

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 SO₂ 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") SO₂ emission allowances ("SO₂ Emission Allowances").

(b) *Schedule.*

(i) Standard-cycle Contract Listing The Exchange may list for trading up to thirty-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 monthly 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 the front two any listed contracts and the nearby December 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
- (ix) 8-Year Deferred Vintage
- (x) ~~(x)~~ 9-Year Deferred Vintage
- (xi) 10-Year Deferred Vintage
- (xii) 11-Year Deferred Vintage
- (xiii) 12-Year Deferred Vintage
- (xiv) Additional Deferred Vintages as determined by the

Exchange

The Exchange may offer one of more the vintage-year specific products in any listed contract.

(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 1st annual SO₂ 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 SO₂ 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 SO₂ Emission Allowances, on a net-futures equivalent basis, in each nearby month expiring futures product.~~

~~Effective with the January 2008 contract and all subsequent contracts, a~~ A person may not own or control more than 8,000 contracts, equivalent to 200,000 SO₂ 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 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 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.

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") SO₂ Emission Allowances equal to the contract size.

(a) Contracts without a specified vintage year

(i) Applicable for March through December contract expirations, the SO₂ 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 SO₂ 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 SO₂ 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 SO₂ 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 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 SO₂ 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 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 SO₂ Emission Allowance transfer instructions, EPA confirmation of transfer or other document or instrument delivered pursuant to these rules.



**Chicago Climate Futures Exchange, LLC
Sulfur Financial Instrument Futures Contract Specifications**

Contract Size	25 U.S EPA SO ₂ Emission Allowances
Quotation	US dollars
Minimum Tick Increment	\$0.10 per U.S. EPA SO ₂ Emission Allowance = \$2.50 per contract
Symbol	SFI
Trading Hours	7:00 a.m. – 3:00p.m. Central Time
Contract Listing Cycle	<p>1. Standard-cycle contract listings:</p> <p style="margin-left: 20px;">a. Thirty-six consecutive monthly contracts; and</p> <p style="margin-left: 20px;">b. Up to eight annual December contracts</p> <p>2. CCFE may list any other calendar month contract off the standard-cycle listing schedule through the last annual December contract.</p>
Products	<p>Within any listed contract, CCFE may offer one or more vintage-year specific products having different delivery specifications as follows:</p> <ol style="list-style-type: none"> 1. Front-Year Vintage 2. 1-Year Deferred Vintage 3. 2-Year Deferred Vintage 4. 3-Year Deferred Vintage 5. 4-Year Deferred Vintage 6. 5-Year Deferred Vintage 7. 6-Year Deferred Vintage 8. 7-Year Deferred Vintage 9. 8-Year Deferred Vintage 10. 9-Year Deferred Vintage 11. 10-Year Deferred Vintage 12. 11-Year Deferred Vintage 13. 12-Year Deferred Vintage 14. Additional Deferred Vintages as determined by CCFE
Deliverable Instruments	<p>U.S. Environmental Protection Agency (“EPA”) SO₂ Emission Allowances equal to the contract size.</p> <p>1. Contracts WITHOUT a specified vintage-year Applicable for March through December contract expirations, the SO₂ 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.</p> <p>Applicable for January and February contract expirations, the SO₂ Emission Allowances acceptable for delivery are allowances having a vintage of any year prior to the calendar year of the contract expiration.</p> <p>2. Contracts WITH a specified vintage-year The SO₂ Emission Allowances acceptable for delivery are allowances having a vintage corresponding to the specified vintage and allowances having a vintage of any year prior to the specified vintage-year.</p>
First Trading Day	The first trading day of a standard-cycle contract is the first business day following an expiration day of standard-cycle contract.

<p>Last Trading Day</p>	<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 1st annual SO₂ compliance deadline.</p>
<p>Delivery Process</p>	<p>Clearing participants and parties trading the market must have SO₂ 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><u>Position Day</u> 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><u>Notice Day</u> 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><u>Delivery Day</u> 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><u>Payment</u> Effective October 2007, CCFE CSP 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>Price Limits</p>	<p>No daily price limits</p>
<p>Reportable Position Limits</p>	<p>25 contracts, equivalent to 625 U.S. EPA SO₂ Emission Allowances</p>
<p>Nearby Expiration Month Speculative Position Limits</p>	<p>8,000 contracts, equivalent to 200,000 U.S. EPA SO₂ Emission Allowances per each expiring product.</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.