



Chicago Climate Exchange®

190 South LaSalle Street, Suite 800  
Chicago, Illinois 60603

T 312.554.3350  
F 312.554.3373

September 25, 2008

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

Re: **Chicago Climate Futures Exchange, LLC**  
**Submission No. 08-24**

OFC OF THE SECRETARY  
SEP 26 AM 9:12

Dear Mr. Stawick:

Pursuant to Section 5c(c)(1) of the Commodity Exchange Act, as amended (the "Act") and Parts 40.6 of the regulations promulgated by the Commodity Futures Trading Commission ("CFTC") under the Act, Chicago Climate Futures Exchange, LLC ("CCFE") hereby amends its rules to clarify the contract specifications for the Regional Greenhouse Gas Initiative ("RGGI") futures contract, Options on RGGI futures contract ("RGGI Options"), and Options on RGGI Mid-Month Expiration futures contract ("RGGI-MME Options").

CCFE intends to make these amendments effective as of September 27, 2008. The Exchange certifies that these amendments neither violate nor are inconsistent with any portion of the Act or of the rules thereunder.

A marked copy of amended Chapters 25, 26 & 27 are attached hereto.

Should you require additional information regarding this submission, please contact me at 312.554.0812. Please reference our submission number 08-24 in any related correspondence.

Very truly yours,

Ann M. Cresce  
Senior Vice President & General Counsel

bal  
enc.

cc: Tom Leahy  
Martin Murray  
Gregory Price  
Kevin Pepple

[www.chicagoclimatexchange.com](http://www.chicagoclimatexchange.com)

**CHAPTER 26**  
**REGIONAL GREENHOUSE GAS INITIATIVE FUTURES**  
**CONTRACT SPECIFICATIONS**

**2601. Scope of Chapter**

This Chapter applies to trading in the Regional Greenhouse Gas Initiative (“RGGI”) futures contract. 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.

**2602. Eligibility**

Clearing members and Trading Privilege Holders trading in Regional Greenhouse Gas Initiative futures contracts must have a RGGI CO<sub>2</sub> Allowance Tracking System (“COATS”) account established with the RGGI CO<sub>2</sub> Budget Trading Program.

**2603. Contract Specifications**

(a) *Contract Value.* The contract size for a RGGI futures contract is equal to 1,000 RGGI CO<sub>2</sub> allowances representing 1,000 short tons of carbon dioxide.

(b) *Schedule.*

(i) Standard-cycle Contract Listing (“Contract”). The Exchange may list for trading up to 16 consecutive quarterly contracts on a March quarterly cycle (March, June, September, December); up to 48 consecutive monthly contracts; and up to 12 annual December contracts.

CCFE may list any other calendar month contract off the standard-cycle listing schedule through the last annual December contract.

(ii) The trading hours for the RGGI Contract shall be determined by the Exchange from time to time.

(c) *Products.* Within any listed contract, CCFE may offer one or more vintage specific products having different delivery specifications as follows:

- (i) Control Period Specific Vintage
- (ii) Front-Year Vintage
- (iii) 1-Year Deferred Vintage
- (iv) 2-Year Deferred Vintage
- (v) 3-Year Deferred Vintage

- (vi) 4-Year Deferred Vintage
- (vii) Additional Deferred Vintages as determined by CCFE
- (viii) Any Previous Deferred Vintages available in the RGGI

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(d) *Termination of Trading (Contract Expiration).* A Contract expires on the last business day of the expiration month.

(e) *New Contract Listing.* A new standard-cycle Contract will be listed on the first business day following an expiration of a standard-cycle contract.

(f) *Minimum Tick Increment.* The minimum tick increment is \$0.01 per RGGI CO<sub>2</sub> allowance, which is equal to \$10.00 per contract.

(g) *Reportable Position.* 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 the RGGI Contracts at the close of trading on any trading day equal to or in excess of 25 contracts net long or short.

If one (1) product within a Contract has a reportable position, all Contracts' positions must be reported.

(h) *Position Limits.* A person may not own or control more than 1,000 contracts, equivalent to 1,000,000 RGGI CO<sub>2</sub> allowances, on a net-futures equivalent basis for RGGI futures, RGGI options on futures, and RGGI options on mid-month expiration futures, 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(f).

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.

(i) *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 positions in the Contracts shall be subject to such government orders.

(j) *Daily Price Limits.* None

(k) *Exchange of Future for Physical.* There is no minimum size for an Exchange of Future for Physical transaction with respect to RGGI futures

contracts. The Exchange of Future for Physical must meet all requirements of, and must be reported to the Exchange in accordance with, Rule 411.

(l) *Block Trades.* Pursuant to Rule 412(a)(i), the minimum Block Trade quantity for the RGGI 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 RGGI futures contract and the other legs(s) must have a contract size that is reasonably related to the leg meeting the minimum Block Trade quantity. The Block Trade must meet all requirements of, and must be reported to the Exchange in accordance with, Rule 412.

#### **2604. Settlement Price Calculations**

Contract month settlement prices will be based on the following criteria:

- (a) A single traded price during the pre-close.
- (b) If more than one trade occurs during the pre-close, the trade volume weighted average of the prices, rounded to the nearest tick.
- (c) If no trade occurs during the pre-close, the following will be given consideration:
  - (v) the volume weighted average of the last two trade prices, rounded to the nearest tick;
  - (vi) the mid-point between the best bid and offer (volume weighted) in the pre-close, rounded to the nearest tick;
  - (vii) spread price relationships; and
  - (viii) time value between the contract months.
- (d) The Exchange reserves the right to take into account other factors in determining settlement prices.

#### **2605. Error Trades**

Due to Trading Platform technical matters, RGGI futures contracts will initially and temporarily appear on the Trading Platform under the de-listed commodity name European Carbon Financial Instrument futures and CCFE ECFI futures. An electronic mail confirmation of each trade will be sent by CCFE to parties of the trade when it is posted. Should an error occur during this temporary period due to a Clearing Member or TPH not realizing a bid or offer was made or hit that resulted in a RGGI Futures contract transaction rather than ECFI futures, CCFE may investigate the circumstances of the trade, and may, in CCFE's discretion, determine to bust the trade in question. An investigation to consider busting a trade under this circumstance will occur only if the Clearing Member or TPH directly requests CCFE to investigate the trade in question no later than 15

minutes after receipt of the electronic mail confirmation of the trade. The investigation will include, but is not limited to, CCFE's prior contact with the Clearing Member or TPH regarding the RGGI futures contract listing and temporary Trading Platform, the Clearing Member or TPH's use of the ECFI futures market and the RGGI futures market and price information. All other error trades will be handled as per Rule 414.

#### **2606. Deliverable Instruments**

RGGI CO<sub>2</sub> allowances equal to the contract size.

*(a) Contracts with a Control Period Specific vintage*

RGGI CO<sub>2</sub> allowances acceptable for delivery are those having a vintage usable for compliance in the Control Period, as defined by RGGI, associated with the calendar year of the contract expiration or allowances having a vintage usable for compliance in any prior control period.

*(b) Contracts with a Specified Vintage-Year.*

RGGI CO<sub>2</sub> allowances acceptable for delivery are allowances having a vintage corresponding to the specified vintage year.

#### **2607. Delivery Procedures**

(a) Delivery is a three day process consisting of Position Day, Notice Day, and Delivery Day occurring over three consecutive Business Days.

*(i) Position Day.* The first Business Day following a RGGI futures contract's expiration day is the day that Clearing Members must report their long futures positions and tender delivery notices to the Clearing Service Provider.

*(ii) Notice Day.* On the Business Day after the Position Day, the Clearing Service Provider will make the appropriate delivery assignments. The seller Clearing Member must provide to the buyer Clearing Member(s) a description of the underlying RGGI allowances to be delivered. The buyer Clearing Member(s) provides RGGI COATS account information to the seller Clearing Member. The information exchange is to be completed by 4:00 p.m. U.S. Central Time. The seller Clearing Member must ensure the appropriate RGGI allowances are on deposit in its or its customer's RGGI-COATS registry account by 5:00 p.m. U.S. Central Time.

*(iii) Delivery Day.* CCFE Clearing Service Provider will issue payment instructions to the respective buyer clearing member for the full contract value based upon the expiration day's settlement price in a means and manner prescribed by the Clearing Service Provider. By 3:00 p.m. U.S. Central Time, the Seller Clearing Member must ensure that it or its customer has electronically submitted the RGGI instrument transfer instructions via the RGGI-COATS system. The seller Clearing Member must forward the confirmation of the RGGI instrument transfer to the Clearing Service Provider as verification that the delivery has been completed.

*(b) Payment.* The Clearing Service Provider will release the delivery proceeds to the Seller Clearing Member upon receipt of the "CCFE Receipt of Delivery Confirmation" from the buying Clearing Member.

#### **2608. Validity of Documents**

The Exchange makes no representation regarding the authenticity, validity or accuracy of any delivery tender notice, description of underlying RGGI CO<sub>2</sub> allowance transfer instructions, RGGI confirmation of transfer or other document or instrument delivered pursuant to these rules.

**CHAPTER 27**  
**OPTIONS ON REGIONAL GREENHOUSE GAS INITIATIVE FUTURES**  
**CONTRACT SPECIFICATIONS**

**2701. Scope of Chapter**

This Chapter applies to trading in Options on Regional Greenhouse Gas Initiative (“RGGI”) futures contracts (“RGGI 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.

**2702. Eligibility**

In order to make or take delivery of RGGI CO<sub>2</sub> allowances resulting from the exercise or assignment of RGGI options, Clearing Members, Trading Privilege Holders, and other market participants must have a RGGI CO<sub>2</sub> Allowance Tracking System (“COATS”) account established with the RGGI CO<sub>2</sub> Budget Trading Program.

**2703. Contract Specifications**

(a) *Contract size.* The contract size for calls or puts on RGGI options is one (1) RGGI futures contract which is equivalent to 1,000 RGGI CO<sub>2</sub> allowances.

(b) *Schedule.*

(i) *Standard-cycle Contract Listing:* The Exchange may list for trading up to 16 consecutive quarterly contract months on the March quarterly cycle (March, June, September, December) as well as up to 48 consecutive monthly contracts and up to 16 annual December contracts.

(ii) CCFE may list any other calendar month contract off the standard-cycle listing schedule through the last annual December contract.

(iii) The trading hours for the RGGI options contract shall be determined by the Exchange from time to time.

(c) Within any listed contract, CCFE may offer options on one or more vintage specific products having different delivery specifications as follows:

- (i) Control Period Specific Vintage
- (ii) Front-Year Vintage
- (iii) 1-Year Deferred Vintage
- (iv) 2-Year Deferred Vintage
- (v) 3-Year Deferred Vintage

- (vi) 4-Year Deferred Vintage
- (vii) Additional Deferred Vintages as determined by CCFE
- (viii) Any Previous Deferred Vintages available in the RGGI

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(d) *Termination of Trading (Contract Expiration)*. The last day of trading of a contract is the second business day prior to the last trading day for the expiring RGGI futures contract.

(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 RGGI futures contract.

(f) *Minimum Tick Increment*. The minimum tick increment of the RGGI options contract is \$0.01 per RGGI CO<sub>2</sub> allowance, which is equal to \$10.00 per contract.

(g) *Strike Prices*. Call and put options based on up to 25 strike prices in the series will be listed at the introduction of a contract. Strike prices will be listed at \$0.50 increments with up to eight (8) listed below the at-the-money strike price and up to 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.

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

(h) *Exercise*. RGGI options will have a European style exercise after the close of trading on the last trade day. Option exercise results in an underlying RGGI 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 RGGI futures contract and the seller receiving a short position in the underlying RGGI futures contract. The exercise of a put option will result in the buyer receiving a short position in the underlying RGGI futures contract and the seller receiving a long position in the underlying RGGI 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 not to exercise in-the-money options are provided and accepted by the Clearing Service Provider's clearing system 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 RGGI option products at the close of trading on any trading day equal to or in excess of 25 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 1,000 contracts, equivalent to 1,000,000 RGGI CO<sub>2</sub> allowances on a net futures-equivalent basis for RGGI futures, RGGI options on futures, and RGGI options on mid-month expiration futures 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(f).

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 RGGI options 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 RGGI options contract and the other legs(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.

**CHAPTER 28**  
**OPTIONS ON REGIONAL GREENHOUSE GAS INITIATIVE FUTURES**  
**MID-MONTH EXPIRATION CONTRACT SPECIFICATIONS**

**2801. Scope of Chapter**

This Chapter applies to trading in Options on Regional Greenhouse Gas Initiative (“RGGI”) Mid-Month Expiration futures contracts (“RGGI-MME 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.

**2802. Eligibility**

In order to make or take delivery of RGGI CO<sub>2</sub> allowances resulting from the exercise or assignment of RGGI-MME options, Clearing Members, Trading Privilege Holders, and other market participants must have established RGGI CO<sub>2</sub> Allowances Tracking System (“RGGI-COATS”) accounts.

**2803. Contract Specifications**

(a) *Contract size.* The contract size for calls or puts on RGGI-MME options is one (1) RGGI futures contract which is equivalent to 1,000 RGGI CO<sub>2</sub> allowances.

(b) *Schedule.*

(i) Standard-cycle Contract Listing: The Exchange may list for trading up to sixteen consecutive quarterly contract months on the March quarterly cycle (March, June, September, December) as well as up to forty-eight consecutive monthly contracts and up to ~~sixteen~~twelve annual December contracts.

(ii) CCFE may list any other calendar month contract off the standard cycle listing schedule through the last annual December contract.

(iii) The trading hours for the RGGI-MME options contract shall be determined by the Exchange from time to time.

(c) Within any listed contract, CCFE may offer Mid-Month Expiration options on one or more vintage specific products having different delivery specifications as follows:

(i) Control Period Specific Vintage

(ii) Front-Year Vintage

(iii) 1-Year Deferred Vintage

(iv) 2-Year Deferred Vintage

(v) 3-Year Deferred Vintage

(vi) 4-Year Deferred Vintage

(vii) Additional Deferred Vintages as determined by CCFE

(viii) Any Previous Deferred Vintages available in RGGI-COATS

(ed) *Termination of Trading (Contract Expiration)*. The last day of trading of a contract is the 15<sup>th</sup> calendar day of the contract month. If the 15<sup>th</sup> calendar day is a non-business day, then the last trading day of the contract will be the first business day prior to the 15<sup>th</sup> calendar day.

(de) *New Contract Listing*. A new standard-cycle contract month will be listed on the first Business Day following an expiration day of standard-cycle contract.

(ef) *Minimum Tick Increment*. The minimum tick increment of the RGGI-MME options contract is \$0.01 per RGGI CO<sub>2</sub> allowances, which is equal to \$10.00 per contract.

(fg) *Strike Prices*. Call and put options based on up to twenty-five strike prices in the series will be listed at the introduction of a contract. Strike prices will be listed at \$0.50 increments with up to eight listed below the at-the-money strike price and up to 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.

(gh) *Exercise*. RGGI-MME options will have a European style exercise after the close of trading on the last trade day. Option exercise results in an underlying RGGI 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 RGGI futures contract and the seller receiving a short position in the underlying RGGI futures contract. The exercise of a put option will result in the buyer receiving a short position in the underlying RGGI futures contract and the seller receiving a long position in the underlying RGGI 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 not to exercise in-the-money options are provide and accepted by the Clearing Service Provider's clearing system 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 absent contrary instructions that are provided to the Clearing Service Provider's clearing system.

(hi) *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 RGGI option 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.

(~~ij~~) *Position Limits.* A person may not own or control more than 1,000 contracts, equivalent to 1,000,000 RGGI CO<sub>2</sub> allowances on a net futures-equivalent basis for RGGI futures, RGGI options on futures, and RGGI options on mid-month expiration futures 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.

(~~jk~~) *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.

(~~kl~~) *Block Trades.* Block trades shall be executed pursuant to the requirements of Rule 412. The minimum Block Trade quantity for the RGGI-MME options 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 RGGI-MME options contract and the other legs(s) must have a contract size that is reasonably related to the leg meeting the minimum Block Trade quantity.

(~~lm~~) *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.