



Chicago Climate Exchange®

190 South LaSalle Street, Suite 800
Chicago, Illinois 60603

T 312.554.3350
F 312.554.3373

March 5, 2008

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

OFFICE OF THE SECRETARIAT

2008 MAR - 6 AM 9:11

RECEIVED
C.F.T.C.

Re: **Chicago Climate Futures Exchange, LLC**
Submission No. 08-06

Dear Mr. Stawick:

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

The Exchange is amending Rule 1403 to modify the contract specifications and list additional contract months and vintages for the Options on Sulfur Financial Instrument futures ("SFI Options").

CCFE intends to make this amendment effective as of Friday, March 7, 2008. The Exchange certifies that this amendment neither violates nor is inconsistent with any portion of the Act or of the rules thereunder.

A marked copy of the marked Rule 1403 and a revised summary of the contract specifications for SFI Options contracts are attached hereto.

Should you require additional information regarding this submission, please contact me at 312.554.0812. Please reference our submission number 08-06 in any related correspondence.

Very truly yours,

Ann M. Cresce
Senior Vice President & General Counsel

bal
enc.

cc: Riva Adriance
Martin Murray
Gregory Price

www.chicagoclimateexchange.com

CHAPTER 14
OPTIONS ON SULFUR FINANCIAL INSTRUMENT FUTURES
CONTRACT SPECIFICATIONS

1401. Scope of Chapter

This Chapter applies to trading in Options on Sulfur Financial Instrument (“SFI”) futures contracts (“SFI options”). The procedures for clearing, trading, settlement, and any other matters not specifically covered herein shall be governed by the generally applicable rules of the Exchange.

1402. Eligibility

Clearing members and Trading Privilege Holders trading in ~~Options on Sulfur Financial Instruments futures contracts~~ SFI options must have SO₂ registry accounts established with the U.S. Environmental Protection Agency (“EPA”).

1403. Contract Specifications

(a) *Contract size.* The contract size for the ~~Options options~~ calls or puts on Sulfur Financial Instrument futures contract is one (1) Sulfur Financial Instrument futures (“SFI futures”) contract which is equivalent to 25 EPA SO₂ emission allowances (“SO₂ Emission Allowances”).

(b) *Schedule.*

(i) Standard-cycle Contract Listing: The Exchange may list for trading up to thirty-six consecutive months quarterly contract months on the March quarterly cycle (March, June, September, December) as well up to eight as the nearby annual December contracts after the last listed monthly quarterly contract and the front two serial calendar months.

(ii) CCFE may list any other calendar month contract off the standard-cycle listing schedule through the last annual December contract in conjunction with a listed SFI futures contract.

(iii) The trading hours for the ~~Options on Sulfur Financial Instrument futures contract~~ SFI options shall be determined by the Exchange from time to time.

(c) *Products.* Within the front two listed contracts and the nearby December contract any listed contract, the Exchange may offer options on one or more vintage-year specific products having different delivery specifications as follows:

(i) Front-Year Vintage

- (ii) 1-Year Deferred Vintage
- (iii) 2-Year Deferred Vintage
- (iv) 3-Year Deferred Vintage
- (v) 4-Year Deferred Vintage
- (vi) 5-Year Deferred Vintage
- (vii) 6-Year Deferred Vintage
- (viii) 7-Year Deferred Vintage
- (ix) 8-Year Deferred Vintage
- (x) 9-Year Deferred Vintage
- (xi) 10-Year Deferred Vintage
- (xii) 11-Year Deferred Vintage
- (xii) 12-Year Deferred Vintage
- (xiv) Additional Deferred Vintages as determined by the Exchange

(d) *Termination of Trading (Contract Expiration).* The last day of trading of a contract is the second ~~Business day~~ Day prior to the first position day for the expiring ~~Sulfur Financial Instrument~~ SFI futures contract at the normal Trading Session closing time.

(e) *New Contract Listing.* A new standard-cycle contract month will be listed on the next Business Day following a Contract Expiration.

Effective March 7, 2008, a new standard-cycle contract month will listed on the same Business Day as a new contract listing for the underlying SFI futures contracts.

The vintage-year specific products will be listed on the same Business Day as new listings for underlying specific-year vintage product futures contracts.

(f) *Minimum Tick Increment.* The minimum tick increment of the ~~Options on Sulfur Financial Instrument futures contract~~ SFI options is \$0.05 per SO₂ Emission Allowance, which is equal to \$1.25 per contract.

(g) *Strike Prices.* Call and ~~Put~~ put options based on twenty-five strike prices in the series will be listed at the introduction of a contract. Strike prices will be listed at \$25 increments with eight listed below the at-the-money strike price and sixteen listed above the at-the-money strike price. Additional strikes will be listed on the trading day following the day a related futures contract settles for the first time above or below an existing option strike price.

The Exchange may modify the procedure for the introduction of strike prices as it deems appropriate.

- (h) *Exercise.* ~~Options on Sulfur Financial Instruments~~SFI options will have a European style exercise after the close of trading on the last trade day. ~~Option-option~~ exercise results in an underlying ~~Sulfur Financial Instrument~~SFI futures contract position in the related contract month. The exercise of a ~~Call-call~~ option will result in the buyer receiving a long position in the underlying ~~Sulfur Financial Instrument~~SFI futures contract and the seller receiving a short position in the ~~underlying Sulfur Financial Instrument~~SFI futures contract. The exercise of a ~~Put-put~~ option will result in the buyer receiving a short position in the underlying ~~Sulfur Financial Instrument~~SFI futures contract and the seller receiving a long position in the underlying ~~Sulfur Financial Instrument~~SFI futures contract.

Options on positions that are in-the-money at the close on the last day of trading are automatically exercised unless proper instructions are provided to the Clearing Service Provider's clearing system not to exercise an in-the-money options by the Clearing Service Provider's expiration deadline.

Options on positions that are at or out-of-the-money at the close on the last day of trading will automatically expire at 5:00 p.m. Central Time unless contrary instructions are provided to the Clearing Service Provider's clearing system.

~~Options on positions that are in-the-money at the close on the last day of trading are automatically exercised unless other instructions are provided to and are accepted by the Clearing Service Provider.~~

~~Options on positions that are out of the money at the close on the last day of trading will automatically expire at 5:00 p.m. Central Time absent contrary instructions that are accepted by the Clearing Service Provider.~~

- (i) *Reportable Positions.* Pursuant to Commission Regulation §15.03 and Commission Regulation Part 17, the position level that is required to be reported is any open position in ~~Options on Sulfur Financial Instrument futures~~SFI Options products at the close of trading on any trading day equal to or in excess of twenty-five contracts gross in each option quadrant. If one product within a contract month has a reportable position, all contract months' positions in the option contract and underlying futures contract must be reported.

- (j) *Position Limits.* A person may not own or control more than 4,000 contracts, equivalent to 100,000 SO₂ Emission Allowances on a net futures-equivalent basis in each nearby month expiring futures product. Commission Regulation 150.1(f) states that the futures-equivalent value of an option is determined by adjusting the option by its delta coefficient from the previous day.

Effective with the January 2008 contract and all subsequent contracts, a person may not own or control more than 8,000 contracts, equivalent to 200,000

SO₂ Emission Allowances, on a net-futures equivalent basis, in each nearby month expiring futures product.

For the purposes of this rule, the positions of all accounts for which a person directly or indirectly controls trading shall be included, as described in Rule 409(e).

The foregoing position limit shall not apply to bona fide hedge positions meeting the requirements of the Commission Regulation §1.3(z)(1) and the Rules of the Exchange.

(k) *Contract Modifications.* Specifications are fixed as of the first day of trading of a contract. If any U.S. Government agency or body issues an order, ruling, directive or law that conflicts with the requirements of these rules, such order, ruling, directive or law shall be construed to take precedence and become part of these rules, and all open and new contracts shall be subject to such government orders.

(l) *Block Trades.* Block trades shall be executed pursuant to the requirements of Rule 412. The minimum Block Trade quantity for the Options on Sulfur Financial Instrument futures contract shall be determined by the Exchange from time to time. If the Block Trade is executed as a spread or a combination, one leg must meet the minimum Block Trade quantity for the ~~Options on Sulfur Financial Instrument futures~~ SFI options contract and the other leg(s) must have a contract size that is reasonably related to the leg meeting the minimum Block Trade quantity.

(m) *Premium Payment.* The option premium must be paid by each option customer to its Clearing Member for purchased options within a reasonable time and the Clearing Member must pay the option premium to the Clearing Service Provider.



Chicago Climate Futures Exchange

**Chicago Climate Futures Exchange, LLC
Sulfur Financial Instrument Futures Options Contract Specifications**

Contract Size	One CCFE Sulfur Financial Instrument futures contract (of a specified contract month) of 25 U.S EPA SO ₂ Emission Allowances
Quotation	US dollars
Minimum Tick Increment	\$.05 per allowance = \$1.25 per contract
Symbols	SFIC, SFIP
Trading Hours	7:00 a.m. – 3:00p.m. Central Time
Strike Price Intervals	Call and put options based on twenty-five strike prices in the series will be listed at the introduction of a contract. Strike prices will be listed at \$25 increments with 8 listed below the at-the-money strike price and 16 listed above the at-the-money strike price. Additional strikes will be listed on the trading day following the day a related futures contract settles for the first time above or below an existing option strike price.
Contract Listing Cycle	<ol style="list-style-type: none"> 1. Standard-cycle contract listings: <ol style="list-style-type: none"> a. Thirty-six consecutive monthly contracts; and b. Up to eight annual December contracts 2. CCFE may list any other calendar month contract off the standard-cycle listing schedule through the last annual December contract in conjunction with a listed Sulfur Financial Instrument futures contract.
Products	<p>Within the front-two listed contracts and the nearby December contract, the Exchange may offer one or more vintage-year specific products having different delivery specifications as follows:</p> <ol style="list-style-type: none"> 1. Front-Year Vintage 2. 1-Year Deferred Vintage 3. 2-Year Deferred Vintage 4. 3-Year Deferred Vintage 5. 4-Year Deferred Vintage 6. 5-Year Deferred Vintage 7. 6-Year Deferred Vintage 8. 7-Year Deferred Vintage 9. 8-Year Deferred Vintage 10. 9-Year Deferred Vintage 11. 10-Year Deferred Vintage 12. 11-Year Deferred Vintage 13. 12-Year Deferred Vintage 14. Additional Deferred Vintages as determined by CCFE
First Trading Day	<p>Effective March 7, 2008, a new contract month will listed on the same Business Day as a new contract listing for the underlying Sulfur Financial Instrument futures.</p> <p>The vintage-year specific products will be listed on the same Business Day as new</p>

	listings for underlying specific-year vintage product futures.
Last Trading Day	The last day of trading is the second business day prior to the first position day for the expiring underlying futures contract.
Exercise	European style. Option exercise results in an underlying futures position in the related contract month. Options in-the-money at the close on the last day of trading are automatically exercised unless proper instructions are provided to the CCFE CSP's clearing system not to exercise an in-the-money options by the expiration deadline. (Instructions may also be provided to the CCFE CSP's clearing system to exercise an at or out-of-the money option.)
Expiration	Unexercised CCFE SFI futures options shall expire at 5:00 p.m. on the last day of trading.
Option Premium	The CCFE CSP will collect the full option premium from the buyer clearing member and pay the full option premium to the seller clearing member on the day of trade in accordance with CCFE CSP's procedures.
Price Limits	None
Reportable Position Limits	25 contracts gross in each option quadrant
Nearby Expiration Month Speculative Position Limits	4,000 contracts (equivalent to 100,000 U.S. EPA SO ₂ Emission Allowances) on a net futures-equivalent basis. 8,000 contracts (equivalent to 200,000 U.S. EPA SO ₂ Emission Allowances) on a net futures-equivalent basis effective with the January 2008 contract.

Contract specifications and related rules are subject to revision. If CCFE determines that revisions to the contract specifications and related rules are warranted, reasonable efforts will be taken to provide appropriate advance notification of such revisions.

This document is a summary of the CCFE contract specification rules; see the CCFE Rulebook for complete contract specification rules.