



Chicago Climate Exchange®

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March 12, 2008

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

Re: **Chicago Climate Futures Exchange, LLC
Submission No. 08-07**

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C.F.T.C.

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 the Rulebook to add new Chapter 23 regarding contract specifications for CCFE's new options on Nitrogen Financial Instrument (Annual) ("NFI-A options") futures contracts. NFI-A options will be listed for trading on the CCFE Trading Platform on March 14, 2008.

CCFE intends to make these amendments effective as of March 14, 2008. The Exchange certifies that these amendments neither violate nor are inconsistent with any portion of the Act or of the rules thereunder.

Attached hereto please find a copy of the new Chapter 23 and a summary of the Contract Specifications for NFI-A options contracts as reflected in the amended Rulebook.

Should you require additional information regarding this submission, please contact me at 312.554.0812. Please reference our submission number 08-07 in any related correspondence.

Very truly yours,

Ann M. Cresce
Senior Vice President & General Counsel

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enc.

cc: Riva Adriance
Martin Murray
Gregory Price

www.chicagoclimateexchange.com

CHAPTER 23
OPTIONS ON NITROGEN FINANCIAL INSTRUMENT
(ANNUAL) FUTURES CONTRACT SPECIFICATIONS

2301. Scope of Chapter

This Chapter applies to trading in Options on Nitrogen Financial Instrument (Annual) (“NFI-A”) futures contracts (“NFI-A 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.

2302. Eligibility

In order to make or take delivery of NFI-A options resulting from the exercise or assignment of NFI-A options, Clearing Members, Trading Privilege Holders and other market participants must open and maintain a CAIR (Clean Air Interstate Rule) Annual NOx (Nitrogen Oxide) general account established with the U.S. Environmental Protection Agency (“EPA”) CAIR Annual NOx Allowance Tracking System.

2303. Contract Specifications

(a) *Contract size.* The contract size for calls or puts on NFI-A options is one (1) Nitrogen Financial Instrument (Annual) futures (“NFI-A futures”) contract which is equivalent to 1 ton of nitrous oxide.

(b) *Schedule.*

(i) Standard-cycle Contract Listing: The Exchange may list contracts for trading up to thirty-six consecutive months as well up to four annual December contracts after the last listed monthly contract.

(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 NFI-A futures contract.

(iii) The trading hours for the NFI-A options shall be determined by the Exchange from time to time.

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

- (i) Current-Year Vintage (starting with 2009)
- (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) 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 prior to the first position day for the expiring NFI-A futures contract at the normal Trading Session closing time.

(e) *New Contract Listing.* A new standard-cycle contract month will be listed on the same Business Day as a new contract listing for the underlying NFI-A 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 NFI-A options is equal to \$0.50 per contract (\$0.50 per U.S. EPA CAIR Annual NOx Allowance).

(g) *Strike Prices.* 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 \$250 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.* NFI-A options will have a European style exercise after the close of trading on the last trade day. Option exercise results in an underlying NFI-A futures contract position in the related contract month. The exercise of a call option will result in the buyer receiving a long position in the underlying NFI-A futures contract and the seller receiving a short position in the NFI-A futures contract. The exercise of a put option will result in the buyer receiving a short position in the underlying NFI-A futures contract and the seller receiving a long position in the underlying NFI-A 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 option 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.

(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 NFI-A 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 5,000 contracts, equivalent to 5,000 U.S. EPA CAIR Annual NOx 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.

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 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 Nitrogen Financial Instrument (Annual) 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 NFI-A 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, LLC
Nitrogen Financial Instrument (Annual) Futures Options Contract Specifications**

Contract Size	One CCFE Nitrogen Financial Instrument (Annual) futures contract (of a specified contract month)
Quotation	US dollars
Minimum Tick Increment	\$0.50 per ton = \$0.50 per contract
Symbols	NFI-AC, NFI-AP
Trading Hours	7:00 a.m. – 3:00 p.m. U.S. 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 \$250 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 <ol style="list-style-type: none"> a. May list up to thirty-six consecutive contract months; and b. Up to four annual December contracts after the last listed monthly contract 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 Nitrogen Financial Instrument (Annual) 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. Current Year Vintage (starting with 2009) 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. Additional Deferred Vintages as determined by CCFE
First Trading Day	A new contract month will listed on the same Business Day as a new contract listing for the underlying Nitrogen Financial Instrument (Annual) 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 out-of-the money option.)

Expiration	Unexercised CCFE NFI-A futures options shall expire at 5:00 P.M. U.S. Central Standard Time 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 procedures.
Price Limits	No daily price limits
Reportable Position Limits	25 contracts gross in each option quadrant
Nearby Expiration Month Speculative Position Limits	5,000 contracts, equivalent to 5,000 U.S. EPA CAIR Annual NOx Emission Allowances, on a net futures-equivalent basis.

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

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