



January 19, 2011

VIA E-MAIL

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

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CFTC

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SECRETARIAT

**Re: Rule Certification. Notification Regarding the Delisting of Environmental Futures and Option Contracts upon their migration from NYMEX Designated Contract Market into Green Exchange Designated Contract Market
NYMEX Submission No. 11-023**

Dear Mr. Stawick,

The New York Mercantile Exchange, Inc. ("NYMEX") is notifying the Commodity Futures Trading Commission ("CFTC" or "Commission") that it is self-certifying the simultaneous delisting of the 28 NYMEX rule chapters (relating to the 42 environmental futures and option contracts listed below) upon migration of those contracts from the NYMEX Designated Contract Market ("NYMEX DCM") onto the Green Exchange LLC Designated Contract Market ("Green Exchange DCM"). The delisting will occur upon the commencement of trading of these contracts on the Green Exchange DCM on trade date January 24, 2011. Please note that the last trading day on which these products will be available on the NYMEX DCM will be Friday, January 21, 2011.

The environmental contracts, chapter numbers and commodity codes are listed below:

Contract	Code	Rule Chapter
SO2 Emission 25 Allowance - Current Vintage Futures	09	554
SO2 Emission 25 Allowance - Vintage 2010 Futures	10	554
SO2 Emission 25 Allowance - Vintage 2011 Futures	11	554
SO2 Emission 25 Allowance - Vintage 2012 Futures	12	554
SO2 Emission 25 Allowance - Vintage 2013 Futures	13	554
SO2 Emission 25 Allowance - Vintage 2014 Futures	14	554
SO ₂ Emission 25 Allowance Vintage 2009 Futures	VAF	554
SO2 Emissions 25 Allowance - Options	S2	606
SO2 Emissions Allowance Future	RS	782
Nox Emissions Allowance Futures	RN	783
Daily European Union Allowance (EUA) Futures	EUL	841
In Delivery Month European Union Allowance (EUA) Futures	6T	850
In Delivery Month European Union Allowance (EUA) Option	6U	851

Contract	Code	Rule Chapter
In Delivery Month Certified Emission Reduction (CER) Futures	6S	852
In Delivery Month Certified Emission Reduction (CER) Option	6P	853
Seasonal NOX Emissions Allowance Vintage 2009 Futures	YI	860
Seasonal NOX Emissions Allowance Vintage 2010 Futures	YJ	861
Seasonal NOX Emissions Allowance Vintage 2011 Futures	YN	862
Seasonal NOX Emissions Allowance Vintage 2012 Futures	YM	863
Annual NOX Emissions Allowance Vintage 2009 Futures	WW	864
Annual NOX Emissions Allowance Vintage 2010 Futures	YP	865
Annual NOX Emissions Allowance Vintage 2011 Futures	YQ	866
Annual NOX Emissions Allowance Vintage 2012 Futures	YR	867
European Union Allowance (EUA) Futures	RC	868
European Union Allowance (EUA) Option	AV	869
Certified Emission Reduction (CER) Futures	VA	870
SO2 Emissions Allowance Option	AS	871
Certified Emission Reduction (CER) Option	VG	872
Regional Greenhouse Gas Initiative (RGGI) CO2 Allowance Futures	RJ	873
Regional Greenhouse Gas Initiative (RGGI) CO2 Allowance Vintage 2009 Futures	98	873
Regional Greenhouse Gas Initiative (RGGI) CO2 Allowance Vintage 2010 Futures	76	873
Regional Greenhouse Gas Initiative (RGGI) CO2 Allowance Vintage 2011 Futures	86	873
Regional Greenhouse Gas Initiative (RGGI) CO2 Allowance Vintage 2012 Futures	96	873
Regional Greenhouse Gas Initiative (RGGI) CO2 Allowance Option	OR	874
In Delivery Month European Union Allowance (EUA) Serial Option	9G	909
In Delivery Month Certified Emission Reduction (CER) Serial Option	9E	910
Climate Action Reserve (CAR) Futures - Non Vintage	CR	917
Climate Action Reserve (CAR) Futures - Vintage 2009	92	917
Climate Action Registry (CAR) Futures - Vintage 2010	93	917
Climate Action Reserve (CAR) Futures - Vintage 2011	94	917
Climate Action Reserve (CAR) Futures - Vintage 2012	95	917

Contract	Code	Rule Chapter
Climate Action Reserve (CAR) Option	CO	918

Further, please be advised that on January 7, 2011, all clearing members were notified of the upcoming migration of the above-listed contracts from the NYMEX DCM onto the Green Exchange DCM. A copy of the advisory notice is enclosed under Appendix A herewith and can also be found by clicking on the following link: <http://www.cmegroup.com/tools-information/lookups/advisories/clearing/Chadv11-4.html>. A reminder notice to all clearing members was also issued on January 19, 2011, a copy of which is enclosed in Appendix A herewith and can be found at the following link: <http://www.cmegroup.com/tools-information/lookups/advisories/clearing/files/Chadv11-20.pdf>.

The 28 rule chapters which will be delisted upon the commencement of trading of the above-listed contracts on the Green Exchange DCM on trade date January 24, 2011 are enclosed under Appendix B herewith.

The rule change is attached, with additions underscored and deletions bracketed.

Pursuant to Section 5c(c) of the Commodity Exchange Act ("Act") and CFTC Rule 40.6, NYMEX hereby certifies that the delisting of the environmental contracts upon migration onto the Green Exchange designated contract market complies with the Act, including regulations under the Act. There were no substantive opposing views to this proposal. The delisting shall be effective on trade date January 24, 2011.

Should you have any questions concerning the above, please contact Brad Leach at (212) 299-2609 or the undersigned at (212) 299-2200. Please reference our CME Submission No. 11-023 in any related correspondence.

Sincerely,

/s/Christopher K. Bowen
 Managing Director, Chief Regulatory Counsel

Attachments: Appendix A – Clearing Advisory Notice
 Appendix B – Rule Chapters

 **CME Group** | Advisory Notice

IMPORTANT: Green Exchange Product Migration - Monday, January 24, 2011

To: Clearing Member Firms
From: CME Clearing
Advisory #: 11-4
Notice Date: January 07, 2011
Effective Date: January 24, 2011

Background

Currently, there are forty-two emissions products (the "Green products") listed on the New York Mercantile Exchange, Inc. ("NYMEX") Designated Contract Market ("DCM" or "Exchange").

Recently, Green Exchange LLC ("GreenX") received a license to operate as a DCM by the U.S. Commodity Futures Trading Commission ("CFTC"). As GreenX recently announced, on the trade date of Monday, January 24, 2011, the existing Green products will be de-listed from trading on the NYMEX Exchange and listed for trading on the GreenX Exchange (the "Transition"). (The GreenX press release regarding the Transition is available at <http://www.thegreenx.com/news/articles/09-30-2010.html>.)

Under the Transition, the Green products – which will continue to be listed on the NYMEX Exchange through the end of day on Friday, January 21 – will be listed on the new GreenX Exchange as of Sunday night, January 23, for trade date Monday, January 24. After this date, the Green products will only be available for trading on the GreenX Exchange.

Following the Transition, the Green products will, without interruption, continue to be available for trading via CME Globex and for submission for clearing via CME ClearPort services.

For further information, please contact CME Clearing at 312-207-2525 or ccs@cmegroup.com. Any questions related to the Green Exchange can be directed to the Green Exchange directly at +1 212 299 2100 or +44 (0)20 7464 4180.

[For the full text of the advisory, please click here.](#)



CME Clearing - Clearing Advisory

TO: Clearing Member firms

NOTICE#: 11-20

SUBJECT: **Reminder – Green Exchange Product Migration – Monday, January 24, 2011**

For the full text of this advisory, please click here:

<http://www.cmegroup.com/tools-information/lookups/advisories/clearing/files/Chadv11-20.pdf>

Please be reminded that this coming weekend is the Green Exchange transition. Beginning Sunday evening January 23, 2011 for clearing business day January 24, 2011 the forty-two Green emissions futures and options products will be listed by Green Exchange LLC ("GreenX").

Practically, this means that they will cease to appear as NYMEX products, and instead will appear as Green Exchange products, with a product exchange of **GEX**.

For full details on the clearing transition, please see Clearing Advisory Notice 11-4, at:

<http://www.cmegroup.com/tools-information/lookups/advisories/clearing/files/Chadv11-4.pdf>

In the CME Account Manager ("RAV Manager") used by clearing firms to control permissioning in CME Clearport, permissioning will be transitioned to see the Green Exchange as a separate product set. For full details please see: [Migration of Account Market Permissioning for Green Exchange products](#)

(strikethrough indicates deletion)

SO2 Emission 25- Allowance Futures

554.01 SCOPE

The provisions of these rules shall apply to all SO2 emission allowances bought or sold for future delivery on the Exchange with the delivery at the U.S. Environmental Protection Agency's (EPA) Allowance Management System (AMS).

554.01A DEFINITIONS

(A) EPA means the U.S. Environmental Protection Agency or any successor agency with similar jurisdiction.

(B) SO2 Emission Allowance refers to a tradable permit to emit SO2 as specified further by EPA.

(C) SO2 Allowance Management System (AMS) means the system established by the EPA for recording the transfer of Allowances among various entities under the Clean Air Act as set.

(D) Vintage Year means the first calendar year for which the allowance may be utilized for compliance.

(E) The Clean Air Markets Division (CAMD) Business System is the EPA's electronic platform for recording information submitted by regulated entities and other Program participants, including the electronic transfer of allowances between accounts.

(F) The terms "Seller" and "Buyer" shall mean the short Clearing Member and the long Clearing Member, respectively.

(G) The terms "Seller's Customer" and "Buyer's Customer" shall mean the seller and buyer of the physical product or swap transaction.

(H) The term "Settlement Price" shall mean the final settlement price used as the price for delivery of the product, which shall be the settlement price for the last trading day of the expiring delivery month. The settlement price for the last day of the trading shall be determined in accordance with the procedures set forth in NYMEX Rule 813.

554.02 TIME REFERENCES

For purposes of these Rules, unless otherwise specified, times referred to herein shall refer to and indicate the prevailing time in New York.

554.03 CONTRACT UNIT

The contract unit shall be twenty five (25) SO2 emission allowances for delivery made by transfer through AMS.

554.04 DELIVERABLE ALLOWANCES

1) Contracts without a specified vintage year

(a) For March through December contract terminations, SO2 emission allowances acceptable for delivery are allowances with either a vintage corresponding to the calendar year of the terminating contract month or a vintage of any year prior to the calendar year of the terminating contract month.

(b) For January and February contract terminations, SO2 emission allowances acceptable for delivery are allowances with a vintage of any year prior to the calendar year of the terminating contract month.

2) Contracts with a specified vintage year

SO2 emission allowances acceptable for delivery are allowances with a vintage corresponding to the specific vintage year of the terminating contract month or a vintage of any year prior to the specified vintage year of the terminating contract month.

554.05 DELIVERY

SO2 Emission allowance delivery shall comply with all the requirements for the electronic transfer of SO2 emission allowances on the AMS through CAMD Business System. All deliveries made under these rules shall be final and there shall be no appeal.

554.06 DELIVERY MONTHS AND CONTRACT VINTAGES

Trading shall be conducted in contracts providing for delivery of SO2 emission allowances with and without specified vintage years in such months as shall be determined by the Exchange.

554.07 MINIMUM PRICE FLUCTUATIONS

Prices shall be quoted in dollars and cents per allowance. The minimum price fluctuation shall be \$0.10 per SO2 emission allowance (\$2.50 per contract). There shall be no maximum price fluctuation.

554.08 TERMINATION OF TRADING

With the exception of February contracts, trading in the current delivery month shall cease on the last business day of the contract month.

Trading in the February contracts shall cease on the third to last business day of the expiring contract month.

554.09 PRODUCT PLACEMENT

For purposes of Rule 9A.19, the Seller and Buyer shall fulfill their respective contractual obligation on a maturing contract unless, by 12:00 noon on the day preceding the last trading day in the applicable delivery month, such Seller and Buyer have received AMS account certification from his customer, in the form prescribed by the Exchange stating that the Customer has an account with AMS, with access to CAMD Business System.

The receipt of such certification shall not relieve the Seller or Buyer, or their respective Customers of any obligations under any Rule other than Rule 9A.19.

554.10 DELIVERY PROCEDURES

(A) Responsibilities of Clearing Members Having Open Long Positions
Notice of Intention to Accept:

By 11:30 a.m. on the first business day after the termination of the delivery month, a Buyer having an open position shall file with the Exchange a properly completed and signed Notice of Intention to Accept. The Notice of Intention to Accept shall be in the form prescribed by the Exchange and shall include the Name of the Buyer's Customer, Number of contracts to be accepted, and any additional information as may be required by the Exchange; By 4:00 p.m. on Notice Day, the Seller shall provide the Buyer with the following information: AMS Account Number, Vintage Year, Name, Phone Number and e-mail address of the Authorized Account Representative (AAR) or the authorized alternate for that AMS account.

(A) Responsibilities of Clearing Members Having Open Short Positions
Notice of Intention to Deliver:

By 11:30 a.m. on the first business day after the termination of the delivery month, a Seller having an open short position shall file with the Exchange a properly completed and signed Notice of Intention to Deliver. The Notice of Intention to Deliver shall be in such form prescribed by the Exchange and shall include: Name of the Seller's Customer, Number of contracts to be delivered, AMS Account Number, Vintage Year, Name, Phone Number and e-mail address of the Authorized Account Representative (AAR) or the authorized alternate for that AMS account, Any additional information as may be required by the Exchange.

(B) Use of Settlement Price

The final settlement price used for the delivery shall be the settlement price from the final day of trading.

(D) Notice Day

(1) The Clearing House shall allocate Notices of Intention to Deliver and Notices of Intention to Accept by matching size of positions, to the extent possible.

(2) The Clearing House shall provide Tender Allocation Notices to the respective Clearing Members by 2:00 PM on the first business day after the termination of the delivery month.

(3) The day the Tender Allocation Notices are provided to the Clearing Members shall be referred to as "Notice Day". Tender Allocation Notices are not transferable.

(E) Payment and Delivery Margins Definitions

(1) "Payment" shall include the settlement price times the number of contracts times 25.

(2) "Payment Date" shall mean the business day after the Buyer's Customer receipt of proper notification from the AMS that allowances have been transferred from the Seller's Customer account to the Buyer's Customer account, provided documentation is supplied to the Buyer's Customer by no later than 2:00 P.M. Documentation supplied by the Seller's Customer to Buyer's Customer after 2:00 PM on any Exchange business day, shall be considered received on the following Exchange business day.

(3) On the business day following the last day of trading, the long clearing member shall obtain from the long, if any, margin equal to the full value of the product to be delivered. Such margin shall consist of cash, securities issued by the United States Treasury Department maturing within ten (10) years from the date of deposit and guaranteed as to principal and interest by the United States Government or a letter of credit. Any Treasury securities so deposited shall be valued at ninety percent (90%) of the par value of such instruments. Any letter of credit so deposited shall be in a form approved by the Exchange, shall be issued or confirmed by an Exchange approved original margin depository, and shall be drawn in favor of the Exchange.

(4) The Buyer shall pay the Seller at the office of the Seller by a certified check or electronic funds transfer, or any other method acceptable to both parties by 12:00 PM on the payment date.

(5) The Buyer and Seller shall deposit with the Exchange margins in such amounts and in such

form as required by the Exchange. Such margins which shall not be greater than the margins charged to the Buyer's Customer and Seller's Customer, shall be returned on the business day following notification to the Exchange that delivery and payment have been completed.

(6) On the Payment Date, The Seller shall deliver a Notice of Payment to the Buyer with a copy to the Exchange by 4:30 PM. Upon receipt of such notice the delivery shall be complete.

(7) Any payment made on Payment Date shall be based on SO₂ emission allowances actually delivered.

(8) Delivery Day. The day the Buyer receives the allowances shall be referred to as the Delivery Day.

554.11 DELIVERY PERIOD

Delivery shall take place on the second business day after the termination of the delivery month.

554.12 VALIDITY OF DOCUMENTS

The Exchange makes no representation respecting the authenticity, validity or accuracy of any of Tender Allocation Notice, Notice of Intention to Accept, Notice of Intention to Deliver, check or of any document or instrument delivered pursuant to these rules.

554.13 EXCHANGE OF FUTURES FOR, OR IN CONNECTION WITH PRODUCT AND EXCHANGE OF FUTURES FOR, OR IN CONNECTION WITH, SWAP TRANSACTIONS

(A) An exchange of futures for, or in connection with, the product (EFP) or exchange of futures for, or in connection with, swap (EFS) transactions consist of two discrete, but related, transactions: a physical commodity or swap transaction and a futures transaction. At the time such transaction is effected, the Buyer's Customer and Seller's Customer of the futures must be respectively the Seller's Customer and Buyer's Customer of a quantity of the physical product or swaps agreement covered by this Section (or any derivative, by product or related product). The quantity of physical product or swap agreement must be approximately equivalent to the quantity covered by the futures contract.

(B) Except as provided below, an EFP or EFS must take place during the hours of futures trading for the SO₂ Emission 25 Allowance Futures contract. An EFP or EFS is permitted in the expiring futures contract until two hours after trading terminates on the last day of trading of the expiring futures contract. An EFP or EFS which establishes a futures position for both the buyer and the seller shall not be permitted during the two hour period following the termination of trading of expired futures contract.

(C) Any EFP or EFS transaction shall be governed by the provisions of this Rule and by the provisions of Exchange Rules 6.21 and 6.21A, respectively.

(D) Each Buyer's Customer and Seller's Customer must satisfy the Exchange, at its request, that the transaction is a legitimate EFP or EFS transaction. All documentary evidence relating to the EFP or EFS, including, without limitation, evidence as to change of ownership of the physical commodity or swap commitment, shall be obtained by the Clearing Members from their customers and made available by the Clearing Members for examination by the Exchange upon request.

(E) A report of each EFP or EFS transaction shall be entered on the day that the transaction thereto was made, or if such agreement was made after the close of trading, then on the next business day. EFP or EFS transactions shall be cleared through the Exchange in accordance with normal procedures, shall be clearly identified as EFP or EFS transactions, and shall be recorded as such by the Exchange and by the Clearing Members involved.

554.14 ALTERNATIVE DELIVERY PROCEDURE

A Seller's Customer or Buyer's Customer may agree with the Buyer's Customer or the Seller's Customer with which it has been matched by the Exchange under Rule 554.10 (D) to make and take delivery under terms or conditions which differ from the terms and conditions prescribed by this Chapter. In such a case, Clearing Members shall execute an Alternative Notice of Intention to Deliver on the form prescribed by the Exchange and shall deliver a completed executed copy of such Notice to the Exchange. The delivery of an executed Alternative Notice of Intention to Deliver to the Exchange shall release the Clearing Members and the Exchange from their respective obligations under the Exchange contracts.

In executing such Notice, Clearing Members shall indemnify the Exchange against any liability, cost or expense it may incur for any reason as a result of the execution, delivery, or performance of such contracts or such agreement, or any breach thereof or default there under. Upon receipt of an executed Alternative Notice of Intention to Deliver, the Exchange will return to the Clearing Members all margin monies held for the account of each with respect to the contracts involved.

554.15 FORCE MAJEURE, LATE PERFORMANCE AND FAILURE TO PERFORM

(A) DEFINITION. As used in this Rule 554.13, the following terms, as well as variations thereof,

shall have the meaning described below.

(1) "Late Performance" shall mean the failure of a Buyer or a Seller to complete a material act with respect to a delivery obligation imposed by, and within the time period established in, the Rules. Late Performance shall be restricted to three business days. Late Performance beyond three business days by, a Seller or a Buyer will be deemed a Failure to Perform.

(2) "Day of Late Performance" shall mean the twenty-four hour period commencing immediately after a Buyer or a Seller was to have performed. Each subsequent Day of Late Performance shall commence twenty-four hours after the beginning of the prior Day of Late Performance. When a Party is late in performance, the day when the act was to have performed shall be a Day of Late Performance.

(3) "Failure to Perform" shall mean the failure of a Buyer or a Seller to complete a material act with respect to a delivery obligation prior to the expiration of the period allowed for the late performance of such act.

(4) "Contract Value" shall mean the amount equal to the settlement price on the last day of trading in a futures contract times 25 (the number of SO₂ emission allowances per contract) times the number of contracts to be delivered.

(5) (a) "Party" shall mean a Buyer or Seller and such Buyer and Seller are each responsible to the Exchange for their obligations under these Rules and further responsible to the Exchange for the obligations of their respective customers under the Rules of this Chapter.

(b) "Other Party" shall mean the corresponding Buyer when the Seller is late in performance or has failed to perform and the corresponding Seller when the Buyer is late in performance or has failed to perform.

(6) "Force Majeure" shall mean any circumstance (including but not limited to a strike, lockout, national emergency, governmental action, or act of God) which is beyond the control of such Buyer or Seller, and which prevents the Buyer or Seller from making or taking delivery of product when and as provided for in these Rules.

(B) RESPONSIBILITIES OF PARTIES TO THE DELIVERY

(1) The parties to a delivery shall make commercially reasonable efforts to perform their respective delivery obligations at all times until a Party has failed to perform.

(2) A Party which has failed to perform its obligations may no longer perform such obligations; provided, however, that a Buyer which has failed to make a payment shall make such payment.

(C) EMISSIONS ALLOWANCE DELIVERY COMMITTEE

(1) Force Majeure, Late Performance and Failure to Perform shall be determined by a Panel of the Emissions Allowance Delivery Committee as set forth below. The Chairman of the Emissions Allowance Delivery Committee shall appoint a Panel, which shall consist of three (3) members of the Committee, to review a delivery:

(a) When the Chairman of the Emissions Allowance Delivery Committee is advised by the President or any person designated by the President that it appears that the performance of a Party to the delivery is late;

(b) Upon the written request of both the Buyer and the Seller;

(c) When the President or any person designated by the President requests such appointment; or

(d) When either Party to the delivery notifies the Exchange that circumstances exist constituting Force Majeure.

(2) The Chairman of the Emissions Allowance Delivery Committee shall not appoint to any Panel any person who has a direct or indirect interest in the delivery in question. Any Panel so appointed shall retain jurisdiction over the delivery in question until the delivery has been completed or a Party has been found to have failed to perform such delivery. Exchange Counsel shall serve as advisor to the Panel.

(3) The Panel shall meet within one business day of notification as provided in these Rules. Unless good cause for delay exists, within one business day the Panel shall determine whether force majeure exists, whether a Buyer or Seller is late in performing or has failed to perform its obligations as provided in the Rules, and advise the Market Regulation Department of such determination, and its findings in support thereof immediately. The Panel shall cause its determination to be communicated to the parties to the delivery as expeditiously as possible.

(4) Upon a finding of force majeure, the Panel may take any one or combination of the following actions as it deems suitable: an extension of time not to exceed ten days from the date of the scheduled delivery; or, refer the delivery to the Exchange, represented by the Market Regulation Department, for emergency action.

(D) EXCHANGE ACTION

(1) Whenever a Buyer or a Seller is found by the Panel to be late in the performance of a delivery obligation, the Exchange, represented by the Market Regulation Department, shall issue a Notice of Assessment, assessing a penalty of 10% of contract value for each applicable day of Late Performance.

(2) Whenever a Buyer or Seller is found by the Panel or otherwise deemed to have a "Failure to Perform" the Exchange, represented by the Market Regulation Department shall issue a Notice of

Assessment assessing penalties of twenty percent (20%) of the contract value, in addition to any penalties assessed pursuant to subparagraph (1) above, to be paid to the Exchange.

(3) (a) A Party may appeal a Notice of Assessment by filing a Notice of Appeal with the Hearing Registrar of the Exchange and by serving a copy of the same on the Exchange's Market Regulation Department, within two business days of receipt of the Notice of Assessment from the Market Regulation Department. The Party filing the appeal ("Appellant") shall file, within twenty (20) days after filing the Notice of Appeal, a Memorandum of Appeal setting forth the factual and legal basis for the appeal. The Memorandum of Appeal must be filed with the Hearing Registrar and a copy of the same served upon the Exchange's Compliance Counsel.

(b) The Market Regulation Department may file with the Appellant and Hearing Registrar an Answering Memorandum to the Memorandum of Appeal within ten (10) days of receipt of that memorandum.

(c) Failure by the Party to file a Notice of Appeal or a Memorandum of Appeal with the time specified in subsection (D)(3)(a) of this Rule shall constitute a waiver, and the penalties set forth in the Notice of Assessment shall be paid within five days to the Exchange. Failure to pay such penalties in accordance with this Rule shall subject the party to the sanctions set forth in Chapter 4. In the event a party fails to Appeal, or waives the opportunity to appeal a Notice of Assessment, the Assessment and findings of the Emissions Allowance Delivery Committee shall constitute a final disciplinary action of the Exchange.

(4) Within ten (10) days after receipt of Market Regulation Department's reply, the Appellant shall be entitled to examine all books, documents and other tangible evidence in possession or under the control of the Exchange that are to be relied on by Market Regulation Department or are otherwise relevant to the matter.

(5) In the event of an appeal by a Party, the President, or his designee, shall appoint an Assessment Appeal Panel to hear and decide the appeal. No member of the Panel may have a direct or indirect interest in the matter under the appeal. Each Panel Member shall disclose to the President, or his designee, any such interest which might preclude such Panel Member from rendering a fair and impartial determination. The formal Rules of Evidence shall not apply to such appeal, and the Panel shall be the sole judge with respect to the evidence presented to it. Exchange outside counsel shall advise the Panel.

(6) The procedures for the hearing of the appeal before the Assessment Appeal Panel shall be as follows:

(a) At a date to be set by order of the Panel, and prior to such hearing, the Appellant and the Market Regulation Department shall furnish each other with a list of witnesses expected to be called at the hearing, and a list of documents and copies thereof expected to be introduced at the hearing.

(b) At such hearing, the Appellant may appear personally and may be represented by counsel or other representative of his choice at the appeal.

(c) The Market Regulation Department shall be entitled to offer evidence relating to the delivery and shall be entitled to call witnesses and introduce documents in support thereof. It shall be the burden of the Market Regulation Department to demonstrate, by the weight of the evidence, the appropriateness of the sanction set forth in the Notice of Assessment.

(d) The Appellant shall be entitled to rebut the Market Regulation Department's evidence and shall be entitled to call witnesses and introduce documents in support thereof.

(e) The Market Regulation Department and the Appellant shall be entitled to cross-examine any witness called by the opposing Party at the hearing.

(f) The Notice of Assessment, the Notice of Appeal, the Memorandum of Appeal, any Answering Memorandum, the stenographic transcript of the appeal, any documentary evidence or other material presented to and accepted by the Panel shall constitute the record of the hearing. The decision of the Panel shall be based upon the record of the hearing.

(g) The Panel shall have the power to impose a penalty against any person who is within the jurisdiction of the Exchange and whose actions impede the progress of a hearing.

(h) The Assessment Appeal Panel shall issue a written decision in which it may affirm, reduce, or waive the charges assessed against the Appellant and shall state the reasons therefore.

(i) The decision of the Assessment Appeal Panel shall be a final decision of the Exchange and shall constitute a final disciplinary action of the Exchange. The fine is payable on the effective day of the decision or as specified. The effective day shall be fifteen (15) days after a copy of the written decision has been delivered to the appellant and to the Commission.

(8) The Assessment Appeal Panel shall consider, and make recommendations to the President, or his designee concerning acceptance or rejection of, any offer of settlement submitted by Appellant. In the case of an offer of settlement, acceptance by the President shall constitute the final disciplinary action of the Exchange.

(E) ARBITRATION PROCEDURE

(1) Any claim for damages arising between a Buyer and a Seller as a result of a delivery pursuant to this contract shall be settled by arbitration in accordance with these Rules.

(2) Notice of Intent to Arbitrate must be submitted to the Secretary of the Exchange within three

Appendix B

~~business days of the occurrence upon which the claim is based or the decision of the Emissions Allowance Delivery Committee with respect to a late or failed performance. Failure to submit a Notice of Intent to Arbitrate within the prescribed period will be deemed a waiver of a Party's rights to arbitrate such a delivery dispute under the special or Regular Arbitration Rules.~~

~~(3) The Arbitration will be governed by Chapter 6A of the Rules except that the President or his designee shall appoint an Arbitration Panel.~~

~~SO₂ Emission 25 Allowance Option~~

~~606.01 EXPIRATION~~

~~An SO₂ Emission 25 Allowance Option contract listed on the Exchange shall expire at the close of~~

trading three business days prior to the expiration of the underlying SO2 Emission 25 Allowance Futures contract.

606.02 TRADING UNIT

An SO2 Emission 25 Allowance option contract is European-style option. An SO2 Emission 25 Allowance put or call option contract traded on the Exchange represents an option to assume a short or long position in the underlying SO2 Emissions 25 Allowance Futures contract without a specified vintage year traded on the Exchange.

606.03 TRADING MONTHS

Trading in an SO2 Emission 25 Allowance Option contract shall be conducted in the contract months as shall be determined by the Exchange. Trading shall commence on the day fixed by resolution of the Exchange.

606.04 HOURS OF TRADING

The SO2 Emission 25 Allowance Option contract is available for open outcry trading on the Exchange trading floor between 9:00 a.m. and 2:30 p.m. (New York prevailing time) Monday through Friday, except on Exchange Holidays.

The SO2 Emission 25 Allowance Option contract is available for clearing on CME ClearPort® clearing system from 6:00 p.m. Sunday through 5:15 p.m. Friday (New York prevailing time), with a 45-minute halt in trading each day between 5:15 p.m. and 6:00 p.m., except on Exchange Holidays.

606.05 STRIKE PRICES

Trading shall be conducted for options with strike prices in increments as set forth below.

(A) On the first business day of trading in an option contract month, trading shall be at the following strike prices: (i) the previous day's settlement price for SO2 Emission 25 Allowance Futures contracts in the corresponding delivery month rounded off to the nearest one-dollar increment strike price; (ii) the ten one-dollar increment strike prices which are ten increments higher than the strike price described in (i) of this Rule 606.05(A); and (iii) the ten one-dollar increment strike prices which are ten increments lower than the strike price described in (i) of this Rule 606.05(A).

(B) Thereafter, on any business day prior to the expiration of the option, new consecutive strike prices for both puts and calls will be added such that there will be ten increments above and below the at-the-money option.

(C) Notwithstanding the provisions of subsections (A) and (B) of this Rule, if the Exchange determines that trading in SO2 Emission 25 Allowance Option contracts will be facilitated hereby, the Exchange may, by resolution, change the increments between strike prices, the number of strike prices which shall be traded in the first day in any new option contract month, the number of new strike prices which will be introduced on each business day or the period preceding the expiration of an SO2 Emission 25 Allowance Option contract in which no new strike prices may be introduced.

606.06 PRICES AND PRICE FLUCTUATIONS

Prices shall be quoted in dollar and cents per allowance. The minimum price fluctuation is \$0.10 per allowance. A cabinet trade may occur at a price of \$1.00 per contract, however, if it results in the liquidation of positions for both parties to the trade.

606.07 ABSENCE OF PRICE FLUCTUATION LIMITATIONS

Trading in SO2 Emission 25 Allowance Option contracts shall not be subject to price fluctuation limitations.

SO2 Emissions Allowance Futures Contract

782.01. SCOPE

The provisions of these rules shall apply to all SO2 emissions allowances bought or sold for future delivery on the Exchange with the Delivery at the U.S Environmental Protection Agency's (EPA)

Allowance-Tracking System.

782.01A. DEFINITIONS

- (A) EPA means the U.S. Environmental Protection Agency or any successor agency with similar jurisdiction.
- (B) SO₂ Allowance refers to a tradable permit to emit SO₂ as specified further by EPA.
- (C) SO₂ Allowance Management System (AMS) means the system established by the EPA for recording the transfer of Allowances among various entities under the Clean Air Act as set.
- (D) Vintage Year means the first calendar year for which the allowance may be utilized for compliance.
- (E) The Clean Air Markets Division (CAMD) Business System is the EPA's electronic platform for recording information submitted by regulated entities and other Program participants, including the electronic transfer of allowances between accounts.
- (F) The terms "Seller" and "Buyer" shall mean the short Clearing Member and the long Clearing Member, respectively.
- (G) The terms "Seller's Customer" and "Buyer's Customer" shall mean the seller and buyer of the physical product.
- (H) The term "Settlement Price" shall mean the final settlement price used as the price for delivery of the product, which shall be the settlement price for the last trading day of the expiring delivery month. The settlement price for the last day of the trading shall be determined in accordance with the procedures set forth in NYMEX Rule 813.

782.02. TIME REFERENCES

For purposes of these Rules, unless otherwise specified, times referred to herein shall refer to and indicate the prevailing time in New York.

782.03. CONTRACT UNIT

The contract unit shall be one hundred (100) SO₂ emissions allowances of current or earlier year vintage for a delivery made by transfer through AMS.

782.04. DELIVERY

Emissions allowances delivery shall comply with all requirements for the electronic transfer of SO₂ allowances on the AMS through CAMD Business System. All deliveries made under these rules shall be final and there shall be no appeal.

782.05. DELIVERY MONTHS

Trading shall be conducted in contracts providing for delivery in such periods as shall be determined by the Exchange.

782.06. MINIMUM PRICE FLUCTUATIONS

Prices shall be quoted in dollars and cents per allowance. The minimum price fluctuation shall be \$0.25 per allowance (\$25.00 per contract). There shall be no maximum price fluctuation.

782.07. TERMINATION OF TRADING

Trading in the current delivery month shall cease at termination of the third business day prior to the last business day of the contract month.

782.08. RESERVED**782.09. DELIVERY PROCEDURES****(A) RESPONSIBILITIES OF CLEARING MEMBERS HAVING OPEN LONG POSITIONS
NOTICE OF INTENTION TO ACCEPT**

By 11:30 a.m. on the second business day prior to the last business day of an expiring delivery month, a Buyer having an open position shall file with the Exchange a properly completed and signed Notice of Intention to Accept. The Notice of Intention to Accept shall be in the form prescribed by the Exchange and shall include the Name of the Buyer's Customer, Number of contracts to be accepted, and any additional information as may be required by the Exchange; By 4:00 p.m. on Notice Day, the Seller shall provide the Buyer with the following information: AMS Account Number, Vintage Year, Name, Phone Number and e-mail address of the Account Representative (AAR) or the authorized alternate for that AMS account.

**(B) RESPONSIBILITIES OF CLEARING MEMBERS HAVING OPEN SHORT POSITIONS
NOTICE OF INTENTION TO DELIVER**

By 11:30 a.m. on the second business day prior to the last business day of an expiring delivery month, a Seller having an open short position shall file with the Exchange a properly completed and signed Notice of Intention to Deliver. The Notice of Intention to Deliver shall be in such form

prescribed by the Exchange and shall include: Name of the Seller's Customer, Number of contracts to be delivered, AMS Account Number, Vintage Year, Name, Phone Number and e-mail address of the Account Representative (AAR) or the authorized alternate for that AMS account, Any additional information as may be required by the Exchange.

By 4:00 p.m. on Notice Day, the Seller shall provide the Buyer with the following information: AMS Account Number, Vintage Year, Name, Phone Number and e-mail address of the Account Representative (AAR) or the authorized alternate for that NAMS account.

(C) USE OF SETTLEMENT PRICE: The final settlement price used for the delivery shall be the settlement price from the final day of trading.

(D) Notice Day

(1) The Clearing House shall allocate Notices of Intention to Deliver and Notices of Intention to Accept by matching size of positions, to the extent possible.

(2) The Clearing House shall provide Tender Allocation Notices to the respective Clearing Members by 2:00 PM on the second business day prior to the last business day of the delivery month.

(3) The day the Tender Allocation Notices are provided to the Clearing Members shall be referred to as "Notice Day". Tender Allocation Notices are not transferable.

(E) Payment and Delivery Margins

(1) Definitions

(a) "Payment" shall include the settlement price times the number of contracts times 100.

(b) "Payment Date" shall mean the business day after the Buyer's Customer receipt of proper notification from the AMS that allowances have been transferred from the Seller's Customer account to the Buyer's Customer account, provided documentation is supplied to the Buyer's Customer by no later than 2:00 P.M. Documentation supplied to Buyer after 2:00 noon on any Exchange business day, shall be considered received on the following Exchange business day.

(c) On the business day following the last day of trading, the long clearing member shall obtain from the long, if any, margin equal to the full value of the product to be delivered. Such margin shall consist of cash, securities issued by the United States Treasury Department maturing within ten (10) years from the date of deposit and guaranteed as to principal and interest by the United States Government or a letter of credit. Any Treasury securities so deposited shall be valued at ninety percent (90%) of the par value of such instruments. Any letter of credit so deposited shall be in a form approved by the Exchange, shall be issued or confirmed by an Exchange approved original margin depository, and shall be drawn in favor of the Exchange.

(d) The Buyer shall pay the Seller at the office of the Seller by a certified check or electronic funds transfer, or any other method acceptable to both parties by 12:00 PM on the payment date.

(e) The Buyer and Seller shall deposit with the Exchange margins in such amounts and in such form as required by the Exchange. Such margins which shall not be greater than the margins charged to the Buyer's Customer and Seller's Customer, shall be returned on the business day following notification to the Exchange that delivery and payment have been completed.

(f) On the Payment Date, The Seller shall deliver a Notice of Payment to the Buyer with a copy to the Exchange by 4:30 PM. Upon receipt of such notice the delivery shall be complete.

(g) Any payment made on Payment Date shall be based on allowances actually delivered.

(F) Delivery Day

The day the Buyer receives the allowances shall be referred to as the Delivery Day.

782.10. DELIVERY PERIOD

Delivery shall take place on one business day prior to the last business day of the delivery month.

782.11. VALIDITY OF DOCUMENTS

The Exchange makes no representation respecting the authenticity, validity or accuracy of any of Tender Allocation Notice, Notice of Intention to Accept, Notice of Intention to Deliver, check or of any document or instrument delivered pursuant to these rules.

782.12. EXCHANGE OF FUTURES FOR PHYSICAL (EFP) AND EXCHANGE OF FUTURES FOR SWAPS (EFS)

(A) An exchange of futures for, or in connection with, product (EFP) or exchange of futures for, or in connection with, swap (EFS) transactions consists of two discrete, but related, transactions; a cash transaction and a futures transaction. At the time such transaction is effected, the Buyer's Customer and the Seller's Customer of the futures must be the Seller's Customer and the Buyer's Customer of a quantity of the physical product or swaps agreement covered by this Section (or any derivative, by product or related product.) The quantity of physical product must be approximately equivalent to the quantity covered by the futures contracts.

(B) Except as provided below, an EFP or EFS transaction must take place during the hours of futures trading for the SO₂ Emissions Allowance futures contract. An EFP or EFS is permitted in the expiring futures contract until two hours after trading terminates on the last day of trading of the

expiring futures contract. An EFP or EFS which establishes a futures position for both the buyer and the seller shall not be permitted during the two-hour period following the termination of trading of expired futures contract.

(C) Any EFP or EFS transaction shall be governed by the provisions of Rule 538 and 538.A, respectively.

(D) Each Buyer's Customer and Seller's Customer must satisfy the Exchange, at its request, that the transaction is a legitimate EFP or EFS transaction. All documentary evidence relating to EFP or EFS, including, without limitation, evidence as to change of ownership of the physical commodity or swap commitment shall be obtained by the Clearing Members from their customers or and made available by the Clearing Members for examination by the Exchange upon request.

(E) A report of each EFP or EFS transaction shall be entered on the day that the transaction thereto was made, or if such agreement was made after the close of trading, then on the next business day. EFP or EFS transactions shall be cleared through the Exchange in accordance with normal procedures, shall be clearly identified as EFP or EFS transactions, and shall be recorded as such by the Exchange and by the Clearing Members involved.

782.13. ALTERNATIVE DELIVERY PROCEDURE

A Seller's Customer or Buyer's Customer may agree with the Buyer's Customer or the Seller's Customer with which it has been matched by the Exchange under Rule 782.09(D) to make and take delivery under terms or conditions which differ from the terms and conditions prescribed by this Chapter. In such a case, Clearing Members shall execute an Alternative Notice of Intention to Deliver on the form prescribed by the Exchange and shall deliver a completed executed copy of such Notice to the Exchange. The delivery of an executed Alternative Notice of Intention to Deliver to the Exchange shall release the Clearing Members and the Exchange from their respective obligations under the Exchange contracts.

In executing such Notice, Clearing Members shall indemnify the Exchange against any liability, cost or expense it may incur for any reason as a result of the execution, delivery, or performance of such contracts or such agreement, or any breach thereof or default there under. Upon receipt of an executed Alternative Notice of Intention to Deliver, the Exchange will return to the Clearing Members all margin monies held for the account of each with respect to the contracts involved.

782.14. FORCE MAJEURE, LATE PERFORMANCE FAILURE TO PERFORM

(A) DEFINITION. As used in this Rule 782.14, the following terms, as well as variations thereof, shall have the meaning described below.

(1) "Late Performance" means the failure of a Buyer or a Seller to complete a material act with respect to a delivery obligation imposed by, and within the time period established in, the Rules. Late Performance shall be restricted to three business days. Late Performance beyond three business days by a Seller or a Buyer will be deemed a Failure to Perform.

(2) "Day of Late Performance" means the twenty-four hour period commencing immediately after a Buyer or a Seller was to have performed. Each subsequent Day of Late Performance shall commence twenty-four hours after the beginning of the prior Day of Late Performance. When a Party is late in performance, the day when the act was to have performed shall be a Day of Late Performance.

(3) "Failure to Perform" means the failure of a Buyer or a Seller to complete a material act with respect to a delivery obligation prior to the expiration of the period allowed for the late performance of such act.

(4) "Contract Value" means the amount equal to the settlement price on the last day of trading in a futures contract times 100 (the number of allowances per contract) times the number of contracts to be delivered.

(5)(a) "Party" means a Buyer or Seller and such Buyer and Seller are each responsible to the Exchange for their obligations under these Rules and further responsible to the Exchange for the obligations of their respective customers under the Rules of this Chapter.

(b) "Other Party" means the corresponding Buyer when the Seller is late in performance or has failed to perform and the corresponding Seller when the Buyer is late in performance or has failed to perform.

(6) "Force Majeure" means any circumstance (including but not limited to a strike, lockout, national emergency, governmental action, or act of God) which is beyond the control of such Buyer or Seller, and which prevents the Buyer or Seller from making or taking delivery of product when and as provided for in these Rules.

(B) RESPONSIBILITIES OF PARTIES TO THE DELIVERY

(1) The parties to a delivery shall make commercially reasonable efforts to perform their respective delivery obligations at all times until a Party has failed to perform.

(2) A Party which has failed to perform its obligations may no longer perform such obligations; provided, however, that a Buyer which has failed to make a payment shall make such payment.

C) EMISSION ALLOWANCE DELIVERY COMMITTEE

(1) Force Majeure, Late Performance and Failure to Perform shall be determined by a Panel of the

Emissions Allowance Delivery Committee as set forth below. The Chairman of the Emissions Allowance Delivery Committee shall appoint a Panel, which shall consist of three (3) members of the Committee, to review a delivery:

- (a) When the Chairman of the Emission Allowance Delivery Committee is advised by the President or any person designated by the President that it appears that the performance of a Party to the delivery is late;
- (b) Upon the written request of both the Buyer and the Seller;
- (c) When the President or any person designated by the President requests such appointment; or
- (d) When either Party to the delivery notifies the Exchange that circumstances exist constituting Force Majeure.

(2) The Chairman of the Emission Allowance Delivery Committee shall not appoint to any Panel any person who has a direct or indirect interest in the delivery in question. Any Panel so appointed shall retain jurisdiction over the delivery in question until the delivery has been completed or a Party has been found to have failed to perform such delivery. Exchange Counsel shall serve as advisor to the Panel.

(3) The Panel shall meet within one business day of notification as provided in these Rules. Unless good cause for delay exists, within one business day the Panel shall determine whether force majeure exists, whether a Buyer or Seller is late in performing or has failed to perform its obligations as provided in the Rules, and advise the Market Regulation Department of such determination, and its findings in support thereof immediately. The Panel shall cause its determination to be communicated to the parties to the delivery as expeditiously as possible.

(4) Absent a declaration of a force majeure, the Panel may, with the consent of both the Buyer and the Seller, take any one or combination of the following actions as it deems suitable grant an extension of time not to exceed five days from the date of the scheduled delivery.

This Subsection shall not preclude a Party or the Exchange from seeking the remedies set forth in Sections (D) and (E) of this Rule.

(5) Upon a finding of force majeure, the Panel may take any one or combination of the following actions as it deems suitable order an extension of time not to exceed five days from the date of the scheduled delivery; or, refer the delivery to the Exchange, represented by the Market Regulation Department, for emergency action as provided in Exchange Rules.

(D) EXCHANGE ACTION

(1) Whenever a Buyer or a Seller is found by the Panel to be late in the performance of or to have failed to perform a delivery, the Exchange, represented by the Market Regulation Department, shall issue a Notice of Assessment, assessing a penalty of 10% of contract value for each applicable day of Late Performance.

(2) When a Party has failed to perform, the Market Regulation Department shall issue a Notice of Assessment assessing penalties of ten percent (10%) of the contract value, in addition to any penalties assessed pursuant to subparagraph (2) hereof, to be paid to the Exchange.

(3)(a) A Party may appeal a Notice of Assessment by filing a Notice of Appeal with the Hearing Registrar of the Exchange and by serving a copy of the same on the Exchange's Compliance Counsel, within two business days of receipt of the Notice of Assessment from the Market Regulation Department. The Party filing the appeal ("Appellant") shall file, within twenty (20) days after filing the Notice of Appeal, a Memorandum of Appeal setting forth the factual and legal basis for the appeal. The Memorandum of Appeal must be filed with the Hearing Registrar and a copy of the same served upon the Exchange's Compliance Counsel.

(b) The Market Regulation Department may file with the Appellant and Hearing Registrar an Answering Memorandum to the Memorandum of Appeal within ten (10) days of receipt of that memorandum.

(c) Failure by the Party to file a Notice of Appeal or a Memorandum of Appeal with the time specified in subsection (D)(4)(a) of this Rule shall constitute a waiver, and the penalties set forth in the Notice of Assessment shall be paid within five days to the Exchange. Failure to pay such penalties in accordance with this Rule shall subject the party to the sanctions set forth in Chapter 4. In the event a party fails to Appeal, or waives the opportunity to appeal a Notice of Assessment the Assessment and findings of the Delivery Committee shall constitute a final disciplinary action of the Exchange.

(4) Within ten (10) days after receipt of the Market Regulation Department's reply, the Appellant shall be entitled to examine all books, documents and other tangible evidence in possession or under the control of the Exchange that are to be relied on by the Market Regulation Department or are otherwise relevant to the matter.

(5) In the event of an appeal by a Party, the President, or his designee, shall appoint an Assessment Appeal Panel to hear and decide the appeal. The Panel shall be composed of three members. No member of the Panel may have a direct or indirect interest in the matter under the appeal. Each Panel Member shall disclose to the President, or his designee, any such interest which might preclude such Panel Member from rendering a fair and impartial determination. The formal Rules of Evidence shall not apply to such appeal, and the Panel shall be the sole judge with respect to the evidence presented to it. Exchange outside counsel shall advise the Panel.

6) The procedures for the hearing of the appeal before the Assessment Appeal Panel shall be as follows:

(a) At a date to be set by order of the Panel, and prior to such hearing, the Appellant and the Market Regulation Department shall furnish each other with a list of witnesses expected to be called at the hearing, and a list of documents and copies thereof expected to be introduced at the hearing.

(b) At such hearing: The Appellant may appear personally and may be represented by counselor or other representative of his choice at the appeal.

(c) The Market Regulation Department shall be entitled to offer evidence relating to the delivery and shall be entitled to call witnesses and introduce documents in support thereof. It shall be the burden of the Market Regulation Department to demonstrate, by the weight of the evidence, the appropriateness of the sanction set forth in the Notice of Assessment.

(d) The Appellant shall be entitled to rebut the Market Regulation Department's evidence and shall be entitled to call witnesses and introduce documents in support thereof.

(e) The Market Regulation Department and the Appellant shall be entitled to cross-examine any witness called by the opposing Party at the hearing.

(f) The Notice of Assessment, the Notice of Appeal, the Memorandum of Appeal, any Answering Memorandum, the stenographic transcript of the appeal, any documentary evidence or other material presented to and accepted by the Panel shall constitute the record of the hearing. The decision of the Panel shall be based upon the record of the hearing.

(g) The Panel shall have the power to impose a penalty against any person who is within the jurisdiction of the Exchange and whose actions impede the progress of a hearing.

(h) The Assessment Appeal Panel shall issue a written decision in which it may affirm, reduce, or waive the charges assessed against the Appellant and shall state the reasons therefore.

(i) The decision of the Assessment Appeal Panel shall be a final decision of the Exchange and shall constitute a final disciplinary action of the Exchange. The fine is payable on the effective day of the decision or as specified. The effective day shall be fifteen (15) days after a copy of the written decision has been delivered to the appellant and to the Commission.

(8) The Assessment Appeal Panel shall consider, and make recommendations to the Board concerning acceptance or rejection of, any offer of settlement submitted by Appellant. In the case of an offer of settlement, acceptance by the Board shall constitute the final disciplinary action of the Exchange.

(E) ARBITRATION PROCEDURE

(1) Any claim for damages arising between a Buyer and a Seller as a result of a delivery pursuant to this contract shall be settled by arbitration in accordance with these Rules.

(2) Notice of Intent to Arbitrate must be submitted to the Secretary of the Exchange within three business days of the occurrence upon which the claim is based or the decision of the Emissions Allowance Delivery Committee with respect to a late or failed performance. Failure to submit a Notice of Intent to Arbitrate within the prescribed period will be deemed a waiver of a Party's rights to arbitrate such a delivery dispute under the special or Regular Arbitration Rules.

(3) The Arbitration will be governed by Chapter 5 of the Rules except that the Chairman of the Exchange or his designee shall appoint an Arbitration Panel composed of three Members of the

Exchange, at least one of whom shall be a Member of the Board of Directors.

NYMEX NOX Emissions Allowance Futures

783.01 SCOPE

The provisions of these rules shall apply to all NOx ozone season emissions allowances bought or sold for future delivery on the Exchange with the Delivery at the U.S Environmental Protection

Agency's (EPA) NOx Allowance Management System (NAMS);

783.01A DEFINITIONS

(A) EPA means the U.S. Environmental Protection Agency or any successor agency with similar jurisdiction.

(B) NOx Allowance refers to a tradable permit to emit NOx as specified further by EPA.

(C) NOx Allowance Management System (NAMS) means the system established by the EPA for recording the transfer of Allowances among various entities under the Clean Air Act as set.

(D) Vintage Year means the first calendar year for which the allowance may be utilized for compliance.

(E) The terms "Seller" and "Buyer" shall mean the short Clearing Member and the long Clearing Member, respectively.

(F) The terms "Seller's Customer" and "Buyer's Customer" shall mean the seller and buyer of the physical product or swap transaction.

(G) The term "Settlement Price" shall mean the final settlement price used as the price for delivery of the product, which shall be the settlement price for the last trading day of the expiring delivery month. The settlement price for the last day of the trading shall be determined in accordance with the procedures set forth in Exchange Rule 813

783.02 TIME REFERENCES

For purposes of these Rules, unless otherwise specified, times referred to herein shall refer to and indicate the prevailing time in New York.

783.03 CONTRACT UNIT

The contract unit shall be ten (10) allowances of NOx emissions allowances for delivery made by transfer through NAMS. Deliverable NOx emissions allowances are of the current vintage year.

783.04 DELIVERY

Emissions allowances delivery shall comply with all requirements for the electronic transfer of NOx allowances on the NAMS through CAMD Business System. All deliveries made under these rules shall be final and there shall be no appeal.

783.05 DELIVERY MONTHS

Trading shall be conducted in contracts providing for delivery in such periods as shall be determined by the Exchange.

783.06 MINIMUM PRICE FLUCTUATIONS

Prices shall be quoted in dollars and cents per allowance. The minimum price fluctuation shall be \$25.00 per allowance (\$250.00 per contract). There shall be no maximum price fluctuation.

783.07 TERMINATION OF TRADING

Trading in the current delivery month shall cease at termination of the third business day prior to the last business day of the contract month.

783.08 RESERVED

783.09 DELIVERY PROCEDURES

(A) RESPONSIBILITIES OF CLEARING MEMBERS HAVING OPEN LONG POSITIONS

(1) NOTICE OF INTENTION TO ACCEPT

By 11:30 a.m. on the second business day prior to the last business day of an expiring delivery month, a Buyer having an open position shall file with the Exchange a properly completed and signed Notice of Intention to Accept. The Notice of Intention to Accept shall be in the form prescribed by the Exchange and shall include the Name of the Buyer's Customer, Number of contracts to be accepted, and any additional information as may be required by the Exchange;

2) INFORMATION PROVIDED BY SELLER TO BUYER

By 4:00 PM on Notice Day, the Seller shall provide the Buyer with the following information: NATS Account Number, Vintage Year, Name, Phone Number and e-mail address of the Account Representative (AAR) or the authorized alternate for that NAMS account

(B) RESPONSIBILITIES OF CLEARING MEMBERS HAVING OPEN SHORT POSITIONS

(1) NOTICE OF INTENTION TO DELIVER

By 11:30 a.m. on the second business day prior to the last business day of an expiring delivery month, a Seller having an open short position shall file with the Exchange a properly completed and signed Notice of Intention to Deliver. The Notice of Intention to Deliver shall be in such form prescribed by the Exchange and shall include: Name of the Seller's Customer, Number of contracts

to be delivered, NATS Account Number, Vintage Year, Name, Phone Number and e-mail address of the Account Representative (AAR) or the authorized alternate for that NATS account. Any additional information as may be required by the Exchange

(2) INFORMATION PROVIDED BY SELLER TO BUYER

By 4:00 p.m. on Notice Day, the Seller shall provide the Buyer with the following information: NATS Account Number, Vintage Year, Name, Phone Number and e-mail address of the Account Representative (AAR) or the authorized alternate for that NATS account.

(C) USE OF SETTLEMENT PRICE: The final settlement price used for the delivery shall be the settlement price from the final day of trading.

(D) Notice Day

(1) The Clearing House shall allocate Notices of Intention to Deliver and Notices of Intention to Accept by matching size of positions, to the extent possible.

(2) The Clearing House shall provide Tender Allocation Notices to the respective Clearing Members by 2:00 PM on the second business day prior to the last business day of the delivery month.

(3) The day the Tender Allocation Notices are provided to the Clearing Members shall be referred to as "Notice Day". Tender Allocation Notices are not transferable.

(E) Payment and Delivery Margins

(1) Definitions

(a) "Payment" shall include the settlement price times the number of contracts times 10.

(b) "Payment Date" shall mean the business day after the Buyer's Customer receipt of proper notification from the NAMS that allowances have been transferred from the Seller's Customer account to the Buyer's Customer account, provided documentation is supplied to the Buyer's Customer by no later than 2:00 PM. Documentation supplied to Buyer after 2:00 noon on any Exchange business day, shall be considered received on the following Exchange business day.

(c) On the business day following the last day of trading, the long clearing member shall obtain from the long, if any, margin equal to the full value of the product to be delivered. Such margin shall consist of cash, securities issued by the United States Treasury Department maturing within ten (10) years from the date of deposit and guaranteed as to principal and interest by the United States Government or a letter of credit. Any Treasury securities so deposited shall be valued at ninety percent (90%) of the par value of such instruments. Any letter of credit so deposited shall be in a form approved by the Exchange, shall be issued or confirmed by an Exchange approved original margin depository, and shall be drawn in favor of the Exchange.

(d) The Buyer shall pay the Seller at the office of the Seller by a certified check or electronic funds transfer, or any other method acceptable to both parties by 12:00 P.M. on the payment date.

(e) The Buyer and Seller shall deposit with the Exchange margins in such amounts and in such form as required by the Exchange. Such margins which shall not be greater than the margins charged to the Buyer's Customer and Seller's Customer, shall be returned on the business day following notification to the Exchange that delivery and payment have been completed.

(f) On the Payment Date, the Seller shall deliver a Notice of Payment to the Buyer with a copy to the Exchange by 4:30 PM. Upon receipt of such notice the delivery shall be complete.

(g) Any payment made on Payment Date shall be based on allowances actually delivered.

(F) Delivery Day

The day the Buyer receives the allowances shall be referred to as the Delivery Day

783.10 DELIVERY PERIOD

Delivery shall take place on one business day prior to the last business day of the delivery month.

783.11 VALIDITY OF DOCUMENTS

The Exchange makes no representation respecting the authenticity, validity or accuracy of any of Tender Allocation Notice, Notice of Intention to Accept, Notice of Intention to Deliver, check or of any document or instrument delivered pursuant to these rules.

783.12 EXCHANGE OF FUTURES FOR PHYSICAL (EFP) AND EXCHANGE OF FUTURES FOR SWAPS (EFS)

(A) An exchange of futures for, or in connection with product (EFP) or exchange of futures for, or in connection with, swap (EFS) transactions consists of two discrete, but related, transactions; a cash transaction and a futures transaction. At the time such transaction is effected, the Buyer's Customer and the Seller's Customer of the futures must be the Seller's Customer and the Buyer's Customer of a quantity of the physical product or swaps agreement covered by this Section (or any derivative, by product or related product.) The quantity of physical product must be approximately equivalent to the quantity covered by the futures contracts.

(B) Except as provided below, an EFP or or EFS transaction must take place during the hours of futures trading for the NOX Emissions Allowance futures contract. An EFP or EFS is permitted in the expiring futures contract until two hours after trading terminates on the last day of trading of the expiring futures contract. An EFP or EFS which establishes a futures position for both the buyer

and the seller shall not be permitted during the two-hour period following the termination of trading of expired futures contract.

(C) Any EFP or EFS transaction shall be governed by the provisions of Rule 538 and 538.A, respectively.

(D) Each Buyer's Customer and Seller's Customer must satisfy the Exchange, at its request, that the transaction is a legitimate EFP or EFS transaction. All documentary evidence relating to EFP or EFS, including, without limitation, evidence as to change of ownership of the physical commodity or swap commitment shall be obtained by the Clearing Members from their customers or and made available by the Clearing Members for examination by the Exchange upon request.

(E) A report of each EFP or EFS transaction shall be entered on the day that the transaction thereto was made, or if such agreement was made after the close of trading, then on the next business day. EFP or EFS transactions shall be cleared through the Exchange in accordance with normal procedures, shall be clearly identified as EFP or EFS transactions, and shall be recorded as such by the Exchange and by the Clearing Members involved.

783.13 Alternative Delivery Procedure

A Seller's Customer or Buyer's Customer may agree with the Buyer's Customer or the Seller's Customer with which it has been matched by the Exchange under Rule 783.09(D) to make and take delivery under terms or conditions which differ from the terms and conditions prescribed by this Chapter. In such a case, Clearing Members shall execute an Alternative Notice of Intention to Deliver on the form prescribed by the Exchange and shall deliver a completed executed copy of such Notice to the Exchange. The delivery of an executed Alternative Notice of Intention to Deliver to the Exchange shall release the Clearing Members and the Exchange from their respective obligations under the Exchange contracts.

In executing such Notice, Clearing Members shall indemnify the Exchange against any liability, cost or expense it may incur for any reason as a result of the execution, delivery, or performance of such contracts or such agreement, or any breach thereof or default there under. Upon receipt of an executed Alternative Notice of Intention to Deliver, the Exchange will return to the Clearing Members all margin monies held for the account of each with respect to the contracts involved.

783.14 Force Majeure, Late Performance and Failure to Perform

(A) DEFINITION. As used in this Rule 783.14, the following terms, as well as variations thereof, shall have the meaning described below.

(1) "Late Performance" shall mean the failure of a Buyer or a Seller to complete a material act with respect to a delivery obligation imposed by, and within the time period established in, the Rules. Late Performance shall be restricted to three business days. Late Performance beyond three business days by a Seller or a Buyer will be deemed a Failure to Perform.

(2) "Day of Late Performance" shall mean the twenty-four hour period commencing immediately after a Buyer, a Seller, or the Clearing House was to have performed. Each subsequent Day of Late Performance shall commence twenty-four hours after the beginning of the prior Day of Late Performance. When a Party is late in performance, the day when the act was to have performed shall be a Day of Late Performance.

(3) "Failure to Perform" shall mean the failure of a Buyer or a Seller to complete a material act with respect to a delivery obligation prior to the expiration of the period allowed for the late performance of such act.

(4) "Contract Value" shall mean the amount equal to the settlement price on the last day of trading in a futures contract times 10 (the number of allowances per contract) times the number of contracts to be delivered.

(5) (a) "Party" shall mean a Buyer or Seller and such Buyer and Seller are each responsible to the Exchange for their obligations under these Rules and further responsible to the Exchange for the obligations of their respective customers under the Rules of this Chapter.

(b) "Other Party" shall mean the corresponding Buyer when the Seller is late in performance or has failed to perform and the corresponding Seller when the Buyer is late in performance or has failed to perform.

(6) "Force Majeure" shall mean any circumstance (including but not limited to a strike, lockout, national emergency, governmental action, or act of God) which is beyond the control of such Buyer or Seller, and which prevents the Buyer or Seller from making or taking delivery of product when and as provided for in these Rules.

(B) RESPONSIBILITIES OF PARTIES TO THE DELIVERY

(1) The parties to a delivery shall make commercially reasonable efforts to perform their respective delivery obligations at all times until a Party has failed to perform.

(2) A Party which has failed to perform its obligations may no longer perform such obligations; provided, however, that a Buyer which has failed to make a payment shall make such payment.

(C) EMISSIONS ALLOWANCE DELIVERY COMMITTEE

(1) Force Majeure, Late Performance and Failure to Perform shall be determined by a Panel of the Emissions Allowance Delivery Committee as set forth below. The Chairman of the Emissions Allowance Delivery Committee shall appoint a Panel, which shall consist of three (3) members of the Committee, to review a delivery;

(a) When the Chairman of the Emissions Allowance Delivery Committee is advised by the President of the Exchange or any person designated by the President of the Exchange that it appears that the performance of a Party to the delivery is late;

(b) Upon the written request of both the Buyer and the Seller;

(c) When the President of the Exchange or any person designated by the President of the Exchange requests such appointment; or

(d) When either Party to the delivery notifies the Exchange that circumstances exist constituting Force Majeure.

(2) The Chairman of the Emissions Allowance Delivery Committee shall not appoint to any Panel any person who has a direct or indirect interest in the delivery in question. Any Panel so appointed shall retain jurisdiction over the delivery in question until the delivery has been completed or a Party has been found to have failed to perform such delivery. Exchange Counsel shall serve as advisor to the Panel.

(3) The Panel shall meet within one business day of notification as provided in these Rules. Unless good cause for delay exists, within one business day the Panel shall determine whether force majeure exists, whether a Buyer or Seller is late in performing or has failed to perform its obligations as provided in the Rules, and advise the Market Regulation Department of such determination, and its findings in support thereof immediately. The Panel shall cause its determination to be communicated to the parties to the delivery as expeditiously as possible.

(4) Upon a finding of force majeure, the Panel may take any one or combination of the following actions as it deems suitable order: an extension of time not to exceed ten days from the date of the scheduled delivery; or, refer the delivery to the Exchange, represented by the Market Regulation Department, for emergency action.

(D) EXCHANGE ACTION

(1) Whenever a Buyer or a Seller is found by the Panel to be late in the performance of a delivery obligation, the Exchange, represented by the Market Regulation Department, shall issue a Notice of Assessment, assessing a penalty of 10% of contract value for each applicable day of Late Performance.

(2) Whenever a Buyer or Seller is found by the Panel or otherwise deemed to have a "Failure to Perform" the Exchange, represented by the Market Regulation Department shall issue a Notice of Assessment assessing penalties of twenty percent (20%) of the contract value, in addition to any penalties assessed pursuant to subparagraph (1) above, to be paid to the Exchange.

(3) (a) A Party may appeal a Notice of Assessment by filing a Notice of Appeal with the Hearing Registrar of the Exchange and by serving a copy of the same on the Exchange's Market Regulation Department, within two business days of receipt of the Notice of Assessment from the Market Regulation Department. The Party filing the appeal ("Appellant") shall file, within twenty (20) days after filing the Notice of Appeal, a Memorandum of Appeal setting forth the factual and legal basis for the appeal. The Memorandum of Appeal must be filed with the Hearing Registrar and a copy of the same served upon the Exchange's Compliance Counsel.

(b) The Market Regulation Department may file with the Appellant and Hearing Registrar an Answering Memorandum to the Memorandum of Appeal within ten (10) days of receipt of that memorandum.

(c) Failure by the Party to file a Notice of Appeal or a Memorandum of Appeal with the time specified in subsection (D)(3)(a) of this Rule shall constitute a waiver, and the penalties set forth in the Notice of Assessment shall be paid within five days to the Exchange. Failure to pay such penalties in accordance with this Rule shall subject the party to the sanctions set forth in Chapter 4. In the event a party fails to Appeal, or waives the opportunity to appeal a Notice of Assessment, the Assessment and findings of the Emissions Allowance Delivery Committee shall constitute a final disciplinary action of the Exchange.

(4) Within ten (10) days after receipt of Market Regulation Department's reply, the Appellant shall be entitled to examine all books, documents and other tangible evidence in possession or under the control of the Exchange that are to be relied on by Market Regulation Department or are otherwise relevant to the matter.

(5) In the event of an appeal by a Party, the President, or his designee, shall appoint an Assessment Appeal Panel to hear and decide the appeal. No member of the Panel may have a direct or indirect interest in the matter under the appeal. Each Panel Member shall disclose to the President, or his designee, any such interest which might preclude such Panel Member from rendering a fair and impartial determination. The formal Rules of Evidence shall not apply to such appeal, and the Panel shall be the sole judge with respect to the evidence presented to it. Exchange outside counsel shall advise the Panel.

(6) The procedures for the hearing of the appeal before the Assessment Appeal Panel shall be as follows:

(a) At a date to be set by order of the Panel, and prior to such hearing, the Appellant and the Market Regulation Department shall furnish each other with a list of witnesses expected to be called at the hearing, and a list of documents and copies thereof expected to be introduced at the hearing.

- (b) At such hearing: The Appellant may appear personally and may be represented by counselor or other representative of his choice at the appeal.
- (c) The Market Regulation Department shall be entitled to offer evidence relating to the delivery and shall be entitled to call witnesses and introduce documents in support thereof. It shall be the burden of the Market Regulation Department to demonstrate, by the weight of the evidence, the appropriateness of the sanction set forth in the Notice of Assessment.
- (d) The Appellant shall be entitled to rebut the Market Regulation Department's evidence and shall be entitled to call witnesses and introduce documents in support thereof.
- (e) The Market Regulation Department and the Appellant shall be entitled to cross-examine any witness called by the opposing Party at the hearing.
- (f) The Notice of Assessment, the Notice of Appeal, the Memorandum of Appeal, any Answering Memorandum, the stenographic transcript of the appeal, any documentary evidence or other material presented to and accepted by the Panel shall constitute the record of the hearing. The decision of the Panel shall be based upon the record of the hearing.
- (g) The Panel shall have the power to impose a penalty against any person who is within the jurisdiction of the Exchange and whose actions impede the progress of a hearing.
- (h) The Assessment Appeal Panel shall issue a written decision in which it may affirm, reduce, or waive the charges assessed against the Appellant and shall state the reasons therefore.
- (i) The decision of the Assessment Appeal Panel shall be a final decision of the Exchange and shall constitute a final disciplinary action of the Exchange. The fine is payable on the effective day of the decision or as specified. The effective day shall be fifteen (15) days after a copy of the written decision has been delivered to the appellant and to the Commission.
- (8) The Assessment Appeal Panel shall consider, and make recommendations to the President, or his designee concerning acceptance or rejection of, any offer of settlement submitted by Appellant. In the case of an offer of settlement, acceptance by the President shall constitute the final disciplinary action of the Exchange.

(E) ARBITRATION PROCEDURE

- (1) Any claim for damages arising between a Buyer and a Seller as a result of a delivery pursuant to this contract shall be settled by arbitration in accordance with these Rules.
- (2) Notice of Intent to Arbitrate must be submitted to the Secretary of the Exchange within three business days of the occurrence upon which the claim is based or the decision of the Emissions Allowance Delivery Committee with respect to a late or failed performance. Failure to submit a Notice of Intent to Arbitrate within the prescribed period will be deemed a waiver of a Party's rights to arbitrate such a delivery dispute under the special or Regular Arbitration Rules.
- (3) The Arbitration will be governed by Chapter 6A of the Rules except that the President or his designee shall appoint an Arbitration Panel.

Change History

Daily European Union Allowance (EUA) Futures

841.01A DEFINITIONS

(A) EU-ETS: In January 2005, the European Union Emissions Trading Scheme ("EU-ETS") commenced operation as the largest multi-country, multi-sector Greenhouse Gas emission trading scheme world-wide. It covers over 11,500 energy-intensive installations across the EU which represents approximately half of Europe's emissions of CO₂. These installations include combustion plants, oil refineries, coke ovens, iron and steel plants, and factories making

cement, glass, lime, brick, ceramics, pulp and paper. The scheme is based on Directive 2003/87/EC, which entered into force on 25 October 2003.

(B) EUA: European Union Allowance ("EUA") granted under a National Allocation Plan of an EU member state.

(C) The terms "Seller" and "Buyer" shall mean the short Clearing Member and the long Clearing Member, respectively. Further, for purposes of this contract, Sellers and Buyers may utilize a designee to perform their respective and necessary obligations with regard to transferring and accepting allowances at the eligible registries.

(D) The terms "Seller's Customer" and "Buyer's Customer" shall mean the seller and buyer of the physical product or swap transaction.

(E) The term "Settlement Price" shall mean the final settlement price used as the price for delivery of the product, which shall be the settlement price for the last trading day of the expiring delivery day. The settlement price for the last trading day shall be determined in accordance with the procedures set forth in Rule 813.

(F) ITL (International Transaction Log): All transactions between registries are maintained by transaction logs which verify the validity of transactions. The UNFCCC Secretariat maintains the ITL for the purposes of transfer under the Kyoto Protocol.

(G) Community Independent Transaction Log (CITL) shall mean the independent transaction log provided for in Article 20(1) of Directive 2003/87/EC, for the purpose of recording the issue, transfer and cancellation of EUAs under the Scheme and established, operated and maintained pursuant to Article 5 of the Registry Regulations;

The EU Commission established and is the Administrator of the CITL for transfers involving EU Member States. Transfers involving EU Entities entail an additional step from the ITL to the CITL under the Kyoto Protocol for transfers of EUAs between national registries.

(H) Communication Link shall mean the electronic exchange of messages/notifications (1) by which a buyer and seller communicate with a Registry, and/or (2) by which a Registry communicates with CITL, and/or (3) by which CITL communicates with the UNFCCC International Transaction Log (where applicable), and/or (4) by which a Registry communicates with the UNFCCC International Transaction Log (where Applicable), and/or (5) by which the UNFCCC International Transaction Log communicates with the CDM Registry (where applicable), which in any case is necessary to facilitate a transfer;

(I) Registry shall mean any registry in an EU Member State meeting the eligibility criteria and which has implemented the Linking Directive in a manner that authorizes private persons to hold EUAs and has Person Holding Accounts established in order to ensure the accurate accounting of the issue of holding, transfer, acquisition, surrender, cancellation, and replacement of EUAs under the Scheme, and which has been identified as a Registry by the Clearing House from time to time for the purpose of this futures contract;

(J) Registry Regulations shall mean the EU Commission Regulation (EC) No 2216/2004 for a standardized and secured system of registries pursuant to Directive 2003/87/EC of the European Parliament and of the Council and Decision 280/2004/EC of the European Parliament and of the Council, as amended from time to time including by EU Commission Regulation (EC) No.916/2007;

841.01 SCOPE

The provisions of these rules shall apply to all European Union EUAs bought or sold for future delivery on the Exchange with the Delivery at the UK Emissions Trading Registry.

841.02 TIME REFERENCES

For purposes of these Rules, unless otherwise specified, times referred to herein shall refer to and indicate the prevailing time in UK local time.

841.03 CONTRACT UNIT

The contract unit shall be one thousand (1,000) EUAs for a delivery made by transfer through UK Emissions Trading Registry.

841.04 DELIVERY

EUA delivery shall comply with all requirements for the electronic transfer of EUAs on the UK Emissions Trading Registry. All deliveries made under these rules shall be final and there shall be no appeal. Notwithstanding the use of a designee, all Clearing Members will remain ultimately responsible for performance of all applicable contract terms specific to Sellers and Buyers.

841.05 LISTED CONTRACTS

Trading shall be conducted in contracts providing for delivery in such periods as shall be determined by the Exchange. Trading shall be conducted each business day.

841.06 MINIMUM PRICE FLUCTUATIONS

Prices shall be quoted in Euros and Euro cents per EUA. The minimum price fluctuation shall be € 0.01 per EUA (€10.00 per contract). There shall be no maximum price fluctuation.

841.07 TERMINATION OF TRADING

No trades in Daily European Union Allowance (EUA) Futures deliverable in the contract day shall be made after the 5:00 p.m. UK local time on the contract day. Any contracts remaining open after the last trade date must be either:

(A) Settled by delivery which shall take place no later than 5:00 p.m. UK local time on the contract day.

(B) Liquidated by means of a bona fide Exchange for Related Position ("EFRP") transaction in accordance with Exchange Rule 538. An EFRP is permitted in the expiring futures contract at any time before 6:00 p.m. UK local time on the last day of trading for the futures contract.

841.08 DELIVERY PROCEDURES AND OBLIGATIONS

The Clearing House is a party to all deliveries under this contract and will receive EUAs from the Seller into the Clearing House Holding Account of the UK Emissions Trading Registry. Following receipt from the Seller, the Clearing House will deliver EUAs to the Buyer from the Clearing House Holding Account to the UK Emissions Trading Registry Holding Account nominated by the Buyer.

The Seller shall comply with such requirements and obligations imposed by or under applicable Registry Regulations in all respects material to the submission of the forms noted in this Rule. The Buyer shall comply with such requirements and obligations imposed by or under applicable Registry Regulations in all respects material to ensure the acceptance of a valid transfer into its Holding Account. If a provision of the Regulations or the Clearing House Rules is inconsistent with a provision of the Registry Regulations, the provision of the Regulations or the Clearing House Rules shall prevail as between the Buyer, Seller, and the Clearing House to the extent of such inconsistency and to the extent permitted by law.

(A) OPERATIONAL RESPONSIBILITIES OF CLEARING MEMBERS

(1) Notice of Intention to Accept:

By 10:00 PM UK local time on the final day of trading of the expiring delivery day, a Buyer having an open long position shall file with the Exchange a properly completed and signed Notice of Intention to Accept. The Notice of Intention to Accept shall be in the form prescribed by the Exchange and shall include: Number of contracts to be accepted; UK Emissions Trading Registry Account Number; Name; Telephone Number and e-mail address of the Authorized Representative(s) for that Registry account, and any additional information as may be required by the Exchange.

(2) Notice of Intention to Deliver:

By 10:00 PM UK local time on the final day of trading of the expiring delivery day, a Seller having an open short position shall file with the Exchange a properly completed and signed Notice of Intention to Deliver. The Notice of Intention to Deliver shall be in such form prescribed by the Exchange and shall include: Number of contracts to be delivered; UK Emissions Trading Registry Account Number; Name; Telephone Number and e-mail address of the Authorized Representative(s) for that Registry account, and any additional information as may be required by the Exchange.

(3) By 6:30 PM UK local time on the first business day after the final day of trading of the delivery day, the Seller will transfer EUAs subject to delivery to the Clearing House Holding Account of the UK Emissions Trading Registry.

(4) By 7:00 PM UK local time on the first business day after the final day of trading of the delivery day, for each Buyer that has satisfied its obligations under Rule 841.08(A)(6), the Clearing House will initiate the process of transferring the EUAs to the Buyer's account at the UK Emissions Trading Registry.

(5) By 3:00 PM UK local time on the second business day after the final day of trading of the delivery day, Buyer shall receive EUAs from the Clearing House Holding Account of the UK Emissions Trading Registry.

(6) By 2:00 PM UK local time on the business day following the last day of trading, the Buyer shall deposit / transfer Euro currency equal to the full value of the product to the designated Clearing House bank account.

(7) By 3:00 PM UK local time on the second business day following the last day of trading, for each Seller that has satisfied its obligations under Rule 841.08(A)(3), the Clearing House shall pay the Seller full contract value.

(B) ASSIGNMENT DAY

(1) The Clearing House shall allocate Notices of Intention to Deliver and Notices of Intention to Accept by matching positions, to the extent possible.

(2) The Clearing House shall provide Assignment Notice Reports to the respective Clearing Members on the final day of trading of the delivery day.

(C) PAYMENT AND DELIVERY MARGINS

(1) Definitions:

(A) Daily Margin: The Buyer and Seller shall deposit with the Exchange margins in such amounts and in such form as required by the Exchange. Such margins which shall not be greater than the margins charged to the Buyer's Customer and Seller's Customer, shall be returned on the business day following notification to the Exchange that delivery and payment have been completed.

(B) "Payment" shall include the settlement price times the number of contracts times 1,000.

(C) "Payment Date" shall mean the date on which the Clearing House transfers payment in connection with a delivery to a Seller.

(D) Any payment made on Payment Date shall be based on EUAs that the Seller is obligated to deliver pursuant to the applicable delivery.

841.09 VALIDITY OF DOCUMENTS

The Exchange makes no representation with respect to the authenticity, validity or accuracy of any of Tender Allocation Notice, Notice of Intention to Accept, Notice of Intention to Deliver, check or of any document or instrument delivered pursuant to these Rules.

841.10 ALTERNATIVE DELIVERY PROCEDURE

An Alternative Buyer may agree with the Seller with which it has been matched by the Exchange under Rule 841.08(B) to make and take delivery under terms or conditions which differ from the terms and conditions prescribed by this Chapter. In such a case, Buyers and Sellers shall execute an Alternative Delivery Procedure on a form prescribed by the Exchange and shall deliver a completed executed copy of such form to the Exchange. The delivery of an executed Alternative Delivery Procedure form to the Exchange shall release the Buyer, Seller and the Exchange from their respective obligations under the Exchange contracts. In executing such Alternative Delivery Procedure form, Buyers and Sellers shall indemnify the Exchange against any liability, cost or expense it may incur for any reason as a result of the execution, delivery, or performance of such contracts or such agreement, or any breach thereof or default there under. Upon receipt of an executed Alternative Delivery Procedure form, the Exchange will return to the Buyer and Seller all margin monies held for the account of each with respect to the contracts involved.

841.11 LATE PERFORMANCE, FAILURE TO PERFORM, AND FORCE MAJEURE

(A) DEFINITION. As used in this Rule 841.11, the following terms, as well as variations thereof, shall have the meaning described below.

(1) "Late Performance" shall mean the failure of a Buyer or a Seller to complete a material act with respect to a delivery obligation imposed by, and within the time period established in, the Rules. Late Performance shall be restricted to three business days. Late Performance beyond three business days by, a Seller or a Buyer will be deemed a Failure to Perform.

(2) "Day of Late Performance" shall mean the twenty-four hour period commencing immediately after a Buyer, a Seller, or the Clearing House was to have performed. Each subsequent Day of Late Performance shall commence twenty-four hours after the beginning of the prior Day of Late Performance. When a Party is late in performance, the day when the act was to have performed shall be a Day of Late Performance.

(3) "Failure to Perform" shall mean the failure of a Buyer or a Seller to complete a material act with respect to a delivery obligation prior to the expiration of the period allowed for the late performance of such act.

(4) "Contract Value" shall mean the amount equal to the settlement price on the last day of trading in a futures contract times 1,000 (the number of EUAs per contract) times the number of contracts to be delivered.

(5) (a) "Party" shall mean a Buyer or Seller and such Buyer and Seller are each responsible to the Exchange for their obligations under these Rules and further responsible to the Exchange for the obligations of their respective customers under the Rules of this Chapter.

(b) "Other Party" shall mean the corresponding Buyer when the Seller is late in performance or has failed to perform and the corresponding Seller when the Buyer is late in performance or has failed to perform.

(6) "Force Majeure" shall mean any circumstance (including but not limited to a strike, lockout, national emergency, governmental action, or act of God) which is beyond the control of such Buyer or Seller, and which prevents the Buyer or Seller from making or taking delivery of product when and as provided for in these Rules.

(B) RESPONSIBILITIES OF PARTIES TO THE DELIVERY

(1) The parties to a delivery shall make commercially reasonable efforts to perform their respective delivery obligations at all times until a Party has failed to perform.

(2) A Party which has failed to perform its obligations may no longer perform such obligations; provided, however, that a Buyer which has failed to make a payment shall make such payment.

~~(C) EMISSIONS ALLOWANCE DELIVERY COMMITTEE~~

~~(1) Force Majeure, Late Performance and Failure to Perform shall be determined by a Panel of the Emissions Allowance Delivery Committee as set forth below. The Chairman of the Emissions Allowance Delivery Committee shall appoint a Panel, which shall consist of three (3) members of the Committee, to review a delivery:~~

~~(a) When the Chairman of the Emissions Allowance Delivery Committee is advised by the President or any person designated by the President that it appears that the performance of a Party to the delivery is late;~~

~~(b) Upon the written request of both the Buyer and the Seller;~~

~~(c) When the President or any person designated by the President requests such appointment; or~~

~~(d) When either Party to the delivery notifies the Exchange that circumstances exist constituting Force Majeure.~~

~~(2) The Chairman of the Emissions Allowance Delivery Committee shall not appoint to any Panel any person who has a direct or indirect interest in the delivery in question. Any Panel so appointed shall retain jurisdiction over the delivery in question until the delivery has been completed or a Party has been found to have failed to perform such delivery. Exchange Counsel shall serve as advisor to the Panel.~~

~~(3) The Panel shall meet within one business day of notification as provided in these Rules. Unless good cause for delay exists, within one business day the Panel shall determine whether force majeure exists, whether a Buyer or Seller is late in performing or has failed to perform its obligations as provided in the Rules, and advise the Market Regulation Department of such determination, and its findings in support thereof immediately. The Panel shall cause its determination to be communicated to the parties to the delivery as expeditiously as possible.~~

~~(4) Upon a finding of force majeure, the Panel may take any one or combination of the following actions as it deems suitable order: an extension of time not to exceed ten days from the date of the scheduled delivery; or, refer the delivery to the Exchange, represented by the Market Regulation Department, for emergency action.~~

~~(D) EXCHANGE ACTION~~

~~(1) Whenever a Buyer or a Seller is found by the Panel to be late in the performance of a delivery obligation, the Exchange, represented by the Market Regulation Department, shall issue a Notice of Assessment, assessing a penalty of 10% of contract value for each applicable day of Late Performance.~~

~~(2) Whenever a Buyer or Seller is found by the Panel or otherwise deemed to have a "Failure to Perform" the Exchange, represented by the Market Regulation Department shall issue a Notice of Assessment assessing penalties of twenty percent (20%) of the contract value, in addition to any penalties assessed pursuant to subparagraph (1) above, to be paid to the Exchange.~~

~~(3) (a) A Party may appeal a Notice of Assessment by filing a Notice of Appeal with the Hearing Registrar of the Exchange and by serving a copy of the same on the Exchange's Market Regulation Department, within two business days of receipt of the Notice of Assessment from the Market Regulation Department. The Party filing the appeal ("Appellant") shall file, within twenty (20) days after filing the Notice of Appeal, a Memorandum of Appeal setting forth the factual and legal basis for the appeal. The Memorandum of Appeal must be filed with the Hearing Registrar and a copy of the same served upon the Exchange's Compliance Counsel.~~

~~(b) The Market Regulation Department may file with the Appellant and Hearing Registrar an Answering Memorandum to the Memorandum of Appeal within ten (10) days of receipt of that memorandum.~~

~~(c) Failure by the Party to file a Notice of Appeal or a Memorandum of Appeal with the time specified in subsection (D)(3)(a) of this Rule shall constitute a waiver, and the penalties set forth in the Notice of Assessment shall be paid within five days to the Exchange. Failure to pay such penalties in accordance with this Rule shall subject the party to the sanctions set forth in Chapter 4. In the event a party fails to Appeal, or waives the opportunity to appeal a Notice of Assessment, the Assessment and Findings of the Emissions Allowance Delivery Committee shall constitute a final disciplinary action of the Exchange.~~

~~(4) Within ten (10) days after receipt of Market Regulation Department's reply, the Appellant shall be entitled to examine all books, documents and other tangible evidence in possession or under the control of the Exchange that are to be relied upon by Market Regulation Department or are otherwise relevant to the matter.~~

(5) In the event of an appeal by a Party, the Market Regulation Department, or its designee, shall appoint a Performance Appeal Panel to hear and decide the appeal. No member of the Panel may have a direct or indirect interest in the matter under the appeal. Each Panel Member shall disclose to the Market Regulation Department, or its designee, any such interest which might preclude such Panel Member from rendering a fair and impartial determination. The formal Rules of Evidence shall not apply to such appeal, and the Panel shall be the sole judge with respect to the evidence presented to it. Exchange outside counsel shall advise the Performance Appeal Panel.

(6) The procedures for the hearing of the appeal before the Performance Appeal Panel shall be as follows:

(a) At a date to be set by order of the Performance Appeal Panel, and prior to such hearing, the Appellant and the Market Regulation Department shall furnish each other with a list of witnesses expected to be called at the hearing, and a list of documents and copies thereof expected to be introduced at the hearing.

(b) At such hearing: The Appellant may appear personally and may be represented by counselor or other representative of his choice at the appeal.

(c) The Market Regulation Department shall be entitled to offer evidence relating to the delivery and shall be entitled to call witnesses and introduce documents in support thereof. It shall be the burden of the Market Regulation Department to demonstrate, by the weight of the evidence, the appropriateness of the sanction set forth in the Notice of Assessment.

(d) The Appellant shall be entitled to rebut the Market Regulation Department's evidence and shall be entitled to call witnesses and introduce documents in support thereof.

(e) The Market Regulation Department and the Appellant shall be entitled to cross-examine any witness called by the opposing Party at the hearing.

(f) The Notice of Assessment, the Notice of Appeal, the Memorandum of Appeal, any Answering Memorandum, the stenographic transcript of the appeal, any documentary evidence or other material presented to and accepted by the Performance Appeal Panel by either party shall constitute the record of the hearing. The decision of the Performance Appeal Panel shall be based upon the record of the hearing.

(g) The Performance Appeal Panel shall have the power to impose a penalty against any person who is within the jurisdiction of the Exchange and whose actions impede the progress of a hearing.

(h) The Performance Appeal Panel shall issue a written decision in which it may affirm, reduce, or waive the charges assessed against the Appellant and shall state the reasons therefore.

(i) The decision of the Performance Appeal Panel shall be a final decision of the Exchange and shall constitute a final disciplinary action of the Exchange. The fine is payable on the effective date of the decision or as specified. The effective date shall be fifteen (15) days after a copy of the written decision has been delivered to the Appellant and to the Commission.

(8) The Performance Appeal Panel shall consider, and make recommendations to the Exchange concerning acceptance or rejection of, any offer of settlement submitted by Appellant. In the case of an offer of settlement, acceptance by the Exchange shall constitute the final disciplinary action of the Exchange.

(E) ARBITRATION PROCEDURE

(1) Any claim for damages arising between a Buyer and a Seller as a result of a delivery pursuant to this contract shall be settled by arbitration in accordance with these Rules.

(2) Notice of Intent to Arbitrate must be submitted to the Market Regulation Department within three business days of the occurrence upon which the claim is based or the decision of the Emissions Allowance Delivery Committee with respect to a late or failed performance. Failure to submit a Notice of Intent to Arbitrate within the prescribed period will be deemed a waiver of a Party's rights to arbitrate such a delivery dispute under the special or Regular Arbitration Rules.

(3) The Arbitration will be governed by Chapter 6 of the Rules except that the Market Regulation Department shall appoint an Arbitration Panel.

841.12 EXCLUSION OF LIABILITY

Except as specifically provided in the Rules (and to the extent permitted by law), the Clearing House accepts no liability in connection with this futures contract, its performance, nonperformance or its termination whether based on breach of contract, warranty, negligence or tort. In particular, but without limitation, the Clearing House shall not be responsible for or shall have any liability whatsoever to any Buyer or Seller for the: availability, suitability, unavailability or malfunction of a Communication Link or any part thereof; performance or non-performance by a registry or CITL or UNFCCC International Transaction Log of their respective obligations under the Registry Regulations or otherwise; any act or omission of any operator of a Communication Link or any part thereof; or any act or omission of an authorized agent of any other party; or any performance or non-performance by the Clearing House in relation to its serving as a party to the deliveries and the Clearing House shall under no circumstances be

Appendix B

liable for any indirect or consequential loss or loss of profits. Additionally, nothing in these Rules will constrain the Clearing House from performing its duties under CME Rule 802.

~~In Delivery Month European Union Allowance (EUA) Futures~~

~~850.01A. DEFINITIONS~~

~~(A) EU ETS: In January 2005, the European Union Emissions Trading Scheme ("EU ETS") commenced operation as the largest multi-country, multi-sector Greenhouse Gas emission trading scheme world-wide. It covers over 11,500 energy-intensive installations across the EU which represent approximately half of Europe's emissions of CO₂. These installations include combustion plants, oil refineries, coke ovens, iron and steel plants, and factories making cement, glass, lime,~~

brick, ceramics, pulp and paper. The scheme is based on Directive 2003/87/EC, which entered into force on 25 October 2003.

(B) EUA: European Union Allowance ("EUA") granted under a National Allocation Plan of an EU member state.

(C) The terms "Seller" and "Buyer" shall mean the short Clearing Member and the long Clearing Member, respectively. Further, for purposes of this contract, Sellers and Buyers may utilize a designee to perform their respective and necessary obligations with regard to transferring and accepting allowances at the eligible registries. The terms "Seller's Customer" and "Buyer's Customer" shall mean the seller and buyer of the physical product or swap transaction.

(D) The term "Settlement Price" shall mean the final settlement price used as the price for delivery of the product, which shall be the settlement price for the last trading day of the expiring delivery month. The settlement price for the last trading day shall be determined in accordance with the procedures set forth in NYMEX Rule 5.11.

(E) ITL (International Transaction Log): All transactions between registries are maintained by transaction logs which verify the validity of transactions. The UNFCCC Secretariat maintains the ITL for the purposes of transfer under the Kyoto Protocol.

(F) Community Independent Transaction Log (CITL) shall mean the independent transaction log provided for in Article 20(1) of Directive 2003/87/EC, for the purpose of recording the issue, transfer and cancellation of EUAs under the Scheme and established, operated and maintained pursuant to Article 5 of the Registry Regulations; The EU Commission established and is the Administrator of the CITL for transfers involving EU Member States. Transfers involving EU Entities entail an additional step from the ITL to the CITL under the Kyoto Protocol for transfers of EUAs between national registries.

(G) Communication Link shall mean the electronic exchange of messages/notifications (1) by which a buyer and seller communicate with a Registry, and/or (2) by which a Registry communicates with CITL, and/or (3) by which CITL communicates with the UNFCCC International Transaction Log (where applicable), and/or (4) by which a Registry communicates with the UNFCCC International Transaction Log (where Applicable), and/or (5) by which the UNFCCC International Transaction Log communicates with the CDM Registry (where applicable), which in any case is necessary to facilitate a transfer;

(H) Registry shall mean any registry in an EU Member State meeting the eligibility criteria and which has implemented the Linking Directive in a manner that authorizes private persons to hold EUAs and has Person Holding Accounts established in order to ensure the accurate accounting of the issue of holding, transfer, acquisition, surrender, cancellation, and replacement of EUAs under the Scheme, and which has been identified as a Registry by the Clearing House from time to time for the purpose of this futures contract;

(I) Registry Regulations shall mean the EU Commission Regulation (EC) No 2216/2004 for a standardized and secured system of registries pursuant to Directive 2003/87/EC of the European Parliament and of the Council and Decision 280/2004/EC of the European Parliament and of the Council, as amended from time to time including by EU Commission Regulation (EC) No.916/2007.

850.01. SCOPE

The provisions of these rules shall apply to all European Union EUAs bought or sold for future delivery on the Exchange with the Delivery at the UK Emissions Trading Registry.

850.02. TIME REFERENCES

For purposes of these Rules, unless otherwise specified, times referred to herein shall refer to and indicate the prevailing time in Greenwich Mean Time (GMT).

850.03. CONTRACT UNIT

The contract unit shall be one thousand (1,000) EUAs for a delivery made by transfer through UK Emissions Trading Registry.

850.04. DELIVERY

EUA delivery shall comply with all requirements for the electronic transfer of EUAs on the UK Emissions Trading Registry. All deliveries made under these rules shall be final and there shall be no appeal. Notwithstanding the use of a designee, all Clearing Members will remain ultimately responsible for performance of all applicable contract terms specific to Sellers and Buyers

850.05. DELIVERY MONTHS

Trading shall be conducted in contracts providing for delivery in such periods as shall be determined by the Exchange.

850.06. PRICES AND FLUCTUATIONS

Prices shall be quoted in Euros and Euro cents per EUA. The minimum price fluctuation shall be

€0.01 per EUA (€ 10.00 per contract). There shall be no maximum price fluctuation..

850.07. TERMINATION OF TRADING

Trading in the delivery month shall cease on the last Monday of the delivery month. If the last Monday of the delivery month occurs on a UK Bank Holiday or, if a UK Bank Holiday occurs on any of the four (4) days following the last Monday of the delivery month, trading shall cease on the penultimate Monday of the delivery month. If the penultimate Monday of the delivery month occurs on a UK Bank Holiday or, if a UK Bank Holiday occurs on any of the four (4) days following the penultimate Monday of the delivery month, trading shall cease on the antepenultimate Monday of the delivery month.

850.08. PRODUCT PLACEMENT

For purposes of Rule 9A.19, the Seller and Buyer shall fulfill their respective contractual obligations on a maturing contract unless, by 5:00 p.m. GMT on the 10th business day prior to the first business day of the delivery month, such Seller and Buyer have provided account certification, in the form prescribed by the Exchange stating that: (i) If a buyer, the Buyer has an account with UK Emissions Trading Registry; and (ii) If a seller, the Seller has an account with UK Emissions Trading Registry.

The receipt of such certification shall not relieve the Seller or Buyer of any obligations under any Rule other than Rule 9A.19.

850.09. DELIVERY PROCEDURES AND OBLIGATIONS

The Clearing House is a party to all deliveries under this contract and will receive EUAs from the Seller into the Clearing House Holding Account of the UK Emissions Trading Registry. Following receipt from the Seller, the Clearing House will deliver EUAs to the Buyer from the Clearing House Holding Account to the UK Emissions Trading Registry Holding Account nominated by the Buyer. The Seller shall comply with such requirements and obligations imposed by or under applicable Registry Regulations in all respects material to the submission of the forms noted in this Rule. The Buyer shall comply with such requirements and obligations imposed by or under applicable Registry Regulations in all respects material to ensure the acceptance of a valid transfer into its Holding Account. If a provision of the Regulations or the Clearing House Rules is inconsistent with a provision of the Registry Regulations, the provision of the Regulations or the Clearing House Rules shall prevail as between the Buyer, Seller, and the Clearing House to the extent of such inconsistency and to the extent permitted by law.

(A) OPERATIONAL RESPONSIBILITIES OF CLEARING MEMBERS

(1) Notice of Intention to Accept:

By 10:00 PM GMT on the final day of trading of the expiring delivery month, a Buyer having an open long position shall file with the Exchange a properly completed and signed Notice of Intention to Accept. The Notice of Intention to Accept shall be in the form prescribed by the Exchange and shall include: Number of contracts to be accepted; UK Emissions Trading Registry Account Number; Name; Telephone Number and e-mail address of the Authorized Representative(s) for that Registry account, and any additional information as may be required by the Exchange.

(2) Notice of Intention to Deliver: By 10:00 PM GMT on the final day of trading of the expiring delivery month, a Seller having an open short position shall file with the Exchange a properly completed and signed Notice of Intention to Deliver. The Notice of Intention to Deliver shall be in such form prescribed by the Exchange and shall include: Number of contracts to be delivered; UK Emissions Trading Registry Account Number; Name; Telephone Number and e-mail address of the Authorized Representative(s) for that Registry account, and any additional information as may be required by the Exchange.

(3) By 6:30 PM GMT on the first business day after the final day of trading of the delivery month, the Seller will transfer EUAs subject to delivery to the Clearing House Holding Account of the UK Emissions Trading Registry.

(4) By 7:00 PM GMT on the first business day after the final day of trading of the delivery month, for each Buyer that has satisfied its obligations under Rule 850.09.(A)(6), the Clearing House will initiate the process of transferring the EUAs to the Buyer's account at the UK Emissions Trading Registry.

(5) By 3:00 PM GMT the second business day after the final day of trading of the delivery month, Buyer shall receive EUAs from the Clearing House Holding Account of the UK Emissions Trading Registry.

(6) By 2:00 PM GMT on the business day following the last day of trading, the Buyer shall deposit / transfer Euro currency equal to the full value of the product to the designated Clearing House bank account.

(7) By 3:00 PM GMT on the second business day following the last day of trading, for each Seller that has satisfied its obligations under Rule 850.09.(A)(3), the Clearing House shall pay the Seller full contract value.

(B) ASSIGNMENT DAY:

(1) The Clearing House shall allocate Notices of Intention to Deliver and Notices of Intention to Accept by matching positions, to the extent possible.

(2) The Clearing House shall provide Assignment Notice Reports to the respective Clearing Members on the final day of trading of the delivery month.

(C) PAYMENT AND DELIVERY MARGINS

(1) Definitions:

(A) Daily Margin: The Buyer and Seller shall deposit with the Exchange margins in such amounts and in such form as required by the Exchange. Such margins which shall not be greater than the margins charged to the Buyer's Customer and Seller's Customer, shall be returned on the business day following notification to the Exchange that delivery and payment have been completed.

(B) "Payment" shall include the settlement price times the number of contracts times 1,000.

(C) "Payment Date" shall mean the date on which the Clearing House transfers payment in connection with a delivery to a Seller.

(D) Any payment made on Payment Date shall be based on EUAs that the Seller is obligated to deliver pursuant to the applicable delivery.

850.10. VALIDITY OF DOCUMENTS

The Exchange makes no representation with respect to the authenticity, validity or accuracy of any of Tender Allocation Notice, Notice of Intention to Accept, Notice of Intention to Deliver, check or of any document or instrument delivered pursuant to these Rules.

850.11. EXCHANGE OF FUTURES FOR PHYSICAL (EFP) AND EXCHANGE OF FUTURES FOR SWAPS (EFS)

(A) An exchange of futures for, or in connection with, the product (EFP) or exchange of futures for, or in connection with, swap (EFS) transactions consist of two discrete, but related, transactions: a physical commodity or swap transaction and a futures transaction. At the time such transaction is effected, the Buyer's Customer and Seller's Customer of the futures must be respectively the Seller's Customer and Buyer's Customer of a quantity of the physical product or swaps agreement covered by this Section (or any derivative, by product or related product). The quantity of physical product or swap agreement must be approximately equivalent to the quantity covered by the futures contract. (B) Except as provided below, an EFP or EFS transaction is permitted at any time before 5:30 p.m. GMT on the last trading day of the delivery month, provided, however, that an EFP or EFS which would establish a futures position for both the Buyer's Customer and the Seller's Customer shall not be permitted during the final hour of the last trading day. (C) Any EFP or EFS transaction shall be governed by the provisions of this Rule and by the provisions of Exchange Rules 538 and 538A, respectively. (D) Each Buyer's Customer and Seller's Customer must satisfy the Exchange, at its request, that the transaction is a legitimate EFP or EFS transaction. All documentary evidence relating to the EFP or EFS, including, without limitation, evidence as to change of ownership of the physical commodity or swap commitment, shall be obtained by the Clearing Members from their customers and made available by the Clearing Members for examination by the Exchange upon request. (E) A report of each EFP or EFS transaction shall be entered on the day that the transaction thereto was made, or if such agreement was made after the close of trading, then on the next business day. EFP or EFS transactions shall be cleared through the Exchange in accordance with normal procedures, shall be clearly identified as EFP or EFS transactions, and shall be recorded as such by the Exchange and by the Clearing Members involved.

850.12. ALTERNATIVE DELIVERY PROCEDURE

An Alternative Buyer may agree with the Seller with which it has been matched by the Exchange under Rule 850.09(B) to make and take delivery under terms or conditions which differ from the terms and conditions prescribed by this Chapter. In such a case, Buyers and Sellers shall execute an Alternative Delivery Procedure on a form prescribed by the Exchange and shall deliver a completed executed copy of such form to the Exchange. The delivery of an executed Alternative Delivery Procedure form to the Exchange shall release the Buyer, Seller and the Exchange from their respective obligations under the Exchange contracts. In executing such Alternative Delivery Procedure form, Buyers and Sellers shall indemnify the Exchange against any liability, cost or expense it may incur for any reason as a result of the execution, delivery, or performance of such contracts or such agreement, or any breach thereof or default there under. Upon receipt of an executed Alternative Delivery Procedure form, the Exchange will return to the Buyer and Seller all margin monies held for the account of each with respect to the contracts involved.

850.13. LATE PERFORMANCE, FAILURE TO PERFORM AND FORCE MAJEURE

(A) DEFINITION. As used in this Rule 850.13, the following terms, as well as variations thereof, shall have the meaning described below.

(1) "Late Performance" shall mean the failure of a Buyer or a Seller to complete a material act with

respect to a delivery obligation imposed by, and within the time period established in, the Rules. Late Performance shall be restricted to three business days. Late Performance beyond three business days by, a Seller or a Buyer will be deemed a Failure to Perform.

(2) "Day of Late Performance" shall mean the twenty-four hour period commencing immediately after a Buyer, a Seller, or the Clearing House was to have performed. Each subsequent Day of Late Performance shall commence twenty-four hours after the beginning of the prior Day of Late Performance. When a Party is late in performance, the day when the act was to have performed shall be a Day of Late Performance.

(3) "Failure to Perform" shall mean the failure of a Buyer or a Seller to complete a material act with respect to a delivery obligation prior to the expiration of the period allowed for the late performance of such act.

(4) "Contract Value" shall mean the amount equal to the settlement price on the last day of trading in a futures contract times 1,000 (the number of EUAs per contract) times the number of contracts to be delivered.

(5) (a) "Party" shall mean a Buyer or Seller and such Buyer and Seller are each responsible to the Exchange for their obligations under these Rules and further responsible to the Exchange for the obligations of their respective customers under the Rules of this Chapter.

(b) "Other Party" shall mean the corresponding Buyer when the Seller is late in performance or has failed to perform and the corresponding Seller when the Buyer is late in performance or has failed to perform.

(6) "Force Majeure" shall mean any circumstance (including but not limited to a strike, lockout, national emergency, governmental action, or act of God) which is beyond the control of such Buyer or Seller, and which prevents the Buyer or Seller from making or taking delivery of product when and as provided for in these Rules.

(B) RESPONSIBILITIES OF PARTIES TO THE DELIVERY

(1) The parties to a delivery shall make commercially reasonable efforts to perform their respective delivery obligations at all times until a Party has failed to perform.

(2) A Party which has failed to perform its obligations may no longer perform such obligations; provided, however, that a Buyer which has failed to make a payment shall make such payment.

(C) EMISSIONS ALLOWANCE DELIVERY COMMITTEE

(1) Force Majeure, Late Performance and Failure to Perform shall be determined by a Panel of the Emissions Allowance Delivery Committee as set forth below. The Chairman of the Emissions Allowance Delivery Committee shall appoint a Panel, which shall consist of three (3) members of the Committee, to review a delivery:

(a) When the Chairman of the Emissions Allowance Delivery Committee is advised by the President or any person designated by the President that it appears that the performance of a Party to the delivery is late;

(b) Upon the written request of both the Buyer and the Seller;

(c) When the President or any person designated by the President requests such appointment; or

(d) When either Party to the delivery notifies the Exchange that circumstances exist constituting Force Majeure.

(2) The Chairman of the Emissions Allowance Delivery Committee shall not appoint to any Panel any person who has a direct or indirect interest in the delivery in question. Any Panel so appointed shall retain jurisdiction over the delivery in question until the delivery has been completed or a Party has been found to have failed to perform such delivery. Exchange Counsel shall serve as advisor to the Panel.

(3) The Panel shall meet within one business day of notification as provided in these Rules. Unless good cause for delay exists, within one business day the Panel shall determine whether force majeure exists, whether a Buyer or Seller is late in performing or has failed to perform its obligations as provided in the Rules, and advise the Market Regulation Department of such determination, and its findings in support thereof immediately. The Panel shall cause its determination to be communicated to the parties to the delivery as expeditiously as possible.

(4) Upon a finding of force majeure, the Panel may take any one or combination of the following actions as it deems suitable order: an extension of time not to exceed ten days from the date of the scheduled delivery; or, refer the delivery to the Exchange, represented by the Market Regulation Department, for emergency action.

(D) EXCHANGE ACTION

(1) Whenever a Buyer or a Seller is found by the Panel to be late in the performance of a delivery obligation, the Exchange, represented by the Market Regulation Department, shall issue a Notice of Assessment, assessing a penalty of 10% of contract value for each applicable day of Late Performance.

(2) Whenever a Buyer or Seller is found by the Panel or otherwise deemed to have a "Failure to Perform" the Exchange, represented by the Market Regulation Department shall issue a Notice of Assessment assessing penalties of twenty percent (20%) of the contract value, in addition to any penalties assessed pursuant to subparagraph (1) above, to be paid to the Exchange.

(3) (a) A Party may appeal a Notice of Assessment by filing a Notice of Appeal with the Hearing

Registrar of the Exchange and by serving a copy of the same on the Exchange's Market Regulation Department, within two business days of receipt of the Notice of Assessment from the Market Regulation Department. The Party filing the appeal ("Appellant") shall file, within twenty (20) days after filing the Notice of Appeal, a Memorandum of Appeal setting forth the factual and legal basis for the appeal. The Memorandum of Appeal must be filed with the Hearing Registrar and a copy of the same served upon the Exchange's Compliance Counsel.

(b) The Market Regulation Department may file with the Appellant and Hearing Registrar an Answering Memorandum to the Memorandum of Appeal within ten (10) days of receipt of that memorandum.

(c) Failure by the Party to file a Notice of Appeal or a Memorandum of Appeal with the time specified in subsection (D)(3)(a) of this Rule shall constitute a waiver, and the penalties set forth in the Notice of Assessment shall be paid within five days to the Exchange. Failure to pay such penalties in accordance with this Rule shall subject the party to the sanctions set forth in Chapter 4. In the event a party fails to Appeal, or waives the opportunity to appeal a Notice of Assessment, the Assessment and findings of the Emissions Allowance Delivery Committee shall constitute a final disciplinary action of the Exchange.

(4) Within ten (10) days after receipt of Market Regulation Department's reply, the Appellant shall be entitled to examine all books, documents and other tangible evidence in possession or under the control of the Exchange that are to be relied on by Market Regulation Department or are otherwise relevant to the matter.

(5) In the event of an appeal by a Party, the President, or his designee, shall appoint an Assessment Appeal Panel to hear and decide the appeal. No member of the Panel may have a direct or indirect interest in the matter under the appeal. Each Panel Member shall disclose to the President, or his designee, any such interest which might preclude such Panel Member from rendering a fair and impartial determination. The formal Rules of Evidence shall not apply to such appeal, and the Panel shall be the sole judge with respect to the evidence presented to it. Exchange outside counsel shall advise the Panel.

(6) The procedures for the hearing of the appeal before the Assessment Appeal Panel shall be as follows:

(a) At a date to be set by order of the Panel, and prior to such hearing, the Appellant and the Market Regulation Department shall furnish each other with a list of witnesses expected to be called at the hearing, and a list of documents and copies thereof expected to be introduced at the hearing.

(b) At such hearing: The Appellant may appear personally and may be represented by counselor or other representative of his choice at the appeal.

(c) The Market Regulation Department shall be entitled to offer evidence relating to the delivery and shall be entitled to call witnesses and introduce documents in support thereof. It shall be the burden of the Market Regulation Department to demonstrate, by the weight of the evidence, the appropriateness of the sanction set forth in the Notice of Assessment.

(d) The Appellant shall be entitled to rebut the Market Regulation Department's evidence and shall be entitled to call witnesses and introduce documents in support thereof.

(e) The Market Regulation Department and the Appellant shall be entitled to cross-examine any witness called by the opposing Party at the hearing.

(f) The Notice of Assessment, the Notice of Appeal, the Memorandum of Appeal, any Answering Memorandum, the stenographic transcript of the appeal, any documentary evidence or other material presented to and accepted by the Panel shall constitute the record of the hearing. The decision of the Panel shall be based upon the record of the hearing.

(g) The Panel shall have the power to impose a penalty against any person who is within the jurisdiction of the Exchange and whose actions impede the progress of a hearing.

(h) The Assessment Appeal Panel shall issue a written decision in which it may affirm, reduce, or waive the charges assessed against the Appellant and shall state the reasons therefore.

(i) The decision of the Assessment Appeal Panel shall be a final decision of the Exchange and shall constitute a final disciplinary action of the Exchange. The fine is payable on the effective day of the decision or as specified. The effective day shall be fifteen (15) days after a copy of the written decision has been delivered to the appellant and to the Commission.

(8) The Assessment Appeal Panel shall consider, and make recommendations to the President, or his designee concerning acceptance or rejection of, any offer of settlement submitted by Appellant. In the case of an offer of settlement, acceptance by the President shall constitute the final disciplinary action of the Exchange.

(E) ARBITRATION PROCEDURE

(1) Any claim for damages arising between a Buyer and a Seller as a result of a delivery pursuant to this contract shall be settled by arbitration in accordance with these Rules.

(2) Notice of Intent to Arbitrate must be submitted to the Secretary of the Exchange within three business days of the occurrence upon which the claim is based or the decision of the Emissions Allowance Delivery Committee with respect to a late or failed performance. Failure to submit a Notice of Intent to Arbitrate within the prescribed period will be deemed a waiver of a Party's rights

to arbitrate such a delivery dispute under the special or Regular Arbitration Rules.
(3) The Arbitration will be governed by Chapter 6A of the Rules except that the President or his designee shall appoint an Arbitration Panel.

850.14. EXCLUSION OF LIABILITY

Except as specifically provided in the Rules (and to the extent permitted by law), the Clearing House accepts no liability in connection with this futures contract, its performance, nonperformance or its termination whether based on breach of contract, warranty, negligence or tort. In particular, but without limitation, the Clearing House shall not be responsible for or shall have any liability whatsoever to any Buyer or Seller for the: availability, suitability, unavailability or malfunction of a Communication Link or any part thereof; performance or non performance by a registry or CITL or UNFCCC International Transaction Log of their respective obligations under the Registry Regulations or otherwise; any act or omission of any operator of a Communication Link or any part thereof; or any act or omission of an authorized agent of any other party; or any performance or non performance by the Clearing House in relation to its serving as a party to the deliveries and the Clearing House shall under no circumstances be liable for any indirect or consequential loss or loss of profits. Additionally, nothing in these Rules will constrain the Clearing House from performing its duties under CME Rule 802.

In Delivery Month European Union Allowance (EUA) Option

851.01. EXPIRATION

An In Delivery Month European Union Allowance (EUA) Option contract ("In Delivery Month EUA Option") listed on the Exchange shall expire at the close of trading three business days prior to the expiration of the underlying In Delivery Month European Union Allowance (EUA) Futures contract ("In Delivery Month EUA Futures").

851.02. TRADING UNIT

An In Delivery Month EUA Option contract is a European style option. An In Delivery Month EUA put or call Option contract traded on the Exchange represents an option to assume a short or long position in the underlying In Delivery Month EUA Futures contract traded on the Exchange

851.03. TRADING MONTHS

Trading in an In Delivery Month EUA Option contract shall be conducted in the contract months as shall be determined by the Exchange. Trading shall commence on the day fixed by resolution of the Exchange.

851.04. HOURS OF TRADING

The In Delivery Month EUA Option contract is available for open outcry trading on the Exchange trading floor between 9:00 a.m. and 2:30 p.m. (New York Prevailing time) Monday through Friday, except on Exchange Holidays. The In Delivery Month EUA Option contract is available for clearing on CME ClearPort from 6:00 p.m. Sunday through 5:15 p.m. Friday (New York Prevailing time), with a 45-minute break each day between 5:15 p.m. and 6:00 p.m., except on Exchange Holidays.

851.05. STRIKE PRICES

Trading shall be conducted for options with strike prices in increments as set forth below.

(A) On the first business day of trading in an option contract month, trading shall be at the following strike prices: (i) the previous day's settlement price for In Delivery Month EUA Futures contracts in the corresponding delivery month rounded off to the nearest fifty-cent increment strike price (ii) the ten fifty-cent increment strike prices which are ten increments higher than the strike price described in (i) of this Rule 851.05(A) and (iii) the ten fifty-cent increment strike prices which are ten increments lower than the strike price described in (i) of this Rule 851.05(A).

(B) Thereafter, on any business day prior to the expiration of the option, new consecutive strike prices for both puts and calls will be added such that there will be ten increments above and below the at-the-money option.

(C) Notwithstanding the provisions of subsections (A) and (B) of this Rule, if the Exchange determines that trading in In Delivery Month EUA Option contracts will be facilitated thereby, the Exchange may, by resolution, change the increments between strike prices, the number of strike prices which shall be traded in the first day in any new option contract month, the number of new strike prices which will be introduced on each business day or the period preceding the expiration of an In Delivery Month EUA Option contract in which no new strike prices may be introduced.

851.06. PRICES AND FLUCTUATIONS

Prices shall be quoted in Euros (€) and Euro cents (¢) per allowance. The minimum price fluctuation is €0.01 per allowance. A cabinet trade may occur at a price of €1.00 per contract, however, if it results in the liquidation of positions for both parties to the trade.

851.07. ABSENCE OF PRICE FLUCTUATION LIMITATIONS

Trading in In Delivery Month EUA Option contracts shall not be subject to price fluctuation limitations.

In Delivery Month Certified Emission Reduction (CER) Futures

852.01A. DEFINITIONS

(A) Certified Emission Reduction ("CER"). CER shall mean a unit issued pursuant to Articles 12 and 17 of the Kyoto Protocol and the decisions adopted pursuant to the UNFCCC or the Kyoto Protocol which may be used for compliance purposes under the European Union Emissions Trading Scheme ("EU ETS") in accordance with Article 11a(3)(a) and (b) of the Directive 2003/87/EC (as amended from time to time) and the Linking Directive 2004/101/EC as implemented into Member State law. CERs from nuclear facilities; land use, land use change and forestry activities (LULUCF); and hydroelectric projects with generating capacities exceeding 20 MW are excluded from this definition.

(B) CDM ("Clean Development Mechanism") shall mean a mechanism established by Article 12 of

the Kyoto Protocol for project-based emission reduction activities in developing countries.

(C) Clean Development Mechanism Executive Board (CDM-EB): The CDM-EB registers validated project activities as CDM projects, issues certified emission reductions to relevant project participants, and manages series of technical panels and working groups meetings.

(D) The terms "Seller" and "Buyer" shall mean the short Clearing Member and the long Clearing Member, respectively. Further, for purposes of this contract, Sellers and Buyers may utilize a designee to perform their respective and necessary obligations with regard to transferring and accepting allowances at the eligible registries.

(E) The terms "Seller's Customer" and "Buyer's Customer" shall mean the seller and buyer of the physical product or swap transaction.

(F) ITL (International Transaction Log): All transactions between registries are maintained by transaction logs which verify the validity of transactions. The UNFCCC Secretariat maintains the ITL for the purposes of transfer under the Kyoto Protocol. Moreover the EU Commission established and is the Administrator of the Community Transaction Independent Log (CITL) for transfers involving EU Member States. Transfers involving EU Entities entail an additional step from the ITL to the CITL under the Kyoto Protocol for transfers of CERs between national registries.

(G) The term "Settlement Price" shall mean the final settlement price used as the price for delivery of the product, which shall be the settlement price for the last trading day of the expiring delivery month. The settlement price for the last trading day shall be determined in accordance with the procedures set forth in NYMEX Rule 11G.11.

(H) "Communication Link" shall mean the electronic exchange of messages/notifications (1) by which a buyer and seller communicate with a Registry, and/or (2) by which a Registry communicates with CITL, and/or (3) by which CITL communicates with the UNFCCC International Transaction Log (where applicable), and/or (4) by which a Registry communicates with the UNFCCC International Transaction Log (where applicable), and/or (5) by which the UNFCCC International Transaction Log communicates with the CDM Registry (where applicable), which in any case is necessary to facilitate a transfer;

(I) "Registry" shall mean any registry in an EU Member State meeting the eligibility criteria and which has implemented the Linking Directive in a manner that authorizes private persons to hold CERs and has Person Holding Accounts established in order to ensure the accurate accounting of the issue of holding, transfer, acquisition, surrender, cancellation, and replacement of CERs under the Scheme, and which has been identified as a Registry by the Clearing House from time to time for the purpose of this futures contract;

(J) "Registry Regulations" shall mean the EU Commission Regulation (EC) No 2246/2004 for a standardized and secured system of registries pursuant to Directive 2003/87/EC of the European Parliament and of the Council and Decision 280/2004/EC of the European Parliament and of the Council, as amended from time to time including by EU Commission Regulation (EC) No.916/2007.

852.01. SCOPE

The provisions of these rules shall apply to all CERs, issued pursuant to Articles 12 and 17 of the Kyoto Protocol, bought or sold for future delivery on the Exchange with the Delivery at the UK Emissions Trading Registry or the Dutch CO2 Emissions Trading Registry.

852.02. TIME REFERENCES

For purposes of these Rules, unless otherwise specified, times referred to herein shall refer to and indicate the prevailing time in Greenwich Mean Time (GMT).

852.03. CONTRACT UNIT

The contract unit shall be one thousand (1,000) CERs for a delivery made by transfer through the UK Emissions Trading Registry or the Dutch CO2 Emissions Trading Registry.

852.04. DELIVERY

At the registry designation of the buyer, CER delivery shall take place by electronic transfer of CERs at the UK Emissions Trading Registry or the Dutch CO2 Emissions Trading Registry. The registry will be designated by the Buyer, and it must satisfy "Eligibility Criteria" for international emissions trading specified in Article 17 of the Kyoto Protocol and Decision 11/CMP.1. All deliveries made under these Rules shall be final and there shall be no appeal. Notwithstanding the use of a designee, all Clearing Members will remain ultimately responsible for performance of all applicable contract terms specific to Sellers and Buyers.

852.05. DELIVERY MONTHS

Trading shall be conducted in contracts providing for delivery in such periods as shall be determined by the Exchange.

852.06. PRICES AND FLUCTUATIONS

Prices shall be quoted in Euro and Euro cents per CER. The minimum price fluctuation shall be €0.01 per CER (€10.00 per contract). There shall be no maximum price fluctuation.

852.07. TERMINATION OF TRADING

Trading in the delivery month shall cease on the last Monday of the delivery month. If the last Monday of the delivery month occurs on a UK Bank Holiday or, if a UK Bank Holiday occurs on any of the four (4) days following the last Monday of the delivery month, trading shall cease on the penultimate Monday of the delivery month. If the penultimate Monday of the delivery month occurs on a UK Bank Holiday or, if a UK Bank Holiday occurs on any of the four (4) days following the penultimate Monday of the delivery month, trading shall cease on the antepenultimate Monday of the delivery month.

852.08. PRODUCT PLACEMENT

For purposes of Rule 9A.19, the Seller and Buyer shall fulfill their respective contractual obligations on a maturing contract unless, by 5:00 p.m. GMT on the 10th business day prior to the first business day of the delivery month, such Seller and Buyer have provided account certification, in the form prescribed by the Exchange stating that: (i) If a buyer, the Buyer has an account with the UK Emissions Trading Registry or the Dutch CO2 Emissions Trading Registry; (ii) If a seller, the Seller has an account with the UK Emissions Trading Registry or the Dutch CO2 Emissions Trading Registry.

The receipt of such certification shall not relieve the Seller or Buyer of any obligations under any Rule other than Rule 9A.19.

852.09. DELIVERY PROCEDURES AND OBLIGATIONS

The Clearing House is a party to all deliveries under this contract and will receive CERs from the Seller into the Clearing House Holding Account of the UK Emissions Trading Registry or the Dutch CO2 Emissions Trading Registry. Following receipt from the Seller, the Clearing House will deliver CERs to the Buyer from the Clearing House Holding Account to the UK Emissions Trading Registry or the Dutch CO2 Emissions Trading Registry Holding Account nominated by the Buyer.

The Seller shall comply with such requirements and obligations imposed by or under applicable Registry Regulations in all respects material to the submission of the forms noted in this Rule. The Buyer shall comply with such requirements and obligations imposed by or under applicable Registry Regulations in all respects material to ensure the acceptance of a valid transfer into its Holding Account. If a provision of the Regulations or the Clearing House Rules is inconsistent with a provision of the Registry Regulations, the provision of the Regulations or the Clearing House Rules shall prevail as between the Buyer, Seller, and the Clearing House to the extent of such inconsistency and to the extent permitted by law.

(A) OPERATIONAL RESPONSIBILITIES OF CLEARING MEMBERS

(1) Notice of Intention to Accept:

By 10:00 PM GMT on the final day of trading of the delivery month, a Buyer having an open long position shall file with the Exchange a properly completed and signed Notice of Intention to Accept. The Notice of Intention to Accept shall be in the form prescribed by the Exchange and shall include: Number of contracts to be accepted; Registry Name; Registry Account Number; Name, Telephone Number and e-mail address of the Authorized Representative(s) for that Registry account; and any additional information as may be required by the Exchange

(2) Notice of Intention to Deliver:

By 10:00 PM GMT on the final day of trading of the delivery month, a Seller having an open short position shall file with the Exchange a properly completed and signed Notice of Intention to Deliver. The Notice of Intention to Deliver shall be in such form prescribed by the Exchange and shall include: Number of contracts to be delivered; Registry Name; Registry Account Number; Name, Telephone Number and e-mail address of the Authorized Representative(s) for that Registry account; and any additional information as may be required by the Exchange.

(3) By 6:30 PM GMT on the first business day after the final day of trading of the delivery month, the Seller will transfer CERs subject to delivery to the Clearing House Holding Account of the UK Emissions Trading Registry or the Dutch CO2 Emissions Trading Registry.

(4) By 7:00 PM GMT on the first business day after the final day of trading of the delivery month, for each Buyer that has satisfied its obligation under Rule 852.09(A)(6), the Clearing House will initiate the process of transferring the CERs to the Buyer's account at the UK Emissions Trading Registry or the Dutch CO2 Emissions Trading Registry.

(5) By 3:00 PM GMT the second business day after the final day of trading of the delivery month, Buyer shall receive CERs from the Clearing House Holding Account of the UK Emissions Trading Registry or the Dutch CO2 Emissions Trading Registry.

(6) By 2:00 PM GMT on the business day following the last day of trading, the Buyer shall deposit / transfer of Euro currency equal to the full value of the product to be delivered designated Clearing House bank account.

(7) By 3:00 PM GMT on the second business day following the last day of trading, for each Seller

that has satisfied its obligations under Rule 852.09(A)(3), the Clearing House shall pay the Seller full contract value.

(B) ASSIGNMENT DAY

(1) The Clearing House shall allocate Notices of Intention to Deliver and Notices of Intention to Accept by matching positions, to the extent possible.

(2) The Clearing House shall provide Assignment Notice Reports to the respective Clearing Members on the final day of trading of the delivery month.

(C) PAYMENT AND DELIVERY MARGINS

(1) Definitions:

(A) "Daily Margin" shall mean the Exchange margins that the Buyer and Seller deposit in such amounts and in such form as required by the Exchange. Such margins which shall not be greater than the margins charged to the Buyer's Customer and Seller's Customer, shall be returned on the business day following notification to the Exchange that delivery and payment have been completed.

(B) "Payment" shall include the settlement price times the number of contracts times 1,000.

(C) "Payment Date" shall mean the date on which the Clearing House transfers payment in connection with a delivery to a Seller.

(D) Any payment made on Payment Date shall be based on CERs that the Seller is obligated to deliver pursuant to the applicable delivery.

852.10. VALIDITY OF DOCUMENTS

The Exchange makes no representation with respect to the authenticity, validity or accuracy of any of Tender Allocation Notice, Notice of Intention to Accept, Notice of Intention to Deliver, check or of any document or instrument delivered pursuant to these Rules.

852.11. EXCHANGE OF FUTURES FOR PHYSICAL (EFP) AND EXCHANGE OF FUTURES FOR SWAPS (EFS)

(A) An exchange of futures for, or in connection with, the product (EFP) or exchange of futures for, or in connection with, swap (EFS) transactions consist of two discrete, but related, transactions: a physical commodity or swap transaction and a futures transaction. At the time such transaction is effected, the Buyer's Customer and Seller's Customer of the futures must be respectively the Seller's Customer and Buyer's Customer of a quantity of the physical product or swaps agreement covered by this Section (or any derivative, by product or related product). The quantity of physical product or swap agreement must be approximately equivalent to the quantity covered by the futures contract. (B) Except as provided below, an EFP or EFS transaction is permitted at any time before 5:30 p.m. GMT on the last trading day of the delivery month, provided, however, that an EFP or EFS which would establish a futures position for both the Buyer's Customer and the Seller's Customer shall not be permitted during the final hour of the last trading day. (C) Any EFP or EFS transaction shall be governed by the provisions of this Rule and by the provisions of Exchange Rules 538 and 538A, respectively. (D) Each Buyer's Customer and Seller's Customer must satisfy the Exchange, at its request, that the transaction is a legitimate EFP or EFS transaction. All documentary evidence relating to the EFP or EFS, including, without limitation, evidence as to change of ownership of the physical commodity or swap commitment, shall be obtained by the Clearing Members from their customers and made available by the Clearing Members for examination by the Exchange upon request. (E) A report of each EFP or EFS transaction shall be entered on the day that the transaction thereto was made, or if such agreement was made after the close of trading, then on the next business day. EFP or EFS transactions shall be cleared through the Exchange in accordance with normal procedures, shall be clearly identified as EFP or EFS transactions, and shall be recorded as such by the Exchange and by the Clearing Members involved.

852.12. ALTERNATIVE DELIVERY PROCEDURE

An Alternative Buyer may agree with the Seller with which it has been matched by the Exchange under Rule 852.09(B) to make and take delivery under terms or conditions which differ from the terms and conditions prescribed by this Chapter. In such a case, Buyers and Sellers shall execute an Alternative Delivery Procedure on a form prescribed by the Exchange and shall deliver a completed executed copy of such form to the Exchange. The delivery of an executed Alternative Delivery Procedure form to the Exchange shall release the Buyer, Seller and the Exchange from their respective obligations under the Exchange contracts. In executing such Alternative Delivery Procedure form, Buyers and Sellers shall indemnify the Exchange against any liability, cost or expense it may incur for any reason as a result of the execution, delivery, or performance of such contracts or such agreement, or any breach thereof or default there under. Upon receipt of an executed Alternative Delivery Procedure form, the Exchange will return to the Buyer and Seller all margin monies held for the account of each with respect to the contracts involved.

852.13. LATE PERFORMANCE, FAILURE TO PERFORM AND FORCE MAJEURE

(A) DEFINITION. As used in this Rule 852.13, the following terms, as well as variations thereof, shall have the meaning described below.

(1) "Late Performance" shall mean the failure of a Buyer or a Seller to complete a material act with respect to a delivery obligation imposed by, and within the time period established in, the Rules. Late Performance shall be restricted to three business days. Late Performance beyond three business days by a Seller or a Buyer will be deemed a Failure to Perform.

(2) "Day of Late Performance" shall mean the twenty-four hour period commencing immediately after a Buyer, a Seller, or the Clearing House was to have performed. Each subsequent Day of Late Performance shall commence twenty-four hours after the beginning of the prior Day of Late Performance. When a Party is late in performance, the day when the act was to have performed shall be a Day of Late Performance.

(3) "Failure to Perform" shall mean the failure of a Buyer or a Seller to complete a material act with respect to a delivery obligation prior to the expiration of the period allowed for the late performance of such act.

(4) "Contract Value" shall mean the amount equal to the settlement price on the last day of trading in a futures contract times 1,000 (the number of CERs per contract) times the number of contracts to be delivered.

(5) (a) "Party" shall mean a Buyer or Seller and such Buyer and Seller are each responsible to the Exchange for their obligations under these Rules and further responsible to the Exchange for the obligations of their respective customers under the Rules of this Chapter.

(b) "Other Party" shall mean the corresponding Buyer when the Seller is late in performance or has failed to perform and the corresponding Seller when the Buyer is late in performance or has failed to perform.

(6) "Force Majeure" shall mean any circumstance (including but not limited to a strike, lockout, national emergency, governmental action, or act of God) which is beyond the control of such Buyer or Seller, and which prevents the Buyer or Seller from making or taking delivery of product when and as provided for in these Rules.

B) RESPONSIBILITIES OF PARTIES TO THE DELIVERY

(1) The parties to a delivery shall make commercially reasonable efforts to perform their respective delivery obligations at all times until a Party has failed to perform.

(2) A Party which has failed to perform its obligations may no longer perform such obligations; provided, however, that a Buyer which has failed to make a payment shall make such payment.

(C) EMISSIONS ALLOWANCE DELIVERY COMMITTEE

(1) Force Majeure, Late Performance and Failure to Perform shall be determined by a Panel of the Emissions Allowance Delivery Committee as set forth below. The Chairman of the Emissions Allowance Delivery Committee shall appoint a Panel, which shall consist of three (3) members of the Committee, to review a delivery:

(a) When the Chairman of the Emissions Allowance Delivery Committee is advised by the President or any person designated by the President that it appears that the performance of a Party to the delivery is late;

(b) Upon the written request of both the Buyer and the Seller;

(c) When the President or any person designated by the President requests such appointment; or

(d) When either Party to the delivery notifies the Exchange that circumstances exist constituting Force Majeure.

(2) The Chairman of the Emissions Allowance Delivery Committee shall not appoint to any Panel any person who has a direct or indirect interest in the delivery in question. Any Panel so appointed shall retain jurisdiction over the delivery in question until the delivery has been completed or a Party has been found to have failed to perform such delivery. Exchange Counsel shall serve as advisor to the Panel.

(3) The Panel shall meet within one business day of notification as provided in these Rules. Unless good cause for delay exists, within one business day the Panel shall determine whether force majeure exists, whether a Buyer or Seller is late in performing, or has failed to perform its obligations as provided in the Rules, and advise the Market Regulation Department of such determination, and its findings in support thereof immediately. The Panel shall cause its determination to be communicated to the parties to the delivery as expeditiously as possible.

(4) Upon a finding of force majeure, the Panel may take any one or combination of the following actions as it deems suitable, order: an extension of time not to exceed 10 days from the date of the scheduled delivery; or refer the delivery to the Exchange, represented by the Market Regulation Department, for emergency action

(D) EXCHANGE ACTION

(1) Whenever a Buyer or a Seller is found by the Panel to be late in the performance of a delivery obligation, the Exchange, represented by the Market Regulation Department, shall issue a Notice of Assessment, assessing a penalty of 10% of contract value for each applicable day of Late Performance.

(2) Whenever a Buyer or Seller is found by the Panel or otherwise deemed to have a "Failure to Perform" the Exchange, represented by the Market Regulation Department shall issue a Notice of

Assessment assessing penalties of twenty percent (20%) of the contract value, in addition to any penalties assessed pursuant to subparagraph (1) above, to be paid to the Exchange.

(3) (a) A Party may appeal a Notice of Assessment by filing a Notice of Appeal with the Hearing Registrar of the Exchange and by serving a copy of the same on the Exchange's Compliance Counsel, within two business days of receipt of the Notice of Assessment from the Market Regulation Department. The Party filing the appeal ("Appellant") shall file, within twenty (20) days after filing the Notice of Appeal, a Memorandum of Appeal setting forth the factual and legal basis for the appeal. The Memorandum of Appeal must be filed with the Hearing Registrar and a copy of the same served upon the Exchange's Compliance Counsel.

(b) The Market Regulation Department may file with the Appellant and Hearing Registrar an Answering Memorandum to the Memorandum of Appeal within ten (10) days of receipt of that memorandum.

(c) Failure by the Party to file a Notice of Appeal or a Memorandum of Appeal with the time specified in subsection (D)(4)(a) of this Rule shall constitute a waiver, and the penalties set forth in the Notice of Assessment shall be paid within five days to the Exchange. Failure to pay such penalties in accordance with this Rule shall subject the party to the sanctions set forth in Chapter 4. In the event a party fails to Appeal or waives the opportunity to appeal a Notice of Assessment the Assessment, and findings of the Emissions Allowance Delivery Committee shall constitute a final disciplinary action of the Exchange.

(4) Within ten (10) days after receipt of the Market Regulation Department's reply, the Appellant shall be entitled to examine all books, documents and other tangible evidence in possession or under the control of the Exchange that are to be relied on by the Market Regulation Department or are otherwise relevant to the matter.

(5) In the event of an appeal by a Party, the President, or his designee, shall appoint an Assessment Appeal Panel to hear and decide the appeal. No member of the Panel may have a direct or indirect interest in the matter under the appeal. Each Panel Member shall disclose to the President or his designee any such interest which might preclude such Panel Member from rendering a fair and impartial determination. The formal Rules of Evidence shall not apply to such appeal, and the Panel shall be the sole judge with respect to the evidence presented to it. Exchange outside counsel shall advise the Panel.

(6) The procedures for the hearing of the appeal before the Assessment Appeal Panel shall be as follows:

(a) At a date to be set by order of the Panel, and prior to such hearing, the Appellant and the Market Regulation Department shall furnish each other with a list of witnesses expected to be called at the hearing, and a list of documents and copies thereof expected to be introduced at the hearing.

(b) At such hearing: The Appellant may appear personally and may be represented by counsel or other representative of his choice at the appeal.

(c) The Market Regulation Department shall be entitled to offer evidence relating to the delivery and shall be entitled to call witnesses and introduce documents in support thereof. It shall be the burden of the Market Regulation Department to demonstrate, by the weight of the evidence, the appropriateness of the sanction set forth in the Notice of Assessment.

(d) The Appellant shall be entitled to rebut the Market Regulation Department's evidence and shall be entitled to call witnesses and introduce documents in support thereof.

(e) The Market Regulation Department and the Appellant shall be entitled to cross-examine any witness called by the opposing Party at the hearing.

(f) The Notice of Assessment, the Notice of Appeal, the Memorandum of Appeal, any Answering Memorandum, the stenographic transcript of the appeal, any documentary evidence or other material presented to and accepted by the Panel shall constitute the record of the hearing. The decision of the Panel shall be based upon the record of the hearing.

(g) The Panel shall have the power to impose a penalty against any person who is within the jurisdiction of the Exchange and whose actions impede the progress of a hearing.

(h) The Assessment Appeal Panel shall issue a written decision in which it may affirm, reduce, or waive the charges assessed against the Appellant and shall state the reasons therefore.

(i) The decision of the Assessment Appeal Panel shall be a final decision of the Exchange and shall constitute a final disciplinary action of the Exchange. The fine is payable on the effective day of the decision or as specified. The effective day shall be fifteen (15) days after a copy of the written decision has been delivered to the appellant and to the Commission.

(8) The Assessment Appeal Panel shall consider, and make recommendations to the President, or his designee concerning acceptance or rejection of any offer of settlement submitted by Appellant. In the case of an offer of settlement, acceptance by the Board shall constitute the final disciplinary action of the Exchange.

(E) ARBITRATION PROCEDURE

(1) Any claim for damages arising between a Buyer and a Seller as a result of a delivery pursuant to this contract shall be settled by arbitration in accordance with these Rules.

(2) Notice of Intent to Arbitrate must be submitted to the Secretary of the Exchange within three business days of the occurrence upon which the claim is based or the decision of the Emissions Allowance Delivery Committee with respect to a late or failed performance. Failure to submit a Notice of Intent to Arbitrate within the prescribed period will be deemed a waiver of a Party's rights to arbitrate such a delivery dispute under the special or Regular Arbitration Rules.

(3) The Arbitration will be governed by Chapter 6A of the Rules except that the President or his designee shall appoint an Arbitration Panel.

852.14. EXCLUSION OF LIABILITY

Except as specifically provided in the Rules (and to the extent permitted by law), the Clearing House accepts no liability in connection with this futures contract, its performance, nonperformance or its termination whether based on breach of contract, warranty, negligence or tort. In particular, but without limitation, the Clearing House shall not be responsible for or shall have any liability whatsoever to any Buyer or Seller for the: availability, suitability, unavailability or malfunction of a Communication Link or any part thereof; performance or non-performance by a registry or CCTL or UNFCCC International Transaction Log of their respective obligations under the Registry Regulations or otherwise; any act or omission of any operator of a Communication Link or any part thereof; or any act or omission of an authorized agent of any other party; or any performance or non-performance by the Clearing House in relation to its serving as a party to the deliveries and the Clearing House shall under no circumstances be liable for any indirect or consequential loss or loss of profits. Additionally, nothing in these Rules will constrain the Clearing House from performing its duties under CME Rule 802.

In-Delivery Month Certified Emission Reduction (CER) Option

853.01. EXPIRATION

An In-Delivery Month Certified Emission Reduction (CER) Option contract ("In-Delivery Month CER Option") listed on the Exchange shall expire at the close of trading three business days prior to the expiration of the underlying In-Delivery Month Certified Emission Reduction (CER) Futures contract ("In-Delivery Month CER Futures").

853.02. TRADING UNIT

An In-Delivery Month CER Option is a European-style option. An In-Delivery Month CER put or call Option contract traded on the Exchange represents an option to assume a short or long position in the underlying In-Delivery Month CER Futures contract traded on the Exchange.

853.03. TRADING MONTHS

Trading in an In-Delivery-Month CER Option contract shall be conducted in the contract months as shall be determined by the Exchange. Trading shall commence on the day fixed by resolution of the Exchange.

853.04. HOURS OF TRADING

The In-Delivery-Month EUA Option contract is available for open outcry trading on the Exchange trading floor between 9:00 a.m. and 2:30 p.m. (New York Prevailing time) Monday through Friday, except on Exchange Holidays. The In-Delivery-Month EUA Option contract is available for clearing on CME ClearPort from 6:00 p.m. Sunday through 5:15 p.m. Friday (New York Prevailing time), with a 45-minute break each day between 5:15 p.m. and 6:00 p.m., except on Exchange Holidays.

853.05. STRIKE PRICES

Trading shall be conducted for options with strike prices in increments as set forth below.

(A) On the first business day of trading in an option contract month, trading shall be at the following strike prices:

- (i) the previous day's settlement price for In-Delivery-Month-EUA-Futures contracts in the corresponding delivery month rounded off to the nearest fifty-cent increment strike price
- (ii) the ten-fifty-cent increment strike prices which are ten-increments higher than the strike price described in (i) of this Rule 853.05(A) and
- (iii) the ten-fifty-cent increment strike prices which are ten-increments lower than the strike price described in (i) of this Rule 853.05(A).

B) Thereafter, on any business day prior to the expiration of the option, new consecutive strike prices for both puts and calls will be added such that there will be ten increments above and below the at-the-money option.

(C) Notwithstanding the provisions of subsections (A) and (B) of this Rule, if the Exchange determines that trading in In-Delivery-Month-EUA-Option contracts will be facilitated thereby, the Exchange may, by resolution, change the increments between strike prices, the number of strike prices which shall be traded in the first day in any new option contract month, the number of new strike prices which will be introduced on each business day or the period preceding the expiration of an In-Delivery-Month-EUA-Option contract in which no new strike prices may be introduced.

853.06. PRICES AND FLUCTUATIONS

Prices shall be quoted in Euros (€) and Euro cents (¢) per metric CER. The minimum price fluctuation is € 0.01 (1 ¢) per CER. A cabinet trade may occur at a price of €1.00 per contract, however, if it results in the liquidation of positions for both parties to the trade.

853.07. ABSENCE OF PRICE FLUCTUATION LIMITATIONS

Trading in In-Delivery-Month CER Option contracts shall not be subject to price fluctuation limitations.

Seasonal NOx Emissions Allowance Vintage 2009 Futures

860.01 SCOPE

The provisions of these rules shall apply to Seasonal NOx emissions allowances vintage 2009 (or earlier vintages) bought or sold for future delivery on the Exchange with the Delivery at the U.S. Environmental Protection Agency's (EPA) NOx Allowance Management System (NAMS).

860.01A DEFINITIONS

A. EPA means the U.S. Environmental Protection Agency or any successor agency with similar jurisdiction.

B. Seasonal NOx Allowance refers to a tradable permit to emit NOx from May 1 to September 30 in a given or subsequent calendar year under the Clean Air Interstate Rule (CAIR) Seasonal NOx Budget Trading Program as specified further by EPA.

C. NOX Allowance Management System (NAMS) means the system established by the EPA for recording the transfer of Allowances among various entities under the Clean Air Act as set.

D. Vintage Year means the first calendar year for which the allowance may be utilized for compliance.

E. The terms "Seller" and "Buyer" shall mean the short Clearing Member and the long Clearing Member, respectively.

F. The terms "Seller's Customer" and "Buyer's Customer" shall mean the seller and buyer of the physical product or swap transaction.

G. The term "Settlement Price" shall mean the final settlement price used as the price for delivery of the product, which shall be the settlement price for the last trading day of the expiring delivery month. The settlement price for the last day of the trading shall be determined in accordance with the procedures set forth in Exchange Rule 813.

860.02 TIME REFERENCES

For purposes of these Rules, unless otherwise specified, times referred to herein shall refer to and indicate the prevailing time in New York.

860.03 CONTRACT UNIT

The contract unit shall be ten (10) allowances of Seasonal NOx emissions allowances vintage 2009 (or earlier vintages) for delivery made by transfer through NAMS.

860.04 DELIVERY

Emission allowance delivery shall comply with all requirements for the electronic transfer of Seasonal NOX allowances through the NOX Allowance Management System. All deliveries made under these rules shall be final and there shall be no appeal.

860.05 DELIVERY MONTHS

Trading shall be conducted in contracts providing for delivery in such periods as shall be determined by the Exchange.

860.06 MINIMUM PRICE FLUCTUATIONS

Prices shall be quoted in dollars per allowance. The minimum price fluctuation shall be \$25.00 per allowance (\$250.00 per contract). There shall be no maximum price fluctuation.

860.07 TERMINATION OF TRADING

Trading in the current delivery month shall cease at termination of the third business day prior to the last business day of the contract month.

860.08 RESERVED

860.09 DELIVERY PROCEDURES

(A) RESPONSIBILITIES OF CLEARING MEMBERS HAVING OPEN LONG POSITIONS

(1) NOTICE OF INTENTION TO ACCEPT

By 11:30 a.m. on the second business day prior to the last business day of an expiring delivery month, a Buyer having an open position shall file with the Exchange a properly completed and signed Notice of Intention to Accept. The Notice of Intention to Accept shall be in the form prescribed by the Exchange and shall include the Name of the Buyer's Customer, Number of contracts to be accepted, and any additional information as may be required by the Exchange.

By 4:00 p.m. on Notice Day, the Buyer shall provide the Seller with the following information: NAMS Account Number; Vintage Year; Name; Phone Number and e-mail address of the Account Representative (AAR) or the authorized alternate for that NAMS account.

(B) RESPONSIBILITIES OF CLEARING MEMBERS HAVING OPEN SHORT POSITIONS

(1) NOTICE OF INTENTION TO DELIVER

By 11:30 a.m. on the second business day prior to the last business day of an expiring delivery month, a Seller having an open short position shall file with the Exchange a properly completed and signed Notice of Intention to Deliver. The Notice of Intention to Deliver shall be in such form prescribed by the Exchange and shall include: Name of the Seller's Customer; Number of contracts to be delivered; NAMS Account Number; Vintage Year; Name; Phone Number and e-mail address of the Account Representative (AAR) or the authorized alternate for that NAMS account, and any information as may be required by the Exchange.

INFORMATION PROVIDED BY SELLER TO BUYER

By 4:00 p.m. on Notice Day, the Seller shall provide the Buyer with the following information: NAMS Account Number; Vintage Year; Name; Phone Number and e-mail address of the Account Representative (AAR) or the authorized alternate for that NAMS account.

C) USE OF SETTLEMENT PRICE: The final settlement price used for the delivery shall be the

settlement price from the final day of trading.

~~(D) Notice Day~~

~~(1) The Clearing House shall allocate Notices of Intention to Deliver and Notices of Intention to Accept by matching size of positions, to the extent possible.~~

~~(2) The Clearing House shall provide Tender Allocation Notices to the respective Clearing Members by 2:00 PM on the second business day prior to the last business day of the delivery month.~~

~~(3) The day the Tender Allocation Notices are provided to the Clearing Members shall be referred to as "Notice Day". Tender Allocation Notices are not transferable~~

~~(E) Payment and Delivery Margins~~

~~(1) Definitions~~

~~(a) "Payment" shall include the settlement price times the number of contracts times 10.~~

~~(b) "Payment Date" shall mean the business day after the Buyer's Customer receipt of proper notification from the NAMS that allowances have been transferred from the Seller's Customer account to the Buyer's Customer account, provided documentation is supplied to the Buyer's Customer by no later than 2:00 P.M. Documentation supplied to Buyer after 2:00 P.M. on any Exchange business day, shall be considered received on the following Exchange business day.~~

~~(c) On the business day following the last day of trading, the long clearing member shall obtain from the long, if any, margin equal to the full value of the product to be delivered. Such margin shall consist of cash, securities issued by the United States Treasury Department maturing within ten (10) years from the date of deposit and guaranteed as to principal and interest by the United States Government or a letter of credit. Any Treasury securities so deposited shall be valued at ninety percent (90%) of the par value of such instruments. Any letter of credit so deposited shall be in a form approved by the Exchange, shall be issued or confirmed by an Exchange approved original margin depository, and shall be drawn in favor of the Exchange.~~

~~(d) The Buyer shall pay the Seller at the office of the Seller by a certified check or electronic funds transfer, or any other method acceptable to both parties by 12:00 P.M. on the payment date.~~

~~(e) The Buyer and Seller shall deposit with the Exchange margins in such amounts and in such form as required by the Exchange. Such margins, which shall not be greater than the margins charged to the Buyer's Customer and Seller's Customer, shall be returned on the business day following notification to the Exchange that delivery and payment have been completed.~~

~~(f) On the Payment Date, The Seller shall deliver a Notice of Payment to the Buyer with a copy to the Exchange by 4:30 PM. Upon receipt of such notice the delivery shall be complete.~~

~~(g) Any payment made on Payment Date shall be based on allowances actually delivered.~~

860.10 DELIVERY PERIOD

Delivery shall take place on one business day prior to the last business day of the delivery month

860.11 VALIDITY OF DOCUMENTS

The Exchange makes no representation respecting the authenticity, validity or accuracy of any of Tender Allocation Notice, Notice of Intention to Accept, Notice of Intention to Deliver, check or of any document or instrument delivered pursuant to these rules

860.12 EXCHANGE OF FUTURES FOR PHYSICAL (EFP) AND EXCHANGE OF FUTURES FOR SWAPS (EFS)

~~(A) An exchange of futures for, or in connection with, product (EFP) or exchange of futures for, or in connection with, swap (EFS) transactions consists of two discrete, but related, transactions; a cash transaction and a futures transaction. At the time such transaction is effected, the Buyer's Customer and the Seller's Customer of the futures must be the Seller's Customer and the Buyer's Customer of a quantity of the physical product or swaps agreement covered by this Section (or any derivative, by product or related product). The quantity of physical product must be approximately equivalent to the quantity covered by the futures contracts.~~

~~(B) Except as provided below, an EFP or EFS transaction must take place during the hours of futures trading for the Seasonal NOX Emissions Allowance futures contract. An EFP or EFS is permitted in the expiring futures contract until two hours after trading terminates on the last day of trading of the expiring futures contract. An EFP or EFS which establishes a futures position for both the buyer and the seller shall not be permitted during the two-hour period following the termination of trading of the expired futures contract.~~

~~(C) Any EFP or EFS transaction shall be governed by the provisions of Rule 538 and 538A, respectively.~~

~~(D) Each Buyer's Customer and Seller's Customer must satisfy the Exchange, at its request, that the transaction is a legitimate EFP or EFS transaction. All documentary evidence relating to EFP or EFS, including, without limitation, evidence as to change of ownership of the physical commodity or swap commitment, shall be obtained by the Clearing Members from their customers or and made available by the Clearing Members for examination by the Exchange upon request.~~

(E) A report of each EFP or EFS transaction shall be entered on the day that the transaction thereto was made, or if such agreement was made after the close of trading, then on the next business day. EFP or EFS transactions shall be cleared through the Exchange in accordance with normal procedures, shall be clearly identified as EFP or EFS transactions, and shall be recorded as such by the Exchange and by the Clearing Members involved.

860.13 ALTERNATIVE DELIVERY PROCEDURE

A Seller's Customer or Buyer's Customer may agree with the Buyer's Customer or the Seller's Customer with which it has been matched by the Exchange under Rule 860.09(D) to make and take delivery under terms or conditions which differ from the terms and conditions prescribed by this Chapter. In such a case, Clearing Members shall execute an Alternative Notice of Intention to Deliver on the form prescribed by the Exchange and shall deliver a completed executed copy of such Notice to the Exchange. The delivery of an executed Alternative Notice of Intention to Deliver to the Exchange shall release the Clearing Members and the Exchange from their respective obligations under the Exchange contracts.

In executing such Notice, Clearing Members shall indemnify the Exchange against any liability, cost or expense it may incur for any reason as a result of the execution, delivery, or performance of such contracts or such agreement, or any breach thereof or default there under. Upon receipt of an executed Alternative Notice of Intention to Deliver, the Exchange will return to the Clearing Members all margin monies held for the account of each with respect to the contracts involved.

860.14 FORCE MAJEURE, LATE PERFORMANCE AND FAILURE TO PERFORM

A) DEFINITION. As used in this Rule 860.14, the following terms, as well as variations thereof, shall have the meaning described below.

(1) "Late Performance" shall mean the failure of a Buyer or a Seller to complete a material act with respect to a delivery obligation imposed by, and within the time period established in, the Rules. Late Performance shall be restricted to three business days. Late Performance beyond three business days by a Seller or a Buyer will be deemed a Failure to Perform.

(2) "Day of Late Performance" shall mean the twenty-four hour period commencing immediately after a Buyer, a Seller, or the Clearing House was to have performed. Each subsequent Day of Late Performance shall commence twenty-four hours after the beginning of the prior Day of Late Performance. When a Party is late in performance, the day when the act was to have performed shall be a Day of Late Performance.

(3) "Failure to Perform" shall mean the failure of a Buyer or a Seller to complete a material act with respect to a delivery obligation prior to the expiration of the period allowed for the late performance of such act.

(4) "Contract Value" shall mean the amount equal to the settlement price on the last day of trading in a futures contract times 10 (the number of allowances per contract) times the number of contracts to be delivered.

(5) (a) "Party" shall mean a Buyer or Seller and such Buyer and Seller are each responsible to the Exchange for their obligations under these Rules and further responsible to the Exchange for the obligations of their respective customers under the Rules of this Chapter.

(b) "Other Party" shall mean the corresponding Buyer when the Seller is late in performance or has failed to perform and the corresponding Seller when the Buyer is late in performance or has failed to perform.

(6) "Force Majeure" shall mean any circumstance (including but not limited to a strike, lockout, national emergency, governmental action, or act of God) which is beyond the control of such Buyer or Seller, and which prevents the Buyer or Seller from making or taking delivery of product when and as provided for in these Rules.

(B) RESPONSIBILITIES OF PARTIES TO THE DELIVERY

(1) The parties to a delivery shall make commercially reasonable efforts to perform their respective delivery obligations at all times until a Party has failed to perform.

(2) A Party which has failed to perform its obligations may no longer perform such obligations; provided, however, that a Buyer which has failed to make a payment shall make such payment.

(C) EMISSIONS ALLOWANCE DELIVERY COMMITTEE

(1) Force Majeure, Late Performance and Failure to Perform shall be determined by a Panel of the Emissions Allowance Delivery Committee as set forth below. The Chairman of the Emissions Allowance Delivery Committee shall appoint a Panel, which shall consist of three (3) members of the Committee, to review a delivery:

(a) When the Chairman of the Emissions Allowance Delivery Committee is advised by the President of the Exchange or any person designated by the President of the Exchange that it appears that the performance of a Party to the delivery is late;

(b) Upon the written request of both the Buyer and the Seller;

(c) When the President of the Exchange or any person designated by the President of the Exchange requests such appointment; or

(d) When either Party to the delivery notifies the Exchange that circumstances exist constituting

Force Majeure.

(2) The Chairman of the Emissions Allowance Delivery Committee shall not appoint to any Panel any person who has a direct or indirect interest in the delivery in question. Any Panel so appointed shall retain jurisdiction over the delivery in question until the delivery has been completed or a Party has been found to have failed to perform such delivery. Exchange Counsel shall serve as advisor to the Panel.

(3) The Panel shall meet within one business day of notification as provided in these Rules. Unless good cause for delay exists, within one business day the Panel shall determine whether force majeure exists, whether a Buyer or Seller is late in performing or has failed to perform its obligations as provided in the Rules, and advise the Market Regulation Department of such determination, and its findings in support thereof immediately. The Panel shall cause its determination to be communicated to the parties to the delivery as expeditiously as possible.

(4) Upon a finding of force majeure, the Panel may take any one or combination of the following actions as it deems suitable: an extension of time not to exceed ten days from the date of the scheduled delivery; or, refer the delivery to the Exchange, represented by the Market Regulation Department, for emergency action.

(D) EXCHANGE ACTION

(1) Whenever a Buyer or a Seller is found by the Panel to be late in the performance of a delivery obligation, the Exchange, represented by the Market Regulation Department, shall issue a Notice of Assessment, assessing a penalty of 10% of contract value for each applicable day of Late Performance.

(2) Whenever a Buyer or Seller is found by the Panel or otherwise deemed to have a "Failure to Perform" the Exchange, represented by the Market Regulation Department shall issue a Notice of Assessment assessing penalties of twenty percent (20%) of the contract value, in addition to any penalties assessed pursuant to subparagraph (1) above, to be paid to the Exchange.

(3) (a) A Party may appeal a Notice of Assessment by filing a Notice of Appeal with the Hearing Registrar of the Exchange and by serving a copy of the same on the Exchange's Market Regulation Department, within two business days of receipt of the Notice of Assessment from the Market Regulation Department. The Party filing the appeal ("Appellant") shall file, within twenty (20) days after filing the Notice of Appeal, a Memorandum of Appeal setting forth the factual and legal basis for the appeal. The Memorandum of Appeal must be filed with the Hearing Registrar and a copy of the same served upon the Exchange's Compliance Counsel.

(b) The Market Regulation Department may file with the Appellant and Hearing Registrar an Answering Memorandum to the Memorandum of Appeal within ten (10) days of receipt of that memorandum.

(c) Failure by the Party to file a Notice of Appeal or a Memorandum of Appeal with the time specified in subsection (D)(3)(a) of this Rule shall constitute a waiver, and the penalties set forth in the Notice of Assessment shall be paid within five days to the Exchange. Failure to pay such penalties in accordance with this Rule shall subject the party to the sanctions set forth in Chapter 4. In the event a party fails to Appeal, or waives the opportunity to appeal a Notice of Assessment, the Assessment and findings of the Emissions Allowance Delivery Committee shall constitute a final disciplinary action of the Exchange.

(4) Within ten (10) days after receipt of Market Regulation Department's reply, the Appellant shall be entitled to examine all books, documents and other tangible evidence in possession or under the control of the Exchange that are to be relied on by Market Regulation Department or are otherwise relevant to the matter.

(5) In the event of an appeal by a Party, the President, or his designee, shall appoint an Assessment Appeal Panel to hear and decide the appeal. No member of the Panel may have a direct or indirect interest in the matter under the appeal. Each Panel Member shall disclose to the President, or his designee, any such interest which might preclude such Panel Member from rendering a fair and impartial determination. The formal Rules of Evidence shall not apply to such appeal, and the Panel shall be the sole judge with respect to the evidence presented to it. Exchange outside counsel shall advise the Panel.

(6) The procedures for the hearing of the appeal before the Assessment Appeal Panel shall be as follows:

(a) At a date to be set by order of the Panel, and prior to such hearing, the Appellant and the Market Regulation Department shall furnish each other with a list of witnesses expected to be called at the hearing, and a list of documents and copies thereof expected to be introduced at the hearing.

(b) At such hearing: The Appellant may appear personally and may be represented by counselor or other representative of his choice at the appeal.

(c) The Market Regulation Department shall be entitled to offer evidence relating to the delivery and shall be entitled to call witnesses and introduce documents in support thereof. It shall be the burden of the Market Regulation Department to demonstrate, by the weight of the evidence, the appropriateness of the sanction set forth in the Notice of Assessment.

(d) The Appellant shall be entitled to rebut the Market Regulation Department's evidence and shall

be entitled to call witnesses and introduce documents in support thereof.

(e) The Market Regulation Department and the Appellant shall be entitled to cross-examine any witness called by the opposing Party at the hearing.

(f) The Notice of Assessment, the Notice of Appeal, the Memorandum of Appeal, any Answering Memorandum, the stenographic transcript of the appeal, any documentary evidence or other material presented to and accepted by the Panel shall constitute the record of the hearing. The decision of the Panel shall be based upon the record of the hearing.

(g) The Panel shall have the power to impose a penalty against any person who is within the jurisdiction of the Exchange and whose actions impede the progress of a hearing.

(h) The Assessment Appeal Panel shall issue a written decision in which it may affirm, reduce, or waive the charges assessed against the Appellant and shall state the reasons therefore.

(i) The decision of the Assessment Appeal Panel shall be a final decision of the Exchange and shall constitute a final disciplinary action of the Exchange. The fine is payable on the effective day of the decision or as specified. The effective day shall be fifteen (15) days after a copy of the written decision has been delivered to the appellant and to the Commission.

(8) The Assessment Appeal Panel shall consider, and make recommendations to the President, or his designee concerning acceptance or rejection of, any offer of settlement submitted by Appellant. In the case of an offer of settlement, acceptance by the President shall constitute the final disciplinary action of the Exchange.

(E) ARBITRATION PROCEDURE

(1) Any claim for damages arising between a Buyer and a Seller as a result of a delivery pursuant to this contract shall be settled by arbitration in accordance with these Rules.

(2) Notice of Intent to Arbitrate must be submitted to the Secretary of the Exchange within three business days of the occurrence upon which the claim is based or the decision of the Emissions Allowance Delivery Committee with respect to a late or failed performance. Failure to submit a Notice of Intent to Arbitrate within the prescribed period will be deemed a waiver of a Party's rights to arbitrate such a delivery dispute under the special or Regular Arbitration Rules.

(3) The Arbitration will be governed by Chapter 6A of the Rules except that the President or his designee shall appoint an Arbitration Panel.

~~Seasonal NO_x Emissions Allowance Vintage 2010 Futures~~

~~861.01 SCOPE~~

~~The provisions of these rules shall apply to all Seasonal NO_x emissions allowances vintage 2010 (or earlier vintages) bought or sold for future delivery on the Exchange with the Delivery at the U.S Environmental Protection Agency's (EPA) NO_x Allowance Management System (NAMS).~~

~~861.01A DEFINITIONS~~

~~A. EPA means the U.S. Environmental Protection Agency or any successor agency with similar jurisdiction.~~

~~B. Seasonal NO_x Allowance refers to a tradable permit to emit NO_x from May 1 to September 30 in a given or subsequent calendar year under the Clean Air Interstate Rule (CAIR) Seasonal NO_x Budget Trading Program as specified further by EPA.~~

~~C. NO_x Allowance Management System (NAMS) means the system established by the EPA for recording the transfer of Allowances among various entities under the Clean Air Act as set.~~

~~D. Vintage Year means the first calendar year for which the allowance may be utilized for compliance.~~

E. The terms "Seller" and "Buyer" shall mean the short Clearing Member and the long Clearing Member, respectively.

F. The terms "Seller's Customer" and "Buyer's Customer" shall mean the seller and buyer of the physical product or swap transaction.

G. The term "Settlement Price" shall mean the final settlement price used as the price for delivery of the product, which shall be the settlement price for the last trading day of the expiring delivery month. The settlement price for the last day of the trading shall be determined in accordance with the procedures set forth in Exchange Rule 813.

861.02 TIME REFERENCES

For purposes of these Rules, unless otherwise specified, times referred to herein shall refer to and indicate the prevailing time in New York.

861.03 CONTRACT UNIT

The contract unit shall be ten (10) allowances of Seasonal NOx emissions allowances vintage 2010 (or earlier vintages) for delivery made by transfer through NAMS.

861.04 DELIVERY

Emission allowance delivery shall comply with all requirements for the electronic transfer of Seasonal NOx allowances through the NOx Allowance Management System. All deliveries made under these rules shall be final and there shall be no appeal.

861.05 DELIVERY MONTHS

Trading shall be conducted in contracts providing for delivery in such periods as shall be determined by the Exchange.

861.06 MINIMUM PRICE FLUCTUATIONS

Prices shall be quoted in dollars per allowance. The minimum price fluctuation shall be \$25.00 per allowance (\$250.00 per contract). There shall be no maximum price fluctuation.

861.07 TERMINATION OF TRADING

Trading in the current delivery month shall cease at termination of the third business day prior to the last business day of the contract month.

861.08 RESERVED

861.09 DELIVERY PROCEDURES

(A) RESPONSIBILITIES OF CLEARING MEMBERS HAVING OPEN LONG POSITIONS

(1) NOTICE OF INTENTION TO ACCEPT

By 11:30 a.m. on the second business day prior to the last business day of an expiring delivery month, a Buyer having an open position shall file with the Exchange a properly completed and signed Notice of Intention to Accept. The Notice of Intention to Accept shall be in the form

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prescribed by the Exchange and shall include the Name of the Buyer's Customer, Number of contracts to be accepted, and any additional information as may be required by the Exchange.

By 4:00 p.m. on Notice Day, the Buyer shall provide the Seller with the following information: NAMS Account Number; Vintage Year; Name; Phone Number and e-mail address of the Account Representative (AAR) or the authorized alternate for that NAMS account.

(B) RESPONSIBILITIES OF CLEARING MEMBERS HAVING OPEN SHORT POSITIONS

(1) NOTICE OF INTENTION TO DELIVER

By 11:30 a.m. on the second business day prior to the last business day of an expiring delivery month, a Seller having an open short position shall file with the Exchange a properly completed and signed Notice of Intention to Deliver. The Notice of Intention to Deliver shall be in such form prescribed by the Exchange and shall include: Name of the Seller's Customer; Number of contracts to be delivered; NAMS Account Number; Vintage Year; Name; Phone Number and e-mail address of the Account Representative (AAR) or the authorized alternate for that NAMS account, and any information as may be required by the Exchange.

INFORMATION PROVIDED BY SELLER TO BUYER

By 4:00 p.m. on Notice Day, the Seller shall provide the Buyer with the following information: NAMS Account Number; Vintage Year; Name; Phone Number and e-mail address of the Account Representative (AAR) or the authorized alternate for that NAMS account.

C) USE OF SETTLEMENT PRICE: The final settlement price used for the delivery shall be the settlement price from the final day of trading.

(D) Notice Day

(1) The Clearing House shall allocate Notices of Intention to Deliver and Notices of Intention to

Accept by matching size of positions, to the extent possible.

(2) The Clearing House shall provide Tender Allocation Notices to the respective Clearing Members by 2:00 PM on the second business day prior to the last business day of the delivery month.

(3) The day the Tender Allocation Notices are provided to the Clearing Members shall be referred to as "Notice Day". Tender Allocation Notices are not transferable

861.10 DELIVERY PERIOD

Delivery shall take place on one business day prior to the last business day of the delivery month.

861.11 VALIDITY OF DOCUMENTS

The Exchange makes no representation respecting the authenticity, validity or accuracy of any of Tender Allocation Notice, Notice of Intention to Accept, Notice of Intention to Deliver, check or of any document or instrument delivered pursuant to these rules.

861.12 Exchange of Futures for Physical (EFP) and Exchange of Futures for Swaps (EFS)

(A) An exchange of futures for, or in connection with, product (EFP) or exchange of futures for, or in connection with, swap (EFS) transactions consists of two discrete, but related, transactions; a cash transaction and a futures transaction. At the time such transaction is effected, the Buyer's Customer and the Seller's Customer of the futures must be the Seller's Customer and the Buyer's Customer of a quantity of the physical product or swaps agreement covered by this Section (or any derivative, by product or related product). The quantity of physical product must be approximately equivalent to the quantity covered by the futures contracts.

(B) Except as provided below, an EFP or EFS transaction must take place during the hours of futures trading for the Seasonal NOX Emissions Allowance futures contract. An EFP or EFS is permitted in the expiring futures contract until two hours after trading terminates on the last day of trading of the expiring futures contract. An EFP or EFS which establishes a futures position for both the buyer and the seller shall not be permitted during the two hour period following the termination of trading of the expired futures contract.

(C) Any EFP or EFS transaction shall be governed by the provisions of Rule 538 and 538A, respectively.

(D) Each Buyer's Customer and Seller's Customer must satisfy the Exchange, at its request, that the transaction is a legitimate EFP or EFS transaction. All documentary evidence relating to EFP or EFS, including, without limitation, evidence as to change of ownership of the physical commodity or swap commitment, shall be obtained by the Clearing Members from their customers or and made available by the Clearing Members for examination by the Exchange upon request.

(E) A report of each EFP or EFS transaction shall be entered on the day that the transaction thereto was made, or if such agreement was made after the close of trading, then on the next business day. EFP or EFS transactions shall be cleared through the Exchange in accordance with normal procedures, shall be clearly identified as EFP or EFS transactions, and shall be recorded as such by the Exchange and by the Clearing Members involved.

861.13 ALTERNATIVE DELIVERY PROCEDURE

A Seller's Customer or Buyer's Customer may agree with the Buyer's Customer or the Seller's Customer with which it has been matched by the Exchange under Rule 861.09(D) to make and take delivery under terms or conditions which differ from the terms and conditions prescribed by this Chapter. In such a case, Clearing Members shall execute an Alternative Notice of Intention to Deliver on the form prescribed by the Exchange and shall deliver a completed executed copy of such Notice to the Exchange. The delivery of an executed Alternative Notice of Intention to Deliver to the Exchange shall release the Clearing Members and the Exchange from their respective obligations under the Exchange contracts.

In executing such Notice, Clearing Members shall indemnify the Exchange against any liability, cost or expense it may incur for any reason as a result of the execution, delivery, or performance of such contracts or such agreement, or any breach thereof or default there under. Upon receipt of an executed Alternative Notice of Intention to Deliver, the Exchange will return to the Clearing Members all margin monies held for the account of each with respect to the contracts involved.

861.14 FORCE MAJEURE, LATE PERFORMANCE AND FAILURE TO PERFORM

A) DEFINITION. As used in this Rule 861.14, the following terms, as well as variations thereof, shall have the meaning described below.

(1) "Late Performance" shall mean the failure of a Buyer or a Seller to complete a material act with respect to a delivery obligation imposed by, and within the time period established in, the Rules. Late Performance shall be restricted to three business days. Late Performance beyond three business days by, a Seller or a Buyer will be deemed a Failure to Perform.

(2) "Day of Late Performance" shall mean the twenty four hour period commencing immediately after a Buyer, a Seller, or the Clearing House was to have performed. Each subsequent Day of Late Performance shall commence twenty four hours after the beginning of the prior Day of Late

Performance. When a Party is late in performance, the day when the act was to have performed shall be a Day of Late Performance.

(3) "Failure to Perform" shall mean the failure of a Buyer or a Seller to complete a material act with respect to a delivery obligation prior to the expiration of the period allowed for the late performance of such act.

(4) "Contract Value" shall mean the amount equal to the settlement price on the last day of trading in a futures contract times 10 (the number of allowances per contract) times the number of contracts to be delivered.

(5) (a) "Party" shall mean a Buyer or Seller and such Buyer and Seller are each responsible to the Exchange for their obligations under these Rules and further responsible to the Exchange for the obligations of their respective customers under the Rules of this Chapter.

(b) "Other Party" shall mean the corresponding Buyer when the Seller is late in performance or has failed to perform and the corresponding Seller when the Buyer is late in performance or has failed to perform.

(6) "Force Majeure" shall mean any circumstance (including but not limited to a strike, lockout, national emergency, governmental action, or act of God) which is beyond the control of such Buyer or Seller, and which prevents the Buyer or Seller from making or taking delivery of product when and as provided for in these Rules.

(B) RESPONSIBILITIES OF PARTIES TO THE DELIVERY

(1) The parties to a delivery shall make commercially reasonable efforts to perform their respective delivery obligations at all times until a Party has failed to perform.

(2) A Party which has failed to perform its obligations may no longer perform such obligations; provided, however, that a Buyer which has failed to make a payment shall make such payment.

(C) EMISSIONS ALLOWANCE DELIVERY COMMITTEE

(1) Force Majeure, Late Performance and Failure to Perform shall be determined by a Panel of the Emissions Allowance Delivery Committee as set forth below. The Chairman of the Emissions Allowance Delivery Committee shall appoint a Panel, which shall consist of three (3) members of the Committee, to review a delivery:

(a) When the Chairman of the Emissions Allowance Delivery Committee is advised by the President of the Exchange or any person designated by the President of the Exchange that it appears that the performance of a Party to the delivery is late;

(b) Upon the written request of both the Buyer and the Seller;

(c) When the President of the Exchange or any person designated by the President of the Exchange requests such appointment; or

(d) When either Party to the delivery notifies the Exchange that circumstances exist constituting Force Majeure.

(2) The Chairman of the Emissions Allowance Delivery Committee shall not appoint to any Panel any person who has a direct or indirect interest in the delivery in question. Any Panel so appointed shall retain jurisdiction over the delivery in question until the delivery has been completed or a Party has been found to have failed to perform such delivery. Exchange Counsel shall serve as advisor to the Panel.

(3) The Panel shall meet within one business day of notification as provided in these Rules. Unless good cause for delay exists, within one business day the Panel shall determine whether force majeure exists, whether a Buyer or Seller is late in performing or has failed to perform its obligations as provided in the Rules, and advise the Market Regulation Department of such determination, and its findings in support thereof immediately. The Panel shall cause its determination to be communicated to the parties to the delivery as expeditiously as possible.

(4) Upon a finding of force majeure, the Panel may take any one or combination of the following actions as it deems suitable order: an extension of time not to exceed ten days from the date of the scheduled delivery; or, refer the delivery to the Exchange, represented by the Market Regulation Department, for emergency action.

(D) EXCHANGE ACTION

(1) Whenever a Buyer or a Seller is found by the Panel to be late in the performance of a delivery obligation, the Exchange, represented by the Market Regulation Department, shall issue a Notice of Assessment, assessing a penalty of 10% of contract value for each applicable day of Late Performance.

(2) Whenever a Buyer or Seller is found by the Panel or otherwise deemed to have a "Failure to Perform" the Exchange, represented by the Market Regulation Department shall issue a Notice of Assessment assessing penalties of twenty percent (20%) of the contract value, in addition to any penalties assessed pursuant to subparagraph (1) above, to be paid to the Exchange.

(3) (a) A Party may appeal a Notice of Assessment by filing a Notice of Appeal with the Hearing Registrar of the Exchange and by serving a copy of the same on the Exchange's Market Regulation Department, within two business days of receipt of the Notice of Assessment from the Market Regulation Department. The Party filing the appeal ("Appellant") shall file, within twenty (20) days after filing the Notice of Appeal, a Memorandum of Appeal setting forth the factual and legal basis for the appeal. The Memorandum of Appeal must be filed with the Hearing Registrar and a copy of

the same served upon the Exchange's Compliance Counsel.

(b) The Market Regulation Department may file with the Appellant and Hearing Registrar an Answering Memorandum to the Memorandum of Appeal within ten (10) days of receipt of that memorandum.

(c) Failure by the Party to file a Notice of Appeal or a Memorandum of Appeal with the time specified in subsection (D)(3)(a) of this Rule shall constitute a waiver, and the penalties set forth in the Notice of Assessment shall be paid within five days to the Exchange. Failure to pay such penalties in accordance with this Rule shall subject the party to the sanctions set forth in Chapter 4. In the event a party fails to Appeal, or waives the opportunity to appeal a Notice of Assessment, the Assessment and findings of the Emissions Allowance Delivery Committee shall constitute a final disciplinary action of the Exchange.

(4) Within ten (10) days after receipt of Market Regulation Department's reply, the Appellant shall be entitled to examine all books, documents and other tangible evidence in possession or under the control of the Exchange that are to be relied on by Market Regulation Department or are otherwise relevant to the matter.

(5) In the event of an appeal by a Party, the President, or his designee, shall appoint an Assessment Appeal Panel to hear and decide the appeal. No member of the Panel may have a direct or indirect interest in the matter under the appeal. Each Panel Member shall disclose to the President, or his designee, any such interest which might preclude such Panel Member from rendering a fair and impartial determination. The formal Rules of Evidence shall not apply to such appeal, and the Panel shall be the sole judge with respect to the evidence presented to it. Exchange outside counsel shall advise the Panel.

(6) The procedures for the hearing of the appeal before the Assessment Appeal Panel shall be as follows:

(a) At a date to be set by order of the Panel, and prior to such hearing, the Appellant and the Market Regulation Department shall furnish each other with a list of witnesses expected to be called at the hearing, and a list of documents and copies thereof expected to be introduced at the hearing.

(b) At such hearing: The Appellant may appear personally and may be represented by counselor or other representative of his choice at the appeal.

(c) The Market Regulation Department shall be entitled to offer evidence relating to the delivery and shall be entitled to call witnesses and introduce documents in support thereof. It shall be the burden of the Market Regulation Department to demonstrate, by the weight of the evidence, the appropriateness of the sanction set forth in the Notice of Assessment.

(d) The Appellant shall be entitled to rebut the Market Regulation Department's evidence and shall be entitled to call witnesses and introduce documents in support thereof.

(e) The Market Regulation Department and the Appellant shall be entitled to cross-examine any witness called by the opposing Party at the hearing.

(f) The Notice of Assessment, the Notice of Appeal, the Memorandum of Appeal, any Answering Memorandum, the stenographic transcript of the appeal, any documentary evidence or other material presented to and accepted by the Panel shall constitute the record of the hearing. The decision of the Panel shall be based upon the record of the hearing.

(g) The Panel shall have the power to impose a penalty against any person who is within the jurisdiction of the Exchange and whose actions impede the progress of a hearing.

(h) The Assessment Appeal Panel shall issue a written decision in which it may affirm, reduce, or waive the charges assessed against the Appellant and shall state the reasons therefore.

(i) The decision of the Assessment Appeal Panel shall be a final decision of the Exchange and shall constitute a final disciplinary action of the Exchange. The fine is payable on the effective day of the decision or as specified. The effective day shall be fifteen (15) days after a copy of the written decision has been delivered to the appellant and to the Commission.

(8) The Assessment Appeal Panel shall consider, and make recommendations to the President, or his designee concerning acceptance or rejection of, any offer of settlement submitted by Appellant. In the case of an offer of settlement, acceptance by the President shall constitute the final disciplinary action of the Exchange.

(E) ARBITRATION PROCEDURE

(1) Any claim for damages arising between a Buyer and a Seller as a result of a delivery pursuant to this contract shall be settled by arbitration in accordance with these Rules.

(2) Notice of Intent to Arbitrate must be submitted to the Secretary of the Exchange within three business days of the occurrence upon which the claim is based or the decision of the Emissions Allowance Delivery Committee with respect to a late or failed performance. Failure to submit a Notice of Intent to Arbitrate within the prescribed period will be deemed a waiver of a Party's rights to arbitrate such a delivery dispute under the special or Regular Arbitration Rules.

(3) The Arbitration will be governed by Chapter 6A of the Rules except that the President or his designee shall appoint an Arbitration Panel.

Change History

Seasonal NO_x Emissions Allowance Vintage 2011 Futures

862.01 SCOPE

The provisions of these rules shall apply to all Seasonal NO_x emissions allowances vintage 2011 (or earlier vintages) bought or sold for future delivery on the Exchange with the Delivery at the U.S. Environmental Protection Agency's (EPA) NO_x Allowance Management System (NAMS).

862.01A DEFINITIONS

A. EPA means the U.S. Environmental Protection Agency or any successor agency with similar jurisdiction.

B. Annual NO_x Allowance refers to a tradable permit to emit NO_x from January 1 to December 31 in a given or subsequent calendar year under the Clean Air Interstate Rule (CAIR) Annual NO_x Budget Trading Program as specified further by EPA.

C. NO_x Allowance Management System (NAMS) means the system established by the EPA for recording the transfer of Allowances among various entities under the Clean Air Act as set.

D. Vintage Year means the first calendar year for which the allowance may be utilized for compliance.

E. The terms "Seller" and "Buyer" shall mean the short Clearing Member and the long Clearing Member, respectively.

F. The terms "Seller's Customer" and "Buyer's Customer" shall mean the seller and buyer of the

physical product or swap transaction.

G. The term "Settlement Price" shall mean the final settlement price used as the price for delivery of the product, which shall be the settlement price for the last trading day of the expiring delivery month. The settlement price for the last day of the trading shall be determined in accordance with the procedures set forth in Exchange Rule 813.

862.02 TIME REFERENCES

For purposes of these Rules, unless otherwise specified, times referred to herein shall refer to and indicate the prevailing time in New York.

862.03 CONTRACT UNIT

The contract unit shall be ten (10) allowances of Seasonal NOx emissions allowances vintage 2014 (or earlier vintages) for delivery made by transfer through NAMS.

862.04 DELIVERY

Emission allowance delivery shall comply with all requirements for the electronic transfer of Seasonal NOX allowances through the NOX Allowance Management System. All deliveries made under these rules shall be final and there shall be no appeal.

862.05 DELIVERY MONTHS

Trading shall be conducted in contracts providing for delivery in such periods as shall be determined by the Exchange.

862.06 MINIMUM PRICE FLUCTUATIONS

Prices shall be quoted in dollars per allowance. The minimum price fluctuation shall be \$25.00 per allowance (\$250.00 per contract). There shall be no maximum price fluctuation.

862.07 TERMINATION OF TRADING

Trading in the current delivery month shall cease at termination of the third business day prior to the last business day of the contract month.

862.08 RESERVED

862.09 DELIVERY PROCEDURES

(A) RESPONSIBILITIES OF CLEARING MEMBERS HAVING OPEN LONG POSITIONS

(1) NOTICE OF INTENTION TO ACCEPT

By 11:30 a.m. on the second business day prior to the last business day of an expiring delivery month, a Buyer having an open position shall file with the Exchange a properly completed and signed Notice of Intention to Accept. The Notice of Intention to Accept shall be in the form prescribed by the Exchange and shall include the Name of the Buyer's Customer, Number of contracts to be accepted, and any additional information as may be required by the Exchange.

By 4:00 p.m. on Notice Day, the Buyer shall provide the Seller with the following information: NAMS Account Number; Vintage Year; Name; Phone Number and e-mail address of the Account Representative (AAR) or the authorized alternate for that NAMS account.

(B) RESPONSIBILITIES OF CLEARING MEMBERS HAVING OPEN SHORT POSITIONS

(1) NOTICE OF INTENTION TO DELIVER

By 11:30 a.m. on the second business day prior to the last business day of an expiring delivery month, a Seller having an open short position shall file with the Exchange a properly completed and signed Notice of Intention to Deliver. The Notice of Intention to Deliver shall be in such form prescribed by the Exchange and shall include: Name of the Seller's Customer; Number of contracts to be delivered; NAMS Account Number; Vintage Year; Name; Phone Number and e-mail address of the Account Representative (AAR) or the authorized alternate for that NAMS account, and any information as may be required by the Exchange.

INFORMATION PROVIDED BY SELLER TO BUYER

By 4:00 p.m. on Notice Day, the Seller shall provide the Buyer with the following information: NAMS Account Number, Vintage Year, Name, Phone Number and e-mail address of the Account Representative (AAR) or the authorized alternate for that NAMS account.

C) USE OF SETTLEMENT PRICE: The final settlement price used for the delivery shall be the settlement price from the final day of trading.

(D) Notice Day

(1) The Clearing House shall allocate Notices of Intention to Deliver and Notices of Intention to Accept by matching size of positions, to the extent possible.

(2) The Clearing House shall provide Tender Allocation Notices to the respective Clearing Members by 2:00 PM on the second business day prior to the last business day of the delivery month.

(3) The day the Tender Allocation Notices are provided to the Clearing Members shall be referred to as "Notice Day". Tender Allocation Notices are not transferable

862.10 DELIVERY PERIOD

Delivery shall take place on one business day prior to the last business day of the delivery month.

862.11 VALIDITY OF DOCUMENTS

The Exchange makes no representation respecting the authenticity, validity or accuracy of any of Tender Allocation Notice, Notice of Intention to Accept, Notice of Intention to Deliver, check or of any document or instrument delivered pursuant to these rules.

862.12 EXCHANGE OF FUTURES FOR PHYSICAL (EFP) AND EXCHANGE OF FUTURES FOR SWAPS (EFS)

(A) An exchange of futures for, or in connection with, product (EFP) or exchange of futures for, or in connection with, swap (EFS) transactions consists of two discrete, but related, transactions; a cash transaction and a futures transaction. At the time such transaction is effected, the Buyer's Customer and the Seller's Customer of the futures must be the Seller's Customer and the Buyer's Customer of a quantity of the physical product or swaps agreement covered by this Section (or any derivative, by product or related product). The quantity of physical product must be approximately equivalent to the quantity covered by the futures contracts.

(B) Except as provided below, an EFP or EFS transaction must take place during the hours of futures trading for the Seasonal NOX Emissions Allowance futures contract. An EFP or EFS is permitted in the expiring futures contract until two hours after trading terminates on the last day of trading of the expiring futures contract. An EFP or EFS which establishes a futures position for both the buyer and the seller shall not be permitted during the two hour period following the termination of trading of the expired futures contract.

(C) Any EFP or EFS transaction shall be governed by the provisions of Rule 538 and 538A, respectively.

(D) Each Buyer's Customer and Seller's Customer must satisfy the Exchange, at its request, that the transaction is a legitimate EFP or EFS transaction. All documentary evidence relating to EFP or EFS, including, without limitation, evidence as to change of ownership of the physical commodity or swap commitment, shall be obtained by the Clearing Members from their customers or and made available by the Clearing Members for examination by the Exchange upon request.

E. A report of each EFP or EFS transaction shall be entered on the day that the transaction thereto was made, or if such agreement was made after the close of trading, then on the next business day. EFP or EFS transactions shall be cleared through the Exchange in accordance with normal procedures, shall be clearly identified as EFP or EFS transactions, and shall be recorded as such by the Exchange and by the Clearing Members involved.

862.13 ALTERNATIVE DELIVERY PROCEDURE

A Seller's Customer or Buyer's Customer may agree with the Buyer's Customer or the Seller's Customer with which it has been matched by the Exchange under Rule 862.09(D) to make and take delivery under terms or conditions which differ from the terms and conditions prescribed by this Chapter. In such a case, Clearing Members shall execute an Alternative Notice of Intention to Deliver on the form prescribed by the Exchange and shall deliver a completed executed copy of such Notice to the Exchange. The delivery of an executed Alternative Notice of Intention to Deliver to the Exchange shall release the Clearing Members and the Exchange from their respective obligations under the Exchange contracts.

In executing such Notice, Clearing Members shall indemnify the Exchange against any liability, cost or expense it may incur for any reason as a result of the execution, delivery, or performance of such contracts or such agreement, or any breach thereof or default there under. Upon receipt of an executed Alternative Notice of Intention to Deliver, the Exchange will return to the Clearing Members all margin monies held for the account of each with respect to the contracts involved

862.14 FORCE MAJEURE, LATE PERFORMANCE AND FAILURE TO PERFORM

A) DEFINITION. As used in this Rule 862.14, the following terms, as well as variations thereof, shall have the meaning described below.

(1) "Late Performance" shall mean the failure of a Buyer or a Seller to complete a material act with respect to a delivery obligation imposed by, and within the time period established in, the Rules. Late Performance shall be restricted to three business days. Late Performance beyond three business days by a Seller or a Buyer will be deemed a Failure to Perform.

(2) "Day of Late Performance" shall mean the twenty-four hour period commencing immediately after a Buyer, a Seller, or the Clearing House was to have performed. Each subsequent Day of Late Performance shall commence twenty-four hours after the beginning of the prior Day of Late Performance. When a Party is late in performance, the day when the act was to have performed

shall be a Day of Late Performance.

(3) "Failure to Perform" shall mean the failure of a Buyer or a Seller to complete a material act with respect to a delivery obligation prior to the expiration of the period allowed for the late performance of such act.

(4) "Contract Value" shall mean the amount equal to the settlement price on the last day of trading in a futures contract times 10 (the number of allowances per contract) times the number of contracts to be delivered.

(5) (a) "Party" shall mean a Buyer or Seller and such Buyer and Seller are each responsible to the Exchange for their obligations under these Rules and further responsible to the Exchange for the obligations of their respective customers under the Rules of this Chapter.

(b) "Other Party" shall mean the corresponding Buyer when the Seller is late in performance or has failed to perform and the corresponding Seller when the Buyer is late in performance or has failed to perform.

(6) "Force Majeure" shall mean any circumstance (including but not limited to a strike, lockout, national emergency, governmental action, or act of God) which is beyond the control of such Buyer or Seller, and which prevents the Buyer or Seller from making or taking delivery of product when and as provided for in these Rules.

(B) RESPONSIBILITIES OF PARTIES TO THE DELIVERY

(1) The parties to a delivery shall make commercially reasonable efforts to perform their respective delivery obligations at all times until a Party has failed to perform.

(2) A Party which has failed to perform its obligations may no longer perform such obligations; provided, however, that a Buyer which has failed to make a payment shall make such payment.

(C) EMISSIONS ALLOWANCE DELIVERY COMMITTEE

(1) Force Majeure, Late Performance and Failure to Perform shall be determined by a Panel of the Emissions Allowance Delivery Committee as set forth below. The Chairman of the Emissions Allowance Delivery Committee shall appoint a Panel, which shall consist of three (3) members of the Committee, to review a delivery:

(a) When the Chairman of the Emissions Allowance Delivery Committee is advised by the President of the Exchange or any person designated by the President of the Exchange that it appears that the performance of a Party to the delivery is late;

(b) Upon the written request of both the Buyer and the Seller;

(c) When the President of the Exchange or any person designated by the President of the Exchange requests such appointment; or

(d) When either Party to the delivery notifies the Exchange that circumstances exist constituting Force Majeure.

(2) The Chairman of the Emissions Allowance Delivery Committee shall not appoint to any Panel any person who has a direct or indirect interest in the delivery in question. Any Panel so appointed shall retain jurisdiction over the delivery in question until the delivery has been completed or a Party has been found to have failed to perform such delivery. Exchange Counsel shall serve as advisor to the Panel.

(3) The Panel shall meet within one business day of notification as provided in these Rules. Unless good cause for delay exists, within one business day the Panel shall determine whether force majeure exists, whether a Buyer or Seller is late in performing or has failed to perform its obligations as provided in the Rules, and advise the Market Regulation Department of such determination, and its findings in support thereof immediately. The Panel shall cause its determination to be communicated to the parties to the delivery as expeditiously as possible.

(4) Upon a finding of force majeure, the Panel may take any one or combination of the following actions as it deems suitable order: an extension of time not to exceed ten days from the date of the scheduled delivery; or, refer the delivery to the Exchange, represented by the Market Regulation Department, for emergency action.

(D) EXCHANGE ACTION

(1) Whenever a Buyer or a Seller is found by the Panel to be late in the performance of a delivery obligation, the Exchange, represented by the Market Regulation Department, shall issue a Notice of Assessment, assessing a penalty of 10% of contract value for each applicable day of Late Performance.

(2) Whenever a Buyer or Seller is found by the Panel or otherwise deemed to have a "Failure to Perform" the Exchange, represented by the Market Regulation Department shall issue a Notice of Assessment assessing penalties of twenty percent (20%) of the contract value, in addition to any penalties assessed pursuant to subparagraph (1) above, to be paid to the Exchange.

(3) (a) A Party may appeal a Notice of Assessment by filing a Notice of Appeal with the Hearing Registrar of the Exchange and by serving a copy of the same on the Exchange's Market Regulation Department, within two business days of receipt of the Notice of Assessment from the Market Regulation Department. The Party filing the appeal ("Appellant") shall file, within twenty (20) days after filing the Notice of Appeal, a Memorandum of Appeal setting forth the factual and legal basis for the appeal. The Memorandum of Appeal must be filed with the Hearing Registrar and a copy of the same served upon the Exchange's Compliance Counsel.

(b) The Market Regulation Department may file with the Appellant and Hearing Registrar an Answering Memorandum to the Memorandum of Appeal within ten (10) days of receipt of that memorandum.

(c) Failure by the Party to file a Notice of Appeal or a Memorandum of Appeal with the time specified in subsection (D)(3)(a) of this Rule shall constitute a waiver, and the penalties set forth in the Notice of Assessment shall be paid within five days to the Exchange. Failure to pay such penalties in accordance with this Rule shall subject the party to the sanctions set forth in Chapter 4. In the event a party fails to Appeal, or waives the opportunity to appeal a Notice of Assessment, the Assessment and findings of the Emissions Allowance Delivery Committee shall constitute a final disciplinary action of the Exchange.

(4) Within ten (10) days after receipt of Market Regulation Department's reply, the Appellant shall be entitled to examine all books, documents and other tangible evidence in possession or under the control of the Exchange that are to be relied on by Market Regulation Department or are otherwise relevant to the matter.

(5) In the event of an appeal by a Party, the President, or his designee, shall appoint an Assessment Appeal Panel to hear and decide the appeal. No member of the Panel may have a direct or indirect interest in the matter under the appeal. Each Panel Member shall disclose to the President, or his designee, any such interest which might preclude such Panel Member from rendering a fair and impartial determination. The formal Rules of Evidence shall not apply to such appeal, and the Panel shall be the sole judge with respect to the evidence presented to it. Exchange outside counsel shall advise the Panel.

(6) The procedures for the hearing of the appeal before the Assessment Appeal Panel shall be as follows:

(a) At a date to be set by order of the Panel, and prior to such hearing, the Appellant and the Market Regulation Department shall furnish each other with a list of witnesses expected to be called at the hearing, and a list of documents and copies thereof expected to be introduced at the hearing.

(b) At such hearing: The Appellant may appear personally and may be represented by counsel or other representative of his choice at the appeal.

(c) The Market Regulation Department shall be entitled to offer evidence relating to the delivery and shall be entitled to call witnesses and introduce documents in support thereof. It shall be the burden of the Market Regulation Department to demonstrate, by the weight of the evidence, the appropriateness of the sanction set forth in the Notice of Assessment.

(d) The Appellant shall be entitled to rebut the Market Regulation Department's evidence and shall be entitled to call witnesses and introduce documents in support thereof.

(e) The Market Regulation Department and the Appellant shall be entitled to cross-examine any witness called by the opposing Party at the hearing.

(f) The Notice of Assessment, the Notice of Appeal, the Memorandum of Appeal, any Answering Memorandum, the stenographic transcript of the appeal, any documentary evidence or other material presented to and accepted by the Panel shall constitute the record of the hearing. The decision of the Panel shall be based upon the record of the hearing.

(g) The Panel shall have the power to impose a penalty against any person who is within the jurisdiction of the Exchange and whose actions impede the progress of a hearing.

(h) The Assessment Appeal Panel shall issue a written decision in which it may affirm, reduce, or waive the charges assessed against the Appellant and shall state the reasons therefore.

(i) The decision of the Assessment Appeal Panel shall be a final decision of the Exchange and shall constitute a final disciplinary action of the Exchange. The fine is payable on the effective day of the decision or as specified. The effective day shall be fifteen (15) days after a copy of the written decision has been delivered to the appellant and to the Commission.

(8) The Assessment Appeal Panel shall consider, and make recommendations to the President, or his designee concerning acceptance or rejection of, any offer of settlement submitted by Appellant. In the case of an offer of settlement, acceptance by the President shall constitute the final disciplinary action of the Exchange.

(E) ARBITRATION PROCEDURE

(1) Any claim for damages arising between a Buyer and a Seller as a result of a delivery pursuant to this contract shall be settled by arbitration in accordance with these Rules.

(2) Notice of Intent to Arbitrate must be submitted to the Secretary of the Exchange within three business days of the occurrence upon which the claim is based or the decision of the Emissions Allowance Delivery Committee with respect to a late or failed performance. Failure to submit a Notice of Intent to Arbitrate within the prescribed period will be deemed a waiver of a Party's rights to arbitrate such a delivery dispute under the special or Regular Arbitration Rules.

(3) The Arbitration will be governed by Chapter 6A of the Rules except that the President or his designee shall appoint an Arbitration Panel.

Change History

Seasonal NOx Emissions Allowance Vintage 2012 Futures

863.01. SCOPE

The provisions of these rules shall apply to all Seasonal NOx emissions allowances vintage 2012 (or earlier vintages) bought or sold for future delivery on the Exchange with the Delivery at the U.S. Environmental Protection Agency's (EPA) NOx Allowance Management System (NAMS).

863.01A. DEFINITIONS

A. EPA means the U.S. Environmental Protection Agency or any successor agency with similar jurisdiction.

B. Seasonal NOx Allowance refers to a tradable permit to emit NOx from May 1 to September 30 in a given or subsequent calendar year under the Clean Air Interstate Rule (CAIR) Seasonal NOx Budget Trading Program as specified further by EPA.

C. NOx Allowance Management System (NAMS) means the system established by the EPA for recording the transfer of Allowances among various entities under the Clean Air Act as set.

D. Vintage Year means the first calendar year for which the allowance may be utilized for compliance.

E. The terms "Seller" and "Buyer" shall mean the short Clearing Member and the long Clearing Member, respectively.

F. The terms "Seller's Customer" and "Buyer's Customer" shall mean the seller and buyer of the physical product or swap transaction.

G. The term "Settlement Price" shall mean the final settlement price used as the price for delivery of the product, which shall be the settlement price for the last trading day of the expiring delivery month. The settlement price for the last day of the trading shall be determined in accordance with

the procedures set forth in Exchange Rule 843.

863.02. TIME REFERENCES

For purposes of these Rules, unless otherwise specified, times referred to herein shall refer to and indicate the prevailing time in New York.

863.03. CONTRACT UNIT

The contract unit shall be ten (10) allowances of Seasonal NOx emissions allowances vintage 2012 (or earlier vintages) for delivery made by transfer through NAMS.

863.04. DELIVERY

Emission allowance delivery shall comply with all requirements for the electronic transfer of Seasonal NOX allowances through the NOX Allowance Management System. All deliveries made under these rules shall be final and there shall be no appeal.

863.05. DELIVERY MONTHS

Trading shall be conducted in contracts providing for delivery in such periods as shall be determined by the Exchange.

863.06. MINIMUM PRICE FLUCTUATIONS

Prices shall be quoted in dollars per allowance. The minimum price fluctuation shall be \$25.00 per allowance (\$250.00 per contract). There shall be no maximum price fluctuation.

863.07. TERMINATION OF TRADING

Trading in the current delivery month shall cease at termination of the third business day prior to the last business day of the contract month.

863.08. RESERVED

863.09. DELIVERY PROCEDURES

(A) RESPONSIBILITIES OF CLEARING MEMBERS HAVING OPEN LONG POSITIONS

(1) NOTICE OF INTENTION TO ACCEPT

By 11:30 a.m. on the second business day prior to the last business day of an expiring delivery month, a Buyer having an open position shall file with the Exchange a properly completed and signed Notice of Intention to Accept. The Notice of Intention to Accept shall be in the form prescribed by the Exchange and shall include the Name of the Buyer's Customer, Number of contracts to be accepted, and any additional information as may be required by the Exchange.

By 4:00 p.m. on Notice Day, the Buyer shall provide the Seller with the following information: NAMS Account Number; Vintage Year; Name; Phone Number and e-mail address of the Account Representative (AAR) or the authorized alternate for that NAMS account.

(B) RESPONSIBILITIES OF CLEARING MEMBERS HAVING OPEN SHORT POSITIONS

(1) NOTICE OF INTENTION TO DELIVER

By 11:30 a.m. on the second business day prior to the last business day of an expiring delivery month, a Seller having an open short position shall file with the Exchange a properly completed and signed Notice of Intention to Deliver. The Notice of Intention to Deliver shall be in such form prescribed by the Exchange and shall include: Name of the Seller's Customer; Number of contracts to be delivered; NAMS Account Number; Vintage Year; Name; Phone Number and e-mail address of the Account Representative (AAR) or the authorized alternate for that NAMS account, and any information as may be required by the Exchange.

INFORMATION PROVIDED BY SELLER TO BUYER

By 4:00 p.m. on Notice Day, the Seller shall provide the Buyer with the following information: NAMS Account Number, Vintage Year, Name, Phone Number and e-mail address of the Account Representative (AAR) or the authorized alternate for that NAMS account.

C) USE OF SETTLEMENT PRICE: The final settlement price used for the delivery shall be the settlement price from the final day of trading.

(D) Notice Day

(1) The Clearing House shall allocate Notices of Intention to Deliver and Notices of Intention to Accept by matching size of positions, to the extent possible.

(2) The Clearing House shall provide Tender Allocation Notices to the respective Clearing Members by 2:00 PM on the second business day prior to the last business day of the delivery month.

(3) The day the Tender Allocation Notices are provided to the Clearing Members shall be referred to as "Notice Day". Tender Allocation Notices are not transferable.

863.10. DELIVERY PERIOD

Delivery shall take place on one business day prior to the last business day of the delivery month.

863.11. VALIDITY OF DOCUMENTS

The Exchange makes no representation respecting the authenticity, validity or accuracy of any of Tender Allocation Notice, Notice of Intention to Accept, Notice of Intention to Deliver, check or of any document or instrument delivered pursuant to these rules.

863.12. EXCHANGE OF FUTURES FOR, OR IN CONNECTION WITH PRODUCT

(A) An exchange of futures for, or in connection with, the product (EFP) consists of two discrete, but related, transactions; a cash transaction and a futures transaction. At the time such transaction is effected, the Buyer's Customer and the Seller's Customer of the futures must be the Seller's Customer and the Buyer's Customer of a quantity of the physical product covered by this Section (or any derivative, by product or related product). The quantity of physical product must be approximately equivalent to the quantity covered by the futures contracts.

(B) Except as provided below, an EFP must take place during the hours of futures trading for the Seasonal NOX Emissions Allowance futures contract. An EFP is permitted in the expiring futures contract until two hours after trading terminates on the last day of trading of the expiring futures contract. An EFP which establishes a futures position for both the buyer and the seller shall not be permitted during the two-hour period following the termination of trading of the expired futures contract.

(C) Any Exchange of Futures for, or in Connection with, Product (EFP) shall be governed by the provisions of Rule 538.

(D) Each Buyer's Customer and Seller's Customer must satisfy the Exchange, at its request, that the transaction is a legitimate EFP transaction. All documentary evidence relating to EFP, including, without limitation, evidence as to change of ownership of the physical commodity shall be obtained by the Clearing Members from their customers or and made available by the Clearing Members for examination by the Exchange upon request.

863.13. ALTERNATIVE DELIVERY PROCEDURE

A Seller's Customer or Buyer's Customer may agree with the Buyer's Customer or the Seller's Customer with which it has been matched by the Exchange under Rule 863.09(D) to make and take delivery under terms or conditions which differ from the terms and conditions prescribed by this Chapter. In such a case, Clearing Members shall execute an Alternative Notice of Intention to Deliver on the form prescribed by the Exchange and shall deliver a completed executed copy of such Notice to the Exchange. The delivery of an executed Alternative Notice of Intention to Deliver to the Exchange shall release the Clearing Members and the Exchange from their respective obligations under the Exchange contracts.

In executing such Notice, Clearing Members shall indemnify the Exchange against any liability, cost or expense it may incur for any reason as a result of the execution, delivery, or performance of such contracts or such agreement, or any breach thereof or default there under. Upon receipt of an executed Alternative Notice of Intention to Deliver, the Exchange will return to the Clearing Members all margin monies held for the account of each with respect to the contracts involved.

863.14. FORCE MAJEURE, LATE PERFORMANCE AND FAILURE TO PERFORM

A) DEFINITION. As used in this Rule 863.14, the following terms, as well as variations thereof, shall have the meaning described below.

(1) "Late Performance" shall mean the failure of a Buyer or a Seller to complete a material act with respect to a delivery obligation imposed by, and within the time period established in, the Rules. Late Performance shall be restricted to three business days. Late Performance beyond three business days by a Seller or a Buyer will be deemed a Failure to Perform.

(2) "Day of Late Performance" shall mean the twenty-four hour period commencing immediately after a Buyer, a Seller, or the Clearing House was to have performed. Each subsequent Day of Late Performance shall commence twenty-four hours after the beginning of the prior Day of Late Performance. When a Party is late in performance, the day when the act was to have performed shall be a Day of Late Performance.

(3) "Failure to Perform" shall mean the failure of a Buyer or a Seller to complete a material act with respect to a delivery obligation prior to the expiration of the period allowed for the late performance of such act.

(4) "Contract Value" shall mean the amount equal to the settlement price on the last day of trading in a futures contract times 10 (the number of allowances per contract) times the number of contracts to be delivered.

(5) (a) "Party" shall mean a Buyer or Seller and such Buyer and Seller are each responsible to the Exchange for their obligations under these Rules and further responsible to the Exchange for the obligations of their respective customers under the Rules of this Chapter.

(b) "Other Party" shall mean the corresponding Buyer when the Seller is late in performance or has failed to perform and the corresponding Seller when the Buyer is late in performance or has failed to perform.

(6) "Force Majeure" shall mean any circumstance (including but not limited to a strike, lockout, national emergency, governmental action, or act of God) which is beyond the control of such Buyer or Seller, and which prevents the Buyer or Seller from making or taking delivery of product when and as provided for in these Rules.

(B) RESPONSIBILITIES OF PARTIES TO THE DELIVERY

(1) The parties to a delivery shall make commercially reasonable efforts to perform their respective delivery obligations at all times until a Party has failed to perform.

(2) A Party which has failed to perform its obligations may no longer perform such obligations; provided, however, that a Buyer which has failed to make a payment shall make such payment.

(C) EMISSIONS ALLOWANCE DELIVERY COMMITTEE

(1) Force Majeure, Late Performance and Failure to Perform shall be determined by a Panel of the Emissions Allowance Delivery Committee as set forth below. The Chairman of the Emissions Allowance Delivery Committee shall appoint a Panel, which shall consist of three (3) members of the Committee, to review a delivery:

(a) When the Chairman of the Emissions Allowance Delivery Committee is advised by the President of the Exchange or any person designated by the President of the Exchange that it appears that the performance of a Party to the delivery is late;

(b) Upon the written request of both the Buyer and the Seller;

(c) When the President of the Exchange or any person designated by the President of the Exchange requests such appointment; or

(d) When either Party to the delivery notifies the Exchange that circumstances exist constituting Force Majeure.

(2) The Chairman of the Emissions Allowance Delivery Committee shall not appoint to any Panel any person who has a direct or indirect interest in the delivery in question. Any Panel so appointed shall retain jurisdiction over the delivery in question until the delivery has been completed or a Party has been found to have failed to perform such delivery. Exchange Counsel shall serve as advisor to the Panel.

(3) The Panel shall meet within one business day of notification as provided in these Rules. Unless good cause for delay exists, within one business day the Panel shall determine whether force majeure exists, whether a Buyer or Seller is late in performing or has failed to perform its obligations as provided in the Rules, and advise the Market Regulation Department of such determination, and its findings in support thereof immediately. The Panel shall cause its determination to be communicated to the parties to the delivery as expeditiously as possible.

(4) Upon a finding of force majeure, the Panel may take any one or combination of the following actions as it deems suitable order: an extension of time not to exceed ten days from the date of the scheduled delivery; or, refer the delivery to the Exchange, represented by the Market Regulation Department, for emergency action.

(D) EXCHANGE ACTION

(1) Whenever a Buyer or a Seller is found by the Panel to be late in the performance of a delivery obligation, the Exchange, represented by the Market Regulation Department, shall issue a Notice of Assessment, assessing a penalty of 10% of contract value for each applicable day of Late Performance.

(2) Whenever a Buyer or Seller is found by the Panel or otherwise deemed to have a "Failure to Perform" the Exchange, represented by the Market Regulation Department shall issue a Notice of Assessment assessing penalties of twenty percent (20%) of the contract value, in addition to any penalties assessed pursuant to subparagraph (1) above, to be paid to the Exchange.

(3) (a) A Party may appeal a Notice of Assessment by filing a Notice of Appeal with the Hearing Registrar of the Exchange and by serving a copy of the same on the Exchange's Market Regulation Department, within two business days of receipt of the Notice of Assessment from the Market Regulation Department. The Party filing the appeal ("Appellant") shall file, within twenty (20) days after filing the Notice of Appeal, a Memorandum of Appeal setting forth the factual and legal basis for the appeal. The Memorandum of Appeal must be filed with the Hearing Registrar and a copy of the same served upon the Exchange's Compliance Counsel.

(b) The Market Regulation Department may file with the Appellant and Hearing Registrar an Answering Memorandum to the Memorandum of Appeal within ten (10) days of receipt of that memorandum.

(c) Failure by the Party to file a Notice of Appeal or a Memorandum of Appeal with the time specified in subsection (D)(3)(a) of this Rule shall constitute a waiver, and the penalties set forth in the Notice of Assessment shall be paid within five days to the Exchange. Failure to pay such penalties in accordance with this Rule shall subject the party to the sanctions set forth in Chapter 4. In the event a party fails to Appeal, or waives the opportunity to appeal a Notice of Assessment, the Assessment and findings of the Emissions Allowance Delivery Committee shall constitute a final disciplinary action of the Exchange.

Appendix B

(4) Within ten (10) days after receipt of Market Regulation Department's reply, the Appellant shall be entitled to examine all books, documents and other tangible evidence in possession or under the control of the Exchange that are to be relied on by Market Regulation Department or are otherwise relevant to the matter.

(5) In the event of an appeal by a Party, the President, or his designee, shall appoint an Assessment Appeal Panel to hear and decide the appeal. No member of the Panel may have a direct or indirect interest in the matter under the appeal. Each Panel Member shall disclose to the President, or his designee, any such interest which might preclude such Panel Member from rendering a fair and impartial determination. The formal Rules of Evidence shall not apply to such appeal, and the Panel shall be the sole judge with respect to the evidence presented to it. Exchange outside counsel shall advise the Panel.

(6) The procedures for the hearing of the appeal before the Assessment Appeal Panel shall be as follows:

(a) At a date to be set by order of the Panel, and prior to such hearing, the Appellant and the Market Regulation Department shall furnish each other with a list of witnesses expected to be called at the hearing, and a list of documents and copies thereof expected to be introduced at the hearing.

(b) At such hearing: The Appellant may appear personally and may be represented by counsel or other representative of his choice at the appeal.

(c) The Market Regulation Department shall be entitled to offer evidence relating to the delivery and shall be entitled to call witnesses and introduce documents in support thereof. It shall be the burden of the Market Regulation Department to demonstrate, by the weight of the evidence, the appropriateness of the sanction set forth in the Notice of Assessment.

(d) The Appellant shall be entitled to rebut the Market Regulation Department's evidence and shall be entitled to call witnesses and introduce documents in support thereof.

(e) The Market Regulation Department and the Appellant shall be entitled to cross-examine any witness called by the opposing Party at the hearing.

(f) The Notice of Assessment, the Notice of Appeal, the Memorandum of Appeal, any Answering Memorandum, the stenographic transcript of the appeal, any documentary evidence or other material presented to and accepted by the Panel shall constitute the record of the hearing. The decision of the Panel shall be based upon the record of the hearing.

(g) The Panel shall have the power to impose a penalty against any person who is within the jurisdiction of the Exchange and whose actions impede the progress of a hearing.

(h) The Assessment Appeal Panel shall issue a written decision in which it may affirm, reduce, or waive the charges assessed against the Appellant and shall state the reasons therefore.

(i) The decision of the Assessment Appeal Panel shall be a final decision of the Exchange and shall constitute a final disciplinary action of the Exchange. The fine is payable on the effective day of the decision or as specified. The effective day shall be fifteen (15) days after a copy of the written decision has been delivered to the appellant and to the Commission.

(8) The Assessment Appeal Panel shall consider, and make recommendations to the President, or his designee concerning acceptance or rejection of, any offer of settlement submitted by Appellant. In the case of an offer of settlement, acceptance by the President shall constitute the final disciplinary action of the Exchange.

(E) ARBITRATION PROCEDURE

(1) Any claim for damages arising between a Buyer and a Seller as a result of a delivery pursuant to this contract shall be settled by arbitration in accordance with these Rules.

(2) Notice of Intent to Arbitrate must be submitted to the Secretary of the Exchange within three business days of the occurrence upon which the claim is based or the decision of the Emissions Allowance Delivery Committee with respect to a late or failed performance. Failure to submit a Notice of Intent to Arbitrate within the prescribed period will be deemed a waiver of a Party's rights to arbitrate such a delivery dispute under the special or Regular Arbitration Rules.

(3) The Arbitration will be governed by Chapter 6A of the Rules except that the President or his designee shall appoint an Arbitration Panel.

Annual NOx Emissions Allowance Vintage 2009 Futures

864.01. SCOPE

The provisions of these rules shall apply to all Annual NOx emissions allowances vintage 2009 (or earlier vintages) bought or sold for future delivery on the Exchange with the Delivery at the U.S. Environmental Protection Agency's (EPA) NOx Allowance Management System (NAMS).

864.01A. DEFINITIONS

A. EPA means the U.S. Environmental Protection Agency or any successor agency with similar jurisdiction.

B. Annual NOx Allowance refers to a tradable permit to emit NOx from January 1 to December 31 in a given or subsequent calendar year under the Clean Air Interstate Rule (CAIR) Annual NOx Budget Trading Program as specified further by EPA.

C. NOx Allowance Management System (NAMS) means the system established by the EPA for recording the transfer of Allowances among various entities under the Clean Air Act as set.

D. Vintage Year means the first calendar year for which the allowance may be utilized for compliance.

E. The terms "Seller" and "Buyer" shall mean the short Clearing Member and the long Clearing Member, respectively.

F. The terms "Seller's Customer" and "Buyer's Customer" shall mean the seller and buyer of the physical product or swap transaction.

G. The term "Settlement Price" shall mean the final settlement price used as the price for delivery of the product, which shall be the settlement price for the last trading day of the expiring delivery month. The settlement price for the last day of the trading shall be determined in accordance with the procedures set forth in Exchange Rule 813.

864.02. TIME REFERENCES

For purposes of these Rules, unless otherwise specified, times referred to herein shall refer to and indicate the prevailing time in New York.

864.03. CONTRACT UNIT

The contract unit shall be ten (10) allowances of Annual NOX emissions allowances vintage 2009 (or earlier vintages) for delivery made by transfer through NAMS.

864.04. DELIVERY

Emission allowance delivery shall comply with all requirements for the electronic transfer of Seasonal NOX allowances through the NOX Allowance Management System. All deliveries made under these rules shall be final and there shall be no appeal.

864.05. DELIVERY MONTHS

Trading shall be conducted in contracts providing for delivery in such periods as shall be determined by the Exchange.

864.06. MINIMUM PRICE FLUCTUATIONS

Prices shall be quoted in dollars per allowance. The minimum price fluctuation shall be \$25.00 per allowance (\$250.00 per contract). There shall be no maximum price fluctuation.

864.07. TERMINATION OF TRADING

Trading in the current delivery month shall cease at termination of the third business day prior to the last business day of the contract.

864.08. RESERVED

864.09. DELIVERY PROCEDURES

(A) RESPONSIBILITIES OF CLEARING MEMBERS HAVING OPEN LONG POSITIONS

(1) NOTICE OF INTENTION TO ACCEPT

By 11:30 a.m. on the second business day prior to the last business day of an expiring delivery month, a Buyer having an open position shall file with the Exchange a properly completed and signed Notice of Intention to Accept. The Notice of Intention to Accept shall be in the form prescribed by the Exchange and shall include the Name of the Buyer's Customer, Number of contracts to be accepted, and any additional information as may be required by the Exchange.

By 4:00 p.m. on Notice Day, the Buyer shall provide the Seller with the following information: NAMS Account Number; Vintage Year; Name; Phone Number and e-mail address of the Account Representative (AAR) or the authorized alternate for that NAMS account.

(B) RESPONSIBILITIES OF CLEARING MEMBERS HAVING OPEN SHORT POSITIONS

(1) NOTICE OF INTENTION TO DELIVER

By 11:30 a.m. on the second business day prior to the last business day of an expiring delivery month, a Seller having an open short position shall file with the Exchange a properly completed and signed Notice of Intention to Deliver. The Notice of Intention to Deliver shall be in such form prescribed by the Exchange and shall include: Name of the Seller's Customer; Number of contracts to be delivered; NAMS Account Number; Vintage Year; Name; Phone Number and e-mail address of the Account Representative (AAR) or the authorized alternate for that NAMS account, and any additional information as may be required by the Exchange.

INFORMATION PROVIDED BY SELLER TO BUYER

By 4:00 p.m. on Notice Day, the Seller shall provide the Buyer with the following information: NAMS Account Number; Vintage Year; Name; Phone Number and e-mail address of the Account Representative (AAR) or the authorized alternate for that NAMS account.

(C) USE OF SETTLEMENT PRICE: The final settlement price used for the delivery shall be the settlement price from the final day of trading.

(D) Notice Day

(1) The Clearing House shall allocate Notices of Intention to Deliver and Notices of Intention to Accept by matching size of positions, to the extent possible.

(2) The Clearing House shall provide Tender Allocation Notices to the respective Clearing Members by 2:00 PM on the second business day prior to the last business day of the delivery month.

(3) The day the Tender Allocation Notices are provided to the Clearing Members shall be referred to as "Notice Day". Tender Allocation Notices are not transferable.

(E) Payment and Delivery Margins

(1) Definitions

• "Payment" shall include the settlement price times the number of contracts times 10.

• "Payment Date" shall mean the business day after the Buyer's Customer receipt of proper

notification from the NAMS that allowances have been transferred from the Seller's Customer account to the Buyer's Customer account, provided documentation is supplied to the Buyer's Customer by no later than 2:00 P.M. Documentation supplied to Buyer after 2:00 noon on any Exchange business day, shall be considered received on the following Exchange business day.

▲ On the business day following the last day of trading, the long clearing member shall obtain from the long, if any, margin equal to the full value of the product to be delivered. Such margin shall consist of cash, securities issued by the United States Treasury Department maturing within ten (10) years from the date of deposit and guaranteed as to principal and interest by the United States Government or a letter of credit. Any Treasury securities so deposited shall be valued at ninety percent (90%) of the par value of such instruments. Any letter of credit so deposited shall be in a form approved by the Exchange, shall be issued or confirmed by an Exchange approved original margin depository, and shall be drawn in favor of the Exchange.

▲ The Buyer shall pay the Seller at the office of the Seller by a certified check or electronic funds transfer, or any other method acceptable to both parties by 12:00 P.M. on the payment date.

▲ The Buyer and Seller shall deposit with the Exchange margins in such amounts and in such form as required by the Exchange. Such margins, which shall not be greater than the margins charged to the Buyer's Customer and Seller's Customer, shall be returned on the business day following notification to the Exchange that delivery and payment have been completed.

▲ On the Payment Date, The Seller shall deliver a Notice of Payment to the Buyer with a copy to the Exchange by 4:30 PM. Upon receipt of such notice the delivery shall be complete.

▲ Any payment made on Payment Date shall be based on allowances actually delivered.

(F) Delivery Day

The day the Buyer's customer receives the allowances shall be referred to as the Delivery Day.

864.10. DELIVERY PERIOD

Delivery shall take place on one business day prior to the last business day of the delivery month.

864.11. VALIDITY OF DOCUMENTS

The Exchange makes no representation respecting the authenticity, validity or accuracy of any of Tender Allocation Notice, Notice of Intention to Accept, Notice of Intention to Deliver, check or of any document or instrument delivered pursuant to these rules.

864.12. EXCHANGE OF FUTURES FOR, OR IN CONNECTION WITH PRODUCT

(A) An exchange of futures for, or in connection with, product (EFP) or exchange of futures for, or in connection with, swap (EFS) transactions consists of two discrete, but related, transactions; a cash transaction and a futures transaction. At the time such transaction is effected, the Buyer's Customer and the Seller's Customer of the futures must be the Seller's Customer and the Buyer's Customer of a quantity of the physical product or swaps agreement covered by this Section (or any derivative, by product or related product). The quantity of physical product must be approximately equivalent to the quantity covered by the futures contracts.

(B) Except as provided below, an EFP or EFS transaction must take place during the hours of futures trading for the Seasonal NOX Emissions Allowance futures contract. An EFP or EFS is permitted in the expiring futures contract until two hours after trading terminates on the last day of trading of the expiring futures contract. An EFP or EFS which establishes a futures position for both the buyer and the seller shall not be permitted during the two hour period following the termination of trading of the expired futures contract.

(C) Any EFP or EFS transaction shall be governed by the provisions of Rule 538 and 538A, respectively.

(D) Each Buyer's Customer and Seller's Customer must satisfy the Exchange, at its request, that the transaction is a legitimate EFP or EFS transaction. All documentary evidence relating to EFP or EFS, including, without limitation, evidence as to change of ownership of the physical commodity or swap commitment, shall be obtained by the Clearing Members from their customers or and made available by the Clearing Members for examination by the Exchange upon request.

(E) A report of each EFP or EFS transaction shall be entered on the day that the transaction thereto was made, or if such agreement was made after the close of trading, then on the next business day. EFP or EFS transactions shall be cleared through the Exchange in accordance with normal procedures, shall be clearly identified as EFP or EFS transactions, and shall be recorded as such by the Exchange and by the Clearing Members involved.

864.13. ALTERNATIVE DELIVERY PROCEDURE

A Seller's Customer or Buyer's Customer may agree with the Buyer's Customer or the Seller's Customer with which it has been matched by the Exchange under Rule 864.09(D) to make and take delivery under terms or conditions which differ from the terms and conditions prescribed by this Chapter. In such a case, Clearing Members shall execute an Alternative Notice of Intention to Deliver on the form prescribed by the Exchange and shall deliver a completed executed copy of

such Notice to the Exchange. The delivery of an executed Alternative Notice of Intention to Deliver to the Exchange shall release the Clearing Members and the Exchange from their respective obligations under the Exchange contracts.

In executing such Notice, Clearing Members shall indemnify the Exchange against any liability, cost or expense it may incur for any reason as a result of the execution, delivery, or performance of such contracts or such agreement, or any breach thereof or default there under. Upon receipt of an executed Alternative Notice of Intention to Deliver, the Exchange will return to the Clearing Members all margin monies held for the account of each with respect to the contracts involved.

864.14. FORCE MAJEURE, LATE PERFORMANCE AND FAILURE TO PERFORM

A) DEFINITION. As used in this Rule 864.14, the following terms, as well as variations thereof, shall have the meaning described below.

(1) "Late Performance" shall mean the failure of a Buyer or a Seller to complete a material act with respect to a delivery obligation imposed by, and within the time period established in, the Rules. Late Performance shall be restricted to three business days. Late Performance beyond three business days by a Seller or a Buyer will be deemed a Failure to Perform.

(2) "Day of Late Performance" shall mean the twenty-four hour period commencing immediately after a Buyer, a Seller, or the Clearing House was to have performed. Each subsequent Day of Late Performance shall commence twenty-four hours after the beginning of the prior Day of Late Performance. When a Party is late in performance, the day when the act was to have performed shall be a Day of Late Performance.

(3) "Failure to Perform" shall mean the failure of a Buyer or a Seller to complete a material act with respect to a delivery obligation prior to the expiration of the period allowed for the late performance of such act.

(4) "Contract Value" shall mean the amount equal to the settlement price on the last day of trading in a futures contract times 10 (the number of allowances per contract) times the number of contracts to be delivered.

(5) (a) "Party" shall mean a Buyer or Seller and such Buyer and Seller are each responsible to the Exchange for their obligations under these Rules and further responsible to the Exchange for the obligations of their respective customers under the Rules of this Chapter.

(b) "Other Party" shall mean the corresponding Buyer when the Seller is late in performance or has failed to perform and the corresponding Seller when the Buyer is late in performance or has failed to perform.

(6) "Force Majeure" shall mean any circumstance (including but not limited to a strike, lockout, national emergency, governmental action, or act of God) which is beyond the control of such Buyer or Seller, and which prevents the Buyer or Seller from making or taking delivery of product when and as provided for in these Rules.

(B) RESPONSIBILITIES OF PARTIES TO THE DELIVERY

(1) The parties to a delivery shall make commercially reasonable efforts to perform their respective delivery obligations at all times until a Party has failed to perform.

(2) A Party which has failed to perform its obligations may no longer perform such obligations; provided, however, that a Buyer which has failed to make a payment shall make such payment.

(C) EMISSIONS ALLOWANCE DELIVERY COMMITTEE

(1) Force Majeure, Late Performance and Failure to Perform shall be determined by a Panel of the Emissions Allowance Delivery Committee as set forth below. The Chairman of the Emissions Allowance Delivery Committee shall appoint a Panel, which shall consist of three (3) members of the Committee, to review a delivery:

(a) When the Chairman of the Emissions Allowance Delivery Committee is advised by the President of the Exchange or any person designated by the President of the Exchange that it appears that the performance of a Party to the delivery is late;

(b) Upon the written request of both the Buyer and the Seller;

(c) When the President of the Exchange or any person designated by the President of the Exchange requests such appointment; or

(d) When either Party to the delivery notifies the Exchange that circumstances exist constituting Force Majeure.

(2) The Chairman of the Emissions Allowance Delivery Committee shall not appoint to any Panel any person who has a direct or indirect interest in the delivery in question. Any Panel so appointed shall retain jurisdiction over the delivery in question until the delivery has been completed or a Party has been found to have failed to perform such delivery. Exchange Counsel shall serve as advisor to the Panel.

(3) The Panel shall meet within one business day of notification as provided in these Rules. Unless good cause for delay exists, within one business day the Panel shall determine whether force majeure exists, whether a Buyer or Seller is late in performing or has failed to perform its obligations as provided in the Rules, and advise the Market Regulation Department of such determination, and its findings in support thereof immediately. The Panel shall cause its determination to be communicated to the parties to the delivery as expeditiously as possible.

(4) Upon a finding of force majeure, the Panel may take any one or combination of the following actions as it deems suitable order: an extension of time not to exceed ten days from the date of the © Copyright 2009 New York Mercantile Exchange, Inc. All rights reserved Page 6 of 7 scheduled delivery; or, refer the delivery to the Exchange, represented by the Market Regulation Department, for emergency action.

(D) EXCHANGE ACTION

(1) Whenever a Buyer or a Seller is found by the Panel to be late in the performance of a delivery obligation, the Exchange, represented by the Market Regulation Department, shall issue a Notice of Assessment, assessing a penalty of 10% of contract value for each applicable day of Late Performance.

(2) Whenever a Buyer or Seller is found by the Panel or otherwise deemed to have a "Failure to Perform" the Exchange, represented by the Market Regulation Department shall issue a Notice of Assessment assessing penalties of twenty percent (20%) of the contract value, in addition to any penalties assessed pursuant to subparagraph (1) above, to be paid to the Exchange.

(3) (a) A Party may appeal a Notice of Assessment by filing a Notice of Appeal with the Hearing Registrar of the Exchange and by serving a copy of the same on the Exchange's Market Regulation Department, within two business days of receipt of the Notice of Assessment from the Market Regulation Department. The Party filing the appeal ("Appellant") shall file, within twenty (20) days after filing the Notice of Appeal, a Memorandum of Appeal setting forth the factual and legal basis for the appeal. The Memorandum of Appeal must be filed with the Hearing Registrar and a copy of the same served upon the Exchange's Compliance Counsel.

(b) The Market Regulation Department may file with the Appellant and Hearing Registrar an Answering Memorandum to the Memorandum of Appeal within ten (10) days of receipt of that memorandum.

(c) Failure by the Party to file a Notice of Appeal or a Memorandum of Appeal with the time specified in subsection (D)(3)(a) of this Rule shall constitute a waiver, and the penalties set forth in the Notice of Assessment shall be paid within five days to the Exchange. Failure to pay such penalties in accordance with this Rule shall subject the party to the sanctions set forth in Chapter 4. In the event a party fails to Appeal, or waives the opportunity to appeal a Notice of Assessment, the Assessment and findings of the Emissions Allowance Delivery Committee shall constitute a final disciplinary action of the Exchange.

(4) Within ten (10) days after receipt of Market Regulation Department's reply, the Appellant shall be entitled to examine all books, documents and other tangible evidence in possession or under the control of the Exchange that are to be relied on by Market Regulation Department or are otherwise relevant to the matter.

(5) In the event of an appeal by a Party, the President, or his designee, shall appoint an Assessment Appeal Panel to hear and decide the appeal. No member of the Panel may have a direct or indirect interest in the matter under the appeal. Each Panel Member shall disclose to the President, or his designee, any such interest which might preclude such Panel Member from rendering a fair and impartial determination. The formal Rules of Evidence shall not apply to such appeal, and the Panel shall be the sole judge with respect to the evidence presented to it. Exchange outside counsel shall advise the Panel.

(6) The procedures for the hearing of the appeal before the Assessment Appeal Panel shall be as follows:

(a) At a date to be set by order of the Panel, and prior to such hearing, the Appellant and the Market Regulation Department shall furnish each other with a list of witnesses expected to be called at the hearing, and a list of documents and copies thereof expected to be introduced at the hearing.

(b) At such hearing: The Appellant may appear personally and may be represented by counselor or other representative of his choice at the appeal.

(c) The Market Regulation Department shall be entitled to offer evidence relating to the delivery and shall be entitled to call witnesses and introduce documents in support thereof. It shall be the burden of the Market Regulation Department to demonstrate, by the weight of the evidence, the appropriateness of the sanction set forth in the Notice of Assessment.

(d) The Appellant shall be entitled to rebut the Market Regulation Department's evidence and shall be entitled to call witnesses and introduce documents in support thereof.

(e) The Market Regulation Department and the Appellant shall be entitled to cross-examine any witness called by the opposing Party at the hearing.

(f) The Notice of Assessment, the Notice of Appeal, the Memorandum of Appeal, any Answering Memorandum, the stenographic transcript of the appeal, any documentary evidence or other material presented to and accepted by the Panel shall constitute the record of the hearing. The decision of the Panel shall be based upon the record of the hearing.

(g) The Panel shall have the power to impose a penalty against any person who is within the jurisdiction of the Exchange and whose actions impede the progress of a hearing.

(h) The Assessment Appeal Panel shall issue a written decision in which it may affirm, reduce, or waive the charges assessed against the Appellant and shall state the reasons therefore.

(i) The decision of the Assessment Appeal Panel shall be a final decision of the Exchange and shall constitute a final disciplinary action of the Exchange. The fine is payable on the effective day of the decision or as specified. The effective day shall be fifteen (15) days after a copy of the written decision has been delivered to the appellant and to the Commission.

(8) The Assessment Appeal Panel shall consider, and make recommendations to the President, or his designee concerning acceptance or rejection of, any offer of settlement submitted by Appellant. In the case of an offer of settlement, acceptance by the President shall constitute the final disciplinary action of the Exchange.

(E) ARBITRATION PROCEDURE

(1) Any claim for damages arising between a Buyer and a Seller as a result of a delivery pursuant to this contract shall be settled by arbitration in accordance with these Rules.

(2) Notice of Intent to Arbitrate must be submitted to the Secretary of the Exchange within three business days of the occurrence upon which the claim is based or the decision of the Emissions Allowance Delivery Committee with respect to a late or failed performance. Failure to submit a Notice of Intent to Arbitrate within the prescribed period will be deemed a waiver of a Party's rights to arbitrate such a delivery dispute under the special or Regular Arbitration Rules.

(3) The Arbitration will be governed by Chapter 6A of the Rules except that the President or his designee shall appoint an Arbitration Panel.

ANNUAL NOX Emissions Allowance Vintage 2010 Futures

865.01. SCOPE

The provisions of these rules shall apply to all Annual NOX emissions allowances vintage 2010 (or earlier vintages) bought or sold for future delivery on the Exchange with the Delivery at the U.S. Environmental Protection Agency's (EPA) Allowance Management System (NAMS).

865.01a. DEFINITIONS

A. EPA means the U.S. Environmental Protection Agency or any successor agency with similar jurisdiction. B. Annual NOX Allowance refers to a tradable permit to emit NOX from January 1 to December 31 in a given or subsequent calendar year under the Clean Air Interstate Rule (CAIR) Annual NOX Budget Trading Program as specified further by EPA. C. NOX Allowance Management System (NAMS) means the system established by the EPA for recording the transfer of Allowances among various entities under the Clean Air Act as set. D. Vintage Year means the first calendar year for which the allowance may be utilized for compliance. E. The terms "Seller" and "Buyer" shall mean the short Clearing Member and the long Clearing Member, respectively. F. The terms "Seller's Customer" and "Buyer's Customer" shall mean the seller and buyer of the physical product or swap transaction. G. The term "Settlement Price" shall mean the final settlement price used as the price for delivery of the product, which shall be the settlement price for the last trading day of the expiring delivery month. The settlement price for the last day of the trading shall be determined in accordance with the procedures set forth in Exchange Rule 813.

865.02 TIME REFERENCES

For purposes of these Rules, unless otherwise specified, times referred to herein shall refer to and indicate the prevailing time in New York.

865.03 CONTRACT UNIT

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The contract unit shall be ten (10) allowance of Annual NOx emissions allowances vintage 2010 (or earlier vintages) for delivery made by transfer through NAMS.

865.04 DELIVERY

Emission allowance delivery shall comply with all requirements for the electronic transfer of Annual NOx allowances through the NOx Allowance Management System. All deliveries made under these rules shall be final and there shall be no appeal.

865.05 DELIVERY MONTHS

Trading shall be conducted in contracts providing for delivery in such periods as shall be determined by the Exchange.

865.06 MINIMUM PRICE FLUCTUATIONS

Prices shall be quoted in dollars per allowance. The minimum price fluctuation shall be \$25.00 per allowance (\$250.00 per contract). There shall be no maximum price fluctuation.

865.07 TERMINATION OF TRADING

Trading in the current delivery month shall cease at termination of the third business day prior to the last business day of the contract month.

865.08 RESERVED

865.09 DELIVERY PROCEDURES

(A) RESPONSIBILITIES OF CLEARING MEMBERS HAVING OPEN LONG POSITIONS

(1) NOTICE OF INTENTION TO ACCEPT

By 11:30 a.m. on the second business day prior to the last business day of an expiring delivery month, a Buyer having an open position shall file with the Exchange a properly completed and signed Notice of Intention to Accept. The Notice of Intention to Accept shall be in the form prescribed by the Exchange and shall include the Name of the Buyer's Customer, Number of contracts to be accepted, and any additional information as may be required by the Exchange;

By 4:00 p.m. on Notice Day, the Buyer shall provide the Seller with the following information: NAMS Account Number; Vintage Year; Name; Phone Number and e-mail address of the Account Representative (AAR) or the authorized alternate for that NAMS account;

(B) RESPONSIBILITIES OF CLEARING MEMBERS HAVING OPEN SHORT POSITIONS

(1) NOTICE OF INTENTION TO DELIVER

By 11:30 a.m. on the second business day prior to the last business day of an expiring delivery month, a Seller having an open short position shall file with the Exchange a properly completed and signed Notice of Intention to Deliver. The Notice of Intention to Deliver shall be in such form prescribed by the Exchange and shall include: Name of the Seller's Customer; Number of contracts to be delivered; NAMS Account Number; Vintage Year; Name; Phone Number and e-mail address of the Account Representative (AAR) or the authorized alternate for that NAMS account, and any additional information as may be required by the Exchange.

INFORMATION PROVIDED BY SELLER TO BUYER

By 4:00 p.m. on Notice Day, the Seller shall provide the Buyer with the following information: NAMS Account Number; Vintage Year; Name; Phone Number and e-mail address of the Account Representative (AAR) or the authorized alternate for that NAMS account.

(C) USE OF SETTLEMENT PRICE: The final settlement price used for the delivery shall be the settlement price from the final day of trading.

(D) Notice Day

(1) The Clearing House shall allocate Notices of Intention to Deliver and Notices of Intention to Accept by matching size of positions, to the extent possible.

(2) The Clearing House shall provide Tender Allocation Notices to the respective Clearing Members by 2:00 P.M. on the second business day prior to the last business day of the delivery month.

(3) The day the Tender Allocation Notices are provided to the Clearing Members shall be referred to as "Notice Day". Tender Allocation Notices are not transferable.

(E) Payment and Delivery Margins

((1) Definitions

"Payment" shall include the settlement price times the number of contracts times 10.

"Payment Date" shall mean the business day after the Buyer's Customer receipt of proper notification from the NAMS that allowances have been transferred from the Seller's Customer account to the Buyer's Customer account, provided documentation is supplied to the Buyer's Customer by no later than 2:00 P.M. Documentation supplied to

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Buyer after 2:00 noon on any Exchange business day, shall be considered received on the following Exchange business day.

On the business day following the last day of trading, the long clearing member shall obtain from the long, if any, margin equal to the full value of the product to be delivered. Such margin shall consist of cash, securities issued by the United States Treasury Department maturing within ten (10) years from the date of deposit and guaranteed as to principal and interest by the United States Government or a letter of credit. Any Treasury securities so deposited shall be valued at ninety percent (90%) of the par value of such instruments. Any letter of credit so deposited shall be in a form approved by the Exchange, shall be issued or confirmed by an Exchange approved original margin depository, and shall be drawn in favor of the Exchange.

The Buyer shall pay the Seller at the office of the Seller by a certified check or electronic funds transfer, or any other method acceptable to both parties by 12:00 P.M. on the payment date.

The Buyer and Seller shall deposit with the Exchange margins in such amounts and in such form as required by the Exchange. Such margins, which shall not be greater than the margins charged to the Buyer's Customer and Seller's Customer, shall be returned on the business day following notification to the Exchange that delivery and payment have been completed.

On the Payment Date, The Seller shall deliver a Notice of Payment to the Buyer with a copy to the Exchange by 4:30 PM. Upon receipt of such notice the delivery shall be complete.

Any payment made on Payment Date shall be based on allowances actually delivered.

(F) Delivery Day

The day the Buyer's customer receives the allowances shall be referred to as the Delivery Day.

865.10 DELIVERY PERIOD

Delivery shall take place on one business day prior to the last business day of the delivery month.

865.11 VALIDITY OF DOCUMENTS

The Exchange makes no representation respecting the authenticity, validity or accuracy of any of Tender Allocation Notice, Notice of Intention to Accept, Notice of Intention to Deliver, check or of any document or instrument delivered pursuant to these rules.

865.12 EXCHANGE OF FUTURES FOR PHYSICAL (EFP) AND EXCHANGE OF FUTURES FOR SWAPS (EFS)

(A) An exchange of futures for, or in connection with, product (EFP) or exchange of futures for, or in connection with, swap (EFS) transactions consists of two discrete, but related, transactions; a cash transaction and a futures transaction. At the time such transaction is effected, the Buyer's Customer and the Seller's Customer of the futures must be the Seller's Customer and the Buyer's Customer of a quantity of the physical product or swaps agreement covered by this Section (or any derivative, by product or related product). The quantity of physical product must be approximately equivalent to the quantity covered by the futures contracts.

(B) Except as provided below, an EFP or EFS transaction must take place during the hours of futures trading for the Seasonal NOX Emissions Allowance futures contract. An EFP or EFS is permitted in the expiring futures contract until two hours after trading terminates on the last day of trading of the expiring futures contract. An EFP or EFS which establishes a futures position for both the buyer and the seller shall not be permitted during the two-hour period following the termination of trading of the expired futures contract.

(C) Any EFP or EFS transaction shall be governed by the provisions of Rule 538 and 538A, respectively.

(D) Each Buyer's Customer and Seller's Customer must satisfy the Exchange, at its request, that the transaction is a legitimate EFP or EFS transaction. All documentary evidence relating to EFP or EFS, including, without limitation, evidence as to change of ownership of the physical commodity or swap commitment, shall be obtained by the Clearing Members from their customers or and made available by the Clearing Members for examination by the Exchange upon request. (E) A report of each EFP or EFS transaction shall be entered on the day that the transaction thereto was made, or if such agreement was made after the close of trading, then on the next business day. EFP or EFS transactions shall be cleared through the Exchange in accordance with normal procedures, shall be clearly identified as EFP or EFS transactions, and shall be recorded as such by the Exchange and by the Clearing Members involved.

865.13 ALTERNATE DELIVERY PROCEDURE

A Seller's Customer or Buyer's Customer may agree with the Buyer's Customer or the Seller's Customer with which it has been matched by the Exchange under Rule 865.09(D) to make and take delivery under terms or conditions which differ from the terms and conditions prescribed by this Chapter. In such a case, Clearing Members shall execute an Alternative Notice of Intention to Deliver on the form prescribed by the Exchange and shall deliver a completed executed copy of such Notice to the Exchange. The delivery of an executed Alternative Notice of Intention to Deliver to the Exchange shall release the Clearing Members and the Exchange from their respective obligations under the Exchange contracts.

In executing such Notice, Clearing Members shall indemnify the Exchange against any liability, cost or expense it may incur for any reason as a result of the execution, delivery, or performance of such contracts or such agreement, or any breach thereof or default there under. Upon receipt of an executed Alternative Notice of Intention to Deliver, the Exchange will return to the Clearing Members all margin monies held for the account of each with respect to the contracts involved.

865.14 FORCE MAJEURE, LATE PERFORMANCE AND FAILURE TO PERFORM

Appendix B

A) DEFINITION. As used in this Rule 865.14, the following terms, as well as variations thereof, shall have the meaning described below.

(1) "Late Performance" shall mean the failure of a Buyer or a Seller to complete a material act with respect to a delivery obligation imposed by, and within the time period established in, the Rules. Late Performance shall be restricted to three business days. Late Performance beyond three business days by a Seller or a Buyer will be deemed a Failure to Perform. (2) "Day of Late Performance" shall mean the twenty-four hour period commencing immediately after a Buyer, a Seller, or the Clearing House was to have performed. Each subsequent Day of Late Performance shall commence twenty-four hours after the beginning of the prior Day of Late Performance. When a Party is late in performance, the day when the act was to have performed shall be a Day of Late Performance. (3) "Failure to Perform" shall mean the failure of a Buyer or a Seller to complete a material act with respect to a delivery obligation prior to the expiration of the period allowed for the late performance of such act. (4) "Contract Value" shall mean the amount equal to the settlement price on the last day of trading in a futures contract times 10 (the number of allowances per contract) times the number of contracts to be delivered. (5) (a) "Party" shall mean a Buyer or Seller and such Buyer and Seller are each responsible to the Exchange for their obligations under these Rules and further responsible to the Exchange for the obligations of their respective customers under the Rules of this Chapter. (b) "Other Party" shall mean the corresponding Buyer when the Seller is late in performance or has failed to perform and the corresponding Seller when the Buyer is late in performance or has failed to perform. (6) "Force Majeure" shall mean any circumstance (including but not limited to a strike, lockout, national emergency, governmental action, or act of God) which is beyond the control of such Buyer or Seller, and which prevents the Buyer or Seller from making or taking delivery of product when and as provided for in these Rules.

(B) RESPONSIBILITIES OF PARTIES TO THE DELIVERY

(1) The parties to a delivery shall make commercially reasonable efforts to perform their respective delivery obligations at all times until a Party has failed to perform.

(2) A Party which has failed to perform its obligations may no longer perform such obligations; provided, however, that a Buyer which has failed to make a payment shall make such payment.

(C) EMISSIONS ALLOWANCE DELIVERY COMMITTEE

(1) Force Majeure, Late Performance and Failure to Perform shall be determined by a Panel of the Emissions Allowance Delivery Committee as set forth below. The Chairman of the Emissions Allowance Delivery Committee shall appoint a Panel, which shall consist of three (3) members of the Committee, to review a delivery: (a) When the Chairman of the Emissions Allowance Delivery Committee is advised by the President of the Exchange or any person designated by the President of the Exchange that it appears that the performance of a Party to the delivery is late; (b) Upon the written request of both the Buyer and the Seller; (c) When the President of the Exchange or any person designated by the President of the Exchange requests such appointment; or (d) When either Party to the delivery notifies the Exchange that circumstances exist constituting Force Majeure. (2) The Chairman of the Emissions Allowance Delivery Committee shall not appoint to any Panel any person who has a direct or indirect interest in the delivery in question. Any Panel so appointed shall retain jurisdiction over the delivery in question until the delivery has been completed or a Party has been found to have failed to perform such delivery. Exchange Counsel shall serve as advisor to the Panel.

(3) The Panel shall meet within one business day of notification as provided in these Rules. Unless good cause for delay exists, within one business day the Panel shall determine whether force majeure exists, whether a Buyer or Seller is late in performing or has failed to perform its obligations as provided in the Rules, and advise the Market Regulation Department of such determination, and its findings in support thereof immediately. The Panel shall cause its determination to be communicated to the parties to the delivery as expeditiously as possible.

(4) Upon a finding of force majeure, the Panel may take any one or combination of the following actions as it deems suitable order: an extension of time not to exceed ten days from the date of the scheduled delivery; or, refer the delivery to the Exchange, represented by the Market Regulation Department, for emergency action.

(D) EXCHANGE ACTION

(1) Whenever a Buyer or a Seller is found by the Panel to be late in the performance of a delivery obligation, the Exchange, represented by the Market Regulation Department, shall issue a Notice of Assessment, assessing a penalty of 10% of contract value for each applicable day of Late Performance.

(2) Whenever a Buyer or Seller is found by the Panel or otherwise deemed to have a "Failure to Perform" the Exchange, represented by the Market Regulation Department shall issue a Notice of Assessment assessing penalties of twenty percent (20%) of the contract value, in addition to any penalties assessed pursuant to subparagraph (1) above, to be paid to the Exchange.

Appendix B

(3) (a) A Party may appeal a Notice of Assessment by filing a Notice of Appeal with the Hearing Registrar of the Exchange and by serving a copy of the same on the Exchange's Market Regulation Department, within two business days of receipt of the Notice of Assessment from the Market Regulation Department. The Party filing the appeal ("Appellant") shall file, within twenty (20) days after filing the Notice of Appeal, a Memorandum of Appeal setting forth the factual and legal basis for the appeal. The Memorandum of Appeal must be filed with the Hearing Registrar and a copy of the same served upon the Exchange's Compliance Counsel.

(b) The Market Regulation Department may file with the Appellant and Hearing Registrar an Answering Memorandum to the Memorandum of Appeal within ten (10) days of receipt of that memorandum.

(c) Failure by the Party to file a Notice of Appeal or a Memorandum of Appeal with the time specified in subsection (D)(3)(a) of this Rule shall constitute a waiver, and the penalties set forth in the Notice of Assessment shall be paid within five days to the Exchange. Failure to pay such penalties in accordance with this Rule shall subject the party to the sanctions set forth in Chapter 4. In the event a party fails to Appeal, or waives the opportunity to appeal a Notice of Assessment, the Assessment and findings of the Emissions Allowance Delivery Committee shall constitute a final disciplinary action of the Exchange.

(4) Within ten (10) days after receipt of Market Regulation Department's reply, the Appellant shall be entitled to examine all books, documents and other tangible evidence in possession or under the control of the Exchange that are to be relied on by Market Regulation Department or are otherwise relevant to the matter.

(5) In the event of an appeal by a Party, the President, or his designee, shall appoint an Assessment Appeal Panel to hear and decide the appeal. No member of the Panel may have a direct or indirect interest in the matter under the appeal. Each Panel Member shall disclose to the President, or his designee, any such interest which might preclude such Panel Member from rendering a fair and impartial determination. The formal Rules of Evidence shall not apply to such appeal, and the Panel shall be the sole judge with respect to the evidence presented to it. Exchange outside counsel shall advise the Panel.

(6) The procedures for the hearing of the appeal before the Assessment Appeal Panel shall be as follows:

(a) At a date to be set by order of the Panel, and prior to such hearing, the Appellant and the Market Regulation Department shall furnish each other with a list of witnesses expected to be called at the hearing, and a list of documents and copies thereof expected to be introduced at the hearing. (b) At such hearing: The Appellant may appear personally and may be represented by counsel or other representative of his choice at the appeal. (c) The Market Regulation Department shall be entitled to offer evidence relating to the delivery and shall be entitled to call witnesses and introduce documents in support thereof. It shall be the burden of the Market Regulation Department to demonstrate, by the weight of the evidence, the appropriateness of the sanction set forth in the Notice of Assessment. (d) The Appellant shall be entitled to rebut the Market Regulation Department's evidence and shall be entitled to call witnesses and introduce documents in support thereof. (e) The Market Regulation Department and the Appellant shall be entitled to cross-examine any witness called by the opposing Party at the hearing. (f) The Notice of Assessment, the Notice of Appeal, the Memorandum of Appeal, any Answering Memorandum, the stenographic transcript of the appeal, any documentary evidence or other material presented to and accepted by the Panel shall constitute the record of the hearing. The decision of the Panel shall be based upon the record of the hearing. (g) The Panel shall have the power to impose a penalty against any person who is within the jurisdiction of the Exchange and whose actions impede the progress of a hearing. (h) The Assessment Appeal Panel shall issue a written decision in which it may affirm, reduce, or waive the charges assessed against the Appellant and shall state the reasons therefore. (i) The decision of the Assessment Appeal Panel shall be a final decision of the Exchange and shall constitute a final disciplinary action of the Exchange. The fine is payable on the effective day of the decision or as specified. The effective day shall be fifteen (15) days after a copy of the written decision has been delivered to the appellant and to the Commission. (8) The Assessment Appeal Panel shall consider, and make recommendations to the President, or his designee concerning acceptance or rejection of, any offer of settlement submitted by Appellant. In the case of an offer of settlement, acceptance by the President shall constitute the final disciplinary action of the Exchange.

(E) ARBITRATION PROCEDURE

(1) Any claim for damages arising between a Buyer and a Seller as a result of a delivery pursuant to this contract shall be settled by arbitration in accordance with these Rules.

(2) Notice of Intent to Arbitrate must be submitted to the Secretary of the Exchange within three business days of the occurrence upon which the claim is based or the decision of the Emissions Allowance Delivery Committee with respect to a late or failed performance. Failure to submit a Notice of Intent to Arbitrate within the prescribed period will be deemed a waiver of a Party's rights to arbitrate such a delivery dispute under the special or Regular Arbitration Rules.

~~(3) The Arbitration will be governed by Chapter 6A of the Rules except that the President or his designee shall appoint an Arbitration Panel.~~

Annual NOX Emissions Allowance Vintage 2011 Futures

866.01 SCOPE

~~The provisions of these rules shall apply to all Annual NOX emissions allowances vintage 2011 (or earlier vintages) bought or sold for future delivery on the Exchange with the Delivery at the U.S. Environmental Protection Agency's (EPA) Allowance Management System (NAMS).~~

866.01A DEFINITIONS

- ~~• EPA means the U.S. Environmental Protection Agency or any successor agency with similar jurisdiction.~~
- ~~• Annual NOX Allowance refers to a tradable permit to emit one ton of NOX from January 1 to December 31 in a given or subsequent calendar year under the Clean Air Interstate Rule (CAIR) Annual NOX Budget Trading Program as specified further by EPA.~~
- ~~• NOX Allowance Management System (NAMS) means the system established by the EPA for recording the transfer of Allowances among various entities under the Clean Air Act as set.~~
- ~~• Vintage Year means the first calendar year for which the allowance may be utilized for compliance.~~
- ~~• The terms "Seller" and "Buyer" shall mean the short Clearing Member and the long Clearing Member, respectively.~~
- ~~• The terms "Seller's Customer" and "Buyer's Customer" shall mean the seller and buyer of the physical product.~~
- ~~• The term "Settlement Price" shall mean the final settlement price used as the price for delivery of the product, which shall be the settlement price for the last trading day of the expiring delivery month. The settlement price for the last day of the trading shall be determined in accordance with the procedures set forth in NYMEX Rule 11G.11.~~

866.02 TIME REFERENCES

~~For purposes of these Rules, unless otherwise specified, times referred to herein shall refer to and indicate the prevailing time in New York.~~

866.03 CONTRACT UNIT

The contract unit shall be ten (10) tons of Annual NOX emissions allowances vintage 2011 (or earlier vintages) for delivery made by transfer through NAMS.

866.04 DELIVERY

Emission allowance delivery shall comply with all requirements for the electronic transfer of Annual NOX allowances through the NOX Allowance Management System. All deliveries made under these rules shall be final and there shall be no appeal.

866.05 DELIVERY MONTHS

Trading shall be conducted in contracts providing for delivery in such periods as shall be determined by the Board of Directors.

866.06 MINIMUM PRICE FLUCTUATIONS

Prices shall be quoted in dollars per ton. The minimum price fluctuation shall be \$25.00 per ton (\$250.00 per contract). There shall be no maximum price fluctuation.

866.07 TERMINATION OF TRADING

Trading in the current delivery month shall cease at termination of the third business day prior to the last business day of the contract month.

866.08 RESERVED

866.09 DELIVERY PROCEDURES

(A) RESPONSIBILITIES OF CLEARING MEMBERS HAVING OPEN LONG POSITIONS

(1) NOTICE OF INTENTION TO ACCEPT

By 11:30 a.m. on the second business day prior to the last business day of an expiring delivery month, a Buyer having an open position shall file with the Exchange a properly completed and signed Notice of Intention to Accept. The Notice of Intention to Accept shall be in the form prescribed by the Exchange and shall include the Name of the Buyer's Customer, Number of contracts to be accepted, and any additional information as may be required by the Exchange.

By 4:00 p.m. on Notice Day, the Buyer shall provide the Seller with the following information: NAMS Account Number; Vintage Year; Name; Phone Number and e-mail address of the Account Representative (AAR) or the authorized alternate for that NAMS account.

(B) RESPONSIBILITIES OF CLEARING MEMBERS HAVING OPEN SHORT POSITIONS

(1) NOTICE OF INTENTION TO DELIVER

By 11:30 a.m. on the second business day prior to the last business day of an expiring delivery month, a Seller having an open short position shall file with the Exchange a properly completed and signed Notice of Intention to Deliver. The Notice of Intention to Deliver shall be in such form prescribed by the Exchange and shall include: Name of the Seller's Customer; Number of contracts to be delivered, NAMS Account Number; Vintage Year; Name; Phone Number and e-mail address of the Account Representative (AAR) or the authorized alternate for that NAMS account, and any additional information as may be required by the Exchange.

INFORMATION PROVIDED BY SELLER TO BUYER

By 4:00 p.m. on Notice Day, the Seller shall provide the Buyer with the following information: NAMS Account Number, Vintage Year, Name, Phone Number and e-mail address of the Account Representative (AAR) or the authorized alternate for that NAMS account.

(C) USE OF SETTLEMENT PRICE: The final settlement price used for the delivery shall be the settlement price from the final day of trading.

(D) Notice Day

(1) The Clearing House shall allocate Notices of Intention to Deliver and Notices of Intention to Accept by matching size of positions, to the extent possible.

(2) The Clearing House shall provide Tender Allocation Notices to the respective Clearing Members by 2:00 P.M. on the second business day prior to the last business day of the delivery month.

(3) The day the Tender Allocation Notices are provided to the Clearing Members shall be referred to as "Notice Day". Tender Allocation Notices are not transferable.

(E) Payment and Delivery Margins

(1) Definitions

▲ "Payment" shall include the settlement price times the number of contracts times 10.

▲ "Payment Date" shall mean the business day after the Buyer's Customer receipt of proper notification from the NAMS that allowances have been transferred from the Seller's Customer account to the Buyer's Customer account, provided documentation is supplied to the Buyer's Customer by no later than 2:00 P.M. Documentation supplied to Buyer after 2:00 noon on any

Exchange business day, shall be considered received on the following Exchange business day

▲ On the business day following the last day of trading, the long clearing member shall obtain from the long, if any, margin equal to the full value of the product to be delivered. Such margin shall consist of cash, securities issued by the United States Treasury Department maturing within ten (10) years from the date of deposit and guaranteed as to principal and interest by the United States Government or a letter of credit. Any Treasury securities so deposited shall be valued at ninety percent (90%) of the par value of such instruments. Any letter of credit so deposited shall be in a form approved by the Exchange, shall be issued or confirmed by an Exchange approved original margin depository, and shall be drawn in favor of the Exchange.

▲ The Buyer shall pay the Seller at the office of the Seller by a certified check or electronic funds transfer, or any other method acceptable to both parties by 12:00 P.M. on the payment date.

▲ The Buyer and Seller shall deposit with the Exchange margins in such amounts and in such form as required by the Exchange. Such margins, which shall not be greater than the margins charged to the Buyer's Customer and Seller's Customer, shall be returned on the business day following notification to the Exchange that delivery and payment have been completed.

▲ On the Payment Date, The Seller shall deliver a Notice of Payment to the Buyer with a copy to the Exchange by 4:30 P.M. Upon receipt of such notice the delivery shall be complete.

▲ Any payment made on Payment Date shall be based on allowances actually delivered.

(F) Delivery Day

The day the Buyer's customer receives the allowances shall be referred to as the Delivery Day.

866.10 DELIVERY PERIOD

Delivery shall take place on one business day prior to the last business day of the delivery month.

866.11 VALIDITY OF DOCUMENTS

The Exchange makes no representation respecting the authenticity, validity or accuracy of any of Tender Allocation Notice, Notice of Intention to Accept, Notice of Intention to Deliver, check or of any document or instrument delivered pursuant to these rules.

866.12 EXCHANGE OF FUTURES FOR, OR IN CONNECTION WITH PRODUCT

(A) An exchange of futures for, or in connection with, the product (EFP) consists of two discrete, but related, transactions; a cash transaction and a futures transaction. At the time such transaction is effected, the Buyer's Customer and the Seller's Customer of the futures must be the Seller's Customer and the Buyer's Customer of a quantity of the physical product covered by this Section (or any derivative, by-product or related product.) The quantity of physical product must be approximately equivalent to the quantity covered by the futures contracts.

(B) Except as provided below, an EFP must take place during the hours of futures trading for the Annual NOX Emissions Allowance futures contract. An EFP is permitted in the expiring futures contract until two hours after trading terminates on the last day of trading of the expiring futures contract. An EFP which establishes a futures position for both the buyer and the seller shall not be permitted during the two hour period following the termination of trading of the expired futures contract.

(C) Any Exchange of Futures for, or in Connection with, Product (EFP) shall governed by the provisions of Rule 538.

(D) Each Buyer's Customer and Seller's Customer must satisfy the Exchange, at its request, that the transaction is a legitimate EFP transaction. All documentary evidence relating to EFP, including, without limitation, evidence as to change of ownership of the physical commodity shall be obtained by the Clearing Members from their customers or and made available by the Clearing Members for examination by the Exchange upon request.

866.13 ALTERNATIVE DELIVERY PROCEDURE

A Seller's Customer or Buyer's Customer may agree with the Buyer's Customer or the Seller's Customer with which it has been matched by the Exchange under Rule 866.09(D) to make and take delivery under terms or conditions which differ from the terms and conditions prescribed by this Chapter. In such a case, Clearing Members shall execute an Alternative Notice of Intention to Deliver on the form prescribed by the Exchange and shall deliver a completed executed copy of such Notice to the Exchange. The delivery of an executed Alternative Notice of Intention to Deliver to the Exchange shall release the Clearing Members and the Exchange from their respective obligations under the Exchange contracts.

In executing such Notice, Clearing Members shall indemnify the Exchange against any liability, cost or expense it may incur for any reason as a result of the execution, delivery, or performance of such contracts or such agreement, or any breach thereof or default there under. Upon receipt of an

executed Alternative Notice of Intention to Deliver, the Exchange will return to the Clearing Members all margin monies held for the account of each with respect to the contracts involved.

866.14 FORCE MAJEURE, LATE PERFORMANCE AND FAILURE TO PERFORM

(A) DEFINITION. As used in this Rule 866.14 the following terms, as well as variations thereof, shall have the meaning described below.

(1) "Late Performance" means the failure of a Buyer or a Seller to complete a material act with respect to a delivery obligation imposed by, and within the time period established in, the Rules.

(2) "Failure to Perform" means the failure of a Buyer or a Seller to complete a material act with respect to a delivery obligation prior to the expiration of the period allowed for the late performance of such act.

(3) "Contract Value" means the amount equal to the settlement price on the last day of trading in a futures contract times 10 (the number of tons per contract) times the number of contracts to be delivered.

(4)(a) "Party" means a Buyer or Seller and such Buyer and Seller are each responsible to the Exchange for their obligations under these Rules and further responsible to the Exchange for the obligations of their respective customers under the Rules of this Chapter.

(b) "Other Party" means the corresponding Buyer when the Seller is late in performance or has failed to perform and the corresponding Seller when the Buyer is late in performance or has failed to perform.

(5) "Day of Late Performance" means the twenty-four hour period commencing twelve hours after a Buyer or a Seller was to have performed, provided however, with respect to the obligations of Buyers and Sellers to submit documents to the Exchange pursuant to the Rules in this chapter, and with respect to the failure to transfer allowances within the delivery period, "Day of Late Performance" means that twenty-four hour period commencing immediately after the time specified in the Rules in this chapter for the submission of a document. Each subsequent Day of Late Performance shall commence twenty-four hours after the beginning of the prior Day of Late Performance. When a Party is late in performance, the day when the act is performed shall be a Day of Late Performance.

(6) "Force Majeure" means any circumstance (including but not limited to a strike, lockout, national emergency, governmental action, or act of God) which is beyond the control of such Buyer or Seller, and which prevents the Buyer or Seller from making or taking delivery of product when and as provided for in these Rules.

(B) RESPONSIBILITIES OF PARTIES TO THE DELIVERY

(1) The parties to a delivery shall make commercially reasonable efforts to perform their respective delivery obligations at all times until a Party has failed to perform.

(2) A Party which has failed to perform its obligations may no longer perform such obligations; provided, however, that a Buyer which has failed to make a payment shall make such payment.

(C) EMISSIONS ALLOWANCE DELIVERY COMMITTEE

(1) Force Majeure, Late Performance and Failure to Perform shall be determined by a Panel of the Emissions Allowance Delivery Committee as set forth below. The Chairman of the Emissions Allowance Delivery Committee shall appoint a Panel, which shall consist of three (3) members of the Committee, to review a delivery:

(a) When the Chairman is advised by the President or any person designated by the President that it appears that the performance of a Party to the delivery is late;

(b) Upon the written request of both the Buyer and the Seller;

(c) When the President or any person designated by the President requests such appointment; or

(d) When either Party to the delivery notifies the Exchange that circumstances exist constituting Force Majeure.

(2) The Chairman shall not appoint to any Panel any person who has a direct or indirect interest in the delivery in question. Any Panel so appointed shall retain jurisdiction over the delivery in question until the delivery has been completed or a Party has been found to have failed to perform such delivery. Exchange Counsel shall serve as advisor to the Panel.

(3) The Panel shall meet within one business day of notification as provided in these Rules. Unless good cause for delay exists, within one business day the Panel shall determine whether force majeure exists, whether a Buyer or Seller is late in performing or has failed to perform its obligations as provided in the Rules, and advise the Compliance Department of such determination, and its findings in support thereof immediately. The Panel shall cause its determination to be communicated to the parties to the delivery as expeditiously as possible.

(4) Upon a finding of force majeure, the Panel may take any one or combination of the following actions as it deems suitable, order an extension of time not to exceed five days from the date of the scheduled delivery; or, refer the delivery to the Board of Directors for emergency action as provided in Article 7.

(D) EXCHANGE ACTION

(1) Whenever a Buyer or a Seller is found by the Panel to be late in the performance of or to have failed to perform a delivery, the Exchange, represented by the Compliance Department, shall issue

a Notice of Assessment in accordance with subsections (2) of this Section, specifying the findings of the Panel with respect to the late or failed delivery.

(2) When a Party has failed to perform, the Compliance Department shall issue a Notice of Assessment assessing penalties of ten percent (10%) of the contract value, in addition to any penalties assessed pursuant to subparagraph (2) hereof, to be paid to the Exchange.

(3)(a) A Party may appeal a Notice of Assessment by filing a Notice of Appeal with the Hearing Registrar of the Exchange and by serving a copy of the same on the Exchange's Compliance Counsel, within two business days of receipt of the Notice of Assessment from the Compliance Department. The Party filing the appeal ("Appellant") shall file, within twenty (20) days after filing the Notice of Appeal, a Memorandum of Appeal setting forth the factual and legal basis for the appeal. The Memorandum of Appeal must be filed with the Hearing Registrar and a copy of the same served upon the Exchange's Compliance Counsel.

(b) The Compliance Department may file with the Appellant and Hearing Registrar an Answering Memorandum to the Memorandum of Appeal within ten (10) days of receipt of that memorandum.

(c) Failure by the Party to file a Notice of Appeal or a Memorandum of Appeal with the time specified in subsection (D)(4)(a) of this Rule shall constitute a waiver, and the penalties set forth in the Notice of Assessment shall be paid within five days to the Exchange. Failure to pay such penalties in accordance with this Rule shall subject the party to the sanctions set forth in Bylaw 406. In the event a party fails to Appeal, or waives the opportunity to appeal a Notice of Assessment the Assessment and findings of the Delivery Committee shall constitute a final disciplinary action of the Exchange.

(4) Within ten (10) days after receipt of the Compliance Department's reply, the Appellant shall be entitled to examine all books, documents and other tangible evidence in possession or under the control of the Exchange that are to be relied on by the Compliance Department or are otherwise relevant to the matter.

(5) In the event of an appeal by a Party, the Chairman of the Exchange, or his designee, shall appoint an Assessment Appeal Panel to hear and decide the appeal. The Panel shall be composed of three members of the Exchange, at least one of whom shall be a member of the Board of Directors. No member of the Panel may have a direct or indirect interest in the matter under the appeal. Each Panel Member shall disclose to the Chairman any such interest which might preclude such Panel Member from rendering a fair and impartial determination. The formal Rules of Evidence shall not apply to such appeal, and the Panel shall be the sole judge with respect to the evidence presented to it. Exchange outside counsel shall advise the Panel.

(6) The procedures for the hearing of the appeal before the Assessment Appeal Panel shall be as follows:

(a) At a date to be set by order of the Panel, and prior to such hearing, the Appellant and the Compliance Department shall furnish each other with a list of witnesses expected to be called at the hearing, and a list of documents and copies thereof expected to be introduced at the hearing.

(b) At such hearing: The Appellant may appear personally and may be represented by counsel or other representative of his choice at the appeal.

(c) The Compliance Department shall be entitled to offer evidence relating to the delivery and shall be entitled to call witnesses and introduce documents in support thereof. It shall be the burden of the Compliance Department to demonstrate, by the weight of the evidence, the appropriateness of the sanction set forth in the Notice of Assessment.

(d) The Appellant shall be entitled to rebut the Compliance Department's evidence and shall be entitled to call witnesses and introduce documents in support thereof.

(e) The Compliance Department and the Appellant shall be entitled to cross-examine any witness called by the opposing Party at the hearing.

(f) The Notice of Assessment, the Notice of Appeal, the Memorandum of Appeal, any Answering Memorandum, the stenographic transcript of the appeal, any documentary evidence or other material presented to and accepted by the Panel shall constitute the record of the hearing. The decision of the Panel shall be based upon the record of the hearing.

(g) The Panel shall have the power to impose a penalty against any person who is within the jurisdiction of the Exchange and whose actions impede the progress of a hearing.

(h) The Assessment Appeal Panel shall issue a written decision in which it may affirm, reduce, or waive the charges assessed against the Appellant and shall state the reasons therefore.

(i) The decision of the Assessment Appeal Panel shall be a final decision of the Exchange and shall constitute a final disciplinary action of the Exchange. The fine is payable on the effective day of the decision or as specified. The effective day shall be fifteen (15) days after a copy of the written decision has been delivered to the appellant and to the Commission.

(8) The Assessment Appeal Panel shall consider, and make recommendations to the Board concerning acceptance or rejection of, any offer of settlement submitted by Appellant. In the case of an offer of settlement, acceptance by the Board shall constitute the final disciplinary action of the Exchange.

(E) ARBITRATION PROCEDURE

(1) Any claim for damages arising between a Buyer and a Seller as a result of a delivery pursuant

to this contract shall be settled by arbitration in accordance with these Rules.
(2) Notice of Intent to Arbitrate must be submitted to the Secretary of the Exchange within three business days of the occurrence upon which the claim is based or the decision of the Emissions Allowance Delivery Committee with respect to a late or failed performance. Failure to submit a Notice of Intent to Arbitrate within the prescribed period will be deemed a waiver of a Party's rights to arbitrate such a delivery dispute under the special or Regular Arbitration Rules.
(3) The Arbitration will be governed by Chapter 5 of the Rules except that the Chairman of the Exchange or his designee shall appoint an Arbitration Panel composed of three Members of the Exchange, at least one of whom shall be a Member of the Board of Directors.

Annual NOx Emissions Allowance Vintage 2012 Futures

867.01 SCOPE

The provisions of these rules shall apply to all Annual NOx emissions allowances vintage 2012 (or earlier vintages) bought or sold for future delivery on the Exchange with the Delivery at the U.S. Environmental Protection Agency's (EPA) NOx Allowance Management System (NAMS).

867.01A DEFINITIONS

A. EPA means the U.S. Environmental Protection Agency or any successor agency with similar jurisdiction.

B. Annual NOx Allowance refers to a tradable permit to emit NOx from January 1 to December 31 in a given or subsequent calendar year under the Clean Air Interstate Rule (CAIR) Annual NOx Budget Trading Program as specified further by EPA.

C. NOx Allowance Management System (NAMS) means the system established by the EPA for recording the transfer of Allowances among various entities under the Clean Air Act as set.

D. Vintage Year means the first calendar year for which the allowance may be utilized for compliance.

E. The terms "Seller" and "Buyer" shall mean the short Clearing Member and the long Clearing Member, respectively.

F. The terms "Seller's Customer" and "Buyer's Customer" shall mean the seller and buyer of the physical product or swap transaction.

G. The term "Settlement Price" shall mean the final settlement price used as the price for delivery of the product, which shall be the settlement price for the last trading day of the expiring delivery month. The settlement price for the last day of the trading shall be determined in accordance with the procedures set forth in Exchange Rule 813.

867.02 TIME REFERENCES

For purposes of these Rules, unless otherwise specified, times referred to herein shall refer to and indicate the prevailing time in New York.

867.03 CONTRACT UNIT

The contract unit shall be ten (10) allowances of Annual NOx emissions allowances vintage 2012

(or earlier vintages) for delivery made by transfer through NAMS.

867.04 DELIVERY

Emission allowance delivery shall comply with all requirements for the electronic transfer of Annual NOX allowances through the NOX Allowance Management System. All deliveries made under these rules shall be final and there shall be no appeal.

867.05 DELIVERY MONTHS

Trading shall be conducted in contracts providing for delivery in such periods as shall be determined by the Exchange.

867.06 MINIMUM PRICE FLUCTUATIONS

Prices shall be quoted in dollars per allowance. The minimum price fluctuation shall be \$25.00 per allowance (\$250.00 per contract). There shall be no maximum price fluctuation.

867.07 TERMINATION OF TRADING

Trading in the current delivery month shall cease at termination of the third business day prior to the last business day of the contract month.

867.08 RESERVED

867.09 DELIVERY PROCEDURES

(A) RESPONSIBILITIES OF CLEARING MEMBERS HAVING OPEN LONG POSITIONS

(1) NOTICE OF INTENTION TO ACCEPT

By 11:30 a.m. on the second business day prior to the last business day of an expiring delivery month, a Buyer having an open position shall file with the Exchange a properly completed and signed Notice of Intention to Accept. The Notice of Intention to Accept shall be in the form prescribed by the Exchange and shall include the Name of the Buyer's Customer, Number of contracts to be accepted, and any additional information as may be required by the Exchange. By 4:00 p.m. on Notice Day, the Buyer shall provide the Seller with the following information: NAMS Account Number; Vintage Year; Name; Phone Number and e-mail address of the Account Representative (AAR) or the authorized alternate for that NAMS account.

(B) RESPONSIBILITIES OF CLEARING MEMBERS HAVING OPEN SHORT POSITIONS

(1) NOTICE OF INTENTION TO DELIVER

By 11:30 a.m. on the second business day prior to the last business day of an expiring delivery month, a Seller having an open short position shall file with the Exchange a properly completed and signed Notice of Intention to Deliver. The Notice of Intention to Deliver shall be in such form prescribed by the Exchange and shall include: Name of the Seller's Customer, Number of contracts to be delivered, NAMS Account Number, Vintage Year, Name, Phone Number and e-mail address of the Account Representative (AAR) or the authorized alternate for that NAMS account, and any additional information as may be required by the Exchange.

INFORMATION PROVIDED BY SELLER TO BUYER

By 4:00 p.m. on Notice Day, the Seller shall provide the Buyer with the following information: NAMS Account Number, Vintage Year, Name, Phone Number and e-mail address of the Account Representative (AAR) or the authorized alternate for that NAMS account.

C) USE OF SETTLEMENT PRICE: The final settlement price used for the delivery shall be the settlement price from the final day of trading.

(D) Notice Day

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(1) The Clearing House shall allocate Notices of Intention to Deliver and Notices of Intention to Accept by matching size of positions, to the extent possible.

(2) The Clearing House shall provide Tender Allocation Notices to the respective Clearing Members by 2:00 P.M. on the second business day prior to the last business day of the delivery month.

(3) The day the Tender Allocation Notices are provided to the Clearing Members shall be referred to as "Notice Day". Tender Allocation Notices are not transferable.

(E) Payment and Delivery Margins

((1) Definitions

¹ "Payment" shall include the settlement price times the number of contracts times 10.

² "Payment Date" shall mean the business day after the Buyer's Customer receipt of proper notification from the NAMS that allowances have been transferred from the Seller's Customer account to the Buyer's Customer account, provided documentation is supplied to the Buyer's Customer by no later than 2:00 P.M. Documentation supplied to Buyer after 2:00 noon on any Exchange business day, shall be considered received on the following Exchange business day

On the business day following the last day of trading, the long clearing member shall obtain from the long, if any, margin equal to the full value of the product to be delivered. Such margin shall consist of cash, securities issued by the United States Treasury Department maturing within ten (10) years from the date of deposit and guaranteed as to principal and interest by the United States Government or a letter of credit. Any Treasury securities so deposited shall be valued at ninety percent (90%) of the par value of such instruments. Any letter of credit so deposited shall be in a form approved by the Exchange, shall be issued or confirmed by an Exchange approved original margin depository, and shall be drawn in favor of the Exchange.

The Buyer shall pay the Seller at the office of the Seller by a certified check or electronic funds transfer, or any other method acceptable to both parties by 12:00 P.M. on the payment date.

The Buyer and Seller shall deposit with the Exchange margins in such amounts and in such form as required by the Exchange. Such margins, which shall not be greater than the margins charged to the Buyer's Customer and Seller's Customer, shall be returned on the business day following notification to the Exchange that delivery and payment have been completed.

On the Payment Date, The Seller shall deliver a Notice of Payment to the Buyer with a copy to the Exchange by 4:30 P.M. Upon receipt of such notice the delivery shall be complete.

Any payment made on Payment Date shall be based on allowances actually delivered.

F) Delivery Day

The day the Buyer's customer receives the allowances shall be referred to as the Delivery Day.

867.10 DELIVERY PERIOD

The day the Buyer's customer receives the allowances shall be referred to as the Delivery Day.

867.11 VALIDITY OF DOCUMENTS

The Exchange makes no representation respecting the authenticity, validity or accuracy of any of Tender Allocation Notice, Notice of Intention to Accept, Notice of Intention to Deliver, check or of any document or instrument delivered pursuant to these rules.

867.12 EXCHANGE OF FUTURES FOR PHYSICAL (EFP) AND EXCHANGE OF FUTURES FOR SWAPS (EFS)

(A) An exchange of futures for, or in connection with, product (EFP) or exchange of futures for, or in connection with, swap (EFS) transactions consists of two discrete, but related, transactions; a cash transaction and a futures transaction. At the time such transaction is effected, the Buyer's Customer and the Seller's Customer of the futures must be the Seller's Customer and the Buyer's Customer of a quantity of the physical product or swaps agreement covered by this Section (or any derivative, by product or related product). The quantity of physical product must be approximately equivalent to the quantity covered by the futures contracts.

(B) Except as provided below, an EFP or EFS transaction must take place during the hours of futures trading for the Seasonal NOX Emissions Allowance futures contract. An EFP or EFS is permitted in the expiring futures contract until two hours after trading terminates on the last day of trading of the expiring futures contract. An EFP or EFS which establishes a futures position for both the buyer and the seller shall not be permitted during the two hour period following the termination of trading of the expired futures contract.

(C) Any EFP or EFS transaction shall be governed by the provisions of Rule 538 and 538.A, respectively.

(D) Each Buyer's Customer and Seller's Customer must satisfy the Exchange, at its request, that the transaction is a legitimate EFP or EFS transaction. All documentary evidence relating to EFP or EFS, including, without limitation, evidence as to change of ownership of the physical commodity or swap commitment, shall be obtained by the Clearing Members from their customers or and made available by the Clearing Members for examination by the Exchange upon request.

(E) A report of each EFP or EFS transaction shall be entered on the day that the transaction thereto was made, or if such agreement was made after the close of trading, then on the next business day. EFP or EFS transactions shall be cleared through the Exchange in accordance with normal procedures, shall be clearly identified as EFP or EFS transactions, and shall be recorded as such by the Exchange and by the Clearing Members involved.

867.13 ALTERNATIVE DELIVERY PROCEDURES

A Seller's Customer or Buyer's Customer may agree with the Buyer's Customer or the Seller's Customer with which it has been matched by the Exchange under Rule 867.09(D) to make and take delivery under terms or conditions which differ from the terms and conditions prescribed by this Chapter. In such a case, Clearing Members shall execute an Alternative Notice of Intention to Deliver on the form prescribed by the Exchange and shall deliver a completed executed copy of such Notice to the Exchange. The delivery of an executed Alternative Notice of Intention to Deliver to the Exchange shall release the Clearing Members and the Exchange from their respective

obligations under the Exchange contracts.

In executing such Notice, Clearing Members shall indemnify the Exchange against any liability, cost or expense it may incur for any reason as a result of the execution, delivery, or performance of such contracts or such agreement, or any breach thereof or default there under. Upon receipt of an executed Alternative Notice of Intention to Deliver, the Exchange will return to the Clearing Members all margin monies held for the account of each with respect to the contracts involved.

867.14 FORCE MAJEURE, LATE PERFORMANCE AND FAILURE TO PERFORM

(A) DEFINITION. As used in this Rule 783.14, the following terms, as well as variations thereof, shall have the meaning described below.

(1) "Late Performance" shall mean the failure of a Buyer or a Seller to complete a material act with respect to a delivery obligation imposed by, and within the time period established in, the Rules. Late Performance shall be restricted to three business days. Late Performance beyond three business days by a Seller or a Buyer will be deemed a Failure to Perform.

(2) "Day of Late Performance" shall mean the twenty-four hour period commencing immediately after a Buyer, a Seller, or the Clearing House was to have performed. Each subsequent Day of Late Performance shall commence twenty-four hours after the beginning of the prior Day of Late Performance. When a Party is late in performance, the day when the act was to have performed shall be a Day of Late Performance.

(3) "Failure to Perform" shall mean the failure of a Buyer or a Seller to complete a material act with respect to a delivery obligation prior to the expiration of the period allowed for the late performance of such act.

(4) "Contract Value" shall mean the amount equal to the settlement price on the last day of trading in a futures contract times 10 (the number of allowances per contract) times the number of contracts to be delivered.

(5) (a) "Party" shall mean a Buyer or Seller and such Buyer and Seller are each responsible to the Exchange for their obligations under these Rules and further responsible to the Exchange for the obligations of their respective customers under the Rules of this Chapter.

(b) "Other Party" shall mean the corresponding Buyer when the Seller is late in performance or has failed to perform and the corresponding Seller when the Buyer is late in performance or has failed to perform.

(6) "Force Majeure" shall mean any circumstance (including but not limited to a strike, lockout, national emergency, governmental action, or act of God) which is beyond the control of such Buyer or Seller, and which prevents the Buyer or Seller from making or taking delivery of product when and as provided for in these Rules.

(B) RESPONSIBILITIES OF PARTIES TO THE DELIVERY

(1) The parties to a delivery shall make commercially reasonable efforts to perform their respective delivery obligations at all times until a Party has failed to perform.

(2) A Party which has failed to perform its obligations may no longer perform such obligations; provided, however, that a Buyer which has failed to make a payment shall make such payment.

(C) EMISSIONS ALLOWANCE DELIVERY COMMITTEE

(1) Force Majeure, Late Performance and Failure to Perform shall be determined by a Panel of the Emissions Allowance Delivery Committee as set forth below. The Chairman of the Emissions Allowance Delivery Committee shall appoint a Panel, which shall consist of three (3) members of the Committee, to review a delivery:

(a) When the Chairman of the Emissions Allowance Delivery Committee is advised by the President of the Exchange or any person designated by the President of the Exchange that it appears that the performance of a Party to the delivery is late;

(b) Upon the written request of both the Buyer and the Seller;

(c) When the President of the Exchange or any person designated by the President of the Exchange requests such appointment; or

(d) When either Party to the delivery notifies the Exchange that circumstances exist constituting Force Majeure.

(2) The Chairman of the Emissions Allowance Delivery Committee shall not appoint to any Panel any person who has a direct or indirect interest in the delivery in question. Any Panel so appointed shall retain jurisdiction over the delivery in question until the delivery has been completed or a Party has been found to have failed to perform such delivery. Exchange Counsel shall serve as advisor to the Panel.

(3) The Panel shall meet within one business day of notification as provided in these Rules. Unless good cause for delay exists, within one business day the Panel shall determine whether force majeure exists, whether a Buyer or Seller is late in performing or has failed to perform its obligations as provided in the Rules, and advise the Market Regulation Department of such determination, and its findings in support thereof immediately. The Panel shall cause its determination to be communicated to the parties to the delivery as expeditiously as possible.

(4) Upon a finding of force majeure, the Panel may take any one or combination of the following actions as it deems suitable order: an extension of time not to exceed ten days from the date of the

scheduled delivery; or, refer the delivery to the Exchange, represented by the Market Regulation Department, for emergency action.

(D) EXCHANGE ACTION

(1) Whenever a Buyer or a Seller is found by the Panel to be late in the performance of a delivery obligation, the Exchange, represented by the Market Regulation Department, shall issue a Notice of Assessment, assessing a penalty of 10% of contract value for each applicable day of Late Performance.

(2) Whenever a Buyer or Seller is found by the Panel or otherwise deemed to have a "Failure to Perform" the Exchange, represented by the Market Regulation Department shall issue a Notice of Assessment assessing penalties of twenty percent (20%) of the contract value, in addition to any penalties assessed pursuant to subparagraph (1) above, to be paid to the Exchange.

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(3) (a) A Party may appeal a Notice of Assessment by filing a Notice of Appeal with the Hearing Registrar of the Exchange and by serving a copy of the same on the Exchange's Market Regulation Department, within two business days of receipt of the Notice of Assessment from the Market Regulation Department. The Party filing the appeal ("Appellant") shall file, within twenty (20) days after filing the Notice of Appeal, a Memorandum of Appeal setting forth the factual and legal basis for the appeal. The Memorandum of Appeal must be filed with the Hearing Registrar and a copy of the same served upon the Exchange's Compliance Counsel.

(b) The Market Regulation Department may file with the Appellant and Hearing Registrar an Answering Memorandum to the Memorandum of Appeal within ten (10) days of receipt of that memorandum.

(c) Failure by the Party to file a Notice of Appeal or a Memorandum of Appeal with the time specified in subsection (D)(3)(a) of this Rule shall constitute a waiver, and the penalties set forth in the Notice of Assessment shall be paid within five days to the Exchange. Failure to pay such penalties in accordance with this Rule shall subject the party to the sanctions set forth in Chapter 4. In the event a party fails to Appeal, or waives the opportunity to appeal a Notice of Assessment, the Assessment and findings of the Emissions Allowance Delivery Committee shall constitute a final disciplinary action of the Exchange.

(4) Within ten (10) days after receipt of Market Regulation Department's reply, the Appellant shall be entitled to examine all books, documents and other tangible evidence in possession or under the control of the Exchange that are to be relied on by Market Regulation Department or are otherwise relevant to the matter.

(5) In the event of an appeal by a Party, the President, or his designee, shall appoint an Assessment Appeal Panel to hear and decide the appeal. No member of the Panel may have a direct or indirect interest in the matter under the appeal. Each Panel Member shall disclose to the President, or his designee, any such interest which might preclude such Panel Member from rendering a fair and impartial determination. The formal Rules of Evidence shall not apply to such appeal, and the Panel shall be the sole judge with respect to the evidence presented to it. Exchange outside counsel shall advise the Panel.

(6) The procedures for the hearing of the appeal before the Assessment Appeal Panel shall be as follows:

(a) At a date to be set by order of the Panel, and prior to such hearing, the Appellant and the Market Regulation Department shall furnish each other with a list of witnesses expected to be called at the hearing, and a list of documents and copies thereof expected to be introduced at the hearing.

(b) At such hearing: The Appellant may appear personally and may be represented by counselor or other representative of his choice at the appeal.

(c) The Market Regulation Department shall be entitled to offer evidence relating to the delivery and shall be entitled to call witnesses and introduce documents in support thereof. It shall be the burden of the Market Regulation Department to demonstrate, by the weight of the evidence, the appropriateness of the sanction set forth in the Notice of Assessment.

(d) The Appellant shall be entitled to rebut the Market Regulation Department's evidence and shall be entitled to call witnesses and introduce documents in support thereof.

(e) The Market Regulation Department and the Appellant shall be entitled to cross-examine any witness called by the opposing Party at the hearing.

(f) The Notice of Assessment, the Notice of Appeal, the Memorandum of Appeal, any Answering Memorandum, the stenographic transcript of the appeal, any documentary evidence or other material presented to and accepted by the Panel shall constitute the record of the hearing. The decision of the Panel shall be based upon the record of the hearing.

(g) The Panel shall have the power to impose a penalty against any person who is within the jurisdiction of the Exchange and whose actions impede the progress of a hearing.

(h) The Assessment Appeal Panel shall issue a written decision in which it may affirm, reduce, or waive the charges assessed against the Appellant and shall state the reasons therefore.

(i) The decision of the Assessment Appeal Panel shall be a final decision of the Exchange and shall constitute a final disciplinary action of the Exchange. The fine is payable on the effective day of the

decision or as specified. The effective day shall be fifteen (15) days after a copy of the written decision has been delivered to the appellant and to the Commission.

(8) The Assessment Appeal Panel shall consider, and make recommendations to the President, or his designee concerning acceptance or rejection of, any offer of settlement submitted by Appellant. In the case of an offer of settlement, acceptance by the President shall constitute the final disciplinary action of the Exchange.

(E) ARBITRATION PROCEDURE

(1) Any claim for damages arising between a Buyer and a Seller as a result of a delivery pursuant to this contract shall be settled by arbitration in accordance with these Rules.

(2) Notice of Intent to Arbitrate must be submitted to the Secretary of the Exchange within three business days of the occurrence upon which the claim is based or the decision of the Emissions Allowance Delivery Committee with respect to a late or failed performance. Failure to submit a Notice of Intent to Arbitrate within the prescribed period will be deemed a waiver of a Party's rights to arbitrate such a delivery dispute under the special or Regular Arbitration Rules.

(3) The Arbitration will be governed by Chapter 6A of the Rules except that the President or his designee shall appoint an Arbitration Panel.

Change History

European Union Allowance (EUA) Futures

868.01A DEFINITIONS

(A) EU ETS: In January 2005, the European Union Emissions Trading Scheme ("EU ETS") commenced operation as the largest multi-country, multi-sector Greenhouse Gas emission trading scheme world-wide. It covers over 11,500 energy-intensive installations across the EU, which represent approximately half of Europe's emissions of CO₂. These installations include combustion plants, oil refineries, coke ovens, iron and steel plants, and factories making cement, glass, lime, brick, ceramics, pulp and paper. The scheme is based on Directive 2003/87/EC, which entered into force on 25 October 2003.

(B) EUA: European Union Allowance ("EUA") granted under a National Allocation Plan of an EU member state.

(C) The terms "Seller" and "Buyer" shall mean the short Clearing Member and the long Clearing Member, respectively. Further, for purposes of this contract, Sellers and Buyers may utilize a designee to perform their respective and necessary obligations with regard to transferring and accepting allowances at the eligible registries. The terms "Seller's Customer" and "Buyer's Customer" shall mean the seller and buyer of the physical product or swap transaction.

(D) The term "Settlement Price" shall mean the final settlement price used as the price for delivery of the product, which shall be the settlement price for the last trading day of the expiring delivery month. The settlement price for the last trading day shall be determined in accordance with the procedures set forth in NYMEX Rule 11G.11.

(E) ITL (International Transaction Log): All transactions between registries are maintained by transaction logs which verify the validity of transactions. The UNFCCC Secretariat maintains the ITL for the purposes of transfer under the Kyoto Protocol. (F) Community Independent Transaction Log (CITL) shall mean the independent transaction log provided for in Article 20(1) of Directive 2003/87/EC, for the purpose of recording the issue, transfer and cancellation of EUAs under the Scheme and established, operated and maintained pursuant to Article 5 of the Registry Regulations;

The EU Commission has established and is the Administrator of the CITL for transfers involving EU Member States. Transfers involving EU Entities entail an additional step from the ITL to the CITL under the Kyoto Protocol for transfers of EUAs between national registries.

(G) Communication Link shall mean the electronic exchange of messages/notifications (1) by which a buyer and seller communicate with a Registry, and/or (2) by which a Registry communicates with CITL, and/or (3) by which CITL communicates with the UNFCCC International Transaction Log (where applicable), and/or (4) by which a Registry communicates with the UNFCCC International

Transaction Log (where Applicable), and/or (5) by which the UNFCCC International Transaction Log communicates with the CDM Registry (where applicable), which in any case is necessary to facilitate a transfer;

(H) Registry shall mean any registry in an EU Member State meeting the eligibility criteria and which has implemented the Linking Directive in a manner that authorizes private persons to hold EUAs and has Person Holding Accounts established in order to ensure the accurate accounting of the issue of holding, transfer, acquisition, surrender, cancellation, and replacement of EUAs under © Copyright 2009 New York Mercantile Exchange, Inc. All rights reserved 2 of 8 the Scheme, and which has been identified as a Registry by the Clearing House from time to time for the purpose of this futures contract;

(I) Registry Regulations shall mean the EU Commission Regulation (EC) No 2216/2004 for a standardized and secured system of registries pursuant to Directive 2003/87/EC of the European Parliament and of the Council and Decision 280/2004/EC of the European Parliament and of the Council, as amended from time to time including by EU Commission Regulation (EC) No.916/2007;

868.01 SCOPE

The provisions of these rules shall apply to all European Union EUA bought or sold for future delivery on the Exchange with the Delivery at the UK Emissions Trading Registry.

868.02 TIME REFERENCES

For purposes of these Rules, unless otherwise specified, times referred to herein shall refer to and indicate the prevailing time in Greenwich Mean Time (GMT).

868.03 CONTRACT UNIT

The contract unit shall be one thousand (1,000) EUAs for a delivery made by transfer through the UK Emissions Trading Registry.

868.04 DELIVERY

EUA delivery shall comply with all requirements for the electronic transfer of EUAs on the UK Emissions Trading Registry. All deliveries made under these rules shall be final and there shall be no appeal. Notwithstanding the use of a designee, all Clearing Members will remain ultimately responsible for performance of all applicable contract terms specific to Sellers and Buyers.

868.05 DELIVERY MONTHS

Trading shall be conducted in contracts providing for delivery in such periods as shall be determined by the Exchange.

868.06 MINIMUM PRICE FLUCTUATIONS

Prices shall be quoted in Euros and Euro cents per EUAs. The minimum price fluctuation shall be € 0.01 per EUA (€10.00 per contract). There shall be no maximum price fluctuation.

868.07 TERMINATION OF TRADING

Trading in the delivery month shall cease two business days prior to the first business day of the delivery month.

868.08 RESERVED

868.09 DELIVERY PROCEDURES AND OBLIGATIONS

The Clearing House is a party to all deliveries under this contract and will receive EUAs from the Seller into the Clearing House Holding Account of the UK Emissions Trading Registry. Following receipt from the Seller, the Clearing House will deliver EUAs to the Buyer from the Clearing House Holding Account to the UK Emissions Trading Registry Holding Account nominated by the Buyer. The Seller shall comply with such requirements and obligations imposed by or under applicable Registry Regulations in all respects material to the submission of the forms noted in this Rule. The Buyer shall comply with such requirements and obligations imposed by or under applicable Registry Regulations in all respects material to ensure the acceptance of a valid transfer into its Holding Account. If a provision of the Regulations or the Clearing House Rules is inconsistent with a provision of the Registry Regulations, the provision of the Regulations or the Clearing House Rules shall prevail as between the Buyer, Seller, and the Clearing House to the extent of such inconsistency and to the extent permitted by law.

(A) OPERATIONAL RESPONSIBILITIES OF CLEARING MEMBERS

(1) Notice of Intention to Accept

By 10:00 PM GMT on the final day of trading of the expiring delivery month, a Buyer having an open long position shall file with the Exchange a properly completed and signed Notice of Intention

to Accept. The Notice of Intention to Accept shall be in the form prescribed by the Exchange and shall include: Number of contracts to be accepted; UK Emissions Trading Registry Account Number; Name; Telephone Number and e-mail address of the Authorized Representative(s) for that Registry account, and any additional information as may be required by the Exchange.

(2) Notice of Intention to Deliver By 10:00 PM GMT on the final day of trading of the expiring delivery month, a Seller having an open short position shall file with the Exchange a properly completed and signed Notice of Intention to Deliver. The Notice of Intention to Deliver shall be in such form prescribed by the Exchange and shall include: Number of contracts to be delivered; UK Emissions Trading Registry Account Number; Name; Telephone Number and e-mail address of the Authorized Representative(s) for that Registry account, and any additional information as may be required by the Exchange.

(3) By 6:30 PM GMT on the first business day after the final day of trading of the delivery month, the Seller will transfer EUAs subject to delivery to the Clearing House Holding Account of the UK Emissions Trading Registry.

(4) By 7:00 PM GMT on the first business day after the final day of trading of the delivery month, for each Buyer that has satisfied its obligation under Rule 868.09(A)(6), the Clearing House will initiate the process of transferring the EUAs to the Buyer's account at the UK Emissions Trading Registry.

(5) By 3:00 PM GMT the second business day after the final day of trading of the delivery month, Buyer shall receive EUAs from the Clearing House Holding Account of the UK Emissions Trading Registry.

(6) By 2:00 PM GMT on the business day following the last day of trading, the Buyer shall deposit / transfer Euro currency equal to the full value of the product to the designated Clearing House bank account.

(7) By 3:00 PM GMT on the second business day following the last day of trading, for each Seller that has satisfied its obligation under Rule 868.09(A)(3), the Clearing House shall pay the Seller full contract value.

B) ASSIGNMENT DAY

(1) The Clearing House shall allocate Notices of Intention to Deliver and Notices of Intention to Accept by matching positions, to the extent possible.

(2) The Clearing House shall provide Assignment Notice Reports to the respective Clearing Members on the final day of trading of the delivery month.

(C) PAYMENT AND DELIVERY MARGINS

(1) Definitions

(A) Daily Margin: The Buyer and Seller shall deposit with the Exchange margins in such amounts and in such form as required by the Exchange. Such margins which shall not be greater than the margins charged to the Buyer's Customer and Seller's Customer, shall be returned on the business day following notification to the Exchange that delivery and payment have been completed.

(B) "Payment" shall include the settlement price times the number of contracts times 1,000.

(C) "Payment Date" shall mean the date on which the Clearing House transfers payment in connection with a delivery to a Seller.

(D) Any payment made on Payment Date shall be based on EUAs that the Seller is obligated to deliver pursuant to the applicable delivery.

868.10 VALIDITY OF DOCUMENTS

The Exchange makes no representation with respect to the authenticity, validity or accuracy of any of Tender Allocation Notice, Notice of Intention to Accept, Notice of Intention to Deliver, check or of any document or instrument delivered pursuant to these Rules.

868.11 EXCHANGE OF FUTURES FOR PHYSICAL (EFP) AND EXCHANGE OF FUTURES FOR SWAPS (EFS)

(A) An exchange of futures for, or in connection with, the product (EFP) or exchange of futures for, or in connection with, swap (EFS) transactions consist of two discrete, but related, transactions: a physical commodity or swap transaction and a futures transaction. At the time such transaction is effected, the Buyer's Customer and Seller's Customer of the futures must be respectively the Seller's Customer and Buyer's Customer of a quantity of the physical product or swaps agreement covered by this Section (or any derivative, by product or related product). The quantity of physical product or swap agreement must be approximately equivalent to the quantity covered by the futures contract.

(B) Except as provided below, an EFP or EFS transaction is permitted at any time before 5:30 p.m. GMT on the last trading day of the delivery month, provided, however, that an EFP or EFS which would establish a futures position for both the Buyer's Customer and the Seller's Customer shall not be permitted during the final hour of the last trading day.

(C) Any EFP or EFS transaction shall be governed by the provisions of this Rule and by the provisions of Exchange Rules 538 and 538A, respectively.

(D) Each Buyer's Customer and Seller's Customer must satisfy the Exchange, at its request, that the transaction is a legitimate EFP or EFS transaction. All documentary evidence relating to the

EFP or EFS, including, without limitation, evidence as to change of ownership of the physical commodity or swap commitment, shall be obtained by the Clearing Members from their customers and made available by the Clearing Members for examination by the Exchange upon request. (E) A report of each EFP or EFS transaction shall be entered on the day that the transaction thereto was made, or if such agreement was made after the close of trading, then on the next business day. EFP or EFS transactions shall be cleared through the Exchange in accordance with normal procedures, shall be clearly identified as EFP or EFS transactions, and shall be recorded as such by the Exchange and by the Clearing Members involved.

868.12 ALTERNATIVE DELIVERY PROCEDURE

An Alternative Buyer may agree with the Seller with which it has been matched by the Exchange under Rule 868.09(B) to make and take delivery under terms or conditions which differ from the terms and conditions prescribed by this Chapter. In such a case, Buyers and Sellers shall execute an Alternative Delivery Procedure on a form prescribed by the Exchange and shall deliver a completed executed copy of such form to the Exchange. The delivery of an executed Alternative Delivery Procedure form to the Exchange shall release the Buyer, Seller and the Exchange from their respective obligations under the Exchange contracts. In executing such Alternative Delivery Procedure form, Buyers and Sellers shall indemnify the Exchange against any liability, cost or expense it may incur for any reason as a result of the execution, delivery, or performance of such contracts or such agreement, or any breach thereof or default there under. Upon receipt of an executed Alternative Delivery Procedure form, the Exchange will return to the Buyer and Seller all margin monies held for the account of each with respect to the contracts involved.

868.13 LATE PERFORMANCE, FAILURE TO PERFORM AND FORCE MAJEURE

(A) DEFINITION: As used in this Rule 868.13 the following terms, as well as variations thereof, shall have the meaning described below.

- (1) "Late Performance" shall mean the failure of a Buyer or a Seller to complete a material act with respect to a delivery obligation imposed by, and within the time period established in, the Rules. Late Performance shall be restricted to three business days. Late Performance beyond three business days by, a Seller or a Buyer will be deemed a Failure to Perform.
- (2) "Day of Late Performance" shall mean the twenty-four hour period commencing immediately after a Buyer, a Seller, or the Clearing House was to have performed. Each subsequent Day of Late Performance shall commence twenty-four hours after the beginning of the prior Day of Late Performance. When a Party is late in performance, the day when the act was to have performed shall be a Day of Late Performance.
- (3) "Failure to Perform" shall mean the failure of a Buyer or a Seller to complete a material act with respect to a delivery obligation prior to the expiration of the period allowed for the late performance of such act.
- (4) "Contract Value" shall mean the amount equal to the settlement price on the last day of trading in a futures contract times 1,000 (the number of EUAs per contract) times the number of contracts to be delivered.
- (5) (a) "Party" shall mean a Buyer or Seller and such Buyer and Seller are each responsible to the Exchange for their obligations under these Rules and further responsible to the Exchange for the obligations of their respective customers under the Rules of this Chapter.
- (b) "Other Party" shall mean the corresponding Buyer when the Seller is late in performance or has failed to perform and the corresponding Seller when the Buyer is late in performance or has failed to perform.
- (6) "Force Majeure" shall mean any circumstance (including but not limited to a strike, lockout, national emergency, governmental action, or act of God) which is beyond the control of such Buyer or Seller, and which prevents the Buyer or Seller from making or taking delivery of product when and as provided for in these Rules.

(B) RESPONSIBILITIES OF PARTIES TO THE DELIVERY

- (1) The parties to a delivery shall make commercially reasonable efforts to perform their respective delivery obligations at all times until a Party has failed to perform.
- (2) A Party which has failed to perform its obligations may no longer perform such obligations; provided, however, that a Buyer which has failed to make a payment shall make such payment.

(C) EMISSIONS ALLOWANCE DELIVERY COMMITTEE

- (1) Force Majeure, Late Performance and Failure to Perform shall be determined by a Panel of the Emissions Allowance Delivery Committee as set forth below. The Chairman of the Emissions Allowance Delivery Committee shall appoint a Panel, which shall consist of three (3) members of the Committee, to review a delivery:
 - (a) When the Chairman Emissions Allowance Delivery Committee is advised by the President or any person designated by the President that it appears that the performance of a Party to the delivery is late;
 - (b) Upon the written request of both the Buyer and the Seller;
 - (c) When the President or any person designated by the President requests such appointment; or

(d) When either Party to the delivery notifies the Exchange that circumstances exist constituting Force Majeure.

(2) The Chairman Emissions Allowance Delivery Committee shall not appoint to any Panel any person who has a direct or indirect interest in the delivery in question. Any Panel so appointed shall retain jurisdiction over the delivery in question until the delivery has been completed or a Party has been found to have failed to perform such delivery. Exchange Counsel shall serve as advisor to the Panel.

(3) The Panel shall meet within one business day of notification as provided in these Rules. Unless good cause for delay exists, within one business day the Panel shall determine whether force majeure exists, whether a Buyer or Seller is late in performing or has failed to perform its obligations as provided in the Rules, and advise the Market Regulation Department of such determination, and its findings in support thereof immediately. The Panel shall cause its determination to be communicated to the parties to the delivery as expeditiously as possible.

(4) Upon a finding of force majeure, the Panel may take any one or combination of the following actions as it deems suitable: an extension of time not to exceed ten days from the date of the scheduled delivery; or, refer the delivery to the Exchange, represented by the Market Regulation Department, for emergency action.

(D) EXCHANGE ACTION

(1) Whenever a Buyer or a Seller is found by the Panel to be late in the performance of a delivery obligation, the Exchange, represented by the Market Regulation Department, shall issue a Notice of Assessment, assessing a penalty of 10% of contract value for each applicable day of Late Performance.

(2) Whenever a Buyer or Seller is found by the Panel or otherwise deemed to have a "Failure to Perform" the Exchange, represented by the Market Regulation Department shall issue a Notice of Assessment assessing penalties of twenty percent (20%) of the contract value, in addition to any penalties assessed pursuant to subparagraph (1) above, to be paid to the Exchange.

(3) (a) A Party may appeal a Notice of Assessment by filing a Notice of Appeal with the Hearing Registrar of the Exchange and by serving a copy of the same on the Exchange's Market Regulation Department, within two business days of receipt of the Notice of Assessment from the Market Regulation Department. The Party filing the appeal ("Appellant") shall file, within twenty (20) days after filing the Notice of Appeal, a Memorandum of Appeal setting forth the factual and legal basis for the appeal. The Memorandum of Appeal must be filed with the Hearing Registrar and a copy of the same served upon the Exchange's Compliance Counsel.

(b) The Market Regulation Department may file with the Appellant and Hearing Registrar an Answering Memorandum to the Memorandum of Appeal within ten (10) days of receipt of that memorandum.

(c) Failure by the Party to file a Notice of Appeal or a Memorandum of Appeal with the time specified in subsection (D)(3)(a) of this Rule shall constitute a waiver, and the penalties set forth in the Notice of Assessment shall be paid within five days to the Exchange. Failure to pay such penalties in accordance with this Rule shall subject the party to the sanctions set forth in Chapter 4. In the event a party fails to Appeal, or waives the opportunity to appeal a Notice of Assessment, the Assessment and findings of the Emission Allowance Delivery Committee shall constitute a final disciplinary action of the Exchange.

(4) Within ten (10) days after receipt of Market Regulation Department's reply, the Appellant shall be entitled to examine all books, documents and other tangible evidence in possession or under the control of the Exchange that are to be relied on by Market Regulation Department or are otherwise relevant to the matter.

(5) In the event of an appeal by a Party, the President, or his designee, shall appoint an Assessment Appeal Panel to hear and decide the appeal. No member of the Panel may have a direct or indirect interest in the matter under the appeal. Each Panel Member shall disclose to the President, or his designee, any such interest which might preclude such Panel Member from rendering a fair and impartial determination. The formal Rules of Evidence shall not apply to such appeal, and the Panel shall be the sole judge with respect to the evidence presented to it. Exchange outside counsel shall advise the Panel.

(6) The procedures for the hearing of the appeal before the Assessment Appeal Panel shall be as follows:

(a) At a date to be set by order of the Panel, and prior to such hearing, the Appellant and the Market Regulation Department shall furnish each other with a list of witnesses expected to be called at the hearing, and a list of documents and copies thereof expected to be introduced at the hearing.

(b) At such hearing: The Appellant may appear personally and may be represented by counselor or other representative of his choice at the appeal.

(c) The Market Regulation Department shall be entitled to offer evidence relating to the delivery and shall be entitled to call witnesses and introduce documents in support thereof. It shall be the burden of the Market Regulation Department to demonstrate, by the weight of the evidence, the appropriateness of the sanction set forth in the Notice of Assessment.

(d) The Appellant shall be entitled to rebut the Market Regulation Department's evidence and shall be entitled to call witnesses and introduce documents in support thereof.

(e) The Market Regulation Department and the Appellant shall be entitled to cross-examine any witness called by the opposing Party at the hearing.

(f) The Notice of Assessment, the Notice of Appeal, the Memorandum of Appeal, any Answering Memorandum, the stenographic transcript of the appeal, any documentary evidence or other material presented to and accepted by the Panel shall constitute the record of the hearing. The decision of the Panel shall be based upon the record of the hearing.

(g) The Panel shall have the power to impose a penalty against any person who is within the jurisdiction of the Exchange and whose actions impede the progress of a hearing.

(h) The Assessment Appeal Panel shall issue a written decision in which it may affirm, reduce, or waive the charges assessed against the Appellant and shall state the reasons therefor.

(i) The decision of the Assessment Appeal Panel shall be a final decision of the Exchange and shall constitute a final disciplinary action of the Exchange. The fine is payable on the effective day of the decision or as specified. The effective day shall be fifteen (15) days after a copy of the written decision has been delivered to the appellant and to the Commission.

(8) The Assessment Appeal Panel shall consider, and make recommendations to the President, or his designee, concerning acceptance or rejection of, any offer of settlement submitted by Appellant. In the case of an offer of settlement, acceptance by the Board shall constitute the final disciplinary action of the Exchange.

(E) ARBITRATION PROCEDURE

(1) Any claim for damages arising between a Buyer and a Seller as a result of a delivery pursuant to this contract shall be settled by arbitration in accordance with these Rules.

(2) Notice of Intent to Arbitrate must be submitted to the Secretary of the Exchange within three business days of the occurrence upon which the claim is based or the decision of the Emissions Allowance Delivery Committee with respect to a late or failed performance. Failure to submit a Notice of Intent to Arbitrate within the prescribed period will be deemed a waiver of a Party's rights to arbitrate such a delivery dispute under the special or Regular Arbitration Rules.

(3) The Arbitration will be governed by Chapter 6A of the Rules except that the President or his designee shall appoint an Arbitration Panel.

868.14 EXCLUSION OF LIABILITY

Except as specifically provided in the Rules (and to the extent permitted by law), the Clearing House accepts no liability in connection with this futures contract, its performance, nonperformance or its termination whether based on breach of contract, warranty, negligence or tort. In particular, but without limitation, the Clearing House shall not be responsible for or shall have any liability whatsoever to any Buyer or Seller for: the availability, suitability, unavailability or malfunction of a Communication Link or any part thereof; the performance or non-performance by a registry or CITL or UNFCCC International Transaction Log of their respective obligations under the Registry Regulations or otherwise; any act or omission of any operator of a Communication Link or any part thereof; or any act or omission of an authorized agent of any other party; or any performance or non-performance by the Clearing House in relation to its serving as a party to the deliveries and the Clearing House shall under no circumstances be liable for any indirect or consequential loss or loss of profits. Additionally, nothing in these Rules will constrain the Clearing House from performing its duties under CME Rule 802.

European Union Allowance (EUA) Option

869.01 EXPIRATION

A European Union Allowance (EUA) Option ("EUA Option") contract on the Exchange shall expire at the close of trading three business days prior to the expiration of the underlying European Union Allowance (EUA) Futures ("EUA Futures") contract.

869.02 TRADING UNIT

An EUA Option is a European-style option contract. An EUA put or call Option contract traded on the Exchange represents an option to assume a short or long position in the underlying EUA Futures contract traded on the Exchange.

869.03 TRADING MONTHS

Trading in EUA Option contracts shall be conducted in the contract months as shall be determined by the Exchange. Trading shall commence on the day fixed by resolution of the Exchange.

869.04 HOURS OF TRADING

The EUA Option contract is available for open-outcry trading on the Exchange trading floor between 9:00 a.m. and 2:30 p.m. (New York Prevailing time) Monday through Friday, except on Exchange Holidays. The EUA Option contract is available for clearing on CME ClearPort® clearing system from 6:00 p.m. Sunday through 5:15 p.m. Friday (New York Prevailing time), with a 45-minute break each day between 5:15 p.m. and 6:00 p.m., except on Exchange Holidays.

869.05 STRIKE PRICES

Trading shall be conducted for options with strike prices in increments as set forth below. (A) On the first business day of trading in an option contract month, trading shall be at the following strike prices: (i) the previous day's settlement price for EUA Futures contracts in the corresponding delivery month rounded off to the nearest fifty-cent increment strike price (ii) the ten-fifty-cent increment strike prices which are ten increments higher than the strike price described in (i) of this Rule 869.05(A) and (iii) the ten-fifty-cent increment strike prices which are ten increments lower than the strike price described in (i) of this Rule 869.05(A) (B) Thereafter, on any business day prior to the expiration of the option, new consecutive strike prices for both puts and calls will be added such that there will be ten increments above and below the at-the-money option.; (C) Notwithstanding the provisions of subsections (B) and (C) of this Rule, if the Exchange determines

that trading in EUA Option contracts will be facilitated thereby, the Exchange may, by resolution, change the increments between strike prices, the number of strike prices which shall be traded in the first day in any new option contract month, the number of new strike prices which will be introduced on each business day or the period preceding the expiration of an EUA Option contract in which no new strike prices may be introduced.

869.06 PRICES AND PRICE FLUCTUATIONS

Prices shall be quoted in Euros (€) and Euro cents (¢) per EUA. The minimum price fluctuation is €0.01 per EUA. A cabinet trade may occur at a price of €1.00 per contract.

869.07 ABSENCE OF PRICE FLUCTUATION LIMITATIONS

Trading in EUA Option contracts shall not be subject to price fluctuation limitations.

Certified Emission Reduction (CER) Futures

870.01A DEFINITIONS

(A) Certified Emission Reduction ("CER"): CER shall mean a unit issued pursuant to Articles 12 and 17 of the Kyoto Protocol and the decisions adopted pursuant to the UNFCCC or the Kyoto Protocol which may be used for compliance purposes under the European Union Emissions Trading Scheme ("EU ETS") in accordance with Article 11a (3)(a) and (b) of the Directive 2003/87/EC (as amended from time to time) and the Linking Directive 2004/104/EC as implemented into Member State law. CERs from nuclear facilities; land use, land use change and forestry activities (LULUCF); and hydroelectric projects with generating capacities exceeding 20 MW are excluded from this definition.

(B) CDM ("Clean Development Mechanism") shall mean a mechanism established by Article 12 of the Kyoto Protocol for project-based emission reduction activities in developing countries.

(C) Clean Development Mechanism Executive Board (CDM-EB): The CDM-EB registers validated project activities as CDM projects, issues certified emission reductions to relevant project participants, and manages series of technical panels and working groups meetings.

(D) The terms "Seller" and "Buyer" shall mean the short Clearing Member and the long Clearing Member, respectively. Further, for purposes of this contract, Sellers and Buyers may utilize a designee to perform their respective and necessary obligations with regard to transferring and accepting allowances at the eligible registries.

(E) The terms "Seller's Customer" and "Buyer's Customer" shall mean the seller and buyer of the physical product or swap transaction.

(F) ITL (International Transaction Log): All transactions between registries are maintained by transaction logs which verify the validity of transactions. The UNFCCC Secretariat maintains the ITL for the purposes of transfer under the Kyoto Protocol. Moreover the EU Commission established and is the Administrator of the Community Transaction Independent Log (CITL) for transfers involving EU Member States. Transfers involving EU Entities entail an additional step from the ITL to the CITL under the Kyoto Protocol for transfers of CERs between national registries.

(G) The term "Settlement Price" shall mean the final settlement price used as the price for delivery of the product, which shall be the settlement price for the last trading day of the expiring delivery month. The settlement price for the last trading day shall be determined in accordance with the procedures set forth in NYMEX Rule 14G.11.

(H) "Communication Link" shall mean the electronic exchange of messages/notifications (1) by which a buyer and seller communicate with a Registry, and/or (2) by which a Registry communicates with CITL, and/or (3) by which CITL communicates with the UNFCCC International Transaction Log (where applicable), and/or (4) by which a Registry communicates with the UNFCCC International Transaction Log (where applicable), and/or (5) by which the UNFCCC

International Transaction Log communicates with the CDM Registry (where applicable), which in any case is necessary to facilitate a transfer;

(I) "Registry" shall mean any registry in an EU Member State meeting the eligibility criteria and which has implemented the Linking Directive in a manner that authorizes private persons to hold CERs and has Person Holding Accounts established in order to ensure the accurate accounting of the issue of holding, transfer, acquisition, surrender, cancellation, and replacement of CERs under the Scheme, and which has been identified as a Registry by the Clearing House from time to time for the purpose of this futures contract;

(J) "Registry Regulations" shall mean the EU Commission Regulation (EC) No 2216/2004 for a standardized and secured system of registries pursuant to Directive 2003/87/EC of the European Parliament and of the Council and Decision 280/2004/EC of the European Parliament and of the Council, as amended from time to time including by EU Commission Regulation (EC) No.916/2007.

870.01 SCOPE

The provisions of these rules shall apply to all CERs, issued pursuant to Articles 12 and 17 of the Kyoto Protocol, bought or sold for future delivery on the Exchange with the Delivery at the UK Emissions Trading Registry or the Dutch CO2 Emissions Trading Registry.

870.02 TIME REFERENCES

For purposes of these Rules, unless otherwise specified, times referred to herein shall refer to and indicate the prevailing time in Greenwich Mean Time (GMT).

870.03 CONTRACT UNIT

The contract unit shall be one thousand (1,000) CERs for a delivery made by transfer through the UK Emissions Trading Registry or the Dutch CO2 Emissions Trading Registry.

870.04 DELIVERY

At the registry designation of the buyer, CER delivery shall take place by electronic transfer of CERs at the UK Emissions Trading Registry or the Dutch CO2 Emissions Trading Registry. The registry will be designated by the Buyer, and it must satisfy "Eligibility Criteria" for international emissions trading specified in Article 17 of the Kyoto Protocol and Decision 11/CMP.1. All deliveries made under these Rules shall be final and there shall be no appeal. Notwithstanding the use of a designee, all Clearing Members will remain ultimately responsible for performance of all applicable contract terms specific to Sellers and Buyers.

870.05 DELIVERY MONTHS

Trading shall be conducted in contracts providing for delivery in such periods as shall be determined by the Exchange.

870.06 MINIMUM PRICE FLUCTUATIONS

Prices shall be quoted in Euro and Euro cents per CER. The minimum price fluctuation shall be € 0.01 per CER (€10.00 per contract). There shall be no maximum price fluctuations.

870.07 TERMINATION OF TRADING

Trading in the delivery month shall cease two business days prior to the first business day of the delivery month.

870.08 RESERVED

870.09 DELIVERY PROCEDURES AND OBLIGATIONS

The Clearing House is a party to all deliveries under this contract and will receive CERs from the Seller into the Clearing House Holding Account of the UK Emissions Trading Registry or the Dutch CO2 Emissions Trading Registry. Following receipt from the Seller, the Clearing House will deliver CERs to the Buyer from the Clearing House Holding Account to the UK Emissions Trading Registry or the Dutch CO2 Emissions Trading Registry Holding Account nominated by the Buyer.

The Seller shall comply with such requirements and obligations imposed by or under applicable Registry Regulations in all respects material to the submission of the forms noted in this Rule. The Buyer shall comply with such requirements and obligations imposed by or under applicable Registry Regulations in all respects material to ensure the acceptance of a valid transfer into its Holding Account. If a provision of the Regulations or the Clearing House Rules is inconsistent with a provision of the Registry Regulations, the provision of the Regulations or the Clearing House Rules shall prevail as between the Buyer, Seller, and the Clearing House to the extent of such inconsistency and to the extent permitted by law.

(A) OPERATIONAL RESPONSIBILITIES OF CLEARING MEMBERS

(1) Notice of Intention to Accept: By 10:00 PM GMT on the final day of trading of the delivery month, a Buyer having an open long position shall file with the Exchange a properly completed and signed Notice of Intention to Accept. The Notice of Intention to Accept shall be in the form prescribed by the Exchange and shall include: Number of contracts to be accepted; Registry Name; Registry Account Number; Name, Telephone Number and e-mail address of the Authorized Representative(s) for that registry account; and any additional information as may be required by the Exchange

(2) Notice of Intention to Deliver: By 10:00 PM GMT on the final day of trading of the delivery month, a Seller having an open short position shall file with the Exchange a properly completed and signed Notice of Intention to Deliver. The Notice of Intention to Deliver shall be in such form prescribed by the Exchange and shall include: Number of contracts to be delivered; Registry Name; Registry Account Number; Name, Telephone Number and e-mail address of the Authorized Representative(s) for that registry account; and any additional information as may be required by the Exchange.

(3) By 6:30 PM GMT on the first business day after the final day of trading of the delivery month, the Seller will transfer CERs subject to delivery to the Clearing House Holding Account of the UK Emissions Trading Registry or the Dutch CO2 Emissions Trading Registry.

(4) By 7:00 PM GMT on the first business day after the final day of trading of the delivery month, for each Buyer that has satisfied its obligation under Rule 870.09 (A)(6), the Clearing House will initiate the process of transferring the CERs to the Buyer's account at the UK Emissions Trading Registry or the Dutch CO2 Emissions Trading Registry.

(5) By 3:00 PM GMT the second business day after the final day of trading of the delivery month, Buyer shall receive CERs from the Clearing House Holding Account of the UK Emissions Trading Registry or the Dutch CO2 Emissions Trading Registry.

(6) By 2:00 p.m. GMT on the business day following the last day of trading, the Buyer shall deposit /transfer of Euro currency equal to the full value of the product to be delivered designated Clearing House bank account.

(7) By 3:00 PM GMT on the second the business day following the last day of trading, for each Seller that has satisfied its obligation under Rule 870.09 (A)(3), the Clearing House shall pay the Seller full contract value.

(B) ASSIGNMENT DAY

(1) The Clearing House shall allocate Notices of Intention to Deliver and Notices of Intention to Accept by matching positions, to the extent possible.

(2) The Clearing House shall provide Assignment Notice Reports to the respective Clearing Members on the final day of trading of the delivery month.

(C) PAYMENT AND DELIVERY MARGINS

(1) Definitions:

(A) "Daily Margin" shall mean the Exchange margins that the Buyer and Seller deposit in such amounts and in such form as required by the Exchange. Such margins which shall not be greater than the margins charged to the Buyer's Customer and Seller's Customer, shall be returned on the business day following notification to the Exchange that delivery and payment have been completed.

(B) "Payment" shall include the settlement price times the number of contracts times 1,000.

(C) "Payment Date" shall mean the date on which the Clearing House transfers payment in connection with a delivery to a Seller.

(D) Any payment made on Payment Date shall be based on CERs that the Seller is obligated to deliver pursuant to the applicable delivery.

870.10 VALIDITY OF DOCUMENTS

The Exchange makes no representation with respect to the authenticity, validity or accuracy of any of Tender Allocation Notice, Notice of Intention to Accept, Notice of Intention to Deliver, check or of any document or instrument delivered pursuant to these Rules.

870.11 EXCHANGE OF FUTURES FOR PHYSICAL (EFP) AND EXCHANGE OF FUTURES FOR SWAPS (EFS)

(A) An exchange of futures for, or in connection with, the product (EFP) or exchange of futures for, or in connection with, swap (EFS) transactions consist of two discrete, but related, transactions; a physical commodity or swap transaction and a futures transaction. At the time such transaction is effected, the Buyer's Customer and Seller's Customer of the futures must be respectively the Seller's Customer and Buyer's Customer of a quantity of the physical product or swaps agreement covered by this Section (or any derivative, by product or related product). The quantity of physical product or swap agreement must be approximately equivalent to the quantity covered by the futures contract.

(B) Except as provided below, an EFP or EFS transaction is permitted at any time before 5:30 p.m. GMT on the last trading day of the delivery month provided, however, that an EFP or EFS which would establish a futures position for both the Buyer's Customer and the Seller's Customer shall

not be permitted during the final hour of the trading day.

(C) Any EFP or EFS transaction shall be governed by the provisions of this Rule and by the provisions of Exchange Rules 538 and 538A, respectively.

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(D) Each Buyer's Customer and Seller's Customer must satisfy the Exchange, at its request, that the transaction is a legitimate EFP or EFS transaction. All documentary evidence relating to the EFP or EFS, including, without limitation, evidence as to change of ownership of the physical commodity or swap commitment, shall be obtained by the Clearing Members from their customers and made available by the Clearing Members for examination by the Exchange upon request.

(E) A report of each EFP or EFS transaction shall be entered on the day that the transaction thereto was made, or if such agreement was made after the close of trading, then on the next business day. EFP or EFS transactions shall be cleared through the Exchange in accordance with normal procedures, shall be clearly identified as EFP or EFS transactions, and shall be recorded as such by the Exchange and by the Clearing Members involved.

870.12 ALTERNATIVE DELIVERY PROCEDURE

An Alternative Buyer may agree with the Seller with which it has been matched by the Exchange under Rule 870.09(B) to make and take delivery under terms or conditions which differ from the terms and conditions prescribed by this Chapter. In such a case, Buyers and Sellers shall execute an Alternative Delivery Procedure on a form prescribed by the Exchange and shall deliver a completed executed copy of such form to the Exchange. The delivery of an executed Alternative to Delivery Procedure form to the Exchange shall release the Buyer, Seller and the Exchange from their respective obligations under the Exchange contracts.

In executing such Alternative Delivery Procedure form, Buyers and Sellers shall indemnify the Exchange against any liability, cost or expense it may incur for any reason as a result of the execution, delivery, or performance of such contracts or such agreement, or any breach thereof or default there under. Upon receipt of an executed Alternative Delivery Procedure form, the Exchange will return to the Buyers and Sellers all margin monies held for the account of each with respect to the contracts involved.

870.13 LATE PERFORMANCE, FAILURE TO PERFORM AND FORCE MAJEURE

(A) DEFINITION. As used in this Rule 870.13 the following terms, as well as variations thereof, shall have the meaning described below.

(1) "Late Performance" shall mean the failure of a Buyer or a Seller to complete a material act with respect to a delivery obligation imposed by, and within the time period established in, the Rules. Late Performance shall be restricted to three business days. Late Performance beyond three business days by a Seller or a Buyer will be deemed a Failure to Perform.

(2) "Day of Late Performance" shall mean the twenty-four hour period commencing immediately after a Buyer, a Seller, or the Clearing House was to have performed. Each subsequent Day of Late Performance shall commence twenty-four hours after the beginning of the prior Day of Late Performance. When a Party is late in performance, the day when the act was to have performed shall be a Day of Late Performance.

(3) "Failure to Perform" shall mean the failure of a Buyer or a Seller to complete a material act with respect to a delivery obligation prior to the expiration of the period allowed for the late performance of such act.

(4) "Contract Value" shall mean the amount equal to the settlement price on the last day of trading in a futures contract times 1,000 (the number of CERs per contract) times the number of contracts to be delivered.

(5) (a) "Party" shall mean a Buyer or Seller and such Buyer and Seller are each responsible to the Exchange for their obligations under these Rules and further responsible to the Exchange for the obligations of their respective customers under the Rules of this Chapter.

(b) "Other Party" shall mean the corresponding Buyer when the Seller is late in performance or has failed to perform and the corresponding Seller when the Buyer is late in performance or has failed to perform.

(6) "Force Majeure" shall mean any circumstance (including but not limited to a strike, lockout, national emergency, governmental action, or act of God) which is beyond the control of such Buyer or Seller, and which prevents the Buyer or Seller from making or taking delivery of product when and as provided for in these Rules.

(B) RESPONSIBILITIES OF PARTIES TO THE DELIVERY

(1) The parties to a delivery shall make commercially reasonable efforts to perform their respective delivery obligations at all times until a Party has failed to perform.

(2) A Party which has failed to perform its obligations may no longer perform such obligations; provided, however, that a Buyer which has failed to make a payment shall make such payment.

(C) EMISSIONS ALLOWANCE DELIVERY COMMITTEE

(1) Force Majeure, Late Performance and Failure to Perform shall be determined by a Panel of the Emissions Allowance Delivery Committee as set forth below. The Chairman of the Emissions Allowance Delivery Committee shall appoint a Panel, which shall consist of three (3) members of

the Committee, to review a delivery:

(a) When the Chairman Emissions Allowance Delivery Committee is advised by the President or any person designated by the President that it appears that the performance of a Party to the delivery is late;

(b) Upon the written request of both the Buyer and the Seller;

(c) When the President or any person designated by the President requests such appointment; or

(d) When either Party to the delivery notifies the Exchange that circumstances exist constituting Force Majeure.

(2) The Chairman Emissions Allowance Delivery Committee shall not appoint to any Panel any person who has a direct or indirect interest in the delivery in question. Any Panel so appointed shall retain jurisdiction over the delivery in question until the delivery has been completed or a Party has been found to have failed to perform such delivery. Exchange Counsel shall serve as advisor to the Panel.

(3) The Panel shall meet within one business day of notification as provided in these Rules. Unless good cause for delay exists, within one business day the Panel shall determine whether force majeure exists, whether a Buyer or Seller is late in performing, or has failed to perform its obligations as provided in the Rules, and advise the Market Regulation Department of such determination, and its findings in support thereof immediately. The Panel shall cause its determination to be communicated to the parties to the delivery as expeditiously as possible.

(4) Upon a finding of force majeure, the Panel may take any one or combination of the following actions as it deems suitable, order: an extension of time not to exceed 10 days from the date of the scheduled delivery; or refer the delivery to the Exchange for emergency action.

~~(D) EXCHANGE ACTION~~

(1) Whenever a Buyer or a Seller is found by the Panel to be late in the performance of a delivery obligation, the Exchange, represented by the Market Regulation Department, shall issue a Notice of Assessment, assessing a penalty of 10% of contract value for each applicable day of Late Performance.

(2) Whenever a Buyer or Seller is found by the Panel or otherwise deemed to have a "Failure to Perform" the Exchange, represented by the Market Regulation Department shall issue a Notice of Assessment assessing penalties of twenty percent (20%) of the contract value, in addition to any penalties assessed pursuant to subparagraph (1) above, to be paid to the Exchange.

(3) (a) A Party may appeal a Notice of Assessment by filing a Notice of Appeal with the Hearing Registrar of the Exchange and by serving a copy of the same on the Exchange's Compliance Counsel, within two business days of receipt of the Notice of Assessment from the Market Regulation Department. The Party filing the appeal ("Appellant") shall file, within twenty (20) days after filing the Notice of Appeal, a Memorandum of Appeal setting forth the factual and legal basis for the appeal. The Memorandum of Appeal must be filed with the Hearing Registrar and a copy of the same served upon the Exchange's Compliance Counsel.

(b) The Market Regulation Department may file with the Appellant and Hearing Registrar an Answering Memorandum to the Memorandum of Appeal within ten (10) days of receipt of that memorandum.

(c) Failure by the Party to file a Notice of Appeal or a Memorandum of Appeal with the time specified in subsection (D)(4)(a) of this Rule shall constitute a waiver, and the penalties set forth in the Notice of Assessment shall be paid within five days to the Exchange. Failure to pay such penalties in accordance with this Rule shall subject the party to the sanctions set forth in Chapter 4. In the event a party fails to Appeal or waives the opportunity to appeal a Notice of Assessment the Assessment, and findings of the Emission Allowance Delivery Committee shall constitute a final disciplinary action of the Exchange.

(4) Within ten (10) days after receipt of the Market Regulation Department's reply, the Appellant shall be entitled to examine all books, documents and other tangible evidence in possession or under the control of the Exchange that are to be relied on by the Market Regulation Department or are otherwise relevant to the matter.

(5) In the event of an appeal by a Party, the President, or his designee, shall appoint an Assessment Appeal Panel to hear and decide the appeal. No member of the Panel may have a direct or indirect interest in the matter under the appeal. Each Panel Member shall disclose to the President or his designee any such interest which might preclude such Panel Member from rendering a fair and impartial determination. The formal Rules of Evidence shall not apply to such appeal, and the Panel shall be the sole judge with respect to the evidence presented to it. Exchange outside counsel shall advise the Panel.

(6) The procedures for the hearing of the appeal before the Assessment Appeal Panel shall be as follows:

(a) At a date to be set by order of the Panel, and prior to such hearing, the Appellant and the Market Regulation Department shall furnish each other with a list of witnesses expected to be called at the hearing, and a list of documents and copies thereof expected to be introduced at the hearing.

(b) At such hearing: The Appellant may appear personally and may be represented by counsel or

other representative of his choice at the appeal.

~~(c) The Market Regulation Department shall be entitled to offer evidence relating to the delivery and shall be entitled to call witnesses and introduce documents in support thereof. It shall be the burden of the Market Regulation Department to demonstrate, by the weight of the evidence, the appropriateness of the sanction set forth in the Notice of Assessment.~~

~~(d) The Appellant shall be entitled to rebut the Market Regulation Department's evidence and shall be entitled to call witnesses and introduce documents in support thereof.~~

~~(e) The Market Regulation Department and the Appellant shall be entitled to cross-examine any witness called by the opposing Party at the hearing.~~

~~(f) The Notice of Assessment, the Notice of Appeal, the Memorandum of Appeal, any Answering Memorandum, the stenographic transcript of the appeal, any documentary evidence or other material presented to and accepted by the Panel shall constitute the record of the hearing. The decision of the Panel shall be based upon the record of the hearing.~~

~~(g) The Panel shall have the power to impose a penalty against any person who is within the jurisdiction of the Exchange and whose actions impede the progress of a hearing.~~

~~(h) The Assessment Appeal Panel shall issue a written decision in which it may affirm, reduce, or waive the charges assessed against the Appellant and shall state the reasons therefor.~~

~~(i) The decision of the Assessment Appeal Panel shall be a final decision of the Exchange and shall constitute a final disciplinary action of the Exchange. The fine is payable on the effective day of the decision or as specified. The effective day shall be fifteen (15) days after a copy of the written decision has been delivered to the appellant and to the Commission. (7) The Assessment Appeal Panel shall consider, and make recommendations to the President or his designee concerning acceptance or rejection of any offer of settlement submitted by Appellant. In the case of an offer of settlement, acceptance by the Board shall constitute the final disciplinary action of the Exchange.~~

~~(E) ARBITRATION PROCEDURE~~

~~(1) Any claim for damages arising between a Buyer and a Seller as a result of a delivery pursuant to this contract shall be settled by arbitration in accordance with these Rules.~~

~~(2) Notice of Intent to Arbitrate must be submitted to the Secretary of the Exchange within three business days of the occurrence upon which the claim is based or the decision of the Emissions Allowance Delivery Committee with respect to a late or failed performance. Failure to submit a Notice of Intent to Arbitrate within the prescribed period will be deemed a waiver of a Party's rights to arbitrate such a delivery dispute under the special or Regular Arbitration Rules.~~

~~(3) The Arbitration will be governed by Chapter 6A of the Rules except that the President or his designee shall appoint an Arbitration Panel.~~

870.14 EXCLUSION OF LIABILITY

Except as specifically provided in the Rules (and to the extent permitted by law), the Clearing House accepts no liability in connection with this futures contract, its performance, nonperformance or its termination whether based on breach of contract, warranty, negligence or tort. In particular, but without limitation, the Clearing House shall not be responsible for or shall have any liability whatsoever to any Buyer or Seller for: the availability, suitability, unavailability or malfunction of a Communication Link or any part thereof; the performance or non-performance by a registry or CITL or UNFCCC International Transaction Log of their respective obligations under the Registry Regulations or otherwise; any act or omission of any operator of a Communication Link or any part thereof; or any act or omission of an authorized agent of any other party; or any performance or non-performance by the Clearing House in relation to its serving as a party to the deliveries and the Clearing House shall under no circumstances be liable for any indirect or consequential loss or loss of profits. Additionally, nothing in these Rules will constrain the Clearing House from performing its duties under CME Rule 802.

SO2 Emissions Allowance Option

871.01 EXPIRATION OF SO2 EMISSIONS OPTION CONTRACT

A SO2 Emissions option contract on the Exchange shall expire at the close of trading on the 15th calendar day of the contract month. If the 15th is not a business day, the option will expire on the business day prior to the 15th.

871.02 TRADING UNIT FOR OPTION CONTRACT

A SO2 option is European Style option. SO2 Emissions put or call option contract traded on the Exchange represents an option to assume a short or long position in the underlying NYMEX SO2 Emissions Allowance Futures contract traded on the Exchange.

871.03 TRADING MONTHS FOR SO2 EMISSIONS OPTION CONTRACT

Trading in SO2 Emissions option contracts shall be conducted in the months as shall be determined by the Board of Directors. Trading shall commence on the day fixed by resolution of the Board of Directors.

871.04 HOURS OF TRADING IN SO2 EMISSIONS OPTION CONTRACTS

The hours of trading in SO2 Emissions option contracts on the Exchange shall be the same as the hours of trading for SO2 Emissions futures contracts. All such trading shall take place within the venue and hours prescribed by the Board.

871.05 STRIKE PRICES FOR SO2 EMISSIONS OPTION CONTRACTS

- (A) Trading shall be conducted for options with strike prices in increments as set forth below.
- (B) On the first business day of trading in an option contract month, trading shall be at the following strike prices: (i) the previous day's settlement price for SO2 futures contracts in the corresponding delivery month rounded off to the nearest five dollar increment strike price (ii) the five five dollar increment strike prices which are five increments higher than the strike price described in (i) of this Rule 871.05(B) and (iii) the five five dollar increment strike prices which are five increments lower than the strike price described in (i) of this Rule 871.05(B).
- (C) Thereafter, on any business day prior to the expiration of the option, new consecutive strike prices for both puts and calls will be added such that there will be five increments above and below the at the money option.
- (D) Notwithstanding the provisions of subsections (A) through (C) of this Rule, if the Board determines that trading in SO2 options will be facilitated thereby, the Board may, by resolution, change the increments between strike prices, the number of strike prices which shall be traded in the first day in any new option contract month, the number of new strike prices which will be

introduced on each business day or the period preceding the expiration of a SO₂ option in which no new strike prices may be introduced.

871.06 PRICES AND PRICE FLUCTUATIONS

Prices shall be quoted in dollar and cent (c) per allowance. The minimum price fluctuation is \$0.05 per allowance. A cabinet trade may occur at a price of \$1.00 per contract.

871.07 ABSENCE OF PRICE FLUCTUATION LIMITATIONS FOR SO₂ EMISSIONS OPTION CONTRACT

Trading in SO₂ Emissions option contracts shall not be subject to price fluctuation limitations.

Certified Emission Reduction (CER) Option

872.01 EXPIRATION

A Certified Emission Reduction (CER) Option ("CER Option") contract on the Exchange shall expire at the close of trading three business days prior to the expiration of the underlying Certified Emission Reduction (CER) Futures ("CER Futures") contract.

872.02 TRADING UNIT

A CER Option is a European-style option contract. A CER put or call Option contract traded on the Exchange represents an option to assume a short or long position in the underlying CER Futures contract traded on the Exchange.

872.03 TRADING MONTHS

Trading in CER Option contracts shall be conducted in the contract months as shall be determined by the Exchange. Trading shall commence on the day fixed by resolution of the Exchange.

872.04 HOURS OF TRADING

The CER Option contract is available for open outcry trading on the Exchange trading floor between 9:00 a.m. and 2:30 p.m. (New York Prevailing time) Monday through Friday, except on Exchange Holidays. The CER Option contract is available for clearing on CME ClearPort® clearing system from 6:00 p.m. Sunday through 5:15 p.m. Friday (New York Prevailing time), with a 45-minute break each day between 5:15 p.m. and 6:00 p.m., except on Exchange Holidays.

872.05 STRIKE PRICES

Trading shall be conducted for options with strike prices in increments as set forth below. (A) On the first business day of trading in an option contract month, trading shall be at the following strike prices: (i) the previous day's settlement price for CER Futures contracts in the corresponding delivery month rounded off to the nearest fifty-cent increment strike price; (ii) the ten fifty-cent increment strike prices which are ten increments higher than the strike price described in (i) of this Rule 872.05(A); and (iii) the ten fifty-cent increment strike prices which are ten increments lower than the strike price described in (i) of this Rule 872.05(A). (B) Thereafter, on any business day prior to the expiration of the option, new consecutive strike prices for both puts and calls will be added such that there will be ten increments above and below the at the money option. (C) Notwithstanding the provisions of subsections (A) and (B) of this Rule, if the Exchange determines that trading in CER Option contracts will be facilitated thereby, the Exchange may, by resolution, change the increments between strike prices, the number of strike prices which shall be traded in the first day in any new option contract month, the number of new strike prices which will be introduced on each business day or the period preceding the expiration of a CER Option contract in which no new strike prices may be introduced.

872.06 PRICES AND PRICE FLUCTUATIONS

Prices shall be quoted in Euros (€) and Euro cents (¢) per CER. The minimum price fluctuation is € 0.01 (1 ¢) per CER. A cabinet trade may occur at a price of €1.00 per a contract.

872.07 ABSENCE OF PRICE FLUCTUATION LIMITATIONS FOR CER OPTION CONTRACT

Trading in CER Option contracts shall not be subject to price fluctuation limitations.

Regional Greenhouse Gas Initiative (RGGI) CO2 Allowance Futures

873.01. SCOPE

The provisions of these rules shall apply to all Regional Greenhouse Gas Initiative (RGGI) Carbon Dioxide (CO2) allowances bought or sold for future delivery on the Exchange with the delivery through the RGGI CO2 Allowance Tracking System.

873.01.A. DEFINITIONS

A. The terms "Seller" and "Buyer" shall mean the short Clearing Member and the long Clearing Member, respectively.

B. The terms "Seller's Customer" and "Buyer's Customer" shall mean the seller and buyer of the physical product.

C. The term "Settlement Price" shall mean the final settlement price used as the price for delivery of the product, which shall be the settlement price for the last trading day of the expiring delivery month. The settlement price for the last trading day shall be determined in accordance with the procedures set forth in Exchange Rule 813.

D. The Regional Greenhouse Gas Initiative (RGGI) is a regional cap and trade program by Northeast and Mid-Atlantic states to limit carbon dioxide, i.e., CO2 emissions from regional power plants.

E. RGGI CO2 Allowance shall mean a limited authorization under RGGI program to emit up to one ten of CO2.

F. RGGI CO2 Allowance Tracking System shall mean the system by which the RGGI CO2 allowances are allocated, deducted, or transferred.

873.02. TIME REFERENCES

For purposes of these Rules, unless otherwise specified, times referred to herein shall refer to and indicate the prevailing time in New York.

873.03. CONTRACT UNIT

The contract unit shall be one thousand (1,000) RGGI CO2 allowances for a delivery made by transfer through the RGGI CO2 Allowance Tracking System.

873.04. DELIVERY

RGGI CO2 allowances delivery shall comply with all requirements for the electronic transfer of CO2 allowances on the RGGI CO2 Allowance Tracking System. All deliveries made under these rules shall be final and there shall be no appeal.

873.05. DELIVERY MONTHS AND CONTRACT VINTAGES

Trading shall be conducted in contract months with and without specific vintage years providing for delivery in such periods as shall be determined by the Exchange.

873.06. MINIMUM PRICE FLUCTUATIONS

Prices shall be quoted in dollars and cents per allowance. The minimum price fluctuation shall be \$0.01 per allowance (\$10.00 per contract). There shall be no maximum price fluctuations.

873.07. TERMINATION OF TRADING

No trades in Regional Greenhouse Gas Initiative (RGGI) CO2 Allowance Futures deliverable in the current month shall be made after the termination of the last business day of the contract month. Any contracts remaining open after the last day of trading must be either:

- (a) Settled by delivery no later than on the third business day after the final day of trading.
- (b) Liquidated by means of a bona fide Exchange of Futures for Related Position (EFRP), no later than two hours after trading terminates on the last day of trading of the expiring futures contract.

873.08. DELIVERABLE ALLOWANCES

(1) Contracts without a specific vintage year: RGGI CO2 allowances acceptable for delivery must have a vintage applicable to compliance in the RGGI control period related to the calendar year of the contract month.

(2) Contracts with a specific vintage year: RGGI CO2 allowances acceptable for delivery are allowances with a vintage corresponding to the specified vintage year.

873.09. DELIVERY PROCEDURES

(A) RESPONSIBILITIES OF CLEARING MEMBERS HAVING OPEN LONG POSITIONS

(1) NOTICE OF INTENTION TO ACCEPT

By 4:30 p.m. on the first business day after the final day of trading, a Buyer having an open position shall file with the Exchange a properly completed and signed Notice of Intention to Accept. The Notice of Intention to Accept shall be in the form prescribed by the Exchange and shall include: name of the Buyer's Customer, number of contracts to be accepted, RGGI CO2 Allowance Tracking System account number; Name, phone number and e-mail address of the authorized account representative for that RGGI CO2 Allowance Tracking System account, and any additional information as may be required by the Exchange;

(B) RESPONSIBILITIES OF CLEARING MEMBERS HAVING OPEN SHORT POSITIONS

(1) Notice of Intention to Deliver

By 4:30 p.m. on the first business day after the final day of trading, a Seller having an open short position shall file with the Exchange a properly completed and signed Notice of Intention to Deliver. The Notice of Intention to Deliver shall be in the form prescribed by the Exchange and shall include: name of the Seller's Customer, number of contracts to be delivered, RGGI CO2 Allowance Tracking System Account Number, name, phone number and e-mail address of the authorized account representative for that RGGI CO2 Allowance Tracking System account, Any additional information as may be required by the Exchange.

(C) USE OF SETTLEMENT PRICE: The final settlement price used for the delivery shall be the settlement price from the final day of trading.

(D) NOTICE DAY

(1) The Clearing House shall allocate Notices of Intention to Deliver and Notices of Intention to Accept by matching size of positions, to the extent possible.

(2) The Clearing House shall provide Tender Allocation Notices to the respective Clearing Members on the second business day after the final day of trading.

(3) The day the Tender Allocation Notices are provided to the Clearing Members shall be referred to as "Notice Day". Tender Allocation Notices are not transferable.

(E) PAYMENT AND DELIVERY MARGINS

(1) Definitions

(a) The Buyer and Seller shall deposit with the Exchange margins in such amounts and in such form as required by the Exchange. Such margins which shall not be greater than the margins charged to the Buyer's Customer and Seller's Customer shall be returned on the business day following notification to the Exchange that delivery and payment have been completed.

(b) "Payment" shall include the settlement price times the number of contracts times 1000.

(c) "Payment Date" shall mean the business day after the Buyer's Customer's receipt of proper notification from the RGGI CO2 Allowance Tracking System that allowances have been transferred from the Seller's Customer's account to the Buyer's Customer's account, provided documentation is supplied to the Buyer's Customer by no later than 2:00 P.M. Documentation supplied to Buyer after 2:00 p.m. on any Exchange business day shall be considered received on the following Exchange business day.

(d) On the last business day following the last day of trading, the Buyer shall obtain from the Buyer's Customer, if any, margin equal to the full value of the product to be delivered. Such margin shall consist of cash, securities issued by the United States Treasury Department maturing within ten

(10) years from the date of deposit and guaranteed as to principal and interest by the United States Government or a letter of credit. Any Treasury securities so deposited shall be valued at ninety percent (90%) of the par value of such instruments. Any letter of credit so deposited shall be in a form approved by the Exchange, shall be issued or confirmed by an Exchange approved original margin depository, and shall be drawn in favor of the Exchange.

(e) The Buyer shall pay the Seller at the office of the Seller by a certified check or electronic funds transfer, or any other method acceptable to both parties by 12:00 P.M. on the payment date.

(f) On the Payment Date, the Seller shall deliver a Notice of Payment to the Buyer with a copy to the Exchange by 4:30 PM. Upon receipt of such notice, the delivery shall be complete.

(g) Any payment made on Payment Date shall be based on RGGI CO2 allowances actually delivered.

(F) DELIVERY DAY

The day the Buyer receives the allowances shall be referred to as the Delivery Day.

873.10. DELIVERY PERIOD

Delivery shall take place on the third business day after the final day of trading.

873.11. VALIDITY OF DOCUMENTS

The Exchange makes no representation respecting the authenticity, validity or accuracy of any of Tender Allocation Notice, Notice of Intention to Accept, Notice of Intention to Deliver, check or of any document or instrument delivered pursuant to these rules.

873.12. ALTERNATIVE DELIVERY PROCEDURE

A Seller's Customer or Buyer's Customer may agree with the Buyer's Customer or the Seller's Customer with which it has been matched by the Exchange under Rule 873.09(D) to make and take delivery under terms or conditions which differ from the terms and conditions prescribed by this Chapter. In such a case, Clearing Members shall execute an Alternative Notice of Intention to Deliver on the form prescribed by the Exchange and shall deliver a completed executed copy of such Notice to the Exchange. The delivery of an executed Alternative Notice of Intention to Deliver to the Exchange shall release the Clearing Members and the Exchange from their respective obligations under the Exchange contracts.

In executing such Notice, Clearing Members shall indemnify the Exchange against any liability, cost or expense it may incur for any reason as a result of the execution, delivery, or performance of such contracts or such agreement, or any breach thereof or default there under. Upon receipt of an executed Alternative Notice of Intention to Deliver, the Exchange will return to the Clearing Members all margin monies held for the account of each with respect to the contracts involved.

873.13. FORCE MAJEURE, LATE PERFORMANCE AND FAILURE TO PERFORM

(A) DEFINITION. As used in this Rule 873.13 the following terms, as well as variations thereof, shall have the meaning described below.

(1) "Late Performance" shall mean the failure of a Buyer or a Seller to complete a material act with respect to a delivery obligation imposed by, and within the time period established in, the Rules. No Late Performance shall exceed the lesser of two continuous business days or three consecutive calendar days.

(2) "Failure to Perform" shall mean the failure of a Buyer or a Seller to complete a material act with respect to a delivery obligation prior to the expiration of the period allowed for the late performance of such act.

(3) "Contract Value" shall mean the amount equal to the settlement price on the last day of trading in a futures contract times 1000 (the number of allowances per contract) times the number of contracts to be delivered.

(4)(a) "Party" shall mean a Buyer or Seller and such Buyer and Seller are each responsible to the Exchange for their obligations under these Rules and further responsible to the Exchange for the obligations of their respective customers under the Rules of this Chapter.

(b) "Other Party" shall mean the corresponding Buyer when the Seller is late in performance or has failed to perform and the corresponding Seller when the Buyer is late in performance or has failed to perform.

(5) "Day of Late Performance" shall mean the twenty-four hour period after a Buyer or a Seller was to have performed, provided however, with respect to the obligations of Buyers and Sellers to submit documents to the Exchange pursuant to the Rules in this chapter, "Day of Late Performance" means that twenty-four hour period commencing immediately after the time specified in the Rules in this chapter for the submission of a document. Each subsequent Day of Late Performance shall commence twenty-four hours after the beginning of the prior Day of Late Performance.

(6) "Force Majeure" means any circumstance (including but not limited to a strike, lockout, national emergency, governmental action, or act of God) which is beyond the control of such Buyer or Seller, and which prevents the Buyer or Seller from making or taking delivery of product when and

as provided for in these Rules.

(B) RESPONSIBILITIES OF PARTIES TO THE DELIVERY

(1) The Parties to a delivery shall make commercially reasonable efforts to perform their respective delivery obligations at all times until a Party has failed to perform.

(2) A Party that has failed to perform its obligations may no longer perform such obligations; provided, however, that a Buyer that has failed to make a payment shall still be required to make such payment.

(C) EMISSIONS ALLOWANCE DELIVERY COMMITTEE

(1) Force Majeure, Late Performance and Failure to Perform shall be determined by a Panel of the Emissions Allowance Delivery Committee as set forth below. The Chairman of the Emissions Allowance Delivery Committee shall appoint a Panel, which shall consist of three (3) members of the Committee, to review a delivery:

(a) When the Chairman of the Emissions Allowance Delivery Committee is advised by the President of the Exchange or any person designated by the President of the Exchange that it appears that a Party to the delivery has failed or may fail to perform;

(b) Upon written request of both the Buyer and the Seller;

(c) When the President of the Exchange or any person designated by the President of the Exchange requests such appointment; or

(d) If either Party to the delivery notifies the Exchange that circumstances constituting a Force Majeure prevent the performance of delivery obligations.

(2) The Chairman of the Emissions Allowance Delivery Committee shall not appoint to any Panel any person who has a direct or indirect interest in the delivery in question. Each Panel Member shall disclose to the Chairman of the Emissions Allowance Delivery Committee any such interest which might preclude such Panel Member from rendering a fair and impartial determination. Any Panel so appointed shall retain jurisdiction over the delivery in question until the delivery has been completed or a Party has been found to have failed to perform such delivery. Exchange Counsel shall serve as legal advisor to the Panel.

(3) The Panel shall meet within one business day of notification as provided in these Rules. Unless good cause for delay exists, within one business day the Panel shall determine whether Force Majeure exists or whether a Buyer or Seller has failed to perform its obligations as provided in the Rules, and advise the Market Regulation Department of such determination, and its findings in support thereof immediately. The Panel shall cause its determination to be communicated to the parties to the delivery as expeditiously as possible. Nothing in this Subsection shall preclude a Party or the Exchange from seeking the remedies set forth in Sections (D) and (E) of this Rule.

(4) Upon a finding of Force Majeure, the Panel may take any one or combination of the following actions as it deems suitable: order an extension of time not to exceed five days from the date of the scheduled delivery; or, refer the delivery to the Exchange, represented by the Market Regulation Department, for emergency action as provided in Exchange Rules.

(D) EXCHANGE ACTION

(1) Whenever a Buyer or a Seller is found by the Panel to be late in the performance of or to have failed to perform a delivery, the Exchange, represented by the Market Regulation Department, shall issue a Notice of Assessment in accordance with subsection (2) of this Section, specifying the findings of the Panel with respect to the late or failed delivery.

(2) (a) Each day of Late Performance shall result an assessment against the party for 3% of the contract value, but not less than \$500 per contract.

(b) When a Party has failed to perform, the Market Regulation Department shall issue a Notice of Assessment assessing penalties of twenty percent (20%) of the contract value, but not less than \$2000 a contract, in addition to any penalties assessed pursuant to subparagraph (2) hereof, to be paid to the Exchange.

(3)(a) A Party may appeal a Notice of Assessment by filing a Notice of Appeal with the Exchange's Market Regulation Counsel, within two business days of receipt of the Notice of Assessment from the Market Regulation Department. The Party filing the appeal ("Appellant") shall file, within twenty (20) days after filing the Notice of Appeal, a Memorandum of Appeal setting forth the factual and legal basis for the appeal. The Memorandum of Appeal must be filed with the Market Regulation Department and a copy of the same served upon the Exchange's Market Regulation Counsel.

(b) The Market Regulation Department may file with the Appellant an Answering Memorandum to the Memorandum of Appeal within ten (10) days of receipt of that memorandum.

(c) Failure by the Party to file a Notice of Appeal or a Memorandum of Appeal within the time specified in subsection (D)(3)(a) of this Rule shall constitute a waiver, and the penalties set forth in the Notice of Assessment shall be paid within five days to the Exchange. Failure to pay such penalties in accordance with this Rule shall subject the party to the sanctions set forth in Exchange rules. In the event a Party fails to appeal, or waives the opportunity to appeal, a Notice of Assessment, the Assessment and Findings of the Emissions Allowance Delivery Committee shall constitute a final disciplinary action of the Exchange.

(4) Within ten (10) days after receipt of the Market Regulation Department's reply, the Appellant shall be entitled to examine all books, documents and other tangible evidence in possession or

under the control of the Exchange that are to be relied upon by the Market Regulation Department or are otherwise relevant to the matter.

(5) In the event of an appeal by a Party, the Market Regulation Department, or its designee, shall appoint a Performance Appeal Panel to hear and decide the appeal. No member of the Performance Appeal Panel may have a direct or indirect interest in the matter under the appeal. Each Panel Member shall disclose to the Market Regulation Department, or its designee, any such interest which might preclude such Panel Member from rendering a fair and impartial determination. The formal Rules of Evidence shall not apply to such appeal, and the Performance Appeal Panel shall be the sole judge with respect to the evidence presented to it. Exchange outside counsel shall advise the Performance Appeal Panel.

(6) The procedures for the hearing of the appeal before the Performance Appeal Panel shall be as follows:

(a) At a date to be set by order of the Panel, and prior to such hearing, the Appellant and the Market Regulation Department shall furnish each other with a list of witnesses expected to be called at the hearing, and a list of documents and copies thereof expected to be introduced at the hearing.

(b) At such hearing, the Appellant may appear personally and may be represented by counsel or other representative of its choice at the appeal.

(c) The Market Regulation Department shall be entitled to offer evidence relating to the delivery and shall be entitled to call witnesses and introduce documents in support thereof. It shall be the burden of the Market Regulation Department to demonstrate, by the weight of the evidence, the appropriateness of the sanction set forth in the Notice of Assessment.

(d) The Appellant shall be entitled to rebut the Market Regulation Department's evidence and shall be entitled to call witnesses and introduce documents in support thereof.

(e) The Market Regulation Department and the Appellant shall be entitled to cross-examine any witness called by the opposing Party at the hearing.

(f) The Notice of Assessment, the Notice of Appeal, the Memorandum of Appeal, any Answering Memorandum, the transcript of the appeal, any documentary evidence or other material presented to and accepted by the Performance Appeal Panel by either party shall collectively constitute the record of the hearing. The decision of the Performance Appeal Panel shall be based upon the record of the hearing.

(g) The Performance Appeal Panel shall have the power to impose a penalty against any person who is within the jurisdiction of the Exchange and whose actions impede the progress of a hearing.

(h) The Performance Appeal Panel shall issue a written decision in which it may affirm, reduce, or waive the charges assessed against the Appellant and shall state the reasons therefore.

(i) The decision of the Performance Appeal Panel shall be a final decision of the Exchange and shall constitute a final disciplinary action of the Exchange. The fine is payable on the effective date of the decision or as specified. The effective date shall be fifteen (15) days after a copy of the written decision has been delivered to the Appellant and to the Commission.

(7) The Performance Appeal Panel shall consider, and make recommendations to the Exchange concerning acceptance or rejection of, any offer of settlement submitted by Appellant. In the case of an offer of settlement, acceptance by the Exchange shall constitute the final disciplinary action of the Exchange.

(E) ARBITRATION PROCEDURE

(1) Any claim for damages arising between a Buyer and a Seller as a result of a delivery pursuant to this contract shall be settled by arbitration in accordance with these Rules.

(2) Notice of Intent to Arbitrate must be submitted to the Market Regulation Department within three business days of the occurrence upon which the claim is based or the decision of the Emissions Allowance Delivery Committee with respect to a late or failed performance. Failure to submit a Notice of Intent to Arbitrate within the prescribed period will be deemed a waiver of a Party's rights to arbitrate such a delivery dispute under the special or Regular Arbitration Rules.

(3) The Arbitration will be governed by Chapter 6 of the Rules with the following exceptions:

(a) The Market Regulation Department or its designee shall appoint an Arbitration Panel.

(b) The Arbitration Panel shall render its award, if any, in writing, which award shall be based on the damages proven by the injured party which may include such other relief which the Panel deems just and equitable.

(c) The award of the Arbitration Panel shall be final and binding upon each of the parties to the arbitration.

(d) Failure to comply with the terms of the award may subject the party that fails to comply with such terms to disciplinary proceedings pursuant to Chapter 6 Rule 648.

~~Regional Greenhouse Gas Initiative (RGGI) CO2 Allowance Option~~

~~874.01 EXPIRATION OF REGIONAL GREENHOUSE GAS INITIATIVE (RGGI) CO2 ALLOWANCE OPTION CONTRACT~~

~~A Regional Greenhouse Gas Initiative (RGGI) CO2 Allowance Option contract shall expire on the close of trading on the 15th day of the contract month. If the 15th day is not a business day, the Regional Greenhouse Gas Initiative (RGGI) CO2 Allowance Option Contract shall expire on the business day prior to the 15th.~~

~~874.02 TYPE OPTION~~

~~A Regional Greenhouse Gas Initiative (RGGI) CO2 Allowance Option is a European style option. A Regional Greenhouse Gas Initiative (RGGI) CO2 Allowance put or call option contract traded on the Exchange represents an option to assume a short or long position in the underlying Regional Greenhouse Gas Initiative (RGGI) CO2 Allowance futures contract traded on the Exchange.~~

~~874.03 TRADING MONTHS FOR REGIONAL GREENHOUSE GAS INITIATIVE (RGGI) CO2 ALLOWANCE OPTION CONTRACT~~

~~Trading in the Regional Greenhouse Gas Initiative (RGGI) CO2 Allowance Option contracts shall be conducted in the months as shall be determined by the Exchange. Trading shall commence on the day fixed by resolution of the Exchange.~~

~~874.04 HOURS OF TRADING IN REGIONAL GREENHOUSE GAS INITIATIVE (RGGI) CO2 ALLOWANCE OPTION CONTRACT~~

~~The hours of trading in Regional Greenhouse Gas Initiative (RGGI) CO2 Allowance contracts on the Exchange shall be the same as the hours of trading for Crude Oil Options contracts. All such trading shall take place on the trading floor of the Exchange within the hours prescribed by the Exchange. The hours for submission of off exchange transactions for clearing via NYMEX ClearPort® clearing will be Sunday 7:00 p.m., New York Prevailing time to 5:15 p.m. the following day; Monday through Thursday 6:00 p.m., New York Prevailing time to 5:15 p.m. the following day.~~

~~874.05 STRIKE PRICES~~

~~(A) Trading shall be conducted for options with strike prices in increments as set forth below.
(B) On the first business day of trading in an option contract month, trading shall be at the following strike prices: (i) the previous day's settlement price for Regional Greenhouse Gas Initiative (RGGI) CO2 Allowance futures contracts in the corresponding delivery month rounded off to the nearest fifty-cent strike price unless such settlement price is precisely midway between two strike prices in which case it shall be rounded off to the lower strike price and (ii) the five fifty-cent increment strike prices which are five increments higher than the strike price described in (i) of this Rule 874.05(B)~~

and (iii) the five fifty-cent increment strike prices which are five increments lower than the strike price described in (i) of this Rule 874.05(B).

(C) Thereafter, on any business day prior to the expiration of the option, (i) new consecutive strike prices for both puts and calls will be added such that at all times there will be at least five fifty-cent strike prices above and below the at-the-money strike price available for trading in all options contract months.

(D) Notwithstanding the provisions of subsections (A) through (C) of this Rule, if the Board determines that trading in Regional Greenhouse Gas Initiative (RGGI) CO₂ Allowance options will be facilitated thereby, the Board may, by resolution, change the increments between strike prices, the number of strike prices which shall be traded on the first day in any new option contract month, the number of new strike prices which will be introduced on each business day or the period preceding the expiration of a Regional Greenhouse Gas Initiative (RGGI) CO₂ Allowance option in which no new strike prices may be introduced.

874.06 PRICES IN REGIONAL GREENHOUSE GAS INITIATIVE (RGGI) CO₂ ALLOWANCE OPTION CONTRACTS:

Prices shall be quoted in dollars and cents per emission allowance. The minimum price fluctuation is \$0.01 per allowance.

874.07 ABSENCE OF PRICE FLUCTUATION LIMITATIONS FOR REGIONAL GREENHOUSE GAS INITIATIVE (RGGI) CO₂ ALLOWANCE OPTION CONTRACTS

Trading in Regional Greenhouse Gas Initiative (RGGI) CO₂ Allowance option contracts shall not be subject to price fluctuation limitations.

~~In-Delivery Month European Union Allowance (EUA) Serial Option~~

909.01 EXPIRATION

An In-Delivery Month European Union Allowance (EUA) Serial Option contract listed on the Exchange shall expire at the close of trading three business days prior to the expiration of the closest March, June, September, or December contract month of the In-Delivery Month European Union Allowance (EUA) Futures contract.

909.02 TRADING UNIT

An In-Delivery Month European Union Allowance (EUA) Serial Option contract is a European-style option. An In-Delivery Month European Union Allowance (EUA) Serial put Option contract traded on the Exchange represents an option to assume a short position in the December contract month of the underlying In-Delivery Month European Union Allowance (EUA) Futures contract of the relevant year traded on the Exchange. An In-Delivery Month European Union Allowance (EUA) Serial call Option contract traded on the Exchange represents an option to assume a long position in the December contract month of the underlying In-Delivery Month European Union Allowance (EUA) Futures contract of the relevant year traded on the Exchange.

909.03 TRADING MONTHS

Trading in an In-Delivery Month European Union Allowance (EUA) Serial Option contract shall be conducted in the contract months as shall be determined by the Exchange. Trading shall commence on the day fixed by resolution of the Exchange.

909.04 HOURS OF TRADING

The In-Delivery Month European Union Allowance (EUA) Serial Option contract is available for open-outcry trading on the Exchange trading floor between 9:00 a.m. and 2:30 p.m. (New York Prevailing time) Monday through Friday, except on Exchange Holidays.

The In-Delivery Month European Union Allowance (EUA) Serial Option contract is available for submission for clearing on CME ClearPort® clearing system from 6:00 p.m. Sunday through 5:15 p.m. Friday (New York Prevailing time), with a 45-minute halt in trading each day between 5:15 p.m. and 6:00 p.m., except on Exchange Holidays.

909.05 STRIKE PRICES

Trading shall be conducted for options with strike prices in increments as set forth below.

(A) On the first business day of trading in an option contract month, trading shall be at the following strike prices: (i) the previous day's settlement price for In-Delivery Month European Union Allowance (EUA) Futures contracts in the corresponding delivery month rounded-off to the nearest fifty-cent increment strike price, (ii) the ten fifty-cent increment strike prices which are ten increments higher than the strike price described in (i) of this Rule 909.05(A), and (iii) the ten fifty-cent increment strike prices which are ten increments lower than the strike price described in (i) of this Rule 909.05(A).

(B) Thereafter, on any business day prior to the expiration of the option, new consecutive strike prices for both puts and calls will be added such that there will be ten increments above and below the at-the-money option.

Appendix B

~~(C) Notwithstanding the provisions of subsections (A) and (B) of this Rule, if the Exchange determines that trading in In-Delivery Month European Union Allowance (EUA) Serial Option contracts will be facilitated thereby, the Exchange may, by resolution, change the increments between strike prices, the number of strike prices which shall be traded in the~~

first day in any new option contract month, the number of new strike prices which will be introduced on each business day or the period preceding the expiration of an In-Delivery Month European Union Allowance (EUA) Serial Option contract in which no new strike prices may be introduced.

909.06 PRICES AND PRICE FLUCTUATIONS

Prices shall be quoted in Euros (€) and Euro cents (¢) per allowance. The minimum price fluctuation is €0.01 per allowance. A cabinet trade may occur at a price of €1.00 per contract, however, if it results in the liquidation of positions for both parties to the trade.

909.07 ABSENCE OF PRICE FLUCTUATION LIMITATIONS

Trading in In-Delivery Month European Union Allowance (EUA) Serial Option contracts shall not be subject to price fluctuation limitations.

~~In Delivery Month Certified Emission Reduction (CER) Serial Option~~

~~910.01 EXPIRATION~~

~~An In-Delivery Month Certified Emission Reduction (CER) Serial Option contract listed on the Exchange shall expire at the close of trading three business days prior to the expiration of the closest March, June, September, or December contract month of the In-Delivery Month Certified Emission Reduction (CER) Futures contract.~~

~~910.02 TRADING UNIT~~

~~An In-Delivery Month Certified Emission Reduction (CER) Serial Option is a European style option. An In-Delivery Month Certified Emission Reduction (CER) Serial put Option contract traded on the Exchange represents an option to assume a short position in the December contract month of the underlying In-Delivery Month Certified Emission Reduction (CER) Futures contract of the relevant year traded on the Exchange. An In-Delivery Month Certified Emission Reduction (CER) Serial call Option contract traded on the Exchange represents an option to assume a long position in the December contract month of the underlying In-Delivery Month Certified Emission Reduction (CER) Futures contract of the relevant year traded on the Exchange.~~

~~910.03 TRADING MONTHS~~

~~Trading in an In-Delivery Month Certified Emission Reduction (CER) Serial Option contract shall be conducted in the contract months as shall be determined by the Exchange. Trading shall commence on the day fixed by resolution of the Exchange.~~

~~910.04 HOURS OF TRADING~~

~~The In-Delivery Month Certified Emission Reduction (CER) Serial Option contract is available for open outcry trading on the Exchange trading floor between 9:00 a.m. and 2:30 p.m. (New York Prevailing time) Monday through Friday, except on Exchange Holidays.~~

~~The In-Delivery Month Certified Emission Reduction (CER) Serial Option contract is available for submission for clearing on CME ClearPort[®] clearing system from 6:00 p.m. Sunday through 5:15 p.m. Friday (New York Prevailing time), with a 45 minute halt in trading each day between 5:15 p.m. and 6:00 p.m., except on Exchange Holidays.~~

~~910.05 STRIKE PRICES~~

~~Trading shall be conducted for option contracts with strike prices in increments as set forth below:~~

~~(A) On the first business day of trading in an option contract month, trading shall be at the following strike prices: (i) the previous day's settlement price for In-Delivery Month Certified Emission Reduction (CER) Futures contracts in the corresponding delivery month rounded off to the nearest fifty cent increment strike price; (ii) the ten fifty cent increment strike prices which are ten increments higher than the strike price described in (i) of this Rule 910.05(A); and (iii) the ten fifty cent increment strike prices which are ten increments lower than the strike price described in (i) of this Rule 910.05(A).~~

~~(B) Thereafter, on any business day prior to the expiration of the option, new consecutive strike prices for both puts and calls will be added such that there will be ten increments above and below the at-the-money option.~~

~~(C) Notwithstanding the provisions of subsections (A) and (B) of this Rule, if the Exchange determines that trading in In-Delivery Month Certified Emission Reduction (CER) Serial Option contracts will be facilitated thereby, the Exchange may, by resolution, change the increments between strike prices, the number of strike prices which shall be traded in the first day in any new option contract month, the number of new strike prices which will be introduced on each business day of the period preceding the expiration of an In-Delivery Month Certified Emission Reduction (CER) Serial Option contract in which no new strike prices may be introduced.~~

~~910.06 PRICES AND PRICE FLUCTUATIONS~~

~~Prices shall be quoted in Euros (€) and Euro cents (¢) per CER. The minimum price fluctuation is € 0.01 (1 ¢) per CER. A cabinet trade may occur at a price of €1.00 per contract, however, if it results in the liquidation of positions for both parties to the trade.~~

~~910.07 ABSENCE OF PRICE FLUCTUATION LIMITATIONS~~

~~Trading in In-Delivery Month Certified Emission Reduction (CER) Serial Option contracts shall not be subject to price fluctuation limitations.~~

910.06 PRICES AND PRICE FLUCTUATIONS

Prices shall be quoted in Euros (€) and Euro cents (¢) per CER. The minimum price fluctuation is € 0.01 (1 ¢) per CER. A cabinet trade may occur at a price of €1.00 per contract, however, if it results in the liquidation of positions for both parties to the trade.

910.07 ABSENCE OF PRICE FLUCTUATION LIMITATIONS

Trading in In-Delivery-Month-Certified-Emission-Reduction (CER) Serial-Option contracts shall not be subject to price fluctuation limitations.

Climate Action Reserve (CAR) Futures

917.01 SCOPE

The provisions of these Rules shall apply to all Climate Reserve Tonnes™ (CRT™) bought or sold for future delivery on the Exchange with the Delivery at the Reserve.

917.01A DEFINITIONS

- A. The terms "Seller" and "Buyer" shall mean the short Clearing Member and the long Clearing Member, respectively.
- B. The terms "Seller's Customer" and "Buyer's Customer" shall mean the seller and buyer of the physical product or swap transaction.
- C. The term "Settlement Price" shall mean the final settlement price used as the price for delivery of the product, which shall be the settlement price for the last trading day of the expiring delivery month. The settlement price for the last trading day shall be determined in accordance with the procedures set forth in Rule 813.
- D. The Climate Action Reserve (CAR) is a private non-profit organization originally formed by the State of California. CAR serves as a voluntary greenhouse gas (GHG) registry to protect and promote early actions to reduce GHG emissions by organizations.
- E. Climate Action Reserve (CAR) defines a Climate Reserve Tonne (CRT) as being equal to an emission reduction that is equivalent to one metric tonne of verified greenhouse gas emission reductions.
- F. Carbon Dioxide Equivalent (CO₂e): The universal unit of measurement used to indicate the global warming potential of each of the six greenhouse gases. Carbon dioxide a naturally occurring gas that is a byproduct of burning fossil fuels and biomass, land use changes, and other industrial processes is the reference gas against which the other greenhouse gases are measured.
- G. The Reserve: The CAR accredited System, by which CRT is issued, held, transferred or retired.

917.02 TIME REFERENCES

For purposes of these Rules, unless otherwise specified, times referred to herein shall refer to and indicate the prevailing time in New York.

917.03 CONTRACT UNIT

The contract unit shall be one thousand (1,000) Climate Reserve Tonnes (CRT) for a delivery made by transfer through the Reserve.

917.04 DELIVERABLE CRTS

- A. For contracts without a specified vintage year, CRTs acceptable for delivery are those having a vintage 2009 or later.
- B. For contracts with a specified vintage year, CRTs acceptable for delivery are those having a vintage corresponding to the specified vintage year.

917.04A DELIVERY

Climate Reserve Tonnes (CRT) delivery shall comply with all requirements for the electronic transfer through the Reserve. All deliveries made under these Rules shall be final and there shall be no appeal.

917.05 DELIVERY MONTHS

Trading shall be conducted in contracts providing for delivery in such periods as shall be determined by the Exchange.

917.06 MINIMUM PRICE FLUCTUATIONS

Prices shall be quoted in dollars and cents per Climate Reserve Tonnes (CRT). The minimum price fluctuation shall be \$0.01 per CRT (\$10.00 per contract). There shall be no maximum price fluctuations.

917.07 TERMINATION OF TRADING

No trades in Climate Action Reserve (CAR) Futures deliverable in the current month shall be made after the termination of the last business day of the contract month. Any contracts remaining open after the last day of trading must be either:

- (a) Settled by delivery no later than the second business day after the termination of the

contract month.

(b) Liquidated by means of a bona fide Exchange of Futures for Related Position (EFRP), no later than two hours after trading terminates on the last day of trading of the expiring futures contract.

917.08 DELIVERY PROCEDURES

(A) RESPONSIBILITIES OF CLEARING MEMBERS HAVING OPEN LONG POSITIONS

Notice of Intention to Accept

By 10:00 a.m. on the first business day after the final day of trading, a Buyer having an open position shall file with the Exchange a properly completed and signed Notice of Intention to Accept. The Notice of Intention to Accept shall be in the form prescribed by the Exchange and shall include: Name of the Buyer's Customer, Number of contracts to be accepted, Reserve Account Number, Name, Phone Number and e-mail address of the Account Holder for that Reserve account, and any additional information as may be required by the Exchange;

(B) RESPONSIBILITIES OF CLEARING MEMBERS HAVING OPEN SHORT POSITIONS

Notice of Intention to Deliver

By 10:00 a.m. on the first business day after the final day of trading, a Seller having an open short position shall file with the Exchange a properly completed and signed Notice of Intention to Deliver. The Notice of Intention to Deliver shall be in such form prescribed by the Exchange and shall include: Name of the Seller's Customer, Number of contracts to be delivered, Reserve Account Number, Name, Phone Number and e-mail address of the Account Holder for that Reserve account, and any additional information as may be required by the Exchange.

(C) USE OF SETTLEMENT PRICE

The final settlement price used for the delivery shall be the settlement price from the final day of trading.

(D) NOTICE DAY

(1) The Clearing House shall allocate Notices of Intention to Deliver and Notices of Intention to Accept by matching size of positions, to the extent possible.

(2) The Clearing House shall provide Tender Allocation Notices to the respective Clearing Members on the first business day after the final day of trading.

(3) The day the Tender Allocation Notices are provided to the Clearing Members shall be referred to as "Notice Day". Tender Allocation Notices are not transferable.

(E) PAYMENT AND DELIVERY MARGINS

(1) Definitions

(a) The Buyer and Seller shall deposit with the Exchange margins in such amounts and in such form as required by the Exchange. Such margins which shall not be greater than the margins charged to the Buyer's Customer and Seller's Customer shall be returned on the business day following notification to the Exchange that delivery and payment have been completed.

(b) "Payment" shall include the settlement price times the number of contracts times 1,000.

(c) "Payment Date" shall mean the business day after the Buyer's Customer receipt of proper notification from the Climate Action Reserve System that CRTs have been transferred from the Seller's Customer account to the Buyer's Customer account, provided documentation is supplied to the Buyer's Customer by no later than 2:00 p.m. Documentation supplied to Buyer after 2:00 p.m. on any Exchange business day, shall be considered received on the following Exchange business day.

(d) On the first business day following the last day of trading, the long clearing member shall obtain from the long, if any, margin equal to the full value of the product to be delivered. Such margin shall consist of cash, securities issued by the United States Treasury Department maturing within ten (10) years from the date of deposit and guaranteed as to principal and interest by the United States Government or a letter of credit. Any Treasury securities so deposited shall be valued at ninety percent (90%) of the par value of such instruments. Any letter of credit so deposited shall be in a form approved by the Exchange, shall be issued or confirmed by an Exchange approved original margin depository, and shall be drawn in favor of the Exchange.

(e) The Buyer shall pay the Seller at the office of the Seller by a certified check or electronic funds transfer, or any other method acceptable to both parties by 12:00 p.m. on the Payment Date.

(f) On the Payment Date, The Seller shall deliver a Notice of Payment to the Buyer with a copy to the Exchange by 4:30 p.m. Upon receipt of such notice, the delivery shall be complete.

(g) Any payment made on Payment Date shall be based on CRTs actually delivered.

(F) DELIVERY DAY

The day the Buyer receives the CRTs shall be referred to as the Delivery Day.

917.09 DELIVERY PERIOD

Delivery shall take place on the second business day after the final day of trading.

917.10 VALIDITY OF DOCUMENTS

The Exchange makes no representation respecting the authenticity, validity or accuracy of any of Tender Allocation Notice, Notice of Intention to Accept, Notice of Intention to Deliver, check or of any document or instrument delivered pursuant to these rules.

917.11 ALTERNATIVE DELIVERY PROCEDURE

A Seller's Customer or Buyer's Customer may agree with the Buyer's Customer or the Seller's Customer with which it has been matched by the Exchange under Rule 917.08(D) to make and take delivery under terms or conditions which differ from the terms and conditions prescribed by this Chapter. In such a case, Clearing Members shall execute an Alternative Notice of Intention to Deliver on the form prescribed by the Exchange and shall deliver a completed executed copy of such Notice to the Exchange. The delivery of an executed Alternative Notice of Intention to Deliver to the Exchange shall release the Clearing Members and the Exchange from their respective obligations under the Exchange contracts. In executing such Notice, Clearing Members shall indemnify the Exchange against any liability, cost or expense it may incur for any reason as a result of the execution, delivery, or performance of such contracts or such agreement, or any breach thereof or default there under. Upon receipt of an executed Alternative Notice of Intention to Deliver, the Exchange will return to the Clearing Members all margin monies held for the account of each with respect to the contracts involved.

917.12 LATE PERFORMANCE, FAILURE TO PERFORM, AND FORCE MAJEURE

(A) DEFINITION. As used in this Rule 917.12 the following terms, as well as variations thereof, shall have the meaning described below.

(1) "Late Performance" shall mean the failure of a Buyer or a Seller to complete a material act with respect to a delivery obligation imposed by, and within the time period established in, the Rules. Late Performance shall be restricted to three business days. Late Performance beyond three business days by, a Seller or a Buyer will be deemed a Failure to Perform.

(2) "Day of Late Performance" shall mean the twenty-four hour period commencing immediately after a Buyer or a Seller was to have performed. Each subsequent Day of Late Performance shall commence twenty-four hours after the beginning of the prior Day of Late Performance. When a Party is late in performance, the day when the act was to have performed shall be a Day of Late Performance.

(3) "Failure to Perform" shall mean the failure of a Buyer or a Seller to complete a material act with respect to a delivery obligation prior to the expiration of the period allowed for the late performance of such act.

(4) "Contract Value" shall mean the amount equal to the settlement price on the last day of trading in a futures contract times 1,000 (the number of CRTs per contract) times the number of contracts to be delivered.

(5) (a) "Party" shall mean a Buyer or Seller and such Buyer and Seller are each responsible to the Exchange for their obligations under these Rules and further responsible to the Exchange for the obligations of their respective customers under the Rules of this Chapter.

(b) "Other Party" shall mean the corresponding Buyer when the Seller is late in performance or has failed to perform and the corresponding Seller when the Buyer is late in performance or has failed to perform.

(6) "Force Majeure" shall mean any circumstance (including but not limited to a strike, lockout, national emergency, governmental action, or act of God) which is beyond the control of such Buyer or Seller, and which prevents the Buyer or Seller from making or taking delivery of product when and as provided for in these Rules.

(B) RESPONSIBILITIES OF PARTIES TO THE DELIVERY

(1) The parties to a delivery shall make commercially reasonable efforts to perform their respective delivery obligations at all times until a Party has failed to perform.

(2) A Party which has failed to perform its obligations may no longer perform such obligations; provided, however, that a Buyer which has failed to make a payment shall make such payment.

(C) EMISSIONS ALLOWANCE DELIVERY COMMITTEE

(1) Force Majeure, Late Performance and Failure to Perform shall be determined by a Panel of the Emissions Allowance Delivery Committee as set forth below. The Chairman of the Emissions Allowance Delivery Committee shall appoint a Panel, which shall consist of three (3) members of the Committee, to review a delivery:

(a) When the Chairman of the Emissions Allowance Delivery Committee is advised by the President of the Exchange or any person designated by the President of

the Exchange that it appears that the performance of a Party to the delivery is late;

(b) Upon written request of both the Buyer and Seller;

(c) When the President of the Exchange or any person designated by the President of the Exchange requests such appointment; or

(d) If either Party to the delivery notifies the Exchange that circumstances constituting a Force Majeure prevent the performance of delivery obligations.

(2) The Chairman of the Emissions Allowance Delivery Committee shall not appoint to any Panel any person who has a direct or indirect interest in the delivery in question. Each Panel Member shall disclose to the Chairman of the Emissions Allowance Delivery Committee any such interest which might preclude such Panel Member from rendering a fair and impartial determination. Any Panel so appointed shall retain jurisdiction over the delivery in question until the delivery has been completed or a Party has been found to have failed to perform such delivery. Exchange Counsel shall serve as advisor to the Panel.

(3) The Panel shall meet within one business day of notification as provided in these Rules. Unless good cause for delay exists, within one business day the Panel shall determine whether Force Majeure exists or whether a Buyer or Seller has failed to perform its obligations as provided in the Rules, and advise the Market Regulation Department of such determination, and its findings in support thereof immediately. The Panel shall cause its determination to be communicated to the parties to the delivery as expeditiously as possible.

(4) Upon a finding of force majeure, the Panel may take any one or combination of the following actions as it deems suitable order: an extension of time not to exceed ten days from the date of the scheduled delivery; or, refer the delivery to the Exchange, represented by the Market Regulation Department, for emergency action pursuant to Exchange Rules.

(D) EXCHANGE ACTION

(1) Whenever a Buyer or a Seller is found by the Panel to be late in the performance of a delivery obligation, the Exchange, represented by the Market Regulation Department, shall issue a Notice of Assessment, assessing a penalty of 10% of contract value for each applicable day of Late Performance.

(2) Whenever a Buyer or Seller is found by the Panel or otherwise deemed to have a "Failure to Perform" the Exchange, represented by the Market Regulation Department, shall issue a Notice of Assessment assessing penalties of twenty percent (20%) of the contract value, in addition to any penalties assessed pursuant to subparagraph (1) above, to be paid to the Exchange.

(3) (a) A Party may appeal a Notice of Assessment by filing a Notice of Appeal with the Hearing Registrar of the Exchange and by serving a copy of the same on the Exchange's Market Regulation Department, within two business days of receipt of the Notice of Assessment from the Market Regulation Department. The Party filing the appeal ("Appellant") shall file, within twenty (20) days after filing the Notice of Appeal, a Memorandum of Appeal setting forth the factual and legal basis for the appeal. The Memorandum of Appeal must be filed with the Hearing Registrar and a copy of the same served upon the Exchange's Market Regulation Counsel.

(b) The Market Regulation Department may file with the Appellant and Hearing Registrar an Answering Memorandum to the Memorandum of Appeal within ten (10) days of receipt of that memorandum.

(c) Failure by the Party to file a Notice of Appeal or a Memorandum of Appeal within the time specified in subsection (D)(3)(a) of this Rule shall constitute a waiver, and the penalties shall be paid within five days to the Exchange. Failure to pay such penalties in accordance with this Rule shall subject the party to the sanctions set forth in Chapter 4. In the event a party fails to appeal, or waives the opportunity to appeal, a Notice of Assessment, the Assessment and Findings of the Emissions Allowance Delivery Committee shall constitute a final disciplinary action of the Exchange.

(4) Within ten (10) days after receipt of Market Regulation Department's reply, the Appellant shall be entitled to examine all books, documents and other tangible evidence in possession or under the control of the Exchange that are to be relied upon by Market Regulation Department or are otherwise relevant to the matter.

(5) In the event of an appeal by a Party, the Market Regulation Department, or its designee, shall appoint a Performance Appeal Panel to hear and decide the appeal. No member of the Performance Appeal Panel may have a direct or indirect interest in the matter under the appeal. Each Panel Member shall disclose to the Market Regulation Department, or its designee, any such interest which might preclude such Panel Member from rendering a fair and impartial determination. The formal Rules of Evidence shall not apply to such appeal, and the Performance Appeal Panel shall be

the sole judge with respect to the evidence presented to it. Exchange outside counsel shall advise the Performance Appeal Panel.

(6) The procedures for the hearing of the appeal before the Performance Appeal Panel shall be as follows:

(a) At a date to be set by order of the Performance Appeal Panel, and prior to such hearing, the Appellant and the Market Regulation Department shall furnish each other with a list of witnesses expected to be called at the hearing, and a list of documents and copies thereof expected to be introduced at the hearing.

(b) At such hearing, the Appellant may appear personally and may be represented by counsel or other representative of his choice at the appeal.

(c) The Market Regulation Department shall be entitled to offer evidence relating to the delivery and shall be entitled to call witnesses and introduce documents in support thereof. It shall be the burden of the Market Regulation Department to demonstrate, by the weight of the evidence, the appropriateness of the sanction set forth in the Notice of Assessment.

(d) The Appellant shall be entitled to rebut the Market Regulation Department's evidence and shall be entitled to call witnesses and introduce documents in support thereof.

(e) The Market Regulation Department and the Appellant shall be entitled to cross-examine any witness called by the opposing Party at the hearing.

(f) The Notice of Assessment, the Notice of Appeal, the Memorandum of Appeal, any Answering Memorandum, the stenographic transcript of the appeal, any documentary evidence or other material presented to and accepted by the Performance Appeal Panel by either Party shall constitute the record of the hearing. The decision of the Performance Appeal Panel shall be based upon the record of the hearing.

(g) The Performance Appeal Panel shall have the power to impose a penalty against any person who is within the jurisdiction of the Exchange and whose actions impede the progress of a hearing.

(h) The Performance Appeal Panel shall issue a written decision in which it may affirm, reduce, or waive the charges assessed against the Appellant and shall state the reasons therefore.

(i) The decision of the Performance Appeal Panel shall be a final decision of the Exchange and shall constitute a final disciplinary action of the Exchange. The fine is payable on the effective date of the decision or as specified. The effective date shall be fifteen (15) days after a copy of the written decision has been delivered to the Appellant and to the Commission.

(8) The Performance Appeal Panel shall consider, and make recommendations to the Exchange concerning acceptance, or rejection, of any offer of settlement submitted by Appellant. In the case of an offer of settlement, acceptance by the Exchange shall constitute the final disciplinary action of the Exchange.

(E) ARBITRATION PROCEDURE

(1) Any claim for damages arising between a Buyer and a Seller as a result of a delivery pursuant to this contract shall be settled by arbitration in accordance with these Rules.

(2) Notice of Intent to Arbitrate must be submitted to the Market Regulation Department within three business days of the occurrence upon which the claim is based or the decision of the Emissions Allowance Delivery Committee with respect to a late or failed performance. Failure to submit a Notice of Intent to Arbitrate within the prescribed period will be deemed a waiver of a Party's rights to arbitrate such a delivery dispute under the special or Regular Arbitration Rules.

(3) The Arbitration will be governed by Chapter 6 of the Rules with the following exceptions:

(a) The Market Regulation Department or its designee shall appoint an Arbitration Panel.

(b) The Arbitration Panel shall render its award, if any, in writing, which award shall be based on the damages proven by the injured party which may include such other relief which the Panel deems just and equitable.

(c) The award of the Arbitration Panel shall be final and binding upon each of the parties to the arbitration.

(d) Failure to comply with the terms of the award may subject the party that fails to comply with such terms to disciplinary proceedings pursuant to Chapter 6 Rule 648.

918.01 EXPIRATION

A Climate Action Reserve (CAR) Option contract listed on the Exchange shall expire at the close of trading three business days prior to the expiration of the underlying Climate Action Reserve (CAR) Futures contract.

918.02 TRADING UNIT

The option contract is a European-style option. A Climate Action Reserve (CAR) put or call Option contract traded on the Exchange represents an option to assume a short or long position in the underlying Climate Action Reserve (CAR) Futures contract traded on the Exchange.

918.03 TRADING MONTHS

Trading in the option contract shall be conducted in contract months as shall be determined by the Exchange. Trading shall commence on the day fixed by resolution of the Exchange.

918.04 HOURS OF TRADING

The option contract is available for open outcry trading on the Exchange trading floor between 9:00 a.m. and 2:30 p.m. (New York Prevailing time) Monday through Friday, except on Exchange Holidays.

The option contract is available for clearing through CME ClearPort® from 6:00 p.m. Sunday through 5:15 p.m. Friday (New York Prevailing time), with a 45-minute break each day between 5:15 p.m. and 6:00 p.m., except on Exchange Holidays.

918.05 STRIKE PRICES

Trading shall be conducted for options with strike prices in increments as set forth below.

(A) On the first business day of trading in an option contract month, trading shall be at the following strike prices: (i) the previous day's settlement price for Climate Action Reserve (CAR) Futures contracts in the corresponding delivery month rounded off to the nearest fifty-cent increment strike price (ii) the ten-fifty-cent increment strike prices which are ten increments higher than the strike price described in (i) of this Rule 918.05(A) and (iii) the ten-fifty-cent increment strike prices which are ten increments lower than the strike price described in (i) of this Rule 918.05(A).

(B) Thereafter, on any business day prior to the expiration of the option, new consecutive strike prices for both puts and calls will be added such that there will be ten increments above and below the at-the-money option.

(C) Notwithstanding the provisions of subsections (A) and (B) of this Rule, if the Exchange determines that trading in the option contracts will be facilitated thereby, the Exchange may, by resolution, change the increments between strike prices, the number of strike prices which shall be traded in the first day in any new option contract month, the number of new strike prices which will be introduced on each business day or the period preceding the expiration of an option contract in which no new strike prices may be introduced.

918.06 PRICES AND PRICE FLUCTUATIONS

Prices shall be quoted in Dollars (\$) and cents (¢) per Climate Reserve Tonnes™ (CRT™). The minimum price fluctuation is \$0.01 per CRT. A cabinet trade may occur at a price of \$1.00 per contract, however, if it results in the liquidation of positions for both parties to the trade.

918.07 ABSENCE OF PRICE FLUCTUATION LIMITATIONS

Trading in Climate Action Reserve (CAR) Option contracts shall not be subject to price fluctuation limitations.