

WINSTON & STRAWN LLP

214 NORTH TRYON STREET
CHARLOTTE, NORTH CAROLINA 28202-1078

43 RUE DU RHÔNE
1204 GENEVA, SWITZERLAND

15 QUEEN'S ROAD CENTRAL
HONG KONG

99 GRESHAM STREET
LONDON EC2V 7NG

333 SOUTH GRAND AVENUE
LOS ANGELES, CALIFORNIA 90071-1543

4 STASOVOY ULITSA
119071 MOSCOW, RUSSIAN FEDERATION

35 WEST WACKER DRIVE
CHICAGO, ILLINOIS 60601-9703

(312) 558-5600

FACSIMILE (312) 558-5700

www.winston.com

200 PARK AVENUE
NEW YORK, NEW YORK 10166-4193

ONE RIVERFRONT PLAZA
NEWARK, NEW JERSEY 07102-5401

25, AVENUE MARCEAU
CS 31621
75773 PARIS CEDEX 16

101 CALIFORNIA STREET
SAN FRANCISCO, CALIFORNIA 94111-5894

1700 K STREET, N.W.
WASHINGTON, D.C. 20006-3817

MICHAEL M. PHILIPP

(312) 558-5905

mphilipp@winston.com

April 23, 2010

BY E-MAIL

Mr. David Stawick
Office of the Secretary
Commodities Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, DC 20581

Re: Application for Designation as a Contract Market by Green Exchange LLC

Dear Mr. Stawick:

On behalf of our client, Green Exchange LLC ("GreenEx"), we are submitting the attached application for designation of GreenEx as a contract market pursuant to Section 5(b) of the Commodity Exchange Act, as amended (the "Act"), and Part 38 of the regulations promulgated by the Commodity Futures Trading Commission (the "Commission" or "CFTC") thereunder. We respectfully request that the application be reviewed on an expedited basis in accordance with Section 38.3(a)(2) of the CFTC Regulations.

GreenEx is a wholly owned subsidiary of Green Exchange Holdings LLC ("GreenEx Holdings"). Both GreenEx and GreenEx Holdings are organized as Delaware limited liability companies. GreenEx Holdings is the sole member of GreenEx and has delegated management responsibilities to the Board of Directors of GreenEx. The current equity owners of GreenEx Holdings are: Chicago Mercantile Exchange Inc. ("CME"), Evolution Markets, Inc., Morgan Stanley Capital Group, Inc., Credit Suisse First Boston Next Fund, Inc., Goldman, Sachs & Co., J.P. Morgan Ventures Energy Corporation (collectively, the "Founding Members"), Constellation NewEnergy, Inc., Vitol SA, ICAP Energy LLC, Spectron Energy Inc., GreyK Exchange Holdings, LLC, Tudor Investment Corporation, and TFS Energy LLC (collectively, together with the Founding Members, the "Initial Members"). The Second Amended and

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Restated Limited Liability Company Operating Agreement of GreenEx (the "GreenEx Operating Agreement") is attached as Exhibit A, and the Second Amended and Restated Limited Liability Company Operating Agreement of GreenEx Holdings (the "GreenEx Holdings Operating Agreement") is attached as Confidential Exhibit B.

GreenEx has entered into services agreements with CME under which CME will provide certain essential services to GreenEx. CME will provide electronic trading facility services under the Trading Facility Services Agreement (the "TFSA"), attached as Confidential Exhibit C. CME, through the CME Clearing House, a derivatives clearing organization registered with the Commission, will provide clearing services to GreenEx, including clearing through the CME ClearPort Clearing system, under the Clearing Services Agreement (the "CSA"), attached as Confidential Exhibit D. Under the General Services Agreement (the "GSA"), attached as Confidential Exhibit E, CME will provide a variety of regulatory and administrative support services, including market surveillance, trade practice surveillance, regulatory support and market data distribution services.¹ Under the Intellectual Property and Market Data Agreement, attached as Confidential Exhibit H, GreenEx will license its market data regarding GreenEx Contracts for distribution.

GreenEx intends to list a broad variety of contracts for environmental risk management and trading, including futures and options contracts on emission allowances for greenhouse gases such as carbon dioxide, nitrogen oxide, and sulfur dioxide ("GreenEx Contracts"). Currently, thirty-seven emissions contracts are listed on the New York Mercantile Exchange ("NYMEX") and cleared through the NYMEX Clearing House.² It is anticipated that soon after the designation of GreenEx as a contract market, these contracts will no longer be listed for trading on NYMEX, and the GreenEx Contracts will instead be listed for trading on GreenEx. To ensure the financial integrity of transactions in GreenEx Contracts, CME will provide clearing services to GreenEx in accordance with the CSA.

Competitive trading on the GreenEx contract market will be conducted electronically and governed by the Rules of GreenEx (the "GreenEx Rules"), attached as Exhibit J, which will contain requirements intended to ensure fair and equitable trading. The GreenEx Rules will be enforced by the Chief Regulatory Officer and Regulatory Oversight Department under the supervision of the Regulatory Oversight Committee.³ Attached as Confidential Exhibit L is a copy of the Regulatory Oversight Department Procedures Manual.

CME will provide electronic trade-matching services for GreenEx Contracts using CME's Globex System. Additional information about the Globex System is provided in GreenEx's Response to the CFTC Technology Questionnaire, attached as Confidential Exhibit M. In matching transactions in GreenEx Contracts on the Globex System, GreenEx

¹ The TFSA, CSA and GSA share an annex of defined terms, attached as Confidential Exhibit F, and an annex of common provisions, attached as Confidential Exhibit G.

² NYMEX, CME and GreenEx have entered into a side letter, attached as Confidential Exhibit I, regarding the transition of contracts from NYMEX to GreenEx.

³ The charter of the Regulatory Oversight Committee is attached as Confidential Exhibit K.

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anticipates using the FIFO (First-In, First-Out) Algorithm; however, it will have the ability to use any of the algorithms supported by the Globex System.⁴ CME also will provide its front-end application programming interfaces to allow its participants ("Participants") to connect to the Globex System. Clearing Members guaranteeing a connection to the Globex System through the CME front-end application programming interface will be responsible for maintaining the order routing/front-end audit trail (i.e., the electronic audit trail).⁵

Under the TFSA, the Globex Control Center will monitor the operation of the Globex System and provide support to Participants. The Operational Services Guidelines, attached as Confidential Exhibit P, describe the operation of the Globex Control Center. The services provided by CME pursuant to the TFSA will be substantially similar to the services CME provides to its own contract market.

In addition to having access to the Globex System for competitive trading, Participants that meet regulatory requirements will have the ability to submit privately negotiated transactions in GreenEx Contracts for clearing through CME's ClearPort Clearing system, which CME will provide to GreenEx under the CSA. Such Participants also will be permitted to enter into block trades and exchange of futures for related position (EFRP) transactions through ClearPort.⁶

Executed GreenEx Contracts that are matched and accepted for clearing will be novated to the CME Clearing House, which will serve as the central counterparty for all GreenEx Contracts, and CME will establish, calculate, and apply its performance bond requirements for such contracts. The clearing and settlement services provided by CME pursuant to the CSA will be substantially similar to the services it provides to its own contract market.

GreenEx will be a participant-based contract market. Participants must apply to GreenEx for trading privileges, including direct access to the contract market through Globex, by submitting the Participant Application, attached as Exhibit R, and the CME Customer Connection Agreement, attached as Exhibit S. A Participant also must be guaranteed by a clearing member of GreenEx (a "Clearing Member"). A Clearing Member must be a clearing member of the CME Clearing House and must be approved by CME and GreenEx for the clearing of GreenEx Contracts. A copy of the Clearing Member Application is attached as Exhibit T. A customer of a Clearing Member is not required to register as a Participant if it conducts its activities through the order routing system of the Clearing Member; however, it must be a Participant to have direct access to GreenEx through Globex. There is no limit on the number of Participants and Clearing Members allowed, and GreenEx will not require Participants to pay a fee to gain trading privileges on GreenEx. A Participant that violates the GreenEx Rules may have its trading privileges suspended, or it may be expelled from GreenEx.

⁴ A description of the allocation algorithms is set forth in Confidential Exhibit N.

⁵ GreenEx's procedures for review of the electronic audit trail are set forth in Confidential Exhibit O.

⁶ GreenEx's procedures for review of block trades and EFRP transactions are set forth in Confidential Exhibit Q.

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Subject to the approval of the GreenEx Board of Directors, GreenEx will implement an OTC broker incentive program that will provide to intermediaries submitting matched trades to CME ClearPort Clearing for third parties a rebate of a portion of the fees charged by GreenEx, as described in GreenEx Rule 606. Additionally, from time to time, GreenEx may offer Participants an opportunity to participate in liquidity provider programs where they may receive financial incentives to meet certain volume thresholds set forth by GreenEx.

Participants and Clearing Members presently do not receive any voting rights or equity in GreenEx in exchange for their trading activity on GreenEx; however, GreenEx Holdings may adopt an "earn-in pool plan" in the future, under which Participants earn equity in GreenEx Holdings based on trading volume. Additionally, until July 15, 2011, the Initial Members (excluding CME) are subject to revenue commitments based on their trading on GreenEx. The GreenEx Rules require that each Initial Member disclose to its customers that the customers' transactions on GreenEx will count towards the Initial Member's revenue commitment. The GreenEx Holdings Operating Agreement contains a description of the revenue commitment.

As of GreenEx's launch as a designated contract market, the Board of Directors of GreenEx will consist of fourteen directors, five of which will be public directors. There are currently thirteen directors of GreenEx, four of which are public directors. Attached as Confidential Exhibit U is a list of the current GreenEx directors and their required regulatory certifications. GreenEx is in the process of engaging a fifth public director and will inform the Commission of the identity of such public director once appointed. By operation of the GreenEx LLC Agreement, the GreenEx Holdings directors automatically are appointed to serve as directors of GreenEx. There are currently nine directors of GreenEx Holdings and eight alternate directors that may serve in the absence of a director.⁷ CME appointed two directors and two alternate directors. Each of the other six Founding Members appointed one director and one alternate director. Additionally, the Initial Members that are not Founding Members collectively appointed one director and one alternate director of GreenEx Holdings. The Chief Executive Officer of GreenEx Holdings also serves as a director of GreenEx Holdings.

The day-to-day operation of GreenEx will be delegated to officers of GreenEx selected by the GreenEx Board of Directors. An organizational chart of GreenEx is attached as Confidential Exhibit V.

The Regulatory Oversight Committee will be a committee of the Board of Directors consisting of three public directors.⁸ The Regulatory Oversight Committee will oversee GreenEx's trade practice and market surveillance activities and will review the performance of CME under the GSA. The Chief Regulatory Officer will be responsible for

⁷ Confidential Exhibit U also indicates which GreenEx directors also act as GreenEx Holdings Directors.

⁸ Confidential Exhibit U also indicates which public directors are presently appointed to serve on the Regulatory Oversight Committee.

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enforcing the GreenEx Rules, including rules relating to market manipulation. The Chief Regulatory Officer will have the assistance of the Regulatory Oversight Department (including those resources of the CME designated under the GSA). The Chief Regulatory Officer will be supervised by the Regulatory Oversight Committee.

As noted above, GreenEx has contracted with CME to perform certain surveillance, investigative, and regulatory functions under the GreenEx Rules. GreenEx retains ultimate decision-making responsibility for any functions contracted to CME under the GSA. Under the GSA, CME is required to provide such market regulation services with due care, and to exercise a degree of skill and care that is consistent with applicable industry standards, and at substantially similar service standards and levels achieved by CME in performing these services with respect to its own products.⁹ Since CME is also providing electronic trading facility services and clearing services to GreenEx, it will be able to perform its GreenEx market supervision and analysis directly in the same manner it provides supervision and analysis for its own products.

GreenEx has implemented business continuity procedures, a copy of which is attached as Confidential Exhibit X.

In addition to the documents referred to herein and set forth on the list of exhibits on Schedule I, GreenEx is submitting herewith a regulatory chart that describes the manner in which it complies with each designation criterion and core principle set forth under the CEA and CFTC Regulations.

We would be happy to discuss any questions that you might have. Please do not hesitate to contact me at (312) 558-5905.

Sincerely,



Michael Philipp

cc: Gary Gensler, Chairman
Michael Dunn, Commissioner
Jill Sommers, Commissioner
Bart Chilton, Commissioner
Scott O'Malia, Commissioner
Richard Shilts, Acting Director, Division of Market Oversight
Tom Lewis, Chief Executive Officer, Green Exchange LLC

⁹ CME performs regular internal audits of its systems. Copies of relevant audits are attached as Confidential Exhibit W.

**SCHEDULE I
LIST OF EXHIBITS**

- Exhibit A – Second Amended and Restated Limited Liability Company Operating Agreement of GreenEx
- Confidential Exhibit B – Second Amended and Restated Limited Liability Company Operating Agreement of GreenEx Holdings
- Confidential Exhibit C – Trading Facility Services Agreement (“TFSA”)
- Confidential Exhibit D – Clearing Services Agreement (“CSA”)
- Confidential Exhibit E – General Services Agreement (“GSA”)
- Confidential Exhibit F – Annex I to TFSA, CSA, and GSA – Defined Terms
- Confidential Exhibit G – Annex II to TFSA, CSA, and GSA – Common Provisions
- Confidential Exhibit H – Intellectual Property and Market Data Agreement
- Confidential Exhibit I – Side Letter
- Exhibit J – GreenEx Rules
- Confidential Exhibit K – Regulatory Oversight Committee Charter
- Confidential Exhibit L – Regulatory Oversight Department Procedures Manual
- Confidential Exhibit M – Response to CFTC Technology Questionnaire
- Confidential Exhibit N – Description of Allocation Algorithms
- Confidential Exhibit O – Electronic Audit Trail Review Procedures
- Confidential Exhibit P – Operational Services Guidelines
- Confidential Exhibit Q – Block Trade and EFRP Transaction Review Procedures
- Exhibit R – Participant Application
- Exhibit S – CME Customer Connection Agreement
- Exhibit T – Clearing Member Application
- Confidential Exhibit U – List of Directors and Regulatory Certifications
- Confidential Exhibit V – GreenEx Organizational Chart
- Confidential Exhibit W – CME Internal Audits
- Confidential Exhibit X – Business Continuity Procedures

Green Exchange LLC and Green Exchange Holdings LLC are separately requesting confidential treatment for each Exhibit above designated as a “Confidential Exhibit.”