



Chicago Climate Exchange®

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August 23, 2007

Ms. Eileen A Donovan  
Acting Secretary  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21<sup>st</sup> Street, N.W.  
Washington, C.C. 20581

Re: **Chicago Climate Futures Exchange, LLC  
Submission No. 07-12**

Dear Ms. Donovan:

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 17 regarding contract specifications for CCFE's new Certified Emission Reduction ("CER") futures contracts. These futures contracts will be listed for trading on the CCFE Trading Platform on August 24, 2007.

CCFE intends to make these amendments effective as of August 24, 2007. 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 Chapter 17 and a summary of the Contract Specifications for CER futures contracts as reflected in the amended Rulebook.

Should you require additional information regarding this submission, please contact me at 312.554.0812. Please reference our submission number 07-12 in any related correspondence.

Very truly yours,

Ann M. Cresce  
Senior Vice President & General Counsel

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cc: Riva Adriaance  
Martin Murray  
Gregory Price

www.chicagoclimateexchange.c



Chicago Climate Futures Exchange

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

<b>Contract Size</b>	1000 Certified Emission Reductions ("CER") representing 1000 metric tons of carbon dioxide ("CO <sub>2</sub> "). 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.
<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>Delivery Months</b>	Standard-cycle contract listings: <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> CCFE may list additional annual December contracts and any other calendar month contract off the standard-cycle listing schedule through 2014.
<b>Deliverable Instruments</b>	Cash settled
<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>	A contract expires 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 on the Last Trading Day.
<b>Final Settlement Price</b>	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.  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). Simple average of the price quotes, 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).
<b>Price Limits</b>	No daily price limits
<b>Reportable Position Limits</b>	25 contracts, equivalent to 25,000 CERs

<b>Nearby Expiration Month Speculative Position Limits</b>	1,000 contracts, equivalent to 1,000,000 Certified Emission Reductions per each expiring contract.

Contract specifications rules may be subject to change. If CCFE determines that changes to the contract specifications rules are warranted, reasonable efforts will be taken to provide appropriate advance notification of the changes.

This document is a summary of the CCFE contract specification rules. See the CCFE rulebook for complete contract specification rules.

**CHAPTER 17**  
**CERTIFIED EMISSION REDUCTION FUTURES**  
**CONTRACT SPECIFICATIONS**

**1701. Scope of Chapter**

This Chapter applies to trading in Certified Emission Reduction 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 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 Certified Emission Reduction futures contract shall be determined by the Exchange from time to time.

(c) *Termination of Trading (Contract Expiration).* 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.

(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 Certified Emission Reduction 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 Certified Emission Reduction 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.* Certified Emission Reduction 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 Certified Emission Reduction 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 shall be determined for the Certified Emission Reduction 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 Certified Emission Reduction 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. Final Settlement Price**

The final 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 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 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.

### **1705. Deliverable Instruments**

The Certified Emission Reduction futures contract is a cash settled contract.