rule, unless otherwise specified, times referred to herein shall refer to and indicate the prevailing time in New York.

## **1273101. CONTRACT SPECIFICATIONS**

The contract specifications for delivery on futures contracts shall apply to all California Carbon Allowance(s) ("CCA(s)") or California Greenhouse Gas Allowance(s), which shall mean a limited authorization to emit up to one metric ton of CO<sub>2</sub> or CO<sub>2</sub> equivalent, as defined by the California Air Resources Board in accordance with the Applicable Emissions Law.

Deliverable allowances under this Chapter shall include (i) CCAs and (ii) any other greenhouse gas allowances that have been approved by the California Air Resources Board for purposes of compliance with the ETS, subject to any quantitative adjustments required by the California Air Resources Board.

Allowances acceptable for delivery are:

Allowances as described above; and

For contracts with expiration in:

(a) Calendar year 2012, those having a 2013 Vintage Year;

(b) Calendar year 2013, those having a 2013 Vintage Year; and

(c) Calendar year 2014, those having a 2013 or 2014 Vintage Year.

## **1273102. TRADING SPECIFICATIONS**

Trading in California Carbon Allowance (CCA) futures is regularly conducted in all calendar months. The number of months (with and without specific Vintage Years) open for trading at a given time shall be determined by the Exchange.

### **1273102.A. Trading Schedule**

The hours for trading shall be determined by the Exchange.

### **1273102.B. Trading Unit**

The contract unit shall be one thousand (1,000) CCAs for a delivery made by transfer through the MTS

### **1273102.C. Price Increments**

Prices shall be quoted in dollars and cents per allowance. The minimum price fluctuation shall be \$0.01 per allowance (\$10.00 per contract).

### **1273102.D. Position Limits, Exemptions, Position Accountability and Reportable Levels**

The applicable position limits and/or accountability levels, in addition to the reportable levels, are set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5.

A Person seeking an exemption from position limits for bona fide commercial purposes shall apply to the Market Regulation Department on forms provided by the Exchange, and the Market Regulation Department may grant qualified exemptions in its sole discretion.

Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.

### **1273102.E. Termination of Trading**

No trades in California Carbon Allowance (CCA) futures in the expiring contract month shall be made after the fifteenth (15th) day of the delivery month for such expiring contract. If the fifteenth (15th) day of the delivery month is not a business day, trading

shall cease on the following day that is a business day. Any contracts remaining open after the last day of trading must be either:

1. If the California ETS is in force at the termination of trading:

(a) Settled by delivery which shall take place no later than the second business day after the termination of trading for the contract month. Should the MTS be inoperable during the Delivery Period due to a California public holiday that is an Exchange business day, the Exchange shall have the option to extend the delivery period by one (1) business day.

(b) Liquidated by means of a bona fide Exchange for Related Position (EFRP), pursuant to Exchange Rule 538. An EFRP is permitted in the expiring futures contract no later than two hours after trading terminates on the last day of trading of the expiring futures contract. An EFRP which establishes a futures position for either the buyer or the seller in an expired futures contract shall not be permitted following the termination of trading of an expired futures contract.

2. If the California ETS is not in force at the termination of trading:

(a) For contracts with expiration in the 2012 calendar year, transferred by the Clearing House to the corresponding monthly contract in the immediately following calendar year; or

(b) For contracts with expiration in 2013 or later, financially settled at the ARP for the given calendar year on the second (2nd) business day after the cessation of trading.

**1273103. DELIVERY**

CCA delivery shall comply with all requirements for the electronic transfer of allowances on the MTS.

**1273104. DELIVERY PROCEDURES**

**A. IF THE CALIFORNIA ETS IS IN FORCE AT THE TERMINATION OF TRADING:**

The Exchange is a party to all deliveries under this contract and will receive allowances by electronic transfer from the seller's clearing member into the Clearing House holding account at the MTS. Following receipt from the seller's clearing member, the Exchange will deliver allowances from the Clearing House holding account to the MTS holding account nominated by the buyer's clearing member.

All rights, title, and interest in and to, and risk of loss related to, the allowances will transfer upon receipt in the applicable MTS account.

The seller's clearing member shall comply with such requirements and obligations imposed by or under applicable MTS regulations in all respects material to the submission of the forms noted in this rule. The buyer's clearing member shall comply with such requirements and obligations imposed by or under applicable MTS regulations in all respects material to ensure the acceptance of a valid transfer into its holding account. If a provision of the rules of this Chapter or the Exchange rules is inconsistent with a provision of the MTS regulations, the provision of the rules of this Chapter and the Exchange rules shall prevail as among the buyer's clearing member, seller's clearing member, and the Exchange to the extent of such inconsistency and to the extent permitted by law.

By transferring allowances to the Exchange, the seller's clearing member represents and warrants that, at the time of delivery, it has good and marketable title to such allowances, and that such allowances are free and clear of all liens, security interests, claims, encumbrances and adverse claims.

#### **1273104.A. Responsibilities of Clearing Members**

##### **1. Notice of Intention to Accept**

Exchange clearing members having open long positions shall provide the Clearing House with a Notice of Intention to Accept delivery by 11:00 a.m. on the first (1st) business day after the final day of trading. The Notice of Intention to Accept must be in the form prescribed by the Exchange and must be properly completed and indicate the name of the buyer, the number of contracts to be accepted, the MTS account number, the name, telephone number and e-mail address of the authorized account representative for that MTS account, and any additional information as may be required by the Exchange.

##### **2. Notice of Intention to Deliver**

Exchange clearing members having open short positions shall provide the Clearing House with a Notice of Intention to Deliver by 11:00 a.m. on the first (1st) business day after the final day of trading. The Notice of Intention to Deliver must be in the form prescribed by the Exchange, and must be properly completed, indicate the name of the seller, the number of contracts to be delivered, the MTS Account Number, the name, telephone number and e-mail address of the authorized account representative for that MTS account, and any additional information as may be required by the Exchange.

#### **1273104.B. Final Settlement Price**

The final settlement price shall be the basis for delivery.

#### **1273104.C. Assignment Day**

The Clearing House shall allocate Notices of Intention to Accept and Notices of Intention to Deliver by matching positions, to the extent possible.

The Clearing House shall provide Assignment Notice Reports to the respective clearing members on the first (1st) business day after the final day of trading.

#### **B. ——— FOR CONTACTS WITH EXPIRATION IN 2013 OR LATER AND IF THE CALIFORNIA ETS IS NOT IN FORCE:**

Delivery against California Carbon Allowances (CCA) futures contracts shall be made by cash settlement through the Clearing House following normal variation margin procedures. The final Settlement Price shall be the ARP for the given year. A final mark-to-market will be made on the day the Final Settlement Price is determined.

#### **1273105. ——— TIMING OF DELIVERY**

For purposes of this Rule 1273105,

“Delivery Period” shall mean the time between the final day of trading and the second (2nd) business day following the final day of trading.

Delivery shall take place on the second (2nd) business day after the final day of trading. Should the MTS be inoperable during the Delivery Period due to a California public holiday that is an Exchange business day, the Exchange shall have the option to extend the Delivery Period by one (1) business day.

1. The seller’s clearing member shall transfer allowances subject to delivery to the Clearing House holding account of the MTS by 10:00 a.m. on the second (2nd) business day after the final day of trading of the delivery month.

2. The buyer’s clearing member shall deposit / transfer payment equal to the full value of the product to the designated Clearing House bank account by 10:00 a.m. on the second (2nd) business day after the final day of trading of the delivery month.

3. For each buyer’s clearing member that has satisfied its obligations under subsection (2) of this rule, the Clearing House shall initiate the process of transferring the allowances

to the buyer's clearing member's account at the MTS by 12:00 p.m. on the second (2nd) business day after the final day of trading of the delivery month.

4. The buyer's clearing member shall receive allowances from the Clearing House holding account of the MTS by 3:00 p.m. on the second (2nd) business day after the final day of trading of the delivery month.

5. For each seller's clearing member that has satisfied its obligations under subsection (1) of this rule, the Clearing House shall pay the seller's clearing member full contract value by 3:00 p.m. on the second (2nd) business day after the final day of trading of the delivery month.

#### **1273106. DELIVERY MARGINS AND PAYMENT**

##### **1273106.A. Definitions**

For purposes of this Rule 1273106,

"Payment Date" shall mean the date on which the Clearing House transfers Payment in connection with a delivery to the seller's clearing member.

"Payment" shall include the settlement price times the number of contracts times one thousand (1,000).

##### **1273106.B. Margin**

The buyer's clearing member and seller's clearing member shall deposit with the Exchange margins in such amounts and in such form as required by the Exchange. Such margins shall be returned on the business day following notification to the Exchange that delivery and Payment have been completed.

##### **1273106.C. Payment**

Any Payment made on the Payment Date shall be based on allowances actually delivered.

#### **1273107. VALIDITY OF DOCUMENTS**

The Exchange makes no representation respecting the authenticity, validity or accuracy of any Notice of Intention to Accept, Notice of Intention to Deliver, check or of any document or instrument delivered pursuant to these rules.

#### **1273108. ALTERNATIVE DELIVERY PROCEDURE**

A seller and buyer matched by the Exchange under Rule 1273104.C. may agree to make and take delivery under terms or conditions which differ from the terms and conditions prescribed by this Chapter. In such a case, clearing members shall execute an Alternative Notice of Intention to Deliver on the form prescribed by the Exchange and shall deliver a completed and executed copy of such notice to the Exchange. The delivery of an executed Alternative Notice of Intention to Deliver to the Exchange shall release the clearing members and the Exchange from their respective obligations under the rules of this Chapter and any other rules regarding physical delivery.

In executing such notice, clearing members shall indemnify the Exchange against any liability, cost or expense the Exchange may incur for any reason as a result of the execution, delivery, or performance of such contracts or such agreement, or any breach thereof or default thereunder. Upon receipt of an executed Alternative Notice of Intention to Deliver, the Exchange will return to the clearing members all margin monies held for the account of each with respect to the contracts involved.



**Chapter 1274**  
**California Carbon Allowance (CCA) Option**

**1274100. SCOPE OF CHAPTER**

This chapter is limited in application to put and call options on California Carbon Allowance (CCA) futures contracts. In addition to the rules of this chapter, transactions in options on California Carbon Allowance (CCA) futures shall be subject to the general rules of the Exchange insofar as applicable.

**1274101. OPTION CHARACTERISTICS**

The number of months open for trading at a given time shall be determined by the Exchange.

**1274101.A. Trading Schedule**

The hours of trading for this contract shall be determined by the Exchange.

**1274101.B. Trading Unit**

A California Carbon Allowance (CCA) put or call option traded on the Exchange represents an option to assume a short or long position in the underlying California Carbon Allowance (CCA) futures contract at the strike price.

**1274101.C. Price Increments**

The minimum price fluctuation is \$0.01 per allowance. Prices shall be quoted in Dollars (\$) and cents (¢) per allowance. A cabinet trade may occur at a price of \$ 0.001 per allowance, or \$1.00 per contract, however, if it results in the liquidation of positions for both parties to the trade.

**1274101.D. Position Limits, Exemptions, Position Accountability and Reportable Levels**

The applicable position limits and/or accountability levels, in addition to the reportable levels, are set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5.

A Person seeking an exemption from position limits for bona fide commercial purposes shall apply to the Market Regulation Department on forms provided by the Exchange, and the Market Regulation Department may grant qualified exemptions in its sole discretion.

Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.

**1274101.E. Termination of Trading**

The option contract shall expire at the close of trading three business days prior to the expiration of the underlying California Carbon Allowance (CCA) futures contract.

**1274101.F. Type Option**

The option is a European-style option which can only be exercised into the underlying futures on expiration day.

**1274102. EXERCISE PRICES**

Trading shall be conducted for option contracts with strike prices in increments as set forth below.

1. On the first business day of trading in an option contract month, trading shall be at the following strike prices: (i) the previous day's settlement price for the California Carbon Allowance (CCA) futures contract in the corresponding delivery month rounded off to the

~~nearest dollar increment strike price, (ii) the ten one-dollar increment strike prices which are ten increments higher than the strike price described in subsection (i) of this rule, and (iii) the ten one-dollar increment strike prices which are ten increments lower than the strike price described in subsection (i) of this rule.~~

~~2. Thereafter, on any business day prior to the expiration of the option contract, new consecutive strike prices for both puts and calls will be added such that there will be ten increments above and below the at the money option.~~

~~3. Notwithstanding the provisions of subsections (1) and (2) of this rule, if the Exchange determines that trading in the option contract will be facilitated thereby, the Exchange may change the increments between strike prices, the number of strike prices which shall be traded on the first day in any new option contract month, the number of new strike prices which will be introduced on each business day or the period preceding the expiration of an option contract in which no new strike prices may be introduced.~~

**APPENDIX B**

**Position Limit, Position Accountability, and Reportable Level Table in Chapter 5  
of the NYMEX Rulebook**

(attached under separate cover)