Chicago Climate Exchange®

190 South LaSalle Street, Suite 800
Chicago, Illinois 60603
T 312.554.3350
F 312.554.3373

August 26, 2009

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

2009 AUG 27 AM 11 12
C.F.T.C.
OFFICE OF THE SECRETARIAT

Re: **Chicago Climate Futures Exchange, LLC**
Submission No. 09-21

Dear Mr. Stawick:

Pursuant to Section 5c(c)(1) of the Commodity Exchange Act, as amended (the "Act") and Parts 40.2 and 40.6 of the regulations promulgated by the Commodity Futures Trading Commission ("CFTC") under the Act, Chicago Climate Futures Exchange, LLC ("CCFE") hereby submits amendments to the CCFE Rulebook (the "Rulebook").

The Exchange is amending the Rulebook to add new Chapter 38 regarding contract specifications for CCFE's new Carbon Financial Instrument United States (CFI-US) futures contract. The futures contract will be listed for trading on Friday, August 28, 2009.

CCFE intends to make these amendments effective as of August 28, 2009. The Exchange certifies that this amendment neither violates nor is inconsistent with any portion of the Act or of the rules thereunder.

Attached hereto please find a copy of the new Chapter 38 and the contract specifications for CFI-US futures contracts.

Should you require additional information regarding this submission, please contact me at 312.229.5163. Please reference our submission number 09-21 in any related correspondence.

Very truly yours,

Eric J. Nield
Senior Vice President & General Counsel

bal
enc.

cc: Riva Adriance
Tom Leahy
Jon Hultquist
Irina Leonova

CHAPTER 38
CARBON FINANCIAL INSTRUMENT UNITED STATES FUTURES CONTRACT SPECIFICATIONS

3801. Scope of Chapter

This Chapter applies to trading in the Carbon Financial Instrument United States ("CFI-US") futures contract. 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.

3802. Eligibility

In order to make or take delivery of CFI-US futures contracts, Clearing Members, Trading Privilege Holders and other market participants must have appropriate registry accounts established prior to the expiration of any CFI-US futures contract.

3803. Contract Specifications

(a) *Contract Value.* The contract size for a CFI-US futures contract is 1,000 metric tons of carbon dioxide (CO_2) equivalent.

(b) *Schedule.*

(i) The Exchange will initially list for trading a January 2013 expiration contract, and annual December expiration contracts 2010 through 2013. Thereafter the Exchange may list annual, quarterly and/or monthly contracts as may be determined by the Exchange.

(ii) The trading hours for the CFI-US Contract shall be determined by the Exchange from time to time.

(c) *Termination of Trading (Contract Expiration).*
The last day of trading of a contract is the last Business Day of the expiration month at the normal Trading Session closing time.

(d) *New Contract Listing.* A new Contract will be listed on the first Business Day following an expiration of a contract.

(e) *Minimum Tick Increment.* The minimum tick increment is $0.01 per metric ton of CO_2 equivalent, which is equal to $10.00 per contract.

(f) *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 the CFI-US futures products at the close of trading on any trading day equal to or in excess of 25 contracts net long or short.

If one (1) 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 metric tons of CO_2 equivalent, on a net-futures equivalent basis in each nearby month expiring futures product.

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(f).

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 positions in the Contracts shall be subject to such government orders.

(i) *Daily Price Limits.* None

(j) *Exchange of Future for Physical.* There is no minimum size for an Exchange of Future for Physical transaction with respect to CFI-US 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 for the CFI-US 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 CFI-US 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.

3803. 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 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 consider other factors in determining settlement prices.

3804. Deliverable Instruments

a. If a mandatory greenhouse gas ("GHG") limitation and trading program has been enacted into U.S. law, deliverable instruments are allowances usable for compliance obligations pursuant to the U.S. government mandated GHG limitation and trading program as follows:

   i. Allowances from the registry of the U.S. Government-appointed program administrator (for example, the U.S. EPA) equal to 1,000 metric tons CO_2 equivalent.

   For CFI-US futures contracts that expire in years prior to the first compliance year of the U.S. mandatory GHG limitation and trading program, the deliverable vintage allowances are those usable for compliance in the first compliance year under the U.S. mandatory program.

   For CFI-US futures contracts that expire during the first compliance year or during years subsequent to the first compliance year of the U.S. mandatory GHG limitation and trading program, vintages allowed for delivery are all vintage instruments usable for compliance in the year of futures contract expiration.

ii. Allowances from any other U.S. Government-approved registry, which may include but may not be limited to Carbon Financial Instrument contracts from the Chicago Climate Exchange Registry, or from any other U.S. Government-approved registry, may be delivered against CFI-US futures contracts provided they are tendered in amounts that are recognized for compliance use under the U.S. Government program as equivalent to 1,000 metric ton CO_2 of compliance obligations under the U.S. Government GHG limitation and trading program. Such tendered allowances must have the exact compliance status as U.S. Government allowances. Additionally, tradable GHG instruments issued under a mandatory program that may be designated as an "allowance", but are issued on the basis of greenhouse gas mitigation realized by a facility or activity that is not itself covered or otherwise subject to emission limits under the U.S. Government GHG limitation and trading program, shall be ineligible for delivery. All deliveries must conform with the vintage rules as provided in CCFE Rule 3804 a.i.

b. If a registry of a U.S. Government-appointed program administrator or any other U.S.-approved registry is not yet operational and capable of delivering U.S. compliant allowances at a CFI-US futures contract expiration, all open positions in the expiring futures contract will roll forward one (1) calendar year based on a value determined by multiplying the final settlement price of the expired contract times the sum of one (1) plus the interest rate on 12-month U.S. Treasury notes that is prevailing at the time of contract expiration.

c. For contracts with an expiration prior to enactment of a law that establishes a mandatory U.S. Government GHG limitation and trading program, the allowances acceptable for delivery are, at the option of the seller, European Union Emission Allowances ("EUAs"), Regional Greenhouse Gas Emission Allowances ("RGGI allowances"), or allowances issued under any mandatory U.S. state or regional greenhouse gas limitation and trading system that has emission limits that apply to emissions occurring during the year of contract expiration and meet the requirements of CCFE

Rule 3804 a.ii. All deliveries must occur in amounts equal to the contract size. EUAs, RGGI allowances or other eligible allowances that are acceptable for delivery are those having a vintage corresponding to the calendar year of the expired contract or a vintage year that is earlier than the calendar year of the expired contract. The EUA 2008 vintage is the earliest EUA vintage eligible for delivery.

3805. Delivery Procedures

CCFE will determine on an ongoing basis which registry accounts are appropriate as additional registries become allowable for CFI-US 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 CFI-US futures contract's expiration day is the day that Clearing Members must report their long futures positions to the Clearing Service Provider as of the close of the expiration day.

(ii) *Notice Day.* On the Business Day after Position Day, the Clearing Service Provider will make the appropriate delivery assignments. The seller Clearing Member must provide to the buyer Clearing Member(s) a description of the underlying CFI-US instruments to be delivered. The buyer Clearing Member(s) must provide corresponding registry account information to the seller Clearing Member. The information exchange must be completed by 12:00 p.m. U.S. Central Time on Notice Day.

The seller Clearing Member must submit all delivery instructions to the Exchange in a form and manner prescribed by the Exchange by 3:00 p.m. (Central time) on Notice Day.

The Clearing Service Provider shall issue payment instructions to the respective buyer Clearing Member(s) for the full contract value based upon the expiration day settlement price in a means and manner prescribed by the Clearing Service Provider.

(iii) *Delivery Day.* The seller Clearing Member must ensure that the appropriate CFI-US instruments are on deposit in its or its customer's designated registry account by 5:00 p.m. U.S. Central Time on the Notice 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.

(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 buyer Clearing Member.

Additional delivery procedures will be codified as appropriate.

CCFE Chicago Climate Futures Exchange

Chicago Climate Futures Exchange, LLC
Carbon Financial Instrument United States Futures
Contract Specifications

Contract Size	1,000 metric tons of carbon dioxide equivalent
Quotation	U.S. dollars
Minimum Tick Increment	\$0.01 per metric ton = \$10 per contract
Symbol	CFI-US
Trading Hours	7:00 a.m. – 3:00 p.m. Central Time.
Contract Listing Cycle	1. Initial listings will be a January 2013 expiration contract, and annual December expiration contracts 2010 through 2015. 2. Other annual, quarterly or monthly contract months will be listed as determined by CCFE
Deliverable Instruments	a. If a mandatory greenhouse gas ("GHG") limitation and trading program has been enacted into U.S. law, deliverable instruments are allowances usable for compliance obligations pursuant to the U.S. government mandated GHG limitation and trading program as follows: Allowances from the registry of the U.S. Government-appointed program administrator (for example, the U.S. EPA) equal to 1,000 metric tons CO_2 equivalent. For CFI-US futures contracts that expire in years prior to the first compliance year of the U.S. mandatory GHG limitation and trading program, the deliverable vintage allowances are those usable for compliance in the first compliance year under the U.S. mandatory program. For CFI-US futures contracts that expire during the first compliance year or during years subsequent to the first compliance year of the U.S. mandatory GHG limitation and trading program, vintages allowed for delivery are all vintage instruments usable for compliance in the year of futures contract expiration. Allowances from any other U.S. Government-approved registry, which may include but may not be limited to Carbon Financial Instrument contracts from the Chicago Climate Exchange Registry, or from any other U.S. Government-approved registry, may be delivered against CFI-US futures contracts provided they are tendered in amounts that are recognized for compliance use under the U.S. Government program as equivalent to 1,000 metric ton CO_2 of compliance obligations under the U.S. Government GHG limitation and trading program. Such tendered allowances must have the exact compliance status as U.S. Government allowances. Additionally, tradable GHG instruments issued under a mandatory program that may be designated as an

	"allowance", but are issued on the basis of greenhouse gas mitigation realized by a facility or activity that is not itself covered or otherwise subject to emission limits under the U.S. Government GHG limitation and trading program, shall be ineligible for delivery. All deliveries must conform with the vintage rules as provided in CCFE Rule 3804 a.i. b. If a registry of a U.S. Government-appointed program administrator or any other U.S.-approved registry is not yet operational and capable of delivering U.S. compliant allowances at a CFI-US futures contract expiration, all open positions in the expiring futures contract will roll forward one (1) calendar year based on a value determined by multiplying the final settlement price of the expired contract times the sum of one (1) plus the interest rate on 12-month U.S. Treasury notes that is prevailing at the time of contract expiration. c. For contracts with an expiration prior to enactment of a law that establishes a mandatory U.S. Government GHG limitation and trading program, the allowances acceptable for delivery are, at the option of the seller, European Union Emission Allowances ("EUAs"), Regional Greenhouse Gas Emission Allowances ("RGGI allowances"), or allowances issued under any mandatory U.S. state or regional greenhouse gas limitation and trading system that has emission limits that apply to emissions occurring during the year of contract expiration and meet the requirements of CCFE Rule 3804 a.ii. All deliveries must occur in amounts equal to the contract size. EUAs, RGGI allowances or other eligible allowances that are acceptable for delivery are those having a vintage corresponding to the calendar year of the expired contract or a vintage year that is earlier than the calendar year of the expired contract. The EUA 2008 vintage is the earliest EUA vintage eligible for delivery.
First Trading Day	The first trading day is the first business day following an expiration day of a contract.
Last Trading Day	The last day of trading of a contract is the last business day of the expiration month.
Delivery Process	CCFE will determine on an ongoing basis which registry accounts are appropriate as additional registries become allowable for CFI-US futures delivery process. Delivery is a three day process consisting of Position Day, Notice Day, and Delivery Day occurring over three consecutive business days. **Position Day** The first Business Day following a CFI-US futures contract's expiration day is the day that Clearing Members must report their long futures positions to the Clearing Service Provider as of the close of the expiration day. **Notice Day.** On the Business Day after Position Day, the Clearing Service Provider will make the appropriate delivery assignments. The seller Clearing Member must provide to the buyer Clearing Member(s) a description of the underlying CFI-US instruments to be delivered. The buyer Clearing Member(s) must provide corresponding registry account information to the seller Clearing Member. The information exchange must be completed by 12:00 p.m. U.S. Central Time on Notice Day. The seller Clearing Member must submit all delivery instructions to the Exchange in a form and manner prescribed by the Exchange by 3:00 p.m. (Central time) on Notice Day. The Clearing Service Provider shall issue payment instructions to the respective buyer Clearing Member(s) for the full contract value based upon the expiration day settlement price in a means and manner prescribed by the Clearing Service Provider. **Delivery Day.** The seller Clearing Member must ensure that the appropriate CFI-US instruments are on deposit in its or its customer's designated registry account by 5:00 p.m. U.S. Central Time on the Notice 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. **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 buyer Clearing Member. **Additional delivery procedures will be codified as appropriate.**
Price Limits	No daily price limits
Reportable Position Limits	25 contracts
Nearby Expiration Month Speculative Position Limits	1,000 contracts
Block Trade Minimum Size	10 contracts

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.