



Chicago Climate Exchange®

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October 28, 2009

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

2009 NOV 24 PM 3 38  
OFFICE OF THE SECRETARIAT  
C.F.T.C.

Re: **Chicago Climate Futures Exchange, LLC  
Submission No. 09-30**

Dear Mr. Stawick:

The Chicago Climate Futures Exchange, LLC ("CCFE") is notifying the Commodity Futures Trading Commission (the "Commission") that it is adopting certain Error Trade Policy and Procedures pursuant to CCFE Rule 414. This amendment is submitted pursuant to Section 5c(c)(1) of the Commodity Exchange Act, as amended (the "Act") and 40.6 of the regulations promulgated by the CFTC under the Act.

CCFE intends to make these amendments effective as of November 25, 2009. The Exchange certifies that these amendments neither violate nor are inconsistent with any portion of the Act or of the rules thereunder.

Attached hereto please find a copy of the new CCFE Error Trade Policy and Procedures document.

Should you require additional information regarding this submission, please contact me at 312.229.5163. Please reference our submission number 09-30 in any related correspondence.

Very truly yours,

Eric J. Nield  
Senior Vice President & General Counsel

enc.

cc: Riva Adriance  
Bella Rozenberg  
Jon Hulquist  
Irina Leonova



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# Chicago Climate Futures Exchange

## Error Trade Policy & Procedures

Version 1.0

November 2009

## CCFE ERROR TRADE POLICY & PROCEDURES

These Error Trade Policy & Procedures have been adopted by the Exchange pursuant to CCFE Rule 414, which provides that error trades on the Exchange will be resolved in accordance with the policies and procedures adopted by the Exchange from time to time. These procedures are subject to change.

### 1. TRADE DISPUTE PROCEDURES

#### 1.1 Notice of Dispute

If a market participant (who may or may not be party to the trade) disputes the validity of a trade made or alleged to have been made on the Exchange, or has any other issue relating to such trade or alleged trade, such market participant shall notify the dispute to the Exchange by telephone or e-mail (contact information provided below), along with supporting information as soon as possible, but in any case within ten (10) minutes after the trade was executed.

Telephone: 312-554-7055  
E-Mail: exchangeoperations@ccfe.com

Where a party disputes validity based on the price of the Contract, such a Contract shall be termed 'an alleged error trade'.

The Exchange shall not consider a trade an alleged error trade where the alleged error is in respect of the volume only. In such an event, and only under exceptional circumstances, the disputed Contract may, at the absolute discretion of the Exchange, be amended or cancelled.

#### 1.2 Exchange Review

##### Notice to Marketplace:

After a trade dispute is brought to the attention of the Exchange, it will notify the marketplace indicating that the trade has been questioned. Such notice to the marketplace shall be made by way of a market alert posted on the CCFE Trading Platform within ten (10) minutes after the Exchange is notified that the trade has been questioned, or as soon as reasonably practicable under the circumstances.

##### Determination of Anchor Price:

CCFE will determine an anchor price for the relevant contract for the time the alleged error trade occurred, considering the relevant criteria. Such criteria may include:

- Existing market conditions
- Last trade in the relevant contract or any other related contract
- Bid/offer in the relevant contract or any other related contract at the time of the alleged error trade
- Any other information deemed relevant by the Exchange in making such a determination

No Cancellation Range:

The Exchange shall determine from time to time parameters above or below the Exchange set anchor price for each contract within which a trade alleged as an error trade will NOT be cancelled. Such parameters shall be termed a 'no cancellation range.' The current no cancellation range by contract is attached hereto as Annex 1. CCFE will review the no cancellation range periodically to maintain levels appropriate for the contracts.

Resolution:

Based on its determination of the anchor price, CCFE shall determine whether the alleged error trade falls within the no cancellation range. Where it falls:

- a. within the no cancellation range the alleged error trade shall not be cancelled (absent exceptional circumstances) and the Exchange shall advise the party disputing the validity of its determination;
- b. outside the no cancellation range, the Exchange may at its discretion, but not obligation, cancel the trade.

Criteria which may be taken into account when determining whether a trade should be cancelled include, but are not limited to:

- Price movement in other contract periods of the same contract;
- Current market conditions, including levels of activity and volatility;
- Time period between different quotes and between quoted and traded prices;
- Information regarding price movement in related Contracts;
- The release of relevant news just before or during a CCFE Trading Platform trading session;
- Manifest error as may be determined by the Exchange from time to time;
- Whether one or more parties to the trade believe the trade was at a valid price;
- Whether there is any indication that the trade in question triggered stops or resulted in the execution of spread trades;
- Whether another market participant or client relied on the price or any other factor that the Exchange may deem relevant.

CCFE shall maintain records of all transactions reviewed under this policy. Such record shall include, at a minimum, the basis for any decision made by CCFE with respect to an alleged error trade.

**1.3 Trades Executed as a Consequence of Error Trades**

If CCFE determines to cancel an error trade, the Exchange may determine:

- a. whether any trades resulting from the triggering of contingent orders by the cancelled order, or resulting in spread trades, should be cancelled

- b. whether a market participant or client relied on the price of the cancelled error trade to execute subsequent trades, and whether such trades should be cancelled.

Where trades are executed as a consequence of the alleged error trade AFTER the Exchange has notified the marketplace of the alleged error trade, such post-notification trades will NOT be cancelled.

#### **1.4 Communication**

Where the Exchange determines that:

- a. the alleged error trade shall be cancelled, the Exchange shall notify the party disputing the validity of the transaction, the Clearing Service Provider, any other counterparty (or where the market participant disputing the validity is not party to the contract, the counterparties to the trade) and the marketplace of the cancellation of the contract.
- b. the alleged error trade shall not be cancelled, the Exchange shall notify the party disputing the validity of the contract, the Clearing Service Provider, any other counterparty (or where the market participant disputing the validity is not party to the contract, the counterparties to the trade) and the marketplace of the determination.
- c. one or more contracts executed as consequence of the error trade (as described in 1.3) shall be cancelled, the Exchange shall notify the parties to the contracts and the marketplace of the cancellation of the contracts.

The Exchange shall determine whether an alleged error trade or one or more trades executed as a consequence of an alleged error trade shall or shall not be cancelled as soon as reasonably possible after notification by a party disputing the validity of a contract.

With respect to the various notifications outlined above, all such notifications shall be made within thirty (30) minutes after the Exchange first notified the marketplace that the trade has been questioned, or as soon as reasonably practicable under the circumstances.

## **2. CCFE TRADE INVALIDATION**

Regardless of whether a trade is disputed by a market participant, a trade made or purported to be made on the CCFE Trading Platform may be declared invalid where the Exchange determines that it took place at an unrepresentative price, as determined by the Exchange in its absolute discretion. In such event, the Exchange shall notify the parties to the trade and the marketplace of its decision to cancel the trade within one hour of the execution time of the trade, or as soon as reasonably practicable under the circumstances.

In addition, CCFE reserves the right, at its sole discretion, to cancel any trades that are in violation of CCFE rules.

**ANNEX 1**

## No Cancellation Range

Product	Futures	Options
RGGI	10% above or below anchor price	10% above or below anchor price; or \$0.10 above or below anchor price if anchor price < \$1.00
SFI	10% above or below anchor price	20% above or below anchor price; or \$0.20 above or below anchor price if anchor price < \$1.00
NFI-A	20% above or below anchor price	20% above or below anchor price; or \$0.50 above or below anchor price if anchor price < \$1.00
NFI-OS	20% above or below anchor price	N/A
IFEX (USTW, GCW, FLW, NEW, ESW)	20% above or below anchor price	N/A
ECO	20% above or below anchor price	N/A
CER	20% above or below anchor price	20% above or below anchor price; or \$0.10 above or below anchor price if anchor price < \$1.00
REC (NJ, CT, MA, and Voluntary)	20% above or below anchor price	N/A
CCAR	20% above or below anchor price	20% above or below anchor price; or \$0.10 above or below anchor price if anchor price < \$1.00
CFI	20% above or below anchor price; or \$0.20 above or below anchor price if anchor price < \$1.00	20% above or below anchor price; or \$0.10 above or below anchor price if anchor price < \$1.00
CFI-US	20% above or below anchor price	20% above or below anchor price; or \$0.10 above or below anchor price if anchor price < \$1.00

Chicago Climate Futures Exchange LLC

CFI-EA	20% above or below anchor price; or \$0.20 above or below anchor price if anchor price < \$1.00	20% above or below anchor price; or \$0.10 above or below anchor price if anchor price < \$1.00
CFI-US-O	20% above or below anchor price; or \$0.20 above or below anchor price if anchor price < \$1.00	20% above or below anchor price; or \$0.10 above or below anchor price if anchor price < \$1.00