



Chicago Climate Exchange®

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January 17, 2008

Mr. David Stawick  
Secretary  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21<sup>st</sup> Street, N.W.  
Washington, D.C. 20581

RECEIVED  
C.F.T.C.  
JAN 18 AM 8:30  
OFC. OF THE SECRETARIAT

Re: **Chicago Climate Futures Exchange, LLC  
Submission No. 08-02**

Dear Mr. Stawick:

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 Rule 1705 to modify final settlement price procedures for Certified Emission Reduction futures ("CER futures") contracts

CCFE intends to make this amendment effective as of Friday, January 18, 2008. The Exchange certifies that this amendment neither violates nor is inconsistent with any portion of the Act or of the rules thereunder.

A marked copy of the marked Rule 1705 and a revised summary of the contract specifications for CER 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 08-02 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](http://www.chicagoclimateexchange.com)

**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 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 30<sup>th</sup> 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 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 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.* 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 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 quantify shall be determined for the 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 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. Deliverable Instruments**

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 Certified 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 Exchange will survey a minimum of ten market participants. The final settlement price for an expiring contract will be determined by excluding the highest and lowest quotes and then calculating the simple average of the remaining price quotes. Final settlement prices for all other listed futures contracts will be derived using standard present valuation procedures, utilizing U.S. dollar LIBOR interest rates for the appropriate expiration period of the contracts. ~~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.

#### **1706. 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 occurring over three consecutive business days.

(i) *Position Day.* The first business day following a 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 Position Day, the Clearing Service Provider will make the appropriate delivery assignments. The seller Clearing Member provides to the buyer Clearing Member(s) a description of the underlying Certified Emission Reduction instruments to be delivered. The buyer Clearing Member(s) will provide UK DEFRA registry account information to the seller Clearing Member. The information exchange is to be completed by 4:00 p.m. U.S. Central Time. The seller Clearing 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.* The Clearing Service Provider will issue payment instructions to the respective buyer Clearing Member for the full contract value based upon the expiration day's settlement price in a means and manner it prescribes. By 3:00 p.m. U.S. Central Time, the seller Clearing Member 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 Member upon receipt of the "CCFE Receipt of Delivery Confirmation" from the buying Clearing Member.



Chicago Climate Futures Exchange

**Chicago Climate Futures Exchange, LLC  
Certified Emission Reduction Futures**

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|----------------------------------|--|
| <b>Contract Size</b>             | 1,000 Certified Emission Reductions ("CERs") representing 1,000 metric tons of carbon dioxide ("CO <sub>2</sub> ").  |
| <b>Quotation</b>                 | US dollars / metric ton CO <sub>2</sub>  |
| <b>Minimum Tick Increment</b>    | \$0.01 per CER = \$10.00 per contract  |
| <b>Symbol</b>                    | CER  |
| <b>Trading Hours</b>             | 7:00 a.m. – 3:00 p.m. U.S. Central Time  |
| <b>Contract Listing Cycle</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. Annual December contracts through 2012</li> </ul> <p>CCFE may list additional annual December contracts and any other calendar month contract off the standard-cycle listing schedule through 2014.</p>   |
| <b>Deliverable Instruments</b>   | <p>CERs 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.</p> <p>(Temporary CERs (tCERs) are not acceptable for delivery. A tCER is a CER issued for an afforestation or reforestation project which expires at the end of the commitment period following the period during which it was issued.)</p> <p>Until such time as the United Nations' International Transaction Log is operational, the CER futures contract will be cash settled.</p>           |
| <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 the April contracts, the last trading day of a contract is the third-to-last business day of the expiration month.</p> <p>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 30<sup>th</sup> compliance deadline.</p>   |
| <b>Physical Delivery Process</b> | <p>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 CERs. As additional national registries are linked to the International Transaction Log and become eligible to effect transfers, such registries may be added as eligible upon CCFE notification.</p> <p>Delivery is a three day process consisting of Position Day, Notice Day, and Delivery Day occurring over three consecutive business days.</p> |

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|---|--|
|   | <p><b><u>Position Day</u></b><br/>The first business following a 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.</p> <p><b><u>Notice Day</u></b><br/>On the business day after the Position Day, the Clearing Service Provider will make the appropriate delivery assignments. The seller clearing member provides to the buyer clearing member(s) a description of the underlying Certified Emission Reduction instruments to be delivered. The buyer clearing member(s) provides UK DEFRA registry account information to the seller clearing member. The information exchange is to be completed by 4:00 p.m. U.S. Central Time. The seller clearing member must ensure the appropriate CER instruments are on deposit in its or its customer's UK DEFRA registry account by 5:00 p.m. U.S. Central Time.</p> <p><b><u>Delivery Day</u></b><br/>CCFE CSP will issue payment instructions to the respective buyer clearing member for the full contract value based upon the expiration day's settlement price in a means and manner prescribed by the Clearing Service Provider. By 3:00 p.m. U.S. Central Time, the seller clearing member must ensure that it or its customer has electronically submitted the CER instrument transfer instructions.</p> <p><b><u>Payment</u></b><br/>The Clearing Service Provider will release the delivery proceeds to the seller clearing member upon receipt of the "CCFE Receipt of Delivery Confirmation" from the buying clearing member.</p> |
| <p><b>Final Settlement Price For Cash Settled Product</b></p>     | <p>Final contract settlement prices will be based on an Exchange conducted market price survey for guaranteed delivery and payment of CERs 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 CERs on the last business day corresponding to the year the contract expires.</p> <p>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 Exchange will survey a minimum of ten market participants. The final settlement price for an expiring contract will be determined by excluding the highest and lowest quotes and then calculating the simple average of the remaining price quotes. Final settlement prices for all other listed futures contracts will be derived using standard present valuation procedures, utilizing U.S. dollar LIBOR interest rates for the appropriate expiration period of the contracts.</p> <p>Results of the price survey will be posted at 6:00 p.m. London time (12:00 p.m. U.S. Central time).</p>  |
| <p><b>Price Limits</b></p>  | <p>No daily price limits</p>   |
| <p><b>Reportable Position Limits</b></p>                          | <p>25 contracts, equivalent to 25,000 CERs</p>   |
| <p><b>Nearby Expiration Month Speculative Position Limits</b></p> | <p>1,000 contracts, equivalent to 1,000,000 Certified Emission Reductions per each expiring contract.</p>  |

Contract specifications and related rules are subject to revision. If CCFE determines that revisions to the contract specifications and related rules are warranted, reasonable efforts will be taken to provide appropriate advance notification of such revisions.

This document is a summary of the CCFE contract specification rules; see the CCFE Rulebook for complete contract specification rules.

January 17, 2008