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16³, 2, NOX 485³, 2 VOC 1124+3¹, PM10 4322-5¹, CH4 128³, -77¹, S2O 1898³, -77¹, SFG 20000+800 CO2 5¹, -1, SO2 146³, -1, NOX 485³, 2 VOC 1124+3¹, PM10 4322-5¹, CH4 128³, -77¹, S2O 1898³, -77¹, SFG 26

CHAPTER 17
CERTIFIED EMISSION REDUCTION FUTURES
CONTRACT SPECIFICATIONS

1701. Scope of Chapter

This Chapter applies to trading in Certified Emission Reduction futures (“CER futures”) contracts. Certified Emission Reductions are transferable instruments issued by the Executive Board of the Clean Development Mechanism as operated under the Kyoto Protocol to the United Nations Framework Convention on Climate Change (“UNFCCC”).

The CER futures contract will be a physically delivered product. However, until such time as the United Nations’ International Transaction Log (“ITL”) is operational, the CER futures contract will operate as a cash settled futures contract. When CCFE announces the functionality of the ITL, all open positions in CER futures will then automatically convert to a physically delivered product.

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.

1702. Contract Specifications

(a) *Contract size.* The contract size for the contract is 1,000 Certified Emission Reductions which represent one thousand metric tons of carbon dioxide equivalents.

(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)-; annual December contracts through 2012; and the front two serial calendar months.

(ii) CCFE may list additional December contracts and any other calendar month contract off the standard-cycle listing schedule through 2014.

(iii) ~~The trading hours for the Certified Emission Reduction futures~~ CER futures contract shall be determined by the Exchange from time to time.

(c) *Termination of Trading (Contract Expiration).*

(i) Cash settled futures product: Contracts will expire on the last Monday of the contract month. When the last Monday falls on a non-business day, the last trading day shall be the prior Monday of the expiration month.

Trading shall cease for the expiring contract at 5:00 P.M London time, 11:00 A.M. U.S. Central time on the Last Trading Day.

(ii) Physical delivery settled product: With the exception of the April contracts, the last trading day of a contract is the third-to-last business day of the expiration month. The last trading day for April contracts will be the fifth-to-last business day of the month in order to comply with the European Union Greenhouse Gas Emission Trading Scheme's (EU ETS) annual April 30th compliance deadline.

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

(e) *Minimum Tick Increment.* The minimum tick increment of the ~~Certified Emission Reduction futures~~ CER futures contract is \$0.01 per Certified Emission Reduction, which is equal to \$10 per contract.

(f) *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 ~~Certified Emission Reduction futures~~ CER futures contracts 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 contract month has a reportable position, all contract months' positions must be reported.

(g) *Position Limits.* A person may not own or control more than 1,000 contracts, equivalent to 1,000,000 Certified Emission Reductions, net long or net short, in each nearby month expiring futures contract.

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.

(h) *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 construed to take precedence and become part of these rules, and all open and new contracts shall be subject to such government rules.

(i) *Daily Price Limits.* ~~Certified Emission Reduction futures~~ CER futures contracts do not have daily price limits.

(j) *Exchange of Future for Physical.* There is no minimum size for an Exchange of Future for Physical transaction with respect to ~~Certified Emission Reduction futures~~ CER 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.

(k) *Block Trades.* Pursuant to Rule 412(a)(i), the minimum Block Trade quantity shall be determined for the ~~Certified Emission Reduction futures~~ CER 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 ~~Certified Emission Reduction futures~~ CER 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.

1703. Daily Settlement Price Calculations

Daily 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 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.

1704. Final Settlement Price

~~The final settlement prices will be based on an Exchange conducted market price survey for guaranteed delivery and payment of Certified Emission Reductions on the last~~

~~business day of December 2008 for contract expirations occurring through calendar year 2008. For contracts expiring in years after 2008, the final contract settlement prices will be based on an Exchange conducted market price survey for guaranteed delivery and payment of Certified Emission Reductions on the last business day corresponding to the year the contract expires.~~

~~Market participants will be surveyed between 5:00 P.M. and 5:15 P.M. London time, 11:00 A.M. and 11:15 A.M. U.S. Central Time. The simple average of eight price quotes which remain after excluding the highest and lowest quotes will determine the final settlement price. Results of the price survey will be posted at 6:00 P.M. London time, 12:00 P.M. U.S. Central Time.~~

1704. Deliverable Instruments

~~The Certified Emission Reduction futures contract is a cash settled contract. Certified Emissions Reductions are transferable instruments issued by the Executive Board of the Clean Development Mechanism as operated under the Kyoto Protocol to the United Nations Framework Convention on Climate Change.~~

~~(Temporary Certified Emission Reductions (tCERs) are not acceptable for delivery. A Temporary tCertified Emissions Reduction is a Certified Emission Reduction issued for an afforestation or reforestation project which expires at the end of the commitment period following the period during which it was issued.~~

~~However, until such time as the United Nations' International Transaction Log ("ITL") is operational, the CER futures contract will operate as a cash settled futures contract and final settlement will be determined pursuant to Rule 1705. When CCFE announces the functionality of the ITL, all open positions in CER futures contracts will then automatically convert to a physically delivered product.)~~

1705. Final Settlement Price For Cash Settled Futures Product

The final settlement prices for the cash settled futures product will be based on an Exchange conducted market price survey for guaranteed delivery and payment of Certified Emission Reductions on the last business day of December 2008 for contract expirations occurring through calendar year 2008. For contracts expiring in years after 2008, the final contract settlement prices will be based on an Exchange conducted market price survey for guaranteed delivery and payment of Certified Emission Reductions on the last business day corresponding to the year the contract expires.

Market participants will be surveyed between 5:00 P.M. and 5:15 P.M. London time, 11:00 A.M. and 11:15 A.M. U.S. Central Time. The simple average of eight price quotes which remain after excluding the highest and lowest quotes will

determine the final settlement price. Results of the price survey will be posted at 6:00 P.M. London time, 12:00 P.M. U.S. Central Time.

17056. Physical Delivery Procedures

Initially, clearing participants and parties trading the market must have accounts established within the United Kingdom's Department for Environment Food and Rural Affairs (UK DEFRA) emissions registry and be able to electronically transfer Certified Emission Reductions. CCFE will determine if and when any additional national registries that become linked to the International Transaction Log are allowable for CER futures delivery process.

Delivery is a three day process consisting of Position Day, Notice Day, and Delivery Day. ~~The three days occurring~~ over three consecutive business days.

(i) *Position Day.* The first business day following a Certified Emission Reduction futures CER futures contract's expiration day is the day that Clearing Members must report their long futures positions and tender delivery notices to the Clearing Service Provider.

(ii) *Notice Day.* On the business day after the Position Day, the Clearing Service Provider will make the appropriate delivery assignments. The seller ~~clearing Clearing member Member~~ provides to the buyer ~~clearing Clearing member Member~~(s) a description of the underlying Certified Emission Reduction instruments to be delivered. The buyer ~~clearing Clearing member Member~~(s) will provides UK DEFRA registry account information to the seller ~~clearing Clearing member Member~~. The information exchange is to be completed by 4:00 p.m. U.S. Central Time. The seller ~~clearing Clearing member Member~~ must ensure that the appropriate Certified Emission Reduction instruments are on deposit in its or its customer's UK DEFRA registry account by 5:00 p.m. U.S. Central Time.

(iii) *Delivery Day.* ~~CCFE-CSP~~The Clearing Service Provider will issue payment instructions to the respective buyer ~~clearing Clearing member Member~~ for the full contract value based upon the expiration day's settlement price in a means and manner ~~it prescribesd by the Clearing Service Provider~~. By 3:00 p.m. U.S. Central Time, the seller ~~clearing Clearing Mmember~~ must ensure that it or its customer has electronically submitted the Certified Emission Reduction instrument transfer instructions.

(iv) *Payment.* The Clearing Service Provider will release the delivery proceeds to the seller ~~clearing Clearing member Member~~ upon receipt of the "CCFE Receipt of Delivery Confirmation" from the buying ~~clearing Clearing member Member~~.