



Submission No. 23-26  
March 10, 2023

Mr. Christopher J. Kirkpatrick  
Secretary of the Commission  
Office of the Secretariat  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21<sup>st</sup> Street, NW  
Washington, DC 20581

**Re: New Washington Carbon Allowance Current Auction Clearing Price Future and Related Amendments (3 of 3)**  
**Submission Pursuant to Section 5c(c)(1) of the Act and Regulation 40.2**

Dear Mr. Kirkpatrick:

Pursuant to Section 5c(c)(1) of the Commodity Exchange Act, as amended (the “CEA”), and Commission Regulations 40.2, ICE Futures U.S., Inc. (“Exchange”) submits, by written certification, new Rules 18.D.067-18.D.069, and amendments to Resolutions 1 and 2 of Chapters 18. The new rules and amendments provide for three new futures contracts, which will be listed on or about March 27, 2023, or such other date as the Exchange shall determine which shall be no sooner than the second business day following the business day on which this submission is received by the Commission.

**Physical Environmental Futures Contracts**

a. Washington Carbon Allowance Vintage 2023 and 2024 Futures

The Exchange is listing two physically settled futures contracts that call for the delivery of Washington Carbon Allowances at expiration. The allowances are issued by the Washington Department of Ecology and represent one metric ton of CO<sub>2</sub> equivalent under Chapter 173-446 WAC of the Climate Commitment Act and its associated regulations, rules, and amendments, all together known as the “Washington Cap and Invest Program.” The new futures contracts call for the delivery of 2023 and 2024 vintage-years. The term “vintage-year” identifies the compliance year for which an allowance is designated. The deliverable instruments for the new futures contracts are Washington Carbon Allowances equal to the contract size issued as a limited authorization to emit up to one metric ton of CO<sub>2</sub> or CO<sub>2</sub>-equivalent in the Washington Cap and Invest Program and, for the 2023 vintage futures, a vintage corresponding to the calendar year of the expiring contract. For the 2024 vintage futures, the deliverable instruments acceptable for delivery must be allowances having a vintage corresponding to the calendar year of the expiring contract or allowances having a vintage of any year prior to the calendar year of the expiring contract. If the specified vintage year allowances do not exist in the Washington Compliance Instrument Tracking System Services (“CITSS”) at contract expiry, allowances of any prior vintage year or allowances of the earliest vintage year available in the WA CITSS Registry shall be delivered. The deliverable instruments will be delivered through WA CITSS Registry. The contract specifications are similar to other Physical Environmental futures contracts currently listed by the Exchange, which prescribe that the Last Trading Day for the contracts shall be the third business day prior to the last business day of the delivery month, at which time the contracts will settle

based on physical delivery of the underlying allowances. The last weekend of December is not considered a business day, unless otherwise specified by the Exchange.

b. Washington Carbon Allowance Current Auction Clearing Price

The Exchange is listing another new Physical Environmental futures contract. The Washington Carbon Allowance Current Auction Clearing Price (“WCP”) contract is a cleared market for Washington Carbon Allowance (WCA) futures contracts at a premium or discount to the Current Auction Settlement Price, as published by the Washington Department of Ecology. The product complements the newly listed WCA futures, included herein. The contract will cease trading on the day on which the Auction Summary Results Report is scheduled to be released. If no Report is scheduled to be released, the Last Trading Day will be determined by the Exchange in accordance with its Rules. In the event that no Report is released due to cancellation of the auction, or release of the Report is delayed beyond the extension of trading permitted by the preceding sentence of this paragraph, the Last Trading Day will be determined by the Exchange as follows: (a) if notice of the auction cancellation or delay is issued by the Washington Department of Ecology on or prior to the 15th day of a calendar month, then trading shall cease at 3:00 p.m. (EPT) on the last Business Day of such month and (b) if such notice is given by the Washington Department of Ecology after the 15th calendar day of a month, then trading shall cease at 3:00 p.m. (EPT) on the tenth (10th) Business Day of the next calendar month.

At final settlement, all parties with open positions will establish equivalent long or short futures positions in the eligible WCA futures contract. All parties with open positions at expiry will establish equivalent long or short futures positions in the eligible WCA futures contract on the Final Settlement Day. Unless otherwise determined and announced by the Exchange, the eligible WCA futures contract is, if the auction is held during the first 20 calendar days of a month, the futures contract with a vintage equal to the current calendar year and an expiry month following the month the auction is held or, if the auction is held after the first 20 calendar days of a month, the futures contract with a vintage equal to the current calendar year and an expiry month two months following the month the auction is held. Open positions in the eligible WCA futures contract shall be priced at the respective Current Auction Settlement Price as published by the Washington Department of Ecology in the Report. In the event that an auction is cancelled, or the release of the Report is delayed beyond the extension of trading permitted by this Rule, or no Current Auction Settlement Price is published in the Auction Summary Results Report, an alternative settlement price that is equal to the higher of the applicable Auction floor price published by the Washington Department of Ecology, and the settlement price of the eligible WCA futures contract on the Final Settlement Day, shall be determined by the Exchange.

The contract sizes, minimum price fluctuations, Interval Price Limits (IPLs) and IPL recalculation times, where applicable, No-Cancellation Ranges (NCRs), spot month position limits and single and all month accountability levels are provided in relevant documents attached as Exhibit A. All relevant terms of the aforementioned Physical Environmental futures contracts are similar to other Physical Environmental futures contracts listed by the Exchange. The listing cycle and other relevant specifications are provided in the contract specifications in Exhibit A. Each of the new contracts are block eligible. The minimum block trade sizes have been set consistent with existing Physical Environmental contracts. New Exchange Rules 18.D.067-18.D.069 list the new futures contracts. The Exchange believes that the WCA and WCB contracts are substantially the same as existing contracts (*look-a-likes*) currently listed on a designated contract market. Therefore, pursuant to CFTC Regulation 150.5(b)(3), the Exchange has set spot month position limits and single and all-months-combined accountability levels for WCA and WCB at levels identical to those of existing contracts listed by such designated contract market, in compliance with the requirement.<sup>1</sup>

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<sup>1</sup> 17 C.F.R. § 150.5(b)(3) (October 15, 2020) (relevant regulation providing that: “For any newly listed commodity derivative contract subject to paragraph (b) of this section that is substantially the same as an existing contract listed on a designated contract market or swap execution facility that is a trading facility, the designated contract market or swap execution facility that is a trading facility listing such newly listed contract shall adopt spot month, individual

Positions held in the WCP futures contract will be aggregated with the underlying futures contract for position limits and single and all-month accountability purposes, and consistent with the aggregation requirements for auction clearing price contracts currently listed by the Exchange. Additionally, it is the Exchange's good faith belief that none of the contracts meet the definition of *referenced contract* as prescribed in CFTC §150.1.<sup>2</sup>

## **Certifications**

The rules and amendments establishing the new futures contracts' terms and conditions are to become effective on the second business day following the business day on which this submission is received by the Commission. The Exchange is not aware of any substantive opposing views to the new futures contracts. The Exchange certifies that the rule amendments comply with the requirements of the Act and the rules and regulations promulgated thereunder. The Exchange has reviewed the designated contract market core principles ("Core Principles") as set forth in the Act and has determined that the listing of the contracts complies with the following relevant Core Principles:

### **COMPLIANCE WITH RULES**

The terms and conditions of the new futures contracts are set forth in new Rules 18.D.067-18.D.069, and amendments to Resolutions 1 and 2 of Chapter 18, and will be enforced by the Exchange. In addition, trading of the contracts is subject to all relevant Exchange rules which are enforced by the Market Regulation Department.

### **CONTRACTS NOT READILY SUBJECT TO MANIPULATION**

The new futures contracts are not readily subject to manipulation as they are based on established and liquid underlying cash markets. In addition, trading of the new contracts will be monitored by the Market Regulation Department.

### **POSITION LIMITS OR ACCOUNTABILITY**

Positions in the new futures contracts will be subject to position limits and accountability levels set by the Exchange. As described above, such position limits are based upon existing levels set for substantially similar products at the Exchange or another designated contract market. Positions held in the new auction clearing price contract will be aggregated with the futures contracts underlying the contract for purposes of position limits and accountability.

### **FINANCIAL INTEGRITY OF CONTRACTS**

The new futures contracts will be cleared by ICE Clear Europe, a registered derivatives clearing organization subject to Commission regulation, and carried by registered futures commission merchants qualified to handle customer business.

The Exchange is not aware of any opposing views expressed by members or others regarding the listing of the new futures contracts and the adoption of related amendments. The Exchange further certifies that concurrent with this filing a copy of this submission was posted on the Exchange's website, which may be accessed at: (<https://www.theice.com/futures-us/regulation#rule-filings>).

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month, and all-months-combined speculative position limits comparable to those of the existing contract.") Here, the WCA and WCB contracts have identical deliverable instruments and expiration schedules to those listed by Nodal Exchange in its Washington Carbon Allowance Vintage 2023 Future (WBG), as well as the subsequent vintages of the products listed by Nodal Exchange. Therefore, the Exchange has determined to set spot month speculative position limits, single and all-months-combined accountability levels at 10,000 contracts for both WCA and WCB, identical to those at Nodal Exchange. ([https://www.nodalexchange.com/wp-content/uploads/Nodal\\_Rulebook\\_Appendix\\_A-Nodal\\_Exchange\\_Contract\\_Specification\\_All\\_2023-02-08..pdf](https://www.nodalexchange.com/wp-content/uploads/Nodal_Rulebook_Appendix_A-Nodal_Exchange_Contract_Specification_All_2023-02-08..pdf) and [https://www.nodalexchange.com/files/autogenerated/Nodal\\_Rulebook\\_Appendix\\_C-Limits\\_and\\_Levels.PDF](https://www.nodalexchange.com/files/autogenerated/Nodal_Rulebook_Appendix_C-Limits_and_Levels.PDF))

<sup>2</sup> 17 C.F.R. § 150.1 (October 15, 2020) (providing for *referenced contract* definition).

If you have any questions or need further information, please contact the undersigned at [patrick.swartz@theice.com](mailto:patrick.swartz@theice.com).

Sincerely,

A handwritten signature in black ink, appearing to read "Pat", with a long horizontal stroke extending to the right.

Patrick Swartz  
Director  
Market Regulation

Enc.  
cc: Division of Market Oversight  
New York Regional Office

**EXHIBIT A**

<b>Rule</b>	<b>Contract Name</b>	<b>Commodity Code</b>	<b>Contract Size</b>	<b>Unit of Trading</b>	<b>Minimum Tick <sup>[1]</sup></b>	<b>IPL Amount</b>	<b>IPL Recalc Time (Seconds)</b>	<b>IPL Hold Period (Seconds)</b>	<b>NCR</b>
18.D.067	Washington Carbon Allowance Vintage 2023 Future	WCA	1,000	Allowances	0.01	2.50	3	5	0.25
18.D.068	Washington Carbon Allowance Vintage 2024 Future	WCB	1,000	Allowances	0.01	2.50	3	5	0.25
18.D.069	Washington Carbon Allowance Current Auction Clearing Price	WCP	1,000	Allowances	0.01	0.75	3	5	0.05

[1] The minimum fluctuation for the above futures contracts may differ depending on trade type and market.

## Resolution No. 1 - Minimum Price Fluctuation Table

The following minimum price fluctuations shall be applicable to Energy Contracts.

Rule Number	Product	Minimum Price Fluctuations	
		Screen	Blocks and other trades outside the central limit order book

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<u>18.D.067</u>	<u>Washington Carbon Allowance Vintage 2023 Future</u>	<u>0.01</u>	<u>0.01</u>
<u>18.D.068</u>	<u>Washington Carbon Allowance Vintage 2024 Future</u>	<u>0.01</u>	<u>0.01</u>
<u>18.D.069</u>	<u>Washington Carbon Allowance Current Auction Clearing Price</u>	<u>0.01</u>	<u>0.01</u>

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## Resolution No. 2 – Position Limit/Accountability Table

Rule	Contract Name	Commodity Code	Contract Size	Unit of Trading	Spot Month Limit	Single Month Accountability Level	All Month Accountability Level	Aggregate 1 (Positive Correlation)	Aggregate 2 (Negative Correlation)	Exchange Reportable Level	CFTC Referenced Contract
18.D.067	Washington Carbon Allowance Vintage 2023 Future	WCA	1,000	Allowances	10,000	10,000	10,000	WCA		25	N
18.D.068	Washington Carbon Allowance Vintage 2024 Future	WCB	1,000	Allowances	10,000	10,000	10,000	WCB		25	N
18.D.069	Washington Carbon Allowance Current Auction Clearing Price	WCP	1,000	Allowances	10,000	10,000	10,000	WCA <sup>1</sup>		25	N

<sup>1</sup> Demonstrates the first iteration of product aggregation, however, subsequent expirations' aggregation requirements will be applicable to the relevant vintage-year.

## Subchapter 18D – Physical Environmental Futures Contracts

Rule	Subject
<u>18.D.067</u>	<u>Washington Carbon Allowance Vintage 2023 Future</u>
<u>18.D.068</u>	<u>Washington Carbon Allowance Vintage 2024 Future</u>
<u>18.D.069</u>	<u>Washington Carbon Allowance Current Auction Clearing Price</u>

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### **18.D.067 Washington Carbon Allowance Vintage 2023 Future**

**Contract Description:** Physically delivered greenhouse gas emissions allowances where each is an allowance issued by the Washington Department of Ecology (“Washington Carbon Allowance”) representing one metric ton of CO<sub>2</sub> equivalent under Chapter 173-446 WAC of the Climate Commitment Act and its associated regulations, rules and amendments, all together known as the "Washington Cap and Invest Program".

**Contract Symbol:** WCA

**Settlement Method:** Physical Delivery

**Contract Size:** 1,000 Washington Carbon Allowances

**Currency:** USD

**Minimum Price Fluctuation:** The price quotation convention shall be One cent (\$0.01) per Allowance; minimum price fluctuation may vary by trade type. Please see Table in Resolution 1 to this Chapter 18.

**Listing Cycle:** 1. The Exchange may list monthly contracts in the Standard Cycle or any other calendar month it determines for the current year and forward for up to ten years.

2. The Standard Cycle is: January, February, March, April, May, June, July, August, September, October, November and December

**Last Trading Day:** Three Business Days prior to the last Business Day of the delivery month. The last weekday of December is not considered a Business Day, unless otherwise specified by the Exchange.

**Deliverable Instruments:** The deliverable instruments are Washington Carbon Allowances equal to the contract size delivered through the Compliance Instrument Tracking System Service (“CITSS”).

Washington Carbon Allowances acceptable for delivery are those issued as a limited authorization to emit up to one metric ton of CO<sub>2</sub> or CO<sub>2</sub> equivalent in the Washington Cap and Invest Program having a vintage corresponding to the calendar year of the expiring contract.

**MIC Code:** IFED

**Clearing Venue:** ICEU

**Registry:** Washington CITSS Registry

### **18.D.068 Washington Carbon Allowance Vintage 2024 Future**

**Contract Description:** Physically delivered greenhouse gas emissions allowances where each is an allowance issued by the Washington Department of Ecology (“Washington Carbon Allowance”) representing one metric ton of CO2 equivalent under Chapter 173-446 WAC of the Climate Commitment Act and its associated regulations, rules and amendments, all together known as the "Washington Cap and Invest Program".

**Contract Symbol:** WCB

**Settlement Method:** Physical Delivery

**Contract Size:** 1,000 Washington Carbon Allowances

**Currency:** USD

**Minimum Price Fluctuation:** The price quotation convention shall be One cent (\$0.01) per Allowance; minimum price fluctuation may vary by trade type. Please see Table in Resolution 1 to this Chapter 18.

**Listing Cycle:** 1. The Exchange may list monthly contracts in the Standard Cycle or any other calendar month it determines for the current year and forward for up to ten years.

2. The Standard Cycle is: January, February, March, April, May, June, July, August, September, October, November and December

**Last Trading Day:** Three Business Days prior to the last Business Day of the delivery month. The last weekday of December is not considered a Business Day, unless otherwise specified by the Exchange.

**Deliverable Instruments:** The deliverable instruments are Washington Carbon Allowances equal to the contract size delivered through the Compliance Instrument Tracking System Service (“CITSS”).

Washington Carbon Allowances acceptable for delivery are those issued as a limited authorization to emit up to one metric ton of CO2 or CO2 equivalent in the Washington Cap and Invest Program having a vintage corresponding to the calendar year of the expiring contract and allowances having a vintage of any year prior to the calendar year of the expiring contract. If the specified vintage year allowances do not exist in the Washington CITSS Registry at contract expiry, allowances of any prior vintage year or allowances of the earliest vintage year available in the Washington CITSS Registry shall be delivered.

**MIC Code:** IFED

**Clearing Venue:** ICEU

**Registry:** Washington CITSS Registry

#### **18.D.069 Washington Carbon Allowance Current Auction Clearing Price**

**Contract Description:** The Washington Carbon Allowance Current Auction Clearing Price contract is a cleared market for Washington Carbon Allowance (WCA) futures contracts at a premium or discount to the Current Auction Settlement Price as published by the Washington Department of Ecology.

**Contract Symbol:** WCP

**Settlement Method:** 1 WCP contract exercises into an eligible Washington Carbon Allowances futures contract

**Contract Size:** 1 Washington Carbon Allowances futures contract

**Currency:** USD

**Minimum Price Fluctuation:** The price quotation convention shall be One cent (\$0.01) per Washington Carbon Allowance; Price may be positive or negative; minimum price fluctuation may vary by trade type. Please see Table in Resolution 1 to this Chapter 18.

**Listing Cycle:** 1. The Exchange may list monthly contracts in the Standard Cycle or any other calendar month it determines for the current year and forward for up to four years.

2. The Standard Cycle is: January, February, March, April, May, June, July, August, September, October, November, and December.

**Last Trading Day:** Trading shall cease at 3:00 p.m. (EPT) on the day on which the Auction Summary Results Report (“Report”) for the specified auction is scheduled to be released. In the event that no Report is scheduled to be released, the Last Trading Day will be determined by the Exchange in accordance with its Rules. In the event that no Report is released due to cancellation of the auction, or release of the Report is delayed beyond the extension of trading permitted by the preceding sentence of this paragraph, the Last Trading Day will be determined by the Exchange as follows: (a) if notice of the auction cancellation or delay is issued by the Washington Department of Ecology on or prior to the 15th day of a calendar month, then trading shall cease at 3:00 p.m. (EPT) on the last Business Day of such month and (b) if such notice is given by the Washington Department of Ecology after the 15th calendar day of a month, then trading shall cease at 3:00 p.m. (EPT) on the tenth (10th) Business Day of the next calendar month.

**Deliverable Instruments:** All parties with open positions at expiry will establish equivalent long or short futures positions in the eligible WCA futures contract on the Final Settlement Day. Unless otherwise determined and announced by the Exchange, the eligible WCA futures contract is, if the auction is held during the first 20 calendar days of a month, the futures contract with a vintage equal to the current calendar year and an expiry month following the month the auction is held or, if the auction is held after the first 20 calendar days of a month, the futures contract with a vintage equal to the current calendar year and an expiry month two months following the month the auction is held. Open positions in the eligible WCA futures contract shall be priced at the respective Current Auction Settlement Price as published by the Washington Department of Ecology in the Report. In the event that an auction is cancelled, or the release of the Report is delayed beyond the extension of trading permitted by this Rule, or no Current Auction Settlement Price is published in the Auction Summary Results Report, an alternative settlement price that is equal to the higher of the applicable Auction floor price published by the Washington Department of Ecology, and the settlement price of the eligible WCA futures contract on the Final Settlement Day, shall be determined by the Exchange.

**MIC Code:** IFED

**Clearing Venue:** ICEU

**Final Settlement:** Final Settlement Day will be equal to the Last Trading Day.

**[REMAINDER OF RULEBOOK UNCHANGED]**