

November 14, 2012

**VIA E-MAIL**

Ms. Sauntia Warfield  
Office of the Secretariat  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21st Street, N.W.  
Washington, DC 20581

**RE: Regulation 40.6(a). New York Mercantile Exchange, Inc.  
Submission # 12-387: Revisions to Five (5) NYMEX Physically-Delivered Energy  
Futures Product Chapters and Twenty-One (21) NYMEX Environmental Futures and  
Options on Futures Product Chapters**

Dear Ms. Warfield:

New York Mercantile Exchange, Inc. ("NYMEX" or the "Exchange") is self-certifying revisions to twenty-one (21) NYMEX Environmental futures and options on futures product chapters as well as the following five physically-delivered NYMEX energy futures product chapters:

- Chapter 150 – New York Harbor ULSD Heating Oil Futures ("HO")
- Chapter 191 – RBOB Gasoline Futures ("RB")
- Chapter 200 – Light Sweet Crude Oil Futures ("CL")
- Chapter 220 – Henry Hub Natural Gas Futures ("NG")
- Chapter 1156 – Henry Hub Natural Gas Last Day Physically-Delivered Futures ("MNG")

The revisions will become effective on November 30, 2012, and are being adopted to ensure the Exchange's rules are in compliance with CFTC Core Principle 7 ("Availability of General Information") which requires DCMs make available to the public, accurate information concerning the contract market's rules and regulations, contracts and operations. Correspondingly, the goal of the NYMEX Rulebook Harmonization Project is to eliminate old, erroneous and obsolete language, ensure the accuracy of all listed numerical values (e.g, trading units, tick sizes, etc.) and harmonize the language and structure of the NYMEX product chapters with the product chapters of Chicago Mercantile Exchange Inc. ("CME") and the Board of Trade of the City of Chicago, Inc. ("CBOT") to the best extent possible. This exercise was already completed for the CBOT product chapters in 2008, in connection with the CME/CBOT merger, and a similar review was recently completed for the CME product chapters. Revisions to additional NYMEX and Commodity Exchange, Inc. ("COMEX") product chapters will be forthcoming in 2013.

While many revisions are stylistic in nature, the substantive revisions to the five energy futures chapters, which are attached in Exhibits A (HO, RB, CL, NG) and B (MNG), include the following changes:

- Clarified and in certain instances corrected references to clearing member and position holder;
- Updated name of owner of pipelines or pipeline streams;
- Inserted boilerplate language referencing position limits, exemptions, accountability levels and reportable levels, directing the reader to the Position Limits, Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5 and related rules (harmonized with CME product chapters);
- Removed references to “no appeal” with regard to deliveries (inconsistent with Exchange rules);
- Removed references to posting of additional margin from product chapters (covered in Exchange rules);
- Removed references to Force Majeure and disciplinary procedures (covered in Exchange rules);
- Removed references to Advisory Committee (obsolete);
- Incorporated references to EFP/EFS transactions into the Termination of Trading rule and eliminated the rule specific to such transactions as a stand-alone rule in the product chapters;
- Removed Trading in Spreads rule (covered in Exchange rules);
- Removed references to petroleum delivery committee (obsolete);
- Removed references to arbitration procedures (obsolete);
- Removed “Late Performance” and Failure to Perform” clauses (covered in the Exchange rules);
- NG only – removed inspection clause upon confirmation from the pipeline that inspection cannot be conducted on pipeline (obsolete and unnecessary); extended the deadline (more reasonable) for notification to the other party of clearance/non clearance;
- HO only – added missing language pertaining to procedures in the event payment was not received by seller (150106F);
- HO and RB only – removed references to “truck delivery” (not applicable); kept Late Performance surcharges and added rule language allowing for a party to contest the surcharge; and
- MNG only – replaced long and short position holder with buyer and seller; replaced position limits section of the chapter with boilerplate language referencing Exchange Chapter 5 (see third bullet point on pg. 1)

Furthermore, revisions to the Environmental product chapters, which are attached in Exhibit C, include the following changes:

- Replaced reference to Chapter “7” with Chapter “7B”;
- Replaced position limits section of the rule with boilerplate language referencing Exchange Chapter 5; and
- Corrected “Type Option” rule to reflect that the options exercise into the underlying futures instead of cash settlement consistent with the “Trading Unit” rule for the options.

The Market Regulation Department and the Legal Department collectively reviewed the DCM Core Principles as set forth in the Commodity Exchange Act (“Act”). During the review, the Exchange has identified that the changes described above may have some bearing on the following Core Principles:

Compliance with Rules: The changes resulted from a comprehensive review of the existing product chapters, with the goal that the product chapters be completely accurate and for the most part harmonized across products and CME Group Inc. subsidiary exchanges as a result of the revisions.

Product terms and conditions were reviewed to ensure accuracy and obsolete and inaccurate information was modified or removed.

Position Limitations or Accountability: This Core Principle requires the DCM to adopt for each contract, as necessary and appropriate, position limitations or position accountability for speculators. A boilerplate rule titled "Position Limits, Exemptions, Position Accountability and Reportable Levels," which references generic position limit language, was added for harmonization purposes and to direct the reader to the Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of NYMEX Chapter 5 and related rules.

Availability of General Information: These revised NYMEX product chapters are part of a larger Core Principle 7 project undertaken to ensure that the product chapters are accurate and remain in compliance with Core Principle 7. The revised product chapters will be disseminated to the marketplace via the issuance of a Special Executive Report and will highlight any changes deemed material.

The text of the product chapters set forth in Exhibit A are, as previously discussed with the CFTC, being provided in clean copy only, while the product chapters in Exhibits B and C reflect amendments in black line format (additions underscored and deletions overstruck).

The Exchange certifies that the revisions in Exhibits A, B and C comply with the Act and regulations thereunder. There were no substantive opposing views to these proposals.

The Exchange certifies that this submission has been concurrently posted on the Exchange's website at <http://www.cmegroup.com/market-regulation/rule-filings.html>.

If you have any questions regarding this submission, please contact Robert Sniegowski, Market Regulation, at 312.341.5991 or via email at [Robert.Sniegowski@cmegroup.com](mailto:Robert.Sniegowski@cmegroup.com), or Nadine Brown, Research & Product Development, at 212.299.2223 or via email at [Nadine.Brown@cmegroup.com](mailto:Nadine.Brown@cmegroup.com). In the alternative, you may contact the undersigned at 312.930.8167 or via email at [Sean.Downey@cmegroup.com](mailto:Sean.Downey@cmegroup.com). Please reference NYMEX Submission No. 12-387 in any related correspondence.

Sincerely,

/s/ Sean Downey  
Director & Assistant General Counsel

Enclosures:

Exhibit A (clean) – Revisions to NYMEX Physically-Delivered Core Product Chapters (HO, RB, CL, NG)  
Exhibit B (black line) – Revisions to NYMEX Chapter 1156 (MNG)  
Exhibit C (black line) – Revisions to NYMEX Environmental Product Chapters (1250-1264, 1269-1274)

# Exhibit A

## Chapter 150 New York Harbor ULSD Heating Oil Futures

### 150100. SCOPE OF CHAPTER

This chapter is limited in application to New York Harbor ULSD Heating Oil futures. The procedures for trading, clearing, delivery and settlement not specifically covered herein or in Chapter 7B shall be governed by the general rules of the Exchange.

The provisions of these rules shall apply to all heating oil bought or sold for future delivery on the Exchange with delivery in New York Harbor.

The terms "seller" and "buyer" shall mean the seller of the physical product and the buyer of the physical product, respectively.

The term "contract value" shall mean the amount equal to the settlement price on the last day of trading in a futures contract times 42,000 times the number of contracts to be delivered.

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

### 150101. CONTRACT SPECIFICATIONS

The term "ASTM" refers to the American Society for Testing Materials.

#### **150101.A Grade and Quality Specifications through April 2013 Contract Month - No. 2 Heating Oil**

The oil shall be a hydrocarbon oil free from alkali, mineral acid, grit, fibrous or other foreign matter and shall meet the following physical and chemical properties.

The term "API" refers to the American Petroleum Institute.

The term "DuPont" refers to Petroleum Chemical Division, E.I. DuPont de Nemours & Company (Inc.), Petroleum Laboratory Test Methods.

1. Gravity: API 30 degrees Fahrenheit minimum (ASTM Test Method D-287)
2. Flash: 130 degrees Fahrenheit minimum (ASTM Test Method D-93)
3. Viscosity: Kinematic, Centistokes at 100 degrees Fahrenheit, minimum 2.0, maximum 3.6 (ASTM Test Method D-445)
4. Water and Sediment: .05% maximum (ASTM Test Method D-1796 or D-2709)
5. Pour Point: 0 degrees Fahrenheit maximum for contract months September through March; 10 degrees Fahrenheit maximum for contract months April through August, (ASTM Test Method D-97)
6. Distillation: 10% Point, 480 degrees Fahrenheit maximum; 90% Point, 640 degrees Fahrenheit maximum, End Point 690 degrees Fahrenheit maximum (ASTM Test Method D-86)
7. Sulfur: 0.20% maximum (ASTM Test Method D-129, D-1552, D-1266, D-2622 or D-4294)
8. Stability: (i) Thermal Stability: 90 minutes 300 degrees Fahrenheit Pad rating 7 maximum (DuPont Test Method); or (ii) Oxidation Stability: mg/100ml., 2.5 maximum (ASTM Test Method D-2274);
9. Haze Rating: 25 degrees Celsius (77 degrees Fahrenheit), Procedure 2, 2 maximum (ASTM Test Method D-4176);
10. Carbon Residue: Weight% on 10% Bottom, 0.35 maximum (ASTM Test Method D-524 or D-4530);
11. Ash: 0.01 wt. % maximum (ASTM Test Method D-482);
12. Corrosion: 3 hours 50 degrees Celsius (122 degrees Fahrenheit), 1 maximum (ASTM Test Method D-130).
13. Cloud Point: 15 degrees Fahrenheit maximum for contract months September through March; 20 degrees Fahrenheit maximum for contract months April through August. (ASTM Test Method D-2500)
14. Dye: All heating oil delivered against this contract, regardless of sulfur content, shall be dyed in satisfaction of the dyeing requirements as prescribed by the Internal Revenue Service (IRS) for tax-free sales or uses of diesel fuel (using the Petro Spec dye analyzer or the IRS Test Method), pursuant to Section 4082 of the Internal Revenue Code of 1986, as amended.

### **150101.B. Grade and Quality Specification Effective with the May 2013 Contract Month and Beyond – Ultra Low Sulfur Diesel**

The oil delivered shall be a hydrocarbon oil free from alkali, mineral acid, grit, fibrous or other foreign matter, meeting the "Delivery" specifications of the Colonial Pipeline's Fungible Grade 61 for Ultra Low Sulfur Diesel, and being properly designated for sale in New York Harbor in accordance with U.S. Environmental Protection Agency (EPA) regulations. Delivery test results may vary by the smaller of ASTM reproducibility for a given test or any test tolerance as allowed for downstream parties by state or EPA regulations at the point of delivery.

## **150102.**

### **TRADING SPECIFICATIONS**

Trading in New York Harbor ULSD Heating Oil futures is regularly conducted in all calendar months. The number of months open for trading at a given time shall be determined by the Exchange.

#### **150102.A. Trading Schedule**

The hours for trading shall be determined by the Exchange.

#### **150102.B. Trading Unit**

The contract unit shall be 42,000 U.S. gallons (1,000 U.S. barrels). Except for a delivery made by book transfer or stock transfer pursuant to Section 106, a loading tolerance of two percent (2%) above or below (1,020 U.S. barrels or 980 U.S. barrels) the contract unit is permitted. The volume delivered shall be determined at 60 degrees Fahrenheit using ASTM. Standard D-1250, Table 6B.

#### **150102.C. Price Increments**

The minimum fluctuation shall be \$0.0001 (0.01¢) per gallon. Prices shall be quoted in dollars and cents per gallon.

#### **150102.D. Special Price Fluctuation Limits**

1. Initial Price Fluctuation Limits for All Contract Months. At the commencement of each trading day, there shall be price fluctuation limits in effect for each contract month of this futures contract of \$0.25 per gallon above or below the previous day's settlement price for such contract month.
2. (a) Triggering Event and Temporary Trading Halt. If a market for any of the first three (3) contract months is bid or offered on Globex<sup>®</sup> at the upper or lower price fluctuation limit, as applicable, it will be considered a Triggering Event which will halt trading for a five (5) minute period ("Temporary Trading Halt") in all contract months of the New York Harbor ULSD Heating Oil futures contract, as well as all contract months in all products cited in the Associated Products Appendix of this rule. Trading in any option related to this contract or in an option contract related to any products cited in the Associated Products Appendix which may be available for trading on either Globex or on the trading floor, shall additionally be subject to a coordinated Temporary Trading Halt.  

(b) Expansion of Limits Following Temporary Trading Halt. Following the end of the 5-minute Temporary Trading Halt, the affected markets shall re-open simultaneously in all contract months of these futures contracts. When trading resumes, price fluctuation limits for each contract month shall be expanded an additional increment of the price fluctuation limits, above and below the previous day's settlement price for each contract month in the affected contracts on Globex and on the trading floor (as applicable).

(c) Each instance in which a Triggering Event occurs, a Temporary Trading Halt will commence as provided in Sections 102.D.2(a) and 102.D.2(b) above and the price fluctuation limits for all contract months shall be expanded by an additional increment of the price fluctuation limits for New York Harbor ULSD Heating Oil futures as well as all products cited in the Associated Products Appendix of this rule.

(d) End of Day Lifting of Price Fluctuation Limits. On any Exchange business day, regardless of any prior action concerning price fluctuation limits during the trading session, commencing sixty (60) minutes before the close of the Regular Trading Hours (RTH) session, there shall be no price fluctuation limits on any contract month in New York Harbor ULSD Heating Oil futures or in any products cited in the Associated Products Appendix of this rule. The Price Fluctuation Limits shall be reinstated after the close of RTH for trading on Globex and shall be in effect through to the conclusion of the current trading day's Globex trading session.
3. Price Fluctuation Limits on the Trading Floor (Floor Trading)

(a) The price fluctuation limits cited in Section 102.D.1. of this rule shall be applicable on the trading floor. All markets on the trading floor shall be limited to trading at these price levels (locked limit); however, such trading shall not constitute a Triggering Event for purposes of a Temporary Trading Halt.

(b) In all instances when a Triggering Event in New York Harbor ULSD Heating Oil futures occurs on Globex, floor trading in New York Harbor ULSD Heating Oil futures and any products cited in the Associated Products Appendix of this rule shall immediately halt. Additionally, trading in any option related to this contract, or in an option contract related to any products cited in the Associated Products Appendix, shall be subject to a coordinated trading halt.

(c) Whenever Globex markets are re-opened with expanded price limits pursuant to the provisions of Section 102.D.2, affected markets on the trading floor shall simultaneously re-open with the expanded limits in place.

4. Associated Products Appendix

CL	Light Sweet Crude Oil Futures
HO	New York Harbor ULSD Heating Oil Futures
RB	RBOB Gasoline Futures
QM	E-mini Crude Oil Futures
QH	E-mini Heating Oil Futures
QU	E-mini RBOB Gasoline Futures
WS	Crude Oil Financial Futures
RT	RBOB Gasoline Financial Futures

**150102.E. Position Limits, Exemptions, Position Accountability and Reportable Levels**

The applicable position limits and/or accountability levels, in addition to the reportable levels, are set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5.

A Person seeking an exemption from position limits for bona fide commercial purposes shall apply to the Market Regulation Department on forms provided by the Exchange, and the Market Regulation Department may grant qualified exemptions in its sole discretion.

Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.

**150102.F. Termination of Trading**

No trades in New York Harbor ULSD Heating Oil futures in the expiring contract month shall be made after the last business day of the month preceding the delivery month for such expiring contract. Any contracts remaining open after the last day of trading must be either:

- (a) Settled by delivery which shall begin no earlier than the day after the fifth business day of the delivery month or later than the last day prior to the last business day of the delivery month and shall be completed no later than the last business day of the delivery month; or
- (b) Liquidated by means of a bona fide Exchange for Related Position ("EFRP") pursuant to Rule 538. An EFRP is permitted at any time before 2:00 p.m. on the first business day following termination of trading in an expired futures contract, provided, however, that an EFRP which establishes a futures position for either the buyer or the seller shall not be permitted on the first business day following the expired contract.

**150103. PRODUCT IN TANK**

The seller shall have a quantity and quality of product in tank at one or more eligible delivery facilities in accordance with the inspection requirements under Section 104 prior to the first day of the consecutive five-day period for initiation of delivery identified by the buyer in the Initial Delivery Instructions. The obligation to have product in tank, as prescribed in this rule, shall constitute a "material act with respect to a delivery obligation".

**150104. INSPECTION**

1. The buyer's clearing member shall notify the seller's clearing member in the Initial Delivery Instructions that a grade and quality or quantity inspection is requested. The seller shall initiate inspection of the product to be delivered 24 hours prior to the nominated time and date specified in the delivery instructions. The buyer's clearing member may request the tests for

any or all grade and quality specifications for the stated product in accordance with Section 101. The buyer's clearing member may request a quantity inspection for all deliveries. The buyer's clearing member shall require a quantity inspection for delivery by barge, tanker or inter-facility transfer (pump-over). If the buyer's clearing member does not request a quantity inspection, the seller's clearing member may request such inspection.

2. If a buyer's clearing member requests grade and quality or quantity inspection, or if a seller's clearing member requests a quantity inspection, the inspection company listed in the Initial Delivery Instructions shall perform the inspection, unless an alternate inspection company is appointed pursuant to Section 106.A.3.
3. If the product meets grade and quality specifications, the buyer and seller shall share equally in the cost of inspection. If the product does not meet grade and quality specifications, the seller shall pay the cost of inspection. The cost of verifying the quantity of product transferred shall be shared equally by buyer and seller.
4. If the product does not meet grade and quality specifications, or if product is added to the tendered tank(s) after the inspection is conducted, the seller, at its own expense, shall initiate a second inspection, performed by the same inspection company as the initial inspection. Seller shall furnish the results of the second inspection to the buyer no later than the nominated time and date of pickup. If the product does not meet grade and quality specifications in the second inspection, within one business day of receipt of the report by the Exchange, the Exchange shall review the delivery if necessary, pursuant to the procedures set forth in Chapter 7B.
5. The inspection company shall not be affiliated with the parties to the delivery. The inspection company must be capable of performing the quantity or quality tests requested by the buyer's clearing member or seller's clearing member in such a manner so as to assure that the product delivered conforms with these rules. The inspection company shall determine the quantity or quality of product transferred by using the prevailing practices of the facility transferring the product in effect at the time of delivery.
6. Upon request from the Exchange, the buyer's clearing member and the seller's clearing member shall deliver to the Exchange a copy of all reports of the inspection company when they are received.
7. The buyer, at its own discretion and expense, may request in the Initial Delivery Instructions that the seller perform an additional inspection, called pre-inspection, for quality and quantity on the total amount to be delivered in the five-day delivery period specified in the Initial Delivery Instructions. The seller shall initiate pre-inspection 24 hours prior to the first day of the consecutive five-day period for delivery. Pre-inspection shall be performed by the same inspection company as indicated in the Initial Delivery Instructions. If the product does not meet grade and quality specifications in the pre-inspection, the seller, at its own expense, shall initiate a second pre-inspection, performed by the same inspection company as the initial pre-inspection. Seller shall furnish the results of the second pre-inspection to the buyer prior to the first day of the consecutive five-day delivery period.
8. Notwithstanding the above, for purposes of this rule, the dye specification referenced in Section 101.A.14. need not be met at the time of inspection or pre-inspection. However, it must be met by seller at seller's cost and as prescribed by the Internal Revenue Service (IRS) for tax-free sales or uses of diesel fuel prior to completion of delivery.

## **150105.**

### **DELIVERY**

Delivery shall be made free-on-board ("F.O.B.") seller's ex-shore facility in New York Harbor with all duties, entitlements, taxes, fees and other charges imposed prior to, or as a result of, delivery paid by the seller. Delivery shall be made in accordance with applicable Federal, State and local laws. Buyer shall reimburse seller for any heating oil tax as had been or will be paid by the seller. At buyer's option, such delivery shall be made by any of the following methods:

1. By delivery into buyer's barge;
2. By delivery into buyer's tanker or pipeline, if buyer can take delivery in such manner at the facility used by seller;
3. By stock transfer of title to the buyer; if the facility used by seller allows such transfer;
4. By book transfer if the seller agrees to such transfer;
5. By intra-facility transfer ("pump-over"), if the facility used by seller allows such transfer; or
6. By inter-facility transfer ("pump-over"), if both facilities used by seller and buyer allow such transfer.

For purposes of these rules, any seller delivering an aggregate of twenty-five (25) contracts or less in a delivery month, shall deliver all such contracts into the same facility.

For the purpose of these rules, New York Harbor shall extend from the East River west of Hunts Point; Gowanus Bay west of the Hamilton Avenue Bridge; the Hudson River south of the George Washington Bridge; the Upper Bay; the Narrows; the Lower Bay west of Morton Point; the Newark Bay; the Hackensack River south of the Witt-Penn Bridge; the Passaic River south of the Pulaski Skyway Bridge; the Kill Van Kull; the Arthur Kill and the Raritan River east of the Garden State Parkway Bridge.

## **150106.**

### **DELIVERY PROCEDURES**

#### **150106.A. Responsibilities of Clearing Members Having Open Long Positions**

##### **1. Notice of Intention to Accept**

Exchange clearing members having open long positions shall provide the Clearing House with a Notice of Intention to Accept delivery by 3:00 p.m. on the first business day of the delivery month. The Notice of Intention to Accept must be in the form prescribed by the Exchange, and must be properly completed and indicate the name(s) of the buyer(s), the number of contracts to be accepted, the names of three inspection companies and any additional information as may be required by the Exchange. The buyer may, at its option, request a preferred delivery site; such request shall not be binding upon the seller.

##### **2. Initial Delivery Instructions**

Upon receipt from the Exchange of a Notice of Intention to Deliver, but no later than 4:30 p.m. on a business day no later than the fourth business day of the delivery month, the buyer's clearing member shall provide the seller's clearing member identified in such Notice of Intention to Deliver and the Exchange with properly completed Initial Delivery Instructions in the form prescribed by the Exchange. Such Initial Delivery Instructions must include the following information:

- a. Name of seller(s);
- b. Tender number;
- c. Name and location of delivery facility specified in the Notice of Intention to Deliver;
- d. Number of contracts;
- e. Method of delivery (which must conform to the normal capabilities of the facility named in the Notice of Intention to Deliver with respect to the manner and time of delivery and the quantity to be delivered);
- f. A consecutive five-day period for initiation of delivery;
- g. Name of the designated inspection company, if so required;
- h. Confirmation of verification of delivery method and inspection company in accordance with Section 106.A.3.; and,
- i. Such additional information as may be required by the Exchange.

##### **3. Verification of Delivery Method and Inspection Company**

Prior to providing the seller's clearing member and the Exchange with Initial Delivery Instructions, the buyer shall verify with and confirm in writing to the seller that the method of delivery specified conforms to the normal capabilities of the seller's delivery facility with respect to the manner of delivery and the quantity to be delivered and that the inspection company specified has been accepted by the seller. Such verification shall be confirmed in the Initial Delivery Instructions. If the buyer and seller fail to agree on one of the three inspection companies specified in the Notice of Intention to Accept, the Exchange shall appoint an inspection company which shall not be either of the three inspection companies listed in the Notice of Intention to Accept. Initial Delivery Instructions may not be amended after they have been provided to the seller's clearing member and the Exchange.

##### **4. Delivery Instructions**

The buyer's clearing member may provide the seller's clearing member with Delivery Instructions on any business day prior to 10:30 a.m. Delivery Instructions provided after 10:30 a.m. on any business day shall be deemed to have been provided on the following business day. A buyer's clearing member may not provide the seller's clearing member with Delivery Instructions on the day on which Initial Delivery Instructions are provided to the seller's clearing member pursuant to Section 106.A.2 above. The buyer's clearing member's Delivery Instructions for a delivery which is to occur during the consecutive five-day period the final day



of which is the day prior to the last business day of the delivery month shall not designate such final day of the five-day period for the initiation of the delivery.

The buyer's clearing member shall provide the seller's clearing member and the Exchange with properly completed Delivery Instructions in the form prescribed by the Exchange no later than two calendar days prior to the time of the proposed delivery, or such earlier business day as is necessary to ensure that the day on which Delivery Instructions are provided is followed by a period that includes at least one business day and two subsequent calendar days ending on the day prior to the last business day of the delivery month. Except as provided in Section 106.A.6 below, Delivery Instructions must conform to the Initial Delivery Instructions provided by the buyer's clearing member to the seller's clearing member and the Exchange.

5. Form of Delivery Instructions

The Delivery Instructions must be in the form prescribed by the Exchange, and must be properly completed and contain the following information:

- a. Name of seller(s);
- b. Tender number;
- c. Name and location of delivery facility specified in the Notice of Intention to Deliver;
- d. Number of contracts;
- e. Method of delivery (which must conform to the normal capabilities of the facility named in the Notice of Intention to Deliver with respect to the manner and time of delivery and the quantity to be delivered);
- f. Name of proposed carrier (i.e., Barge, Tanker or Pipeline), and the approximate size of the barge, or tanker, if any;
- g. For interfacility transfers, name of receiving facility;
- h. Date and approximate time for initiating delivery;
- i. Name of inspection company, if so required; and
- j. Such additional information as may be required by the Exchange.

6. Amendment to Initial Delivery Instructions or Delivery Instructions

Neither Initial Delivery Instructions nor Delivery Instructions may be amended after they have been provided to the seller's clearing member and the Exchange. However, upon mutual consent of the buyer's clearing member and the seller's clearing member and upon written notice to the Exchange, the buyer's clearing member and seller's clearing member may change the delivery facility named by the seller, the method of delivery named by the buyer, the five-day period for the initiation of a delivery named by the buyer, or the specific delivery date and time named by the buyer.

7. Notice of Clearance; Notice of Non-Clearance

If the buyer's clearing member receives from the seller's clearing member a Notice of Non-Clearance stating that the seller is unable to deliver in accordance with the Delivery Instructions, the buyer's clearing member shall provide the seller's clearing member and the Exchange with Revised Delivery Instructions, no later than 10:30 a.m. on the third business day following receipt of such Notice of Non-Clearance, or such earlier business day as is necessary to ensure that the day on which Revised Delivery Instructions are provided is followed by at least two subsequent calendar days ending on the day prior to the last business day of the delivery month. The Revised Delivery Instructions shall comply in all respects with the provisions of Section 106.A.5. above and shall thereafter comply with the provisions of this Section 106.A.7. as if such Revised Delivery Instructions were the original Delivery Instructions; provided, however, that such Revised Delivery Instructions may designate for delivery the final day of the consecutive five-day period immediately prior to the last business day of the month. Such Revised Delivery Instructions shall specify a delivery date and time no less than 24 hours before or after the delivery time specified in the original Delivery Instructions (whether or not such date and time is within the five-day period specified in the Initial Delivery Instructions), provided such date and time is prior to the last business day of the delivery month and at least two calendar days subsequent to the date on which such Revised Delivery Instructions are provided to the seller's clearing member and the Exchange. Revised Delivery Instructions provided after 10:30 a.m. on any day shall be deemed to have been provided on the following business day. Except as provided in Section 106.A.6, Revised Delivery Instructions may not be amended after they have been provided to the seller's clearing member and the Exchange.

8. Acceptance of Product

The buyer shall not begin to accept the product earlier than the day after the fifth business day of the delivery month or later than the last day prior to the last business day of the delivery month. The buyer shall complete receipt of product no later than the last business day of the delivery month.

**150106.B. Responsibilities of Clearing Members Having Open Short Positions**

1. Notice of Intention to Deliver

Exchange clearing members having open short positions shall provide the Clearing House with a Notice of Intention to Deliver by 3:00 p.m. on the first business day of the delivery month. The Notice of Intention to Deliver must be in the form prescribed by the Exchange and must be properly completed, indicate the name of the seller(s), the name and location of the facility of the seller(s) which will supply the product, the number of contracts and any additional information as may be required by the Exchange.

2. Notice of Clearance; Notice of Non-Clearance

a. No later than 4:30 p.m. on the day on which the buyer's clearing member provides the seller's clearing member Delivery Instructions, the seller's clearing member shall provide the buyer's clearing member and the Exchange with a completed Notice of Clearance in the form prescribed by the Exchange. The Notice of Clearance must indicate that the seller is prepared to make delivery in accordance with the provisions of the buyer's clearing member's Delivery Instructions.

b. (i) In the event that the seller is unable to make delivery in accordance with the buyer's Delivery Instructions because of a good faith inability to receive clearance from the facility, the seller's clearing member shall, no later than 4:30 p.m. on the day on which the buyer's clearing member provides the seller's clearing member and the Exchange with Delivery Instructions, provide to the buyer's clearing member and the Exchange with a Notice of Non-Clearance. The Notice of Non-Clearance must state the reasons for such inability to deliver. The seller's clearing member may, at its option, in the Notice of Non-Clearance, suggest an alternate or preferred delivery site, date or time. In the event the facility nominated by the seller's clearing member asserts a minimum loading requirement for barge delivery which is an amount greater than the quantity nominated by the buyer's clearing member for lifting, the seller's clearing member may not issue a Notice of Non-Clearance to the buyer's clearing member based solely upon such loading requirement. However, in the event the facility's minimum loading requirement prevents delivery as nominated by the buyer's clearing member, the seller's clearing member may unilaterally and without the buyer's clearing member's consent, upon written notice to the buyer's clearing member and the Exchange, no later than 4:30 p.m. on the day on which the buyer's clearing member provides the seller's clearing member and the Exchange with Delivery Instructions, amend the name and location of the delivery facility set forth in the Delivery Instructions to consummate delivery as otherwise provided in the Delivery Instructions.

(ii) No later than 4:30 p.m. on the day on which the buyer's clearing member provides the seller's clearing member and the Exchange with Revised Delivery Instructions, the seller's clearing member shall provide the buyer's clearing member and the Exchange with a properly completed Notice of Clearance in the form prescribed by the Exchange. The Notice of Clearance must indicate that the seller is prepared to make delivery in accordance with the provisions of the buyer's clearing member's Revised Delivery Instructions. Revised Delivery Instructions provided after 10:30 a.m. on any day shall be deemed to have been provided on the subsequent business day. In the event that the seller is unable to make delivery in accordance with the buyer's clearing member's Revised Delivery Instructions because of force majeure, the seller's clearing member shall, no later than 4:30 p.m. on the day on which the buyer's clearing member provides the seller's clearing member with Revised Delivery Instructions, provide the buyer's clearing member and the Exchange with a Notice of Non-Clearance. The Notice of Non-Clearance must state the reasons for such inability to make delivery.

**150106.C. Final Settlement Price**

The final settlement price shall be the basis for delivery.

**150106.D. Notice Day**

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. On the morning of the next business day, the

Clearing House shall provide copies of the notices to the respective clearing members. The day on which the notices are provided to the clearing members shall be referred to as the Notice Day. The Notice Day shall be the second business day of the delivery month.

#### **150106.E. Non-Transferable**

The clearing member who receives a Notice of Intention to Deliver or Notice of Intention to Accept from the Clearing House shall be deemed to have agreed to accept or deliver product. Notices of Intention to Deliver and Notices of Intention to Accept are not transferable.

#### **150106.F. Delivery Day and Payment**

1. Shipment will commence when product passes the buyer's cargo intake flange, tank or pipeline connection; at such time the buyer shall bear the risk of loss.
2. The buyer's clearing member shall pay the seller's clearing member by federal funds money wire by 12:00 p.m. on the business day following the receipt of the product, or by 12:00 p.m. on the last business day of the delivery month, whichever is earlier. The amount of payment shall be based on volume delivered as determined in accordance with Section 102.B. Should the inspector, appointed under Section 104, be unable to supply quantitative results prior to the time established herein for payment of the product, a pro-forma payment based on 42,000 U.S. gallons per contract shall be made. Payment adjustments based on actual quantity delivered shall be completed by 12:00 p.m. on the first business day after receipt of inspector's report but no later than the third business day after completion of delivery of physical product.
  - (a) If the buyer requires multiple delivery dates, multiple payments shall be required for each portion of product delivered.
  - (b) The seller's clearing member, upon receipt of payment, shall provide the buyer's clearing member with a bill of lading or other quantitative certificate and any other appropriate documents necessary to transfer ownership of the product to the buyer's clearing member.

In the event that the seller's clearing member receives notification that payment has not been received, the seller's clearing member shall advise the Exchange in writing by 5:00 p.m. on the business day on which payment is due. On the following business day, unless the buyer or the buyer's clearing member has advised the Exchange in writing that the seller failed to deliver, the Exchange shall liquidate the margins held and, when the liquidation is complete, shall pay the seller's clearing member which shall pay its seller. If the buyer or the buyer's clearing member has advised the Exchange in writing that the seller failed to deliver, the matter shall be deemed a failure to deliver pursuant to Rule 7B.14.
3. The day on which the buyer receives the product shall be referred to as the Delivery Day.

### **150107.**

#### **SHIPMENT**

The seller's facility must be capable of making delivery by barge.

The seller's ex-shore facility must have a minimum draft of 20 feet at mean low water and a minimum access draft of 20 feet at mean low water. The seller must supply the product as soon as the barge or tanker reports readiness to load; alternatively, if delivery is to be made on shore, the seller must supply the product as soon as the buyer reports that the transfer facility is ready to accept the product.

The buyer's barge or tanker must be safely afloat at all times.

The seller shall pay all applicable demurrage charges if the shore facility is unable to deliver the product at a rate sufficient to meet normal requirements for loading a barge or tanker or is unable to deliver ex-tank or pipeline at the normal rate for such delivery. The buyer shall pay all other demurrage charges.

### **150108.**

#### **ALTERNATIVE DELIVERY PROCEDURE**

A seller and buyer matched by the Exchange under Section 106.D may agree 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 and 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 rules of this Chapter and any other rules regarding physical delivery.

In executing such notice, clearing members shall indemnify the Exchange against any liability, cost or expense the Exchange 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 thereunder. 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.

## **150109. VALIDITY OF DOCUMENTS**

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

## **150110. LATE PERFORMANCE, FAILURE TO PERFORM AND FAILURE TO MAKE PAYMENT**

### **150110.A. Definitions**

The term "late performance" shall mean the failure of a buyer's clearing member or a seller's clearing member to complete a material act with respect to a delivery obligation imposed by, and within the time period established in, the rules of this Chapter. Late performance may not exceed the lesser of five continuous business days or eight consecutive calendar days.

The term "failure to perform" shall mean the failure of a buyer's clearing member or a seller's clearing member 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.

The term "Party" shall mean a buyer's clearing member or a seller's clearing member.

The term "Other Party" shall mean the corresponding buyer's clearing member when the seller's clearing member is late in performance or has failed to perform or has failed to make payment or the corresponding seller's clearing member when the buyer's clearing member is late in performance or has failed to perform or has failed to make payment.

The term "day of late performance" shall mean 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 of this Chapter, "day of late performance" shall mean the twenty-four hour period commencing immediately after the time specified in the rules of 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 on which the act is performed shall be the day of late performance.

The term "failure to make payment" shall mean the failure of a buyer or a buyer's clearing member to make payment in accordance with Section 106.F.

### **150110.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 or a buyer's clearing member which has failed to make a payment shall make such payment.
3. In the event that a Party has failed to perform, the Other Party shall be responsible to provide written notification to the Exchange in accordance with the Exchange rules and the rules of this Chapter.
4. When a Party has failed to perform or when a buyer or a buyer's clearing member has failed to make payment, the Party through which the delivery is effected, shall be liable to the Other Party for any damages awarded pursuant to Exchange arbitration and/or disciplinary procedures.

### **150110.C. Surcharges for Late Performance**

1. Whenever a Party is found by the Exchange to be late in the performance of a delivery, the Chief Regulatory Officer or his designee shall have the authority to impose surcharges in accordance with Section 110.C.2. below.
2. Either one or both Parties shall be assessed a surcharge to be paid to the Exchange for each day of late performance as described below. Such surcharge shall be cumulative for each day of late performance.
  - first day of late performance – up to 3% of contract value;
  - second day of late performance – up to 3% of contract value;

- third day of late performance – up to 3% of contract value;
  - fourth day of late performance – up to 3% of contract value;
  - fifth day of late performance – up to 3% of contract value;
  - sixth day of late performance – up to 3% of contract value;
  - seventh day of late performance – up to 4% of contract value;
  - eighth day of late performance – up to 5% of contract value.
3. A Party shall have 15 days following receipt of the notice of a surcharge to present evidence to the Market Regulation Department that the surcharge should be rescinded or reduced. Absent the submission of such evidence within the designated time period, the surcharge shall be deemed final and may not be appealed.
  4. If the Chief Regulatory Officer or his designee determines that evidence submitted by a Party pursuant to Section 110.C.3. is insufficient to support the requested rescission or reduction of the surcharge, the Party may, within 10 days of the decision, file a written appeal with the Market Regulation Department. A written appeal that fails to specify the grounds for the appeal and the specific error or impropriety of the original decision shall be dismissed. The appeal shall be heard by a Panel of the Business Conduct Committee (“BCC Panel”) whose decision shall be final. The appellant shall be entitled to be represented by counsel, appear personally before the BCC Panel and present evidence that he may have in support of his appeal. The BCC Panel shall not set aside, modify or amend the appealed decision unless it determines, by a majority vote, that the decision was:
    - a. Arbitrary, capricious, or an abuse of the Exchange staff’s discretion;
    - b. In excess of the Exchange staff’s authority or jurisdiction; or
    - c. Based on a clearly erroneous application of Exchange rules.

Notwithstanding the provisions of Sections 110.C.2 and 110.C.3 above, the Market Regulation Department, may, at any time, refer matters that it deems egregious to the Probable Cause Committee.

## Chapter 191 RBOB Gasoline Futures

### 191100. SCOPE OF CHAPTER

This chapter is limited in application to RBOB Gasoline futures. The procedures for trading, clearing, delivery and settlement not specifically covered herein or in Chapter 7B shall be governed by the general rules of the Exchange.

The provisions of these rules shall apply to all Reformulated Gasoline Blendstock for blending with 10% Denatured Fuel Ethanol (92% Purity) bought or sold for future delivery on the Exchange with delivery in New York Harbor.

The term "RBOB" shall mean Reformulated Regular Gasoline Blendstock for blending with 10% Denatured Fuel Ethanol (92% Purity) as defined in the American Society for Testing Materials ("ASTM") D-4806 as listed by the Colonial Pipeline Company ("Colonial Pipeline") for Fungible F grade and properly designated for sale in New York and New Jersey in accordance with U.S. Environmental Protection Agency ("EPA") regulations.

The terms "seller" and "buyer" shall mean the seller of the physical product and the buyer of the physical product, respectively.

The term "contract value" shall mean the amount equal to the settlement price on the last day of trading in a futures contract times 42,000 times the number of contracts to be delivered.

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

### 191101. CONTRACT SPECIFICATIONS

The RBOB delivered shall be a hydrocarbon oil free from alkali, mineral acid, grit, fibrous or other foreign matter, meeting the specifications as are in effect for downstream parties at the time of delivery meeting the requirements of Colonial Pipeline Company (Atlanta, Georgia) for:

Fungible F Grade, Reformulated Regular Gasoline Blendstock (RBOB) for blending with 10% Denatured Fuel Ethanol (92% Purity) as defined in ASTM D-4806 as listed by the Colonial Pipeline as being properly designated for sale in New York and New Jersey in accordance with EPA regulations; provided, however, and notwithstanding anything to the contrary in the Colonial Pipeline specifications, the specifications set forth in Sections 101.1. through 101.5. below shall apply for Reid Vapor Pressure, Oxygenation, Corrosion, Distillation, and EPA Reformulated Gasoline requirements:

1. Reid Vapor Pressure: RBOB delivered pursuant to this contract shall have Reid Vapor Pressure no greater than the following maximum levels after blending with denatured fuel ethanol:

<b>MONTH</b>	<b>P.S.I.</b>
January	15.0
February	15.0
March	13.5
April	9.0
May	9.0
June	9.0
July	9.0
August	9.0
September 1-15	9.0
September 16-30	13.5
October	13.5
November	15.0
December	15.0

Provided that, deliveries on the September contract originally nominated for delivery on or before September 15 shall not exceed 9.0 p.s.i., regardless of the time of actual delivery.

2. Oxygenation: RBOB shall not contain oxygenates, such as ethers or alcohols. The de minimis limit of MTBE, ETBE, and TAME allowed is 0.3% by volume maximum.
3. Corrosion: RBOB shall comply with the Colonial Pipeline specifications for Copper and Silver Corrosion under ASTM D-130 and ASTM D-4814. The NACE Corrosion test is not required.
4. Distillation: RBOB shall comply with the Colonial Pipeline distillation requirements, except for the T50 minimum requirement during the winter season when the Non-VOC controlled RBOB shall meet the T50 minimum requirement (for 50% by volume Evaporation) at 150 degrees Fahrenheit, as required by Buckeye Pipeline Grade 542. Deliveries against the March contract month shall meet the Buckeye Pipeline Grade 542 requirements for the minimum T50 distillation standard and the minimum temperature for meeting the Vapor/Liquid Ratio (V/L) in effect for non-VOC controlled RBOB.
5. (a) RBOB deliveries shall comply with EPA requirements at all times, including the minimum and maximum standards set forth in 40 C.F.R. Part 80 as are in effect for downstream parties at the time and place of delivery, and shall be adjusted by the amount of any increase or decrease in such standards as required by EPA for RBOB sold and distributed for consumption in the New York Harbor area. RBOB deliveries shall comply with State and Federal requirements for oxygen content for RBOB sold for consumption as are in effect at the time and place of delivery.  
(b) RBOB shall be designated as VOC-Controlled in accordance with EPA regulations during the period April 1 through September 15, including any deliveries on the September contract originally nominated for delivery on or before September 15, regardless of the date of actual delivery.  
(c)(i) All tests shall be performed in accordance with EPA regulations.  
(ii) Enforcement tolerances, as permitted by EPA for downstream parties, shall apply to all specifications governed by EPA regulations. Product delivered in conformance with such specifications, including enforcement tolerances, may not be rejected by the buyer as nonconforming to the specifications.  
(iii) ASTM refers to the American Society for Testing Materials.  
(iv) API. refers to the American Petroleum Institute.

## **191102.**

### **TRADING SPECIFICATIONS**

Trading in RBOB Gasoline futures is regularly conducted in all calendar months. The number of months open for trading at a given time shall be determined by the Exchange.

#### **191102.A. Trading Schedule**

The hours for trading shall be determined by the Exchange.

#### **191102.B. Trading Unit**

The contract unit to be delivered by the seller shall be 42,000 U.S. gallons (1,000 U.S. barrels). Except for a delivery made by book transfer or stock transfer in accordance with Section 105, a loading tolerance of two percent (2%) above or below (1020 U.S. barrels or 980 U.S. barrels) the contract unit is permitted. The volume delivered shall be determined at 60 degrees Fahrenheit using ASTM Standard D-1250, Table 6 B.

#### **191102.C. Price Increments**

The minimum price fluctuation shall be \$.0001 per gallon. Prices shall be quoted in dollars and cents per gallon.

#### **191102.D. Special Price Fluctuation Limits**

1. Initial Price Fluctuation Limits for All Contract Months. At the commencement of each trading day, there shall be price fluctuation limits in effect for each contract month of this futures contract of \$0.25 per gallon above or below the previous day's settlement price for such contract month.
2. (a) Triggering Event and Temporary Trading Halt. If a market for any of the first three (3) contract months is bid or offered on Globex<sup>®</sup> at the upper or lower price fluctuation limit, as applicable, it will be considered a Triggering Event which will halt trading for a five (5) minute period ("Temporary Trading Halt") in all contract months of the RBOB Gasoline futures contract, as well as all contract months in all products cited in the Associated Products Appendix of this rule. Trading in any option related to this contract or in an option contract

related to any products cited in the Associated Products Appendix which may be available for trading on either Globex or on the trading floor, shall additionally be subject to a coordinated Temporary Trading Halt.

(b) Expansion of Limits Following Temporary Trading Halt. Following the end of the 5-minute Temporary Trading Halt, the affected markets shall re-open simultaneously in all contract months of these futures contracts. When trading resumes, price fluctuation limits for each contract month shall be expanded an additional increment of the price fluctuation limits, above and below the previous day's settlement price for each contract month in the affected contracts on Globex and on the trading floor (as applicable).

(c) Each instance in which a Triggering Event occurs, a Temporary Trading Halt will commence as provided in Sections 102.D.2.(a) and 102.D.2.(b) above and the price fluctuation limits for all contract months shall be expanded by an additional increment of the price fluctuation limits for RBOB Gasoline futures as well as all products cited in the Associated Products Appendix of this rule.

(d) End of Day Lifting of Price Fluctuation Limits. On any Exchange business day, regardless of any prior action concerning price fluctuation limits during the trading session, commencing sixty (60) minutes before the close of the Regular Trading Hours (RTH) session, there shall be no price fluctuation limits on any contract month in RBOB Gasoline futures or in any products cited in the Associated Products Appendix of this rule. The Price Fluctuation Limits shall be reinstated after the close of RTH for trading on Globex and shall be in effect through to the conclusion of the current trading day's Globex trading session.

3. Price Fluctuation Limits on the Trading Floor (Floor Trading)

(a) The price fluctuation limits cited in Section 102.D.1. shall be applicable on the trading floor. All markets on the trading floor shall be limited to trading at these price levels (locked limit); however, such trading shall not constitute a Triggering Event for purposes of a Temporary Trading Halt.

(b) In all instances when a Triggering Event in RBOB Gasoline futures occurs on Globex, floor trading in RBOB Gasoline futures and any products cited in the Associated Products Appendix of this rule shall immediately halt. Additionally, trading in any option related to this contract, or in an option contract related to any products cited in the Associated Products Appendix, shall be subject to a coordinated trading halt.

(c) Whenever Globex markets are re-opened with expanded price limits pursuant to the provisions of Section 102.D.2., affected markets on the trading floor shall simultaneously re-open with the expanded limits in place.

4. Associated Products Appendix.

CL	Light Sweet Crude Oil Futures
HO	New York Harbor No. 2 Heating Oil Futures
RB	RBOB Gasoline Futures
QM	E-mini Crude Oil Futures
QH	E-mini Heating Oil Futures
QU	E-mini RBOB Gasoline Futures
WS	Crude Oil Financial Futures
RT	RBOB Gasoline Financial Futures

**191102.E. Position Limits, Exemptions, Position Accountability and Reportable Levels**

The applicable position limits and/or accountability levels, in addition to the reportable levels, are set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5.

A Person seeking an exemption from position limits for bona fide commercial purposes shall apply to the Market Regulation Department on forms provided by the Exchange, and the Market Regulation Department may grant qualified exemptions in its sole discretion.

Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.

**191102.F. Termination of Trading**

No trades in RBOB Gasoline futures in the expiring contract month shall be made after the last business day of the month preceding the delivery month for such expiring contract. Any contracts remaining open after the last day of trading must be either:



- (a) Settled by delivery which shall begin no earlier than the day after the fifth business day of the delivery month or later than the last day prior to the last business day of the delivery month and shall be completed no later than the last business day of the delivery month; or
- (b) Liquidated by means of a bona fide Exchange for Related Position ("EFRP") pursuant to Rule 538. An EFRP is permitted at any time before 2:00 p.m. on the first business day following termination of trading in an expired futures contract, provided, however, that an EFRP which establishes a futures position for either the buyer or the seller shall not be permitted on the first business day following the expired contract.

**191103.**

**PRODUCT IN TANK**

The seller shall have a quantity and quality of product in tank at one or more eligible delivery facilities in accordance with the inspection requirements under Section 104 prior to the first day of the consecutive five-day period for initiation of delivery identified by the buyer in the Initial Delivery Instructions. The obligation to have product in tank, as prescribed in this rule, shall constitute a "material act with respect to a delivery obligation".

**191104.**

**INSPECTION**

1. The buyer's clearing member shall notify the seller's clearing member in the Initial Delivery Instructions that a grade and quality or quantity inspection is requested. The seller shall initiate inspection of the product to be delivered 24 hours prior to the nominated time and date specified in the delivery instructions. The buyer's clearing member may request the tests for any or all grade and quality specifications for the stated product in accordance with Section 101. The buyer's clearing member may request a quantity inspection for all deliveries. The buyer's clearing member shall require a quantity inspection for delivery by barge, tanker or inter-facility transfer (pump-over). If the buyer's clearing member does not request a quantity inspection, the seller's clearing member may request such inspection.
2. If a buyer's clearing member requests grade and quality or quantity inspection, or if a seller's clearing member requests a quantity inspection, the inspection company listed in the Initial Delivery Instructions shall perform the inspection, unless an alternate inspection company is appointed pursuant to Section 106.A.3.
3. If the product meets grade and quality specifications, the buyer and seller shall share equally in the cost of inspection. If the product does not meet grade and quality specifications, the seller shall pay the cost of inspection. The cost of verifying the quantity of product transferred shall be shared equally by buyer and seller.
4. If the product does not meet grade and quality specifications, or if product is added to the tendered tank(s) after the inspection is conducted, the seller, at its own expense shall initiate a second inspection, performed by the same inspection company as the initial inspection. Seller shall furnish the results of the second inspection to the buyer no later than the nominated time and date of pickup. If the product does not meet grade and quality specifications in the second inspection, within one business day of receipt of the report by the Exchange, the Exchange shall review the delivery if necessary, pursuant to the procedures set forth in Chapter 7B.
5. The inspection company shall not be affiliated with the parties to the delivery. The inspection company must be capable of performing the quantity or quality tests requested by the buyer's clearing member or seller's clearing member in such a manner so as to assure that the product delivered conforms with these rules. The inspection company shall determine the quantity or quality of product transferred by using the prevailing practices of the facility transferring the product in effect at the time of delivery.
6. Upon request from the Exchange, the buyer's clearing member and the seller's clearing member shall deliver to the Exchange a copy of all reports of the inspection company when they are received.
7. The buyer, at its own discretion and expense, may request in the Initial Delivery Instructions that the seller perform an additional inspection, called pre-inspection, for quality and quantity on the total amount to be delivered in the five-day delivery period specified in the Initial Delivery Instructions. The seller shall initiate pre-inspection 24 hours prior to the first day of the consecutive five-day period for delivery. Pre-inspection shall be performed by the same inspection company as indicated in the Initial Delivery Instructions. If the product does not meet grade and quality specifications in the pre-inspection, the seller, at its own expense, shall initiate a second pre-inspection, performed by the same inspection company as the initial pre-inspection. Seller shall furnish the results of the second pre-inspection to the buyer prior to the first day of the consecutive five-day delivery period.

**191105.****DELIVERY**

Delivery shall be made free-on-board ("F.O.B.") sellers ex-shore facility in New York Harbor with all duties, entitlements, taxes, fees and other charges imposed prior to, or as a result of, delivery paid by the seller. Delivery shall be made in accordance with applicable Federal, State and local laws. Delivery shall comply with all State laws related to oxygen content. Buyer shall reimburse seller for any gasoline tax as had been or will be paid by the seller. At buyer's option, such delivery shall be made by any of the following methods:

1. By delivery into buyer's barge;
2. By delivery into buyer's tanker or pipeline, if buyer can take delivery in such manner at the facility used by seller;
3. By stock transfer of title to the buyer, if the facility used by seller allows such transfer;
4. By book transfer if the seller agrees to such transfer;
5. By intra-facility transfer ("pump-over"), if the facility used by seller allows such transfer; or
6. By inter-facility transfer ("pump-over"), if both facilities used by seller and buyer allow such transfer.

RBOB Designation: At the time of the delivery, the seller shall provide the buyer, with a copy to the seller's clearing member, a Product Transfer Document prepared in accordance with EPA regulations.

For purposes of these rules, any seller delivering an aggregate of twenty-five (25) contracts or less in a delivery month, shall deliver all such contracts into the same facility.

For the purpose of these rules, New York Harbor shall extend from the East River west of Hunts Point; Gowanus Bay west of the Hamilton Avenue Bridge; the Hudson River south of George Washington Bridge; the Upper Bay; the Narrows; the Lower Bay west of Morton Point; the Newark Bay; the Hackensack River south of the Witt-Penn Bridge; the Passaic River south of the Pulaski Skyway Bridge; the Kill Van Kull; the Arthur Kill and the Raritan River east of the Garden State Parkway Bridge.

**191106.****DELIVERY PROCEDURE****191106.A. Responsibilities of Clearing Members Having Open Long Positions****1. Notice of Intention to Accept**

Exchange clearing members having open long positions shall provide the Clearing House with a Notice of Intention to Accept delivery by 3:00 p.m. on the first business day of the delivery month. The Notice of Intention to Accept must be in the form prescribed by the Exchange, and must be properly completed and indicate the name(s) of the buyer(s), the number of contracts to be accepted, the names of three inspection companies and any additional information as may be required by the Exchange. The buyer may, at its option, request a preferred delivery site; such request shall not be binding upon the seller.

**2. Initial Delivery Instructions**

Upon receipt from the Exchange of a Notice of Intention to Deliver, but no later than 4:30 p.m. on a business day no later than the fourth business day of the delivery month, the buyer's clearing member shall provide the seller's clearing member identified in such Notice of Intention to Deliver and the Exchange with properly completed Initial Delivery Instructions in the form prescribed by the Exchange. Such Initial Delivery Instructions must include the following information:

- a. Name of seller(s);
- b. Tender number;
- c. Name and location of delivery facility specified in the Notice of Intention to Deliver;
- d. Number of contracts;
- e. Method of delivery (which must conform to the normal capabilities of the facility named in the Notice of Intention to Deliver with respect to the manner and time of delivery and the quantity to be delivered);
- f. A consecutive five-day period for initiation of delivery;
- g. Name of the designated inspection company, if so required;
- h. Confirmation of verification of delivery method and inspection company in accordance with Section 106.A.3.; and,

- i. Such additional information as may be required by the Exchange.
3. Verification of Delivery Method and Inspection Company

Prior to providing the seller's clearing member and the Exchange with Initial Delivery Instructions, the buyer shall verify with and confirm in writing to the seller that the method of delivery specified conforms to the normal capabilities of the seller's delivery facility with respect to the manner of delivery and the quantity to be delivered and that the inspection company specified has been accepted by the seller. Such verification shall be confirmed in the Initial Delivery Instructions. If the buyer and seller fail to agree on one of the three inspection companies specified in the Notice of Intention to Accept, the Exchange shall appoint an inspection company which shall not be either of the three inspection companies listed in the Notice of Intention to Accept. Initial Delivery Instructions may not be amended after they have been provided to the seller's clearing member and the Exchange.
4. Delivery Instructions

The buyer's clearing member may provide the seller's clearing member with Delivery Instructions on any business day prior to 10:30 a.m. Delivery Instructions provided after 10:30 a.m. on any business day shall be deemed to have been provided on the following business day. A buyer's clearing member may not provide the seller's clearing member with Delivery Instructions on the day on which Initial Delivery Instructions are provided to the seller's clearing member pursuant to Section 106.A.2. above. The buyer's clearing member's Delivery Instructions for a delivery which is to occur during the consecutive five-day period the final day of which is the day prior to the last business day of the delivery month shall not designate such final day of the five-day period for the initiation of the delivery.

The buyer's clearing member shall provide the seller's clearing member and the Exchange with properly completed Delivery Instructions in the form prescribed by the Exchange no later than two calendar days prior to the time of the proposed delivery, or such earlier business day as is necessary to ensure that the day on which Delivery Instructions are provided is followed by a period that includes at least one business day and two subsequent calendar days ending on the day prior to the last business day of the delivery month. Except as provided in Section 106.A.6. below, Delivery Instructions must conform to the Initial Delivery Instructions provided by the buyer's clearing member to the seller's clearing member and the Exchange.
5. Form of Delivery Instructions

The Delivery Instructions must be in the form prescribed by the Exchange, and must be properly completed and contain the following information:

  - a. Name of seller(s);
  - b. Tender number;
  - c. Name and location of delivery facility specified in the Notice of Intention to Deliver;
  - d. Number of contracts;
  - e. Method of delivery (which must conform to the normal capabilities of the facility named in the Notice of Intention to Deliver with respect to the manner and time of delivery and the quantity to be delivered);
  - f. Name of proposed carrier (i.e., Barge or Pipeline), and the approximate size of the barge or tanker, if any;
  - g. For interfacility transfers, name of receiving facility;
  - h. Date and approximate time for initiating delivery,
  - i. Name of inspection company, if so required; and
  - j. Such additional information as may be required by the Exchange.
6. Amendment to Initial Delivery Instructions or Delivery Instructions

Neither Initial Delivery Instructions nor Delivery Instructions may be amended after they have been provided to the seller's clearing member and the Exchange. However, upon mutual consent of buyer's clearing member and seller's clearing member and upon written notice to the Exchange, the buyer's clearing member and the seller's clearing member may change the delivery facility named by the seller, the method of delivery named by the buyer, the five-day period for the initiation of a delivery named by the buyer, or the specific delivery date and time named by the buyer.
7. Notice of Clearance; Notice of Non-Clearance

If the buyer's clearing member receives from the seller's clearing member a Notice of Non-Clearance stating that the seller is unable to deliver in accordance with the Delivery Instructions, the buyer's clearing member shall provide the seller's clearing member and the Exchange with Revised Delivery Instructions, no later than 10:30 a.m. on the third business day following receipt of such Notice of Non-Clearance, or such earlier business day as is necessary to ensure that the day on which Revised Delivery Instructions are provided is followed by at least two subsequent calendar days ending on the day prior the last business day of the delivery month. The Revised Delivery Instructions shall comply in all respects with the provisions of Section 106.A.5. above and shall thereafter comply with the provisions of this Section 106.A.7. as if such Revised Delivery Instructions were the original Delivery Instructions; provided, however, that such Revised Delivery Instructions may designate for delivery the final day of the consecutive five-day period immediately prior to the last business day of the month. Such Revised Delivery Instructions shall specify a delivery date and time no less than 24 hours before or after the delivery time specified in the original Delivery Instructions (whether or not such date and time is within the five-day period specified in the Initial Delivery Instructions), provided such date and time is prior to the last business day of the delivery month and at least two calendar days subsequent to the date on which such Revised Delivery Instructions are provided to the seller's clearing member and the Exchange. Revised Delivery Instructions provided after 10:30 a.m. on any day shall be deemed to have been provided on the following business day. Except as provided in Section 106.A.6., Revised Delivery Instructions may not be amended after they have been provided to the seller's clearing member and the Exchange.

8. Acceptance of Product

The buyer shall not begin to accept the product earlier than the day after the fifth business day of the delivery month or later than the last day prior to the last business day of the delivery month. The buyer shall complete receipt of product no later than the last business day of the delivery month.

**191106.B. Responsibilities of Clearing Members Having Open Short Positions**

1. Notice of Intention to Deliver

Exchange clearing members having open short positions shall provide the Clearing House with a Notice of Intention to Deliver by 3:00 p.m. on the first business day of the delivery month. The Notice of Intention to Deliver must be in the form prescribed by the Exchange and must be properly completed, indicate the name of the seller(s), the name and location of the facility of the seller(s) which will supply the product, the number of contracts and any additional information as may be required by the Exchange.

2. Notice of Clearance; Notice of Non-Clearance

a. No later than 4:30 p.m. on the day on which the buyer's clearing member provides the seller's clearing member Delivery Instructions, the seller's clearing member shall provide the buyer's clearing member and the Exchange with a completed Notice of Clearance in the form prescribed by the Exchange. The Notice of Clearance must indicate that the seller is prepared to make delivery in accordance with the provisions of the buyer's clearing member's Delivery Instructions.

b. (i) In the event that the seller is unable to make delivery in accordance with the buyer's Delivery Instructions because of a good faith inability to receive clearance from the facility, the seller's clearing member shall, no later than 4:30 p.m. on the day on which the buyer's clearing member provides the seller's clearing member and the Exchange with Delivery Instructions, provide to the buyer's clearing member and the Exchange with a Notice of Non-Clearance. The Notice of Non-Clearance must state the reasons for such inability to deliver. The seller's clearing member may, at its option, in the Notice of Non-Clearance, suggest an alternate or preferred delivery site, date or time. In the event the facility nominated by the seller's clearing member asserts a minimum loading requirement for barge delivery which is an amount greater than the quantity nominated by the buyer's clearing member for lifting, the seller's clearing member may not issue a Notice of Non-Clearance to the buyer's clearing member based solely upon such loading requirement. However, in the event the facility's minimum loading requirement prevents delivery as nominated by the buyer's clearing member, the seller's clearing member may unilaterally and without the buyer's clearing member's consent, upon written notice to the buyer's clearing member and the Exchange, no later than 4:30 p.m. on the day on which the buyer's clearing member provides the seller's clearing member and the Exchange with Delivery Instructions, amend the name and location of the delivery facility set forth in the

Delivery Instructions to consummate delivery as otherwise provided in the Delivery Instructions.

(ii) No later than 4:30 p.m. on the day on which the buyer's clearing member provides the seller's clearing member and the Exchange with Revised Delivery Instructions, the seller's clearing member shall provide the buyer's clearing member and the Exchange with a Notice of Clearance in the form prescribed by the Exchange. The Notice of Clearance must indicate that the seller is prepared to make delivery in accordance with the provisions of the buyer's clearing member's Revised Delivery Instructions. Revised Delivery Instructions provided after 10:30 a.m. on any day shall be deemed to have been provided on the subsequent business day. In the event that the seller is unable to make delivery in accordance with the buyer's clearing member's Revised Delivery Instructions because of force majeure, the seller's clearing member shall, no later than 4:30 p.m. on the day on which the buyer's clearing member provides the seller's clearing member with Revised Delivery Instructions, provide the buyer's clearing member and the Exchange with a Notice of Non-Clearance. The Notice of Non-Clearance must state the reasons for such inability to make delivery.

#### **191106.C. Final Settlement Price**

The final settlement price shall be the basis for delivery.

#### **191106.D. Notice Day**

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. On the morning of the next business day, the Clearing House shall provide copies of the notices to the respective clearing members. The day on which the notices are provided to the clearing members shall be referred to as the Notice Day. The Notice Day shall be the second business day of the delivery month.

#### **191106.E. Non-Transferable**

The clearing member who receives a Notice of Intention to Deliver or a Notice of Intention to Accept from the Clearing House shall be deemed to have agreed to accept or deliver product. Notices of Intention to Deliver and Notices of Intention to Accept are not transferable.

#### **191106.F. Delivery Day and Payment**

1. Shipment will commence when product passes the buyer's cargo intake flange, tank or pipeline connection; at such time the buyer shall bear the risk of loss.
2. The buyer's clearing member shall pay the seller's clearing member by federal funds money wire by 12:00 p.m. on the business day following the receipt of the product, or by 12:00 p.m. on the last business day of the delivery month, whichever is earlier. The amount of payment shall be based on volume delivered as determined in accordance with Section 102. Should the inspector, appointed under Section 104, be unable to supply quantitative results prior to the time established herein for payment of the product, a pro-forma payment based on 42,000 U.S. gallons per contract shall be made. Payment adjustments based on actual quantity delivered shall be completed by 12:00 p.m. on the first business day after receipt of inspector's report but no later than the third business day after completion of delivery of physical product.
  - (a) If the buyer requires multiple delivery dates, multiple payment shall be required for each portion of product delivered.
  - (b) The seller's clearing member, upon receipt of payment, shall provide the buyer's clearing member with a bill of lading or other quantitative certificate and any other appropriate documents necessary to transfer ownership of the product to the buyer's clearing member.In the event that the seller's clearing member receives notification that payment has not been received, the seller's clearing member shall advise the Exchange in writing by 5:00 p.m. on the business day on which payment is due. On the following business day, unless the buyer or the buyer's clearing member has advised the Exchange in writing that the seller failed to deliver, the Exchange shall liquidate the margins held and, when the liquidation is complete, shall pay the seller's clearing member which shall pay its seller. If the buyer or the buyer's clearing member has advised the Exchange in writing that the seller failed to deliver, the matter shall be deemed a failure to deliver pursuant to Rule 7B.14.
3. The day on which the buyer receives the product shall be referred to as the Delivery Day.

### **191107.**

#### **SHIPMENT**

The seller's delivery facility must be capable of making delivery by barge.

The seller's ex-shore facility must have a minimum draft of 20 feet at mean low water and a minimum access draft of 20 feet at mean low water. The seller must supply the product as soon as the barge or tanker reports readiness to load; alternatively, if delivery is to be made on shore, the seller must supply the product as soon as the buyer reports that the transfer facility is ready to accept the product.

The buyer's barge or tanker must be safely afloat at all times.

The seller shall pay all applicable demurrage charges if the shore facility is unable to deliver the product at a rate sufficient to meet normal requirements for loading a barge or tanker or is unable to deliver ex-tank or pipeline at the normal rate for such delivery. The buyer shall pay all other demurrage charges.

#### **191108. ALTERNATE DELIVERY PROCEDURES**

A seller and buyer matched by the Exchange under Section 106.D. may agree 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 and 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 rules of this Chapter and any other rules regarding physical delivery.

In executing such notice, clearing members shall indemnify the Exchange against any liability, cost or expense the Exchange 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 thereunder. 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.

#### **191109. VALIDITY OF DOCUMENTS**

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

#### **191110 LATE PERFORMANCE, FAILURE TO PERFORM AND FAILURE TO MAKE PAYMENT**

##### **191110.A. Definitions**

The term "late performance" shall mean the failure of a buyer's clearing member or a seller's clearing member to complete a material act with respect to a delivery obligation imposed by, and within the time period established in, the rules of this Chapter. Late performance may not exceed the lesser of five continuous business days or eight consecutive calendar days.

The term "failure to perform" shall mean the failure of a buyer's clearing member or a seller's clearing member 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.

The term "Party" shall mean a buyer's clearing member or seller's clearing member.

The term "Other Party" shall mean the corresponding buyer's clearing member when the seller's clearing member is late in performance or has failed to perform or has failed to make payment or the corresponding seller's clearing member when the buyer's clearing member is late in performance or has failed to perform or has failed to make payment.

The term "day of late performance" shall mean the twenty-four (24) hour period commencing twelve hours after a Party 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 of this Chapter, "day of late performance" shall mean that the twenty-four hour period commencing immediately after the time specified in the rules of 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 on which the act is performed shall be the day of late performance.

The term "failure to make payment" shall mean the failure of a buyer or a buyer's clearing member to make payment in accordance with Section 106.F.

#### **191110.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 or a buyer's clearing member which has failed to make a payment shall make such payment.
3. In the event that a Party has failed to perform, the Other Party shall be responsible to provide written notification to the Exchange in accordance with the Exchange rules and the rules of this Chapter.
4. When a Party has failed to perform or when a buyer or a buyer's clearing member has failed to make payment, the Party through which the delivery is effected, shall be liable to the Other Party for any damages awarded pursuant to Exchange arbitration and/or disciplinary procedures.

#### **191110.C. Surcharges for Late Performance**

1. Whenever a Party is found by the Exchange to be late in the performance of a delivery, the Chief Regulatory Officer or his designee shall have the authority to impose surcharges in accordance with Section 110.C.2.below.
2. Either one or both Parties shall be assessed a surcharge to be paid to the Exchange for each day of late performance as described below. Such surcharge shall be cumulative for each day of late performance.
  - first day of late performance – up to 3% of contract value;
  - second day of late performance – up to 3% of contract value;
  - third day of late performance – up to 3% of contract value;
  - fourth day of late performance – up to 3% of contract value;
  - fifth day of late performance – up to 3% of contract value;
  - sixth day of late performance – up to 3% of contract value;
  - seventh day of late performance – up to 4% of contract value;
  - eighth day of late performance – up to 5% of contract value.
3. A Party shall have 15 days following receipt of the notice of a surcharge to present evidence to the Market Regulation Department that the surcharge should be rescinded or reduced. Absent the submission of such evidence within the designated time period, the surcharge shall be deemed final and may not be appealed.
4. If the Chief Regulatory Officer or his designee determines that evidence submitted by a Party pursuant to Section 110.C.3. is insufficient to support the requested rescission or reduction of the surcharge, the Party may, within 10 days of the decision, file a written appeal with the Market Regulation Department. A written appeal that fails to specify the grounds for the appeal and the specific error or impropriety of the original decision shall be dismissed. The appeal shall be heard by a Panel of the Business Conduct Committee ("BCC Panel") whose decision shall be final. The appellant shall be entitled to be represented by counsel, appear personally before the BCC Panel and present evidence that he may have in support of his appeal. The BCC Panel shall not set aside, modify or amend the appealed decision unless it determines, by a majority vote, that the decision was:
  - a. Arbitrary, capricious, or an abuse of the Exchange staff's discretion;
  - b. In excess of the Exchange staff's authority or jurisdiction; or
  - c. Based on a clearly erroneous application of Exchange rules.

Notwithstanding the provisions of Sections 110.C.2 and 110.C.3 above, the Market Regulation Department, may, at any time, refer matters that it deems egregious to the Probable Cause Committee.

## **Chapter 200**

### **Light Sweet Crude Oil Futures**

#### **200100. SCOPE OF CHAPTER**

This chapter is limited in application to Light Sweet Crude Oil futures. The procedures for trading, clearing, delivery and settlement not specifically covered herein or in Chapter 7B shall be governed by the general rules of the Exchange.

The provisions of these rules shall apply to all light sweet crude oil bought or sold for future delivery on the Exchange with delivery in Cushing, Oklahoma.

The terms "seller" and "buyer" shall mean the seller of the physical product and the buyer of the physical product, respectively.

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

#### **200101. CONTRACT SPECIFICATIONS**

The contract grade for delivery on futures contracts shall be "crude oil" which shall mean a mixture of hydrocarbons that exists in a liquid phase in natural underground reservoirs and remains liquid at atmospheric pressure after passing through surface separating facilities. Crude oil as used herein refers to the direct liquid hydrocarbon production from oil wells, or a blend of such, in its natural form, not having been enhanced or altered in any manner or by any process that would result in misrepresentation of its true value for adaptability to refining as whole crude petroleum. For the purpose of this contract, condensates are excluded from the definition of crude petroleum.

Light sweet crude oil meeting all of the following specifications and designations shall be deliverable in satisfaction of futures contract delivery obligations under this rule:

##### **200101.A. Domestic Crudes (Deliverable at Par)**

###### **1. Deliverable Crude Streams**

West Texas Intermediate  
Low Sweet Mix (Scurry Snyder)  
New Mexican Sweet  
North Texas Sweet  
Oklahoma Sweet  
South Texas Sweet

Blends of these crude streams are only deliverable if such blends constitute a pipeline's designated "common stream" shipment which meets the grade and quality specifications for domestic crude. Enterprise Products Company's (including any successor in such capacity, "Enterprise") and Enbridge Pipeline (Ozark) LLC's (including any successor in such capacity, "Enbridge") Common Domestic Sweet Streams that meet quality specifications in Sections 101.A.2.-7. of this rule are deliverable as Domestic Crude.

2. Sulfur: 0.42% or less by weight as determined by ASTM Standard D-4294, or its latest revision;
3. Gravity: Not less than 37 degrees American Petroleum Institute ("API"), nor more than 42 degrees API as determined by ASTM Standard D-287, or its latest revision;
4. Viscosity: Maximum 60 Saybolt Universal Seconds at 100 degrees Fahrenheit as measured by ASTM Standard D-445 and as calculated for Saybolt Seconds by ASTM Standard D-2161;
5. Reid vapor pressure: Less than 9.5 pounds per square inch at 100 degrees Fahrenheit, as determined by ASTM Standard D-5191-96, or its latest revision;
6. Basic Sediment, water and other impurities: Less than 1% as determined by ASTM D-96-88 or D-4007, or their latest revisions;
7. Pour Point: Not to exceed 50 degrees Fahrenheit as determined by ASTM Standard D-97.

##### **200101.B. Foreign Crudes**

###### **1. Deliverable Crude Streams**

U.K.: Brent Blend (for which the seller shall be paid a 30 cent per barrel discount below the last settlement price)



Nigeria: Bonny Light (for which the seller shall be paid a 15 cent per barrel premium above the last settlement price)

Nigeria: Qua Iboe (for which the seller shall be paid a 15 cent per barrel premium above the last settlement price)

Norway: Oseberg Blend (for which the seller shall be paid a 55 cent per barrel discount below the last settlement price)

Colombia: Cusiana (for which the seller shall be paid 15 cent per barrel premium above the last settlement price)

2. Each foreign crude stream must meet the following requirements for gravity and sulfur, as determined by ASTM Standards referenced in Sections 101.A.2.-3. of this rule:

Foreign Crude Stream	Minimum Gravity	Maximum Sulfur
Brent Blend	36.4 API	0.46%
Bonny Light	33.8 API	0.30%
Qua Iboe	34.5 API	0.30%
Oseberg Blend	35.4 API	0.30%
Cusiana	34.9 API	0.40%

3. In the event that a Federal U.S. Superfund tax and/or Oil Spill tax is in effect at the time of delivery for foreign crude oil, the buyer shall reimburse the seller for all such taxes that have been or will be paid by the seller.

No blends of foreign crude oil streams or foreign and domestic crude oil streams shall be deliverable.

## 200102.

### TRADING SPECIFICATIONS

Trading in Light Sweet Crude Oil futures is regularly conducted in all calendar months. The number of months open for trading at a given time shall be determined by the Exchange.

#### 200102.A. Trading Schedule

The hours for trading shall be determined by the Exchange.

#### 200102.B. Trading Unit

The unit of trading shall be 1,000 U.S. barrels (42,000 U.S. gallons). Except for delivery made by book-out, in-tank transfer, or in-line transfer pursuant to Section 104, a tolerance of two percent (2%) above or below (1,020 U.S. Barrels or 980 U.S. Barrels) the contract unit is permitted. All volumes shall be determined at 60°F.

#### 200102.C. Price Increments

The minimum price fluctuation shall be \$0.01 (1 cent) per barrel. Prices shall be quoted in dollars and cents per barrel.

#### 200102.D. Special Price Fluctuation Limits

1. Initial Price Fluctuation Limits for All Contract Months. At the commencement of each trading day, there shall be price fluctuation limits in effect for each contract month of this futures contract of \$10.00 per barrel above or below the previous day's settlement price for such contract month.
2. (a) Triggering Event and Temporary Trading Halt. If a market for any of the first three (3) contract months is bid or offered on Globex<sup>®</sup> at the upper or lower price fluctuation limit, as applicable, it will be considered a Triggering Event which will halt trading for a five (5) minute period ("Temporary Trading Halt") in all contract months of the Light Sweet Crude Oil futures contract, as well as all contract months in all products cited in the Associated Products Appendix of this rule. Trading in any option related to this contract or in an option contract related to any products cited in the Associated Products Appendix which may be available for trading on either Globex or on the trading floor, shall additionally be subject to a coordinated Temporary Trading Halt.  
  
(b) Expansion of Limits Following Temporary Trading Halt. Following the end of the 5-minute Temporary Trading Halt, the affected markets shall re-open simultaneously in all contract months of these futures contracts. When trading resumes, price fluctuation limits for each contract month shall be expanded an additional increment of the price fluctuation limits, above and below the previous day's settlement price for each contract month in the affected contracts on Globex and on the trading floor (as applicable).

(c) Each instance in which a Triggering Event occurs, a Temporary Trading Halt will commence as provided in Sections 102.D.2.(a) and 102.D.2.(b) above and the price fluctuation limits for all contract months shall be expanded by an additional increment of the price fluctuation limits for Light Sweet Crude Oil futures as well as all products cited in the Associated Products Appendix of this rule.

(d) End of Day Lifting of Price Fluctuation Limits. On any Exchange business day, regardless of any prior action concerning price fluctuation limits during the trading session, commencing sixty (60) minutes before the close of the Regular Trading Hours (RTH) session, there shall be no price fluctuation limits on any contract month in Light Sweet Crude Oil futures or in any products cited in the Associated Products Appendix of this rule. The Price Fluctuation Limits shall be reinstated after the close of RTH for trading on Globex and shall be in effect through to the conclusion of the current trading day's Globex trading session.

3. Price Fluctuation Limits on the Trading Floor (Floor Trading)

(a) The price fluctuation limits cited in Section 102.D.1. of this rule shall be applicable on the trading floor. All markets on the trading floor shall be limited to trading at these price levels (locked limit); however such trading shall not constitute a Triggering Event for purposes of a Temporary Trading Halt.

(b) In all instances when a Triggering Event in Light Sweet Crude Oil futures occurs on Globex, floor trading in Light Sweet Crude Oil futures and any products cited in the Associated Products Appendix of this rule shall immediately halt. Additionally, trading in any option related to this contract, or in an option contract related to any products cited in the Associated Products Appendix, shall be subject to a coordinated Temporary Trading Halt.

(c) Whenever Globex markets are re-opened with expanded price limits pursuant to the provisions of Section 102.D.2 of this rule, affected markets on the trading floor shall simultaneously re-open with the expanded limits in place.

4. Associated Products Appendix

CL	Light Sweet Crude Oil Futures
HO	New York Harbor ULSD Heating Oil Futures
RB	RBOB Gasoline Futures
QM	E-mini Crude Oil Futures
QH	E-mini Heating Oil Futures
QU	E-mini RBOB Gasoline Futures
WS	Crude Oil Financial Futures
RT	RBOB Gasoline Financial Futures

**200102.E. Position Limits, Exemptions, Position Accountability and Reportable Levels**

The applicable position limits and/or accountability levels, in addition to the reportable levels, are set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5.

A Person seeking an exemption from position limits for bona fide commercial purposes shall apply to the Market Regulation Department on forms provided by the Exchange, and the Market Regulation Department may grant qualified exemptions in its sole discretion.

Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.

**200102.F. Termination of Trading**

No trades in Light Sweet Crude Oil futures in the expiring contract month shall be made after the third business day prior to the twenty-fifth calendar day of the month preceding the delivery month for such expiring contract. If the twenty-fifth calendar day of the month is a non-business day, trading shall cease on the third business day prior to the last business day preceding the twenty-fifth calendar day of the month preceding the delivery month. In the event that the official Exchange holiday schedule changes subsequent to the listing of a Light Sweet Crude Oil futures, the originally listed expiration date shall remain in effect. In the event that the originally listed expiration date is declared a holiday, expiration will move to the business day immediately prior. Any contracts remaining open after the last day of trading must be either:

- (a) Settled by delivery which shall take place no earlier than the first calendar day of the delivery month and shall be completed no later than the last calendar day of the delivery month; or
- (b) Liquidated by means of a bona fide Exchange of Futures for Related Position ("EFRP") pursuant to Rule 538. An EFRP is permitted at any time before 2:00 p.m. on the first business

day following termination of trading in an expired futures contract, provided, however, that an EFRP which establishes a futures position for either the buyer or the seller shall not be permitted on the first business day following the expired contract.

**200103. INSPECTION**

Inspection of product shall be conducted in accordance with pipeline practices.

A buyer or seller may appoint an inspection company to inspect the quality of product delivered. The buyer or seller who requests inspection shall notify the seller or buyer that such inspection will take place. The buyer or seller who requests inspection shall pay the costs of the inspection.

**200104. DELIVERY**

The seller shall provide crude oil which is free from all liens, encumbrances, unpaid taxes, fees and other charges.

Delivery shall be made free-on-board ("F.O.B.") at any pipeline or storage facility in Cushing, Oklahoma with pipeline access to Enterprise, Cushing storage or Enbridge, Cushing storage. Delivery shall be made in accordance with all applicable Federal executive orders and all applicable Federal, State and local laws and regulations.

For the purposes of this rule, the term F.O.B. shall mean a delivery in which the seller: (1) provides light sweet crude oil to the point of connection between seller's incoming and buyer's outgoing pipeline or storage facility; (2) in the event of the buyer's election to take delivery by interfacility transfer ("pumpover") to either Enterprise, Cushing or Enbridge, Cushing, from seller's delivery facility, bears the lesser of the pumpover charge applicable for pumpover from seller's delivery facility to Enterprise or Enbridge; and (3) retains title to, and bears the risk of, loss for the product to the point of connection between the buyer's outgoing and the seller's incoming pipeline or storage facility.

At buyer's option, such delivery shall be made by any of the following methods: (1) by interfacility transfer ("pumpover") into a designated pipeline or storage facility with access to seller's incoming pipeline or storage facility; (2) by in-line (or in-system) transfer, or book-out of title to the buyer; or

(3) if the seller agrees to such transfer and if the facility used by the seller allows for such transfer, without physical movement of product, by in-tank transfer of title to the buyer.

**200105. DELIVERY PROCEDURES**

**200105.A. Responsibilities of Clearing Members Having Open Long Positions**

1. Notice of Intention to Accept

Exchange clearing members having open long positions shall provide the Clearing House with a Notice of Intention to Accept delivery by 3:00 p.m. on the first business day after the final day of trading. The Notice of Intention to Accept must be in the form prescribed by the Exchange, and must be properly completed and indicate the name(s) of the buyer(s), the number of contracts to be accepted, the buyer(s) preference of light sweet crude oil by origin (foreign or domestic) and any additional information as may be required by the Exchange. The indication of an origin preference does not guarantee that the buyer(s) will receive product from that origin.

2. Delivery Instructions

On the first business day following Notice Day, the buyer's clearing member shall provide the seller's clearing member and the Exchange with properly completed Delivery Instructions in the form prescribed by the Exchange. Such Delivery Instructions must include the following information:

- a. Name of seller (s);
- b. Tender number;
- c. Name of the seller(s) designated crude stream (either a specific foreign crude oil stream(s) or domestic crude oil) specified in the Notice of Intention to Deliver;
- d. Name of incoming pipeline or storage facility specified in the Notice of Intention to Deliver;
- e. Number of contracts;
- f. Method of delivery (which must conform to the normal capabilities of the facility named in the Notice of Intention to Deliver with respect to the manner of delivery and the quantity to be delivered);

- g. Name of the outgoing pipeline or storage facility with access to the incoming pipeline or storage facility designated in the Notice of Intention to Deliver (buyer(s) must confirm access with the incoming pipeline or storage facility designated in the Notice of Intention to Deliver);
- h. For inter-facility transfers, name of receiving facility with access to the facility designated in the Notice of Intention to Deliver; and
- i. Such additional information as may be required by the Exchange.

#### **200105.B. Responsibilities of Clearing Members Having Open Short Positions**

##### **1. Notice of Intention to Deliver**

Exchange clearing members having open short positions shall provide the Clearing House with a Notice of Intention to Deliver by 3:00 p.m. on the first business day after the final day of trading. The Notice of Intention to Deliver must be in the form prescribed by the Exchange, and must be properly completed, indicate the name(s) of the seller(s), the number of contracts to be delivered and whether the designated crude stream shall be domestic or a specific foreign crude oil stream. The seller(s) shall designate a qualified pipeline or storage facility, and shall also provide any additional information as may be required by the Exchange.

##### **2. Scheduling Notice**

As soon as possible following determination of scheduling, but no later than the last business day of the month preceding the delivery month, the seller's clearing member shall give the buyer's clearing member and the Exchange a Scheduling Notice in the form prescribed by the Exchange which must state the delivery time.

#### **200105.C. Amendment of Delivery Instructions**

Notwithstanding the foregoing, at any time prior to the twenty-fifth calendar day of the month preceding the delivery month (if the twenty-fifth calendar day of the month is a non-business day, then at any time prior to the last business day preceding the twenty-fifth calendar day of the month preceding the delivery month), the buyer(s) and the seller(s) may, by mutual agreement, elect to change the delivery terms with respect to the method of delivery, the timing of delivery, the type and/or quality of crude oil to be delivered and the designation of the buyer(s) and/or seller(s) delivery facility.

Any such changes must be made on the form prescribed by the Exchange. Any changes made with respect to the foregoing must be made in conformance with all contract requirements and specifications.

#### **200105.D. Final Settlement Price**

The final settlement price shall be the basis for delivery.

#### **200105.E. Notice Day**

The Clearing House shall allocate Delivery Notices and Notices of Intention to Accept by matching size of positions and considering the type of light sweet crude oil by origin to the extent possible. On the morning of the next business day, the Clearing House shall provide copies of the notices to the respective clearing members. The day on which the notices are provided to the clearing members shall be referred to as the Notice Day. The Notice Day shall be the second business day after the final day of trading.

#### **200105.F. Non-Transferable**

The clearing member who receives a Delivery Notice or a Notice of Intention to Accept from the Clearing House shall be deemed to have agreed to accept or deliver product. Delivery Notices and Notices of Intention to Accept are not transferable.

#### **200105.G. Allocation of Foreign Crude Oil**

Buyers' clearing members and sellers' clearing members in foreign crude oil deliveries will be matched as follows:

1. Foreign crude oil will be assigned first to the buyer(s) indicating a preference for foreign crude oil in their Notice(s) of Intention to Accept. For such buyer(s), foreign crude oil shall be allocated in order beginning with the buyer having the largest position.
2. If the quantity of foreign crude oil exceeds the quantity of foreign crude oil requested by buyers in their Notices of Intention to Accept, the balance of foreign crude oil remaining will be assigned to buyers.

**200106. TIMING OF DELIVERY**

Delivery shall take place no earlier than the first calendar day of the delivery month and shall be completed no later than the last calendar day of the delivery month.

It is the obligation of the seller's clearing member to ensure that the seller's crude oil receipts, including each specific foreign crude oil stream, if applicable, are available to begin flowing ratably in Cushing, Oklahoma by the first day of the delivery month, in accordance with generally accepted pipeline scheduling practices.

Transfer of Title - The seller shall give the buyer a pipeline ticket, any other quantitative certificates and all appropriate documents upon receipt of payment.

The seller shall provide preliminary confirmation of title transfer at the time of delivery in electronic format or other appropriate form of documentation.

**200107. DELIVERY MARGINS AND PAYMENT**

**200107.A. Definitions**

For the purposes of this Section 107,

"Payment Date" shall mean the twentieth day of the month following the delivery month or if such date is a Saturday or an Exchange or New York bank holiday other than Monday, payment shall be made on the preceding day which is not an Exchange or New York bank holiday. If such day is a Sunday or an Exchange or New York bank holiday which occurs on a Monday, payment shall be made on the next day which is not an Exchange or New York bank holiday.

**200107.B. Margin**

On the third business day following the last day of trading, the clearing member shall obtain from any buyer margin equal to the full value of the product to be delivered, not including any adjustment for discounts and premiums accounted for in Section 107.C. 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.

**200107.C. Payment**

No later than 12:00 p.m. on the third business day prior to the Payment Date, the seller shall advise its clearing member of the name and address of the bank, and the name of the account to which payment shall be made. The clearing member shall advise the opposite clearing member who shall advise the buyer. On the Payment Date, the buyer shall pay the short contract value by federal funds wire transfer to the account of the seller at the bank nominated by the seller. The term "contract value" shall mean the amount equal to the settlement price on the last day of trading in a futures contract times one thousand (1,000) times the number of contracts to be delivered, plus or minus any discount or premium as set forth in Section 101.B.1.

No later than 12:00 p.m. on the Payment Date, the buyer shall advise its clearing member of the federal funds wire transfer number and the name of the sending bank. The clearing member representing the buyer shall advise the opposite clearing member who shall similarly advise the seller.

No later than the business day following the Payment Date, the seller shall advise its clearing member of receipt of payment, who shall deliver a notice of payment to the clearing member representing the buyer and the Clearing House no later than the business day following the Payment Date. Upon receipt of such notice, the delivery shall be complete.

Any payment made on the required Payment Date shall be based on volume actually delivered, determined at 60°F. If quantitative results are unavailable prior to the time established in the rules for payment of the product, a pro-forma payment based on 1,000 U.S. barrels per contract shall be made. Similarly, if the quality inspection is unavailable, a pro-forma payment based on par qualities shall be made. Payment adjustments based on the actual quality or quantity transferred shall be completed by 12:00 p.m. on the fifth business day after initial payment.

In the event that the seller's clearing member receives notification that payment has not been received, the seller's clearing member shall advise the Exchange in writing. On the following business day, unless the buyer or the buyer's clearing member has advised the Exchange in writing that the seller failed to deliver, the Exchange shall liquidate the margins held and, when the

liquidation is complete, shall pay the seller's clearing member which shall pay its seller. If the buyer or the buyer's clearing member has advised the Exchange in writing that the seller failed to deliver, the matter shall be deemed a failure to deliver pursuant to Rule 7B14.

**200108. VALIDITY OF DOCUMENTS**

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

**200109. ALTERNATIVE DELIVERY PROCEDURE**

A seller and buyer matched by the Exchange under Section 105.E. may agree 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 and 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 rules of this Chapter and any other rules regarding physical delivery.

In executing such notice, clearing members shall indemnify the Exchange against any liability, cost or expense the Exchange 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 thereunder. 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.

## **Chapter 220**

### **Henry Hub Natural Gas Futures**

#### **220100. SCOPE OF CHAPTER**

This chapter is limited in application to Henry Hub Natural Gas futures. The procedures for trading, clearing, delivery and settlement not specifically covered herein or in Chapter 7B shall be governed by the general rules of the Exchange.

The provisions of these rules shall apply to all natural gas bought or sold for future delivery on the Exchange with delivery at the Henry Hub.

The terms "seller" and "buyer" shall mean the seller of the physical product and the buyer of the physical product, respectively.

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

#### **220101. CONTRACT SPECIFICATIONS**

The contract grade for delivery on futures contracts shall be "natural gas" which shall mean any mixture of hydrocarbons, or hydrocarbons and noncombustible gases, in a gaseous state, consisting essentially of methane, meeting the specifications set forth in the FERC-approved tariff of Sabine Pipe Line LLC as then in effect at the time of delivery and shall be deliverable in satisfaction of futures contract delivery obligations.

The futures contract delivery point shall be the Henry Hub which refers to piping and related facilities owned and/or leased by Sabine Pipe Line LLC near Erath, Louisiana.

#### **220102. TRADING SPECIFICATIONS**

Trading in Henry Hub Natural Gas futures is regularly conducted in all calendar months. The number of months open for trading at a given time shall be determined by the Exchange.

##### **220102.A. Trading Schedule**

The hours for trading shall be determined by the Exchange.

##### **220102.B. Trading Unit**

The unit of trading shall be 10,000 MMBtu. A delivery tolerance of two percent (2%) above or below the unit of trading is permitted.

The term Btu (British thermal unit) shall mean the amount of heat required to raise the temperature of one (1) pound of avoirdupois pure water from fifty-eight and five tenths degrees (58.5) Fahrenheit to fifty-nine and five tenths degrees (59.5) Fahrenheit at a constant pressure of 14.73 pounds per square inch absolute. MMBtu shall mean one million (1,000,000) Btu.

##### **220102.C. Price Increments**

The minimum fluctuation shall be \$0.001 (one tenth of one cent) per MMBtu. Prices shall be quoted in dollars and cents per MMBtu.

##### **220102.D. Special Price Fluctuation Limits**

1. Initial Price Fluctuation Limits for All Contract Months. At the commencement of each trading day, there shall be price fluctuation limits in effect for each contract month of this futures contract of \$1.50 per MMBtu above or below the previous day's settlement price for such contract month.
2. (a) Triggering Event and Temporary Trading Halt. If a market for any of the first three (3) contract months is bid or offered on Globex<sup>®</sup> at the upper or lower price fluctuation limit, as applicable, it will be considered a Triggering Event which will halt trading for a five (5) minute period ("Temporary Trading Halt") in all contract months of the Henry Hub Natural Gas futures contract, as well as all contract months in all products cited in the Associated Products Appendix of this rule. Trading in any option related to this contract or in an option contract related to any products cited in the Associated Products Appendix which may be available for trading on either Globex or on the trading floor shall additionally be subject to a coordinated Temporary Trading Halt.  

(b) Expansion of Limits Following Temporary Trading Halt. Following the end of the 5-minute Temporary Trading Halt, the affected markets shall re-open simultaneously in all contract

months of these futures contracts. When trading resumes, price fluctuation limits for each contract month shall be expanded an additional increment of the price fluctuation limits, above and below the previous day's settlement price for each contract month in the affected contracts on Globex and on the trading floor (as applicable).

(c) Each instance in which a Triggering Event occurs, a Temporary Trading Halt will commence as provided in Sections 102.D.(a) and 102.D.(b) above and the price fluctuation limits for all contract months shall be expanded by an additional increment of the price fluctuation limits for Henry Hub Natural Gas futures as well as all products cited in the Associated Products Appendix of this rule.

(d) End of Day Lifting of Price Fluctuation Limits. On any Exchange business day, regardless of any prior action concerning price fluctuation limits during the trading session, commencing sixty (60) minutes before the close of the Regular Trading Hours (RTH) session, there shall be no price fluctuation limits on any contract month in Henry Hub Natural Gas futures or in any products cited in the Associated Products Appendix of this rule. The Price Fluctuation Limits shall be reinstated after the close of RTH for trading on Globex and shall be in effect through to the conclusion of the current trading day's Globex trading session.

3. Price Fluctuation Limits on the Trading Floor (Floor Trading)

(a) The price fluctuation limits cited in Section 102.D.1. shall be applicable on the trading floor. All markets on the trading floor shall be limited to trading at these price levels (locked limit); however, such trading shall not constitute a Triggering Event for purposes of a Temporary Trading Halt.

(b) In all instances when a Triggering Event in Henry Hub Natural Gas futures occurs on Globex, floor trading in Henry Hub Natural Gas futures and any products cited in the Associated Products Appendix of this rule shall immediately halt. Additionally, trading in any option related to this contract, or in an option contract related to any products cited in the Associated Products Appendix, shall be subject to a coordinated Temporary Trading Halt.

(c) Whenever Globex markets are re-opened with expanded price limits pursuant to the provisions of Section 102.D.2. affected markets on the trading floor shall simultaneously re-open with the expanded limits in place.

4. Associated Products Appendix

NG	Henry Hub Natural Gas Futures
MNG	Henry Hub Natural Gas Last Day Physically-Delivered Futures
QG	E-mini Natural Gas Futures
HP	Henry Hub Natural Gas Look-Alike Penultimate Financial Futures
NP	Henry Hub Natural Gas Penultimate Financial Futures
HH	Henry Hub Natural Gas Look-Alike Last Day Financial Futures
NN	Henry Hub Natural Gas Last Day Financial Futures

**220102.E. Position Limits, Exemptions, Position Accountability and Reportable Levels**

The applicable position limits and/or accountability levels, in addition to the reportable levels, are set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5.

A Person seeking an exemption from position limits for bona fide commercial purposes shall apply to the Market Regulation Department on forms provided by the Exchange, and the Market Regulation Department may grant qualified exemptions in its sole discretion.

Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.

**220102.F. Termination of Trading**

No trades in Henry Hub Natural Gas futures in the expiring contract month shall be made after the third business day prior to the first day of the delivery month for such expiring contract. In the event that the official Exchange holiday schedule changes subsequent to the listing of a Henry Hub Natural Gas futures, the originally listed expiration date shall remain in effect. In the event that the originally listed expiration day is declared a holiday, expiration will move to the business day immediately prior. Any contracts remaining open after the last day of trading must be either:

- (a) Settled by delivery which shall take place no earlier than the first calendar day of the delivery month and shall be completed no later than the last calendar day of the delivery month; or



- (b) Liquidated by means of a bona fide Exchange for Related Position (“EFRP”) pursuant to Rule 538. An EFRP is permitted in the expiring futures contract until two (2) hours after trading terminates on the last day of trading of the expiring futures contract. An EFRP which establishes a futures position for either the buyer or the seller shall not be permitted during the two-hour period following the termination of trading of an expired futures contract.

**220103. MEASUREMENT**

The natural gas delivered hereunder shall be measured at the buyer’s point of interconnection at the Henry Hub in accordance with transporting pipeline practices.

**220104. DELIVERY**

Delivery shall be made free-on-board (“F.O.B.”) at the buyer’s interconnection point at the Henry Hub. Delivery shall be made in accordance with all applicable Federal executive orders and all applicable Federal, State and Local laws and regulations. Delivery shall have occurred when product passes through the buyer’s interconnection point, at which time the buyer shall bear the risk of loss.

The seller shall provide natural gas which is free from all liens, encumbrances, unpaid taxes, fees and other charges.

**220105. DELIVERY PROCEDURES**

**220105.A. Notices of Intention to Deliver and Notices of Intention to Accept**

By 11:30 a.m. on the first business day after the final day of trading:

1. Exchange Clearing Members having open short positions shall provide the Clearing House with a Notice of Intention to Delivery. The Notice of Intention to Delivery must be in the form prescribed by the Exchange and must include: the name of the seller(s), the pipeline(s) through which the seller(s) will transport the product to the Henry Hub, the number of contracts to be delivered, and shall also provide any additional information as may be required by the Exchange.
2. Exchange Clearing Members having open long positions shall provide the Clearing House with a Notice of Intention to Accept. The Notice of Intention to Accept must be in the form prescribed by the Exchange and must include: the name of the buyer(s), the pipeline(s) through which the buyer(s) will receive the product at the Henry Hub, the number of contracts to be accepted, and shall also provide any additional information as may be required by the Exchange.

**220105.B. Notice Day**

The Clearing House shall allocate Notices of Intention to Deliver and Notices of Intention to Accept by matching size of positions, and the designated delivery and receiving pipelines to the extent possible. The Clearing House shall provide copies of the notices to the respective clearing members by 2:00 p.m. on the first business day after the final day of trading. The day on which the notices are provided to the clearing members shall be referred to as the Notice Day. Thereafter, a buyer’s clearing member or seller’s clearing member may amend the name(s) of the pipeline(s) for their respective buyer(s) or seller(s) in a form prescribed by the Exchange to the counterparty and the Exchange no later than 4:30 p.m. on the Notice Day.

**220105.C. Clearance and Non-Clearance**

1. Notice of Scheduled Clearance. No later than 3:00 p.m. on the last business day prior to the delivery month, the seller’s clearing member shall give the buyer’s clearing member and the Exchange a properly completed Notice of Scheduled Clearance. The Notice of Scheduled Clearance must be in the form prescribed by the Exchange, indicate that the product and transportation are in place to enable the delivery to occur in accordance with the provisions of the Notice of Intention to Deliver and Notice of Intention to Accept.
2. Non-Clearance. In the event that either the seller or the buyer is unable to make or take delivery in accordance with the Notice of Intention to Deliver and Notice of Intention to Accept because of a good faith inability to receive clearance from the Henry Hub facility, the seller’s clearing member or the buyer’s clearing member, as applicable, shall, no later than 3:00 p.m. on the last business day prior to the delivery month, notify the opposite clearing member and the Exchange, in a form prescribed by the Exchange, of the reasons for inability to make or take, as applicable, delivery in accordance with the Notice of Intention to Deliver and Notice of Intention to Accept. Such notification shall contain an alternate or preferred delivery site and

set forth a revised designation of the pipeline(s) at the Henry Hub through which delivery will be completed.

**220105.D. Final Settlement Price**

The final settlement price shall be the basis for delivery.

**220106. TIMING OF DELIVERY**

Delivery shall take place no earlier than the first calendar day of the delivery month and shall be completed no later than the last calendar day of the delivery month.

All deliveries shall be at as uniform an hourly and daily rate of flow over the course of the delivery month as is possible under the operating procedures and conditions of the transporting pipelines. Deliveries shall be subject to the transporting pipelines' variation in daily flow rate and balancing of receipts and deliveries of the transporting pipelines.

The seller shall give the buyer, upon request, within one business day, copies of Henry Hub transportation confirmations and invoices issued by Sabine Pipe Line LLC related to a standard delivery involving both parties.

The seller shall give the buyer all appropriate documents to transfer title of product upon receipt of payment.

**220107. DELIVERY MARGINS AND PAYMENTS**

**220107.A. Definitions**

For the purposes of this Section 107,

"Payment Date" shall mean the twentieth day of the month following the delivery month or if such date is a Saturday or an Exchange or New York bank holiday other than Monday, payment shall be made on the preceding day which is not an Exchange or New York bank holiday. If such day is a Sunday or an Exchange or New York bank holiday which occurs on a Monday, payment shall be made on the next day which is not an Exchange or New York bank holiday.

**220107.B. Margin**

On the third business day following the last day of trading, the clearing member shall obtain from any buyer 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.

**220107.C. Payment**

No later than 12:00 p.m. on the third business day prior to the Payment Date, the seller shall advise its clearing member of the name and address of the bank, and the name of the account to which payment shall be made. The clearing member shall advise the opposite clearing member who shall advise the buyer. On the Payment Date, the buyer shall pay the short contract value by federal funds wire transfer to the account of the seller at the bank nominated by the seller. The term "contract value" shall mean the amount equal to the settlement price on the last day of trading in a futures contract times ten thousand (10,000) times the number of contracts to be delivered.

No later than 12:00 p.m. on the Payment Date, the buyer shall advise its clearing member of the federal funds wire transfer number and the name of the sending bank. The clearing member representing the buyer shall advise the opposite clearing member who shall similarly advise the seller.

No later than the business day following the Payment Date, the seller shall advise its clearing member of receipt of payment, who shall deliver a notice of payment to the clearing member representing the buyer and the Clearing House no later than the business day following the Payment Date. Upon receipt of such notice, the delivery shall be complete.

Any payment made on the required Payment Date shall be based on British thermal units actually delivered. If quantitative results are unavailable prior to the time established in the rules for payment, a pro-forma payment based on 10,000 MMBtu per contract shall be made. Payment adjustments based on the actual quantity delivered shall be completed by 12:00 p.m. on the tenth business day after initial payment.

In the event that the seller's clearing member receives notification that payment has not been received, the seller's clearing member shall advise the Exchange and the buyer's clearing member in writing. On the following business day, unless the buyer or the buyer's clearing member has advised the Exchange in writing that the seller failed to deliver, the Exchange shall liquidate the margins held and, when the liquidation is complete, shall pay the seller's clearing member which shall pay its seller. If the buyer or the buyer's clearing member has advised the Exchange in writing that the seller failed to deliver, the matter shall be deemed a failure to deliver pursuant to Rule 7B14.

**220108. VALIDITY OF DOCUMENTS**

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

**220109. ALTERNATIVE DELIVERY PROCEDURE**

A seller and buyer matched by the Exchange under Section 105.B may agree 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 and 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 rules of this Chapter and any other rules regarding physical delivery.

In executing such notice, clearing members shall indemnify the Exchange against any liability, cost or expense the Exchange 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 thereunder. 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.

# Exhibit B

## Chapter 1156 Henry Hub Natural Gas Last Day Physically-Delivered Futures

### 1156100. SCOPE OF CHAPTER

This chapter is limited in application to Henry Hub Natural Gas Last Day Physically-Delivered futures. The procedures for trading, clearing, delivery and settlement not specifically covered herein or in Chapter 7B shall be governed by the general rules of the Exchange.

The provisions of these rules shall apply to all natural gas bought or sold for future delivery on the Exchange with delivery at the Henry Hub.

The terms "~~short position holder~~seller" and "~~long position holder~~buyer" shall mean the seller of the physical product and the buyer of the physical product, respectively.

~~The terms "seller" and "buyer" shall mean the short clearing member and the long clearing member, respectively.~~

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

### 1156101. CONTRACT SPECIFICATIONS

The contract grade for delivery on futures contracts shall be "natural gas" which shall mean any mixture of hydrocarbons, or hydrocarbons and noncombustible gases, in a gaseous state, consisting essentially of methane, meeting the specifications set forth in the FERC-approved tariff of Sabine Pipe Line ~~Company~~LLC as then in effect at the time of delivery and shall be deliverable in satisfaction of futures contract delivery obligations.

The futures contract delivery point shall be the Henry Hub which refers to piping and related facilities owned and/or leased by Sabine Pipe Line ~~Company at Chevron Corp's Henry Gas Processing Plant~~LLC near Erath, Louisiana.

### 1156102. TRADING SPECIFICATIONS

Trading in Henry Hub Natural Gas Last Day Physically-Delivered futures is regularly conducted in all calendar months. The number of months open for trading at a given time shall be determined by the Exchange.

#### 1156102.A. Trading Schedule

The hours for trading shall be determined by the Exchange.

#### 1156102.B. Trading Unit

The unit of trading shall be 2,500 MMBtu. Transaction sizes in any delivery month shall be restricted to whole number multiples of the number of calendar days in the contract month, provided however, this restriction on transaction size does not apply to Exchange for Related Position (EFRP) transactions, pursuant to Rule 538. A delivery tolerance of two percent (2%) above or below the unit of trading is permitted.

The term Btu (British thermal unit) shall mean the amount of heat required to raise the temperature of one (1) pound of avoirdupois pure water from fifty-eight and five ~~tenths~~degrees (58.5) Fahrenheit to fifty-nine and five tenths degrees (59.5) Fahrenheit at a constant pressure of 14.73 pounds per square inch absolute. MMBtu shall mean one million (1,000,000) Btu.

#### 1156102.C. Price Increments

The minimum fluctuation shall be \$0.001 (one tenth of one cent) per MMBtu (\$2.50 per contract). Prices shall be quoted in dollars and cents per MMBtu.

#### 1156102.D. Special Price Fluctuation Limits

1. Initial Price Fluctuation Limits for All Contract Months. At the commencement of each trading day, there shall be price fluctuation limits in effect for each contract month of this futures contract of \$1.50 per MMBtu above or below the previous day's settlement price for such contract month.
2. (a) Triggering Event and Temporary Trading Halt ~~Related to Trading on Globex<sup>®</sup>~~. If a market for any of the first three (3) contract months is bid or offered on Globex<sup>®</sup> at the upper or lower price fluctuation limit, as applicable, ~~on Globex~~ it will be considered a Triggering Event which will halt trading for a five (5) minute period ("Temporary Trading Halt") in all contract months of the Henry Hub Natural Gas Last Day Physically-Delivered futures contract, as well as all contract months in all products cited in the Associated Products Appendix of this rule. Trading

in any option related to this contract or in an option contract related to any products cited in the Associated Products Appendix which may be available for trading on either Globex or on the trading floor shall additionally be subject to a coordinated Temporary Trading Halt.

(b) Expansion of Limits Following Temporary Trading Halt. Following the end of the 5-minute Temporary Trading Halt, the affected markets shall re-open simultaneously in all contract months of these futures contracts. When trading resumes, price fluctuation limits for each contract month shall be expanded an additional increment of the price fluctuation limits, above and below the previous day's settlement price for each contract month in the affected contracts on Globex and on the trading floor (as applicable).

(c) Each instance in which a Triggering Event occurs, a Temporary Trading Halt will commence as provided ~~by subsections (in Sections 102.D.(a) and 102.D.(b) of this rule~~ above and the price fluctuation limits for all contract months shall be expanded by an additional increment of the price fluctuation limits for Henry Hub Natural Gas Last Day Physically-Delivered futures as well as all products cited in the Associated Products Appendix ~~in~~ of this rule.

(d) End of Day Lifting of Price Fluctuation Limits. On any Exchange business day, regardless of any prior action concerning price fluctuation limits during the trading session, commencing sixty (60) minutes before the close of the Regular Trading Hours (RTH) session, there shall be no price fluctuation limits on any contract month in Henry Hub Natural Gas Last Day Physically-Delivered futures or in any products cited in the Associated Products Appendix of this rule. The Price Fluctuation Limits shall be reinstated after the close of RTH for trading on Globex and shall be in effect through to the conclusion of the current trading day's Globex trading session.

3. Price Fluctuation Limits on the Trading Floor (Floor Trading)

(a) The price fluctuation limits cited in ~~subsection 1156102.D.1 of this rule~~ Section 102.D.1. shall be applicable on the trading floor. All markets on the trading floor shall be limited to trading at these price levels (locked limit); however, such trading shall not constitute a Triggering Event for purposes of a Temporary Trading Halt ~~on Globex.~~

(b) In all instances when a Triggering Event in Henry Hub Natural Gas Last Day Physically-Delivered futures occurs on Globex, floor trading in Henry Hub Natural Gas Last Day Physically-Delivered futures and any products cited in the Associated Products Appendix of this rule shall immediately halt. Additionally, trading in any option related to this contract, or in an option contract related to any products cited in the Associated Products Appendix, shall be subject to a coordinated Temporary Trading Halt.

(c) Whenever Globex markets are ~~expanded and~~ re-opened with expanded price limits pursuant to the provisions of ~~subsection 1156102~~ Section 102.D.2 of this rule, affected markets on the trading floor shall simultaneously re-open with the expanded limits in place.

4. Associated Products Appendix

<del>NG</del>	<u>Henry Hub Natural Gas Futures</u>
MNG	Henry Hub Natural Gas Last Day Physically-Delivered Futures
<del>NG</del>	<del>Henry Hub Natural Gas Futures</del>
QG-	E-mini Natural Gas Futures
HP	Henry Hub Natural Gas Look-Alike Penultimate Financial Futures
NP	Henry Hub Natural Gas Penultimate Financial Futures
HH	Henry Hub Natural Gas Look-Alike Last Day Financial Futures
NN	Henry Hub Natural Gas Last Day Financial Futures

**1156102.E. Position Limits, Exemptions, Position Accountability and Reportable Levels**

~~For purposes of calculating compliance with position limits, each contract will be aggregated with positions held in Henry Hub Natural Gas futures. Each position in the contract shall be deemed equivalent to 0.25 of the quantity of the Henry Hub Natural Gas futures contract into which it aggregates.~~

~~In accordance with Rule 559, no person shall own or control positions in excess of 4,000 Henry Hub Natural Gas Last Day Physically-Delivered futures contracts net long or net short in the spot month.~~

~~In accordance with Rule 560:~~

~~1. the all-months accountability level shall be 48,000 Henry Hub Natural Gas Last Day Physically-Delivered futures contracts net long or net short in all months combined;~~

~~1. the any-one month accountability level shall be 24,000 Henry Hub Natural Gas Last Day Physically-Delivered futures contracts net long or net short in any single contract month excluding the spot month.~~

The applicable position limits and/or accountability levels, in addition to the reportable levels, are set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5.

A Person seeking an exemption from position limits for bona fide commercial purposes shall apply to the Market Regulation Department on forms provided by the Exchange, and the Market Regulation Department may grant qualified exemptions in its sole discretion.

Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.

#### **1156102.F. Termination of Trading**

No trades in Henry Hub Natural Gas Last Day Physically-Delivered futures ~~deliverable~~ in the ~~current~~expiring contract month shall be made after the third business day prior to the first day of the delivery month for such expiring contract. In the event that the official Exchange holiday schedule changes subsequent to the listing of a Henry Hub Natural Gas Last Day Physically-Delivered futures, the originally listed expiration date shall remain in effect. In the event that the originally listed expiration day is declared a holiday, expiration will move to the business day immediately prior. Any contracts remaining open after the last day of trading must be either:

- (a) Settled by delivery which shall take place no earlier than the first calendar day of the delivery month and shall be completed no later than the last calendar day of the delivery month; or
- (b) Liquidated by means of a bona fide Exchange for Related Position (“EFRP”) pursuant to Rule 538. An EFRP is permitted in the expiring futures contract until two (2) hours after trading terminates on the last day of trading of the expiring futures contract. An EFRP which establishes a futures position for either the buyer or the seller shall not be permitted during the two-hour period following the termination of trading of an expired futures contract.

### **1156103. MEASUREMENT**

The natural gas delivered hereunder shall be measured at the ~~long position holder's~~buyer's point of interconnection at the Henry Hub in accordance with transporting pipeline practices.

### **1156104. DELIVERY**

Delivery shall be made free-on-board (“F.O.B.”) at the ~~long position holder's~~buyer's interconnection point at the Henry Hub. Delivery shall be made in accordance with all applicable Federal executive orders and all applicable Federal, State and Local laws and regulations. Delivery shall have occurred when product passes through the ~~long position holder's~~buyer's interconnection point, at which time the ~~long position holder~~buyer shall bear the risk of loss.

The ~~short position holder~~seller shall provide natural gas which is free from all liens, encumbrances, unpaid taxes, fees and other charges.

### **1156105. DELIVERY PROCEDURES**

#### **1156105.A. Notices of Intention to Deliver and Notices of Intention to Accept**

By 11:30 a.m. on the first business day after the final day of trading:

1. Exchange Clearing Members having open short positions shall provide the Clearing House with a Notice of Intention to Delivery. The Notice of Intention to Delivery must be in the form prescribed by the Exchange and must include: the name of the ~~short position holder~~seller(s), the pipeline(s) through which the ~~short position holder~~seller(s) will transport the product to the Henry Hub, the number of contracts to be delivered, and shall also provide any additional information as may be required by the Exchange.
2. Exchange Clearing Members having open long positions shall provide the Clearing House with a Notice of Intention to Accept. The Notice of Intention to Accept must be in the form prescribed by the Exchange and must include: the name of the ~~long position holder~~buyer(s), the pipeline(s) through which the ~~long position holder~~buyer(s) will receive the product at the Henry Hub, the number of contracts to be accepted, and shall also provide any additional information as may be required by the Exchange.

#### **1156105.B. Notice Day**

The Clearing House shall allocate Notices of Intention to Deliver and Notices of Intention to Accept by matching size of positions, and the designated delivery and receiving pipelines to the extent possible. The Clearing House shall provide copies of the notices to the respective clearing members by 2:00 p.m. on the first business day after the final day of trading. The day on which the notices are provided to the clearing members shall be referred to as the Notice Day. Thereafter, a ~~buyer~~buyer's clearing member or ~~seller~~seller's clearing member may amend the name(s) of the pipeline(s) for their respective ~~long position holder~~buyer(s) or ~~short position holder~~seller(s) in a form prescribed by the Exchange to the counterparty and the Exchange no later than 4:30 p.m. on the Notice Day.

#### **220105.C. Clearance and Non-Clearance**

1. Notice of Scheduled Clearance. No later than 3:00 p.m. on the last business day prior to the delivery month, the ~~seller~~seller's clearing member shall give the ~~buyer~~buyer's clearing member and the Exchange a properly completed Notice of Scheduled Clearance. The Notice of Scheduled Clearance must be in the form prescribed by the Exchange, indicate that the product and transportation are in place to enable the delivery to occur in accordance with the provisions of the Notice of Intention to Deliver and Notice of Intention to Accept.
2. Non-Clearance. In the event that either the ~~short position holder~~seller or the ~~long position holder~~buyer is unable to make or take delivery in accordance with the Notice of Intention to Deliver and Notice of Intention to Accept because of a good faith inability to receive clearance from the Henry Hub facility, the ~~short position holder~~seller's clearing member or the ~~long position holder~~buyer's clearing member, as applicable, shall, no later than 3:00 p.m. on the last business day prior to the delivery month, notify the opposite clearing member and the Exchange, in a form prescribed by the Exchange, of the reasons for inability to make or take, as applicable, delivery in accordance with the Notice of Intention to Deliver and Notice of Intention to Accept. Such notification shall contain an alternate or preferred delivery site and set forth a revised designation of the pipeline(s) at the Henry Hub through which delivery will be completed.

#### **1156105.D. Final Settlement Price**

The final settlement price shall be the basis for delivery.

### **1156106. TIMING OF DELIVERY**

Delivery shall take place no earlier than the first calendar day of the delivery month and shall be completed no later than the last calendar day of the delivery month.

All deliveries shall be at as uniform an hourly and daily rate of flow over the course of the delivery month as is possible under the operating procedures and conditions of the transporting pipelines. Deliveries shall be subject to the transporting pipelines' variation in daily flow rate and balancing of receipts and deliveries of the transporting pipelines.

The ~~short position holder~~seller shall give the ~~long position holder~~buyer, upon request, within one business day, copies of Henry Hub transportation confirmations and invoices issued by Sabine Pipe Line ~~Co.~~LLC related to a standard delivery involving both parties.

The ~~short position holder~~seller shall give the ~~long position holder~~buyer all appropriate documents to transfer title of product upon receipt of payment.

### **1156107. DELIVERY MARGINS AND PAYMENTS**

#### **1156107.A. Definitions**

For the purposes of this ~~Rule 1156107~~Section 107,

"Payment Date" shall mean the twentieth day of the month following the delivery month or if such date is a Saturday or an Exchange or New York bank holiday other than Monday, payment shall be made on the preceding day which is not an Exchange or New York bank holiday. If such day is a Sunday or an Exchange or New York bank holiday which occurs on a Monday, payment shall be made on the next day which is not an Exchange or New York bank holiday.

#### **1156107.B. Margin**

On the third business day following the last day of trading, the clearing member shall obtain from any ~~long position holder~~buyer 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.

#### **1156107.C. Payment**

No later than 12:00 p.m. on the third business day prior to the Payment Date, the ~~short position holder~~seller shall advise its clearing member of the name and address of the bank, and the name of the account to which payment shall be made. The clearing member shall advise the opposite clearing member who shall advise the ~~long position holder~~buyer. On the Payment Date, the ~~long position holder~~buyer shall pay the short contract value by federal funds wire transfer to the account of the ~~short position holder~~seller at the bank nominated by the ~~short position holder~~seller. The term "contract value" shall mean the amount equal to the settlement price on the last day of trading in a futures contract times two thousand five hundred (2,500) times the number of contracts to be delivered.

No later than 12:00 p.m. on the Payment Date, the ~~long position holder~~buyer shall advise its clearing member of the federal funds wire transfer number and the name of the sending bank. The clearing member representing the ~~long position holder~~buyer shall advise the opposite clearing member who shall similarly advise the ~~short position holder~~seller.

No later than the business day following the Payment Date, the ~~short position holder~~seller shall advise ~~the~~ its clearing member of receipt of payment, who shall deliver a notice of payment to the clearing member representing the ~~long position holder~~buyer and the Clearing House no later than the business day following the Payment Date. Upon receipt of such notice, the delivery shall be complete.

Any payment made on the required Payment Date shall be based on British thermal units actually delivered. If quantitative results are unavailable prior to the time established in the rules for payment, a pro-forma payment based on ~~transaction size~~25,000 MMBtu per contract shall be made. Payment adjustments based on the actual quantity delivered shall be completed by 12:00 p.m. on the tenth business day after initial payment.

In the event that the ~~seller's clearing member~~ receives notification that payment has not been received, the ~~seller's clearing member~~ shall advise the Exchange and the ~~buyer's clearing member~~ in writing. On the following business day, unless the ~~long position holder~~buyer or the ~~buyer's clearing member~~ has advised the Exchange in writing that the ~~short position holder~~seller failed to deliver, the Exchange shall liquidate the margins held and, when the liquidation is complete, shall pay the ~~seller's clearing member~~ which shall pay its ~~short position holder~~seller. If the ~~long position holder~~buyer or the ~~buyer's clearing member~~ has advised the Exchange in writing that the ~~short position holder~~seller failed to deliver, the matter shall be deemed a failure to deliver pursuant to Rule ~~7B-147~~B14.

#### **1156108. VALIDITY OF DOCUMENTS**

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

#### **1156109. ALTERNATIVE DELIVERY PROCEDURE**

A ~~short position holder~~seller and ~~long position holder~~buyer matched by the Exchange under ~~Rule 1156105~~Section 105.B may agree 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~~clearing members shall execute an Alternative Notice of Intention to Deliver on the form prescribed by the Exchange and shall deliver a completed and executed copy of such ~~Notice~~notice to the Exchange. The delivery of an executed Alternative Notice of Intention to Deliver to the Exchange shall release the ~~Clearing Members~~clearing members and the Exchange from their respective obligations under the rules of this Chapter and any other rules regarding physical delivery.

In executing such ~~Notice, Clearing Members~~notice, clearing members shall indemnify the Exchange against any liability, cost or expense ~~the Exchange~~ 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 thereunder. Upon receipt of an executed Alternative Notice of Intention to Deliver, the Exchange will return to the ~~Clearing Members~~clearing members all margin monies held for the account of each with respect to the contracts involved.



## ~~1156110. LATE PERFORMANCE AND FAILURE TO PERFORM~~

### ~~1156110.A. Definitions~~

~~"Late Performance" shall mean the failure of a long position holder to make payment on the Payment Date as defined in Rule 1156107.A.~~

~~"Failure to Perform" shall mean the failure of the short position holder to make, or the long position holder to receive, delivery of crude oil in accordance with the requirements set forth in these rules.~~

~~"Contract Value" shall mean the amount equal to the settlement price on the last day of trading in a futures contract times the transaction size.~~

~~"Party" means a long position holder or a short position holder;~~

~~"Other Party" means the corresponding long position holder when a short position holder has failed to perform and the corresponding short position holder when a long position holder has failed to perform.~~

### ~~1156110.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 obligation.~~
- ~~3. In the event that a Party has failed to perform, the Other Party shall be responsible to provide written notification to the Exchange.~~
- ~~4. When a long position holder or a short position holder has failed to perform or is late in performance, the clearing firm representing the long position holder or the short position holder, as applicable, through which the delivery is effected, shall be liable to the Other Party for any damages awarded pursuant to Exchange arbitration and/or disciplinary procedures.~~

# Exhibit C

## Chapter 1250 In Delivery Month European Union Allowance (EUA) Futures

### 1250100. SCOPE OF CHAPTER

This chapter is limited in application to In Delivery Month European Union Allowance (EUA) futures. The procedures for trading, clearing, delivery and settlement not specifically covered herein or in Chapter 7B shall be governed by the general rules of the Exchange.

The provisions of these rules shall apply to all European Union Allowances bought or sold for future delivery on the Exchange with delivery at the Registry (UK).

The terms “seller” and “buyer” shall mean the seller of the physical product and the buyer of the physical product, respectively. The seller’s clearing member and buyer’s clearing member may utilize a designee to perform their respective and necessary obligations with regard to transferring and accepting allowances at the Registry (UK).

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 CO<sub>2</sub>. 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.

The term “EUTL” shall mean the independent transaction log provided for in Article 20(1) of the Directive, the operation of which is further detailed in the Registries Regulation.

The term “ITL” shall mean the International Transaction Log. All transactions between registries are maintained by transaction logs which verify the validity of transactions.

The term “Community Independent Transaction Log” or “CITL” shall mean the predecessor log to the EUTL 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 EU ETS 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.

The term “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 or EUTL, and/or (3) by which CITL or EUTL communicates with the ITL (where applicable), and/or (4) by which a Registry communicates with the ITL (where Applicable).

The term “Registry (UK)” shall mean the Registry under the jurisdiction of the United Kingdom (collectively being the holding accounts within the Union Registry that are under the jurisdiction of the United Kingdom).

The term “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 EU ETS, and which has been identified as a Registry by the Clearing House from time to time for the purpose of this futures contract. For the avoidance of doubt, references to a Registry shall include (i) the Union Registry and (ii) collectively the holding accounts within the Union Registry that are under the jurisdiction of a single Member State. In the case of (ii), such holding accounts will together be deemed to be a Registry for that Member State.

The term “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.

The term “Union Registry” shall mean the Registry referred to as the “Community registry” in Article 19(1) of the Directive.

For purposes of these rules, unless otherwise specified, times referred to herein shall refer to and indicate the prevailing time in the United Kingdom.

## 1250101. CONTRACT SPECIFICATIONS

The contract specifications for delivery on futures contracts shall apply to all European Union Allowances with delivery at the Registry (UK).

The term "EUA" or European Union Allowance shall be granted under a National Allocation Plan of an EU member state.

## 1250102. TRADING SPECIFICATIONS

Trading in In Delivery Month European Union Allowance (EUA) futures is regularly conducted in all calendar months. The number of months open for trading at a given time shall be determined by the Exchange.

### 1250102.A. Trading Schedule

The hours for trading shall be determined by the Exchange.

### 1250102.B. Trading Unit

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

### 1250102.C. Price Increments

The minimum price fluctuation shall be €0.01 per EUA (€ 10.00 per contract). Prices shall be quoted in Euros and Euro cents per EUA.

### 1250102.D. Position Limits, Exemptions, Position Accountability and Reportable Levels

The applicable position limits and/or accountability levels, in addition to the reportable levels, are set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5.

A Person seeking an exemption from position limits for bona fide commercial purposes shall apply to the Market Regulation Department on forms provided by the Exchange, and the Market Regulation Department may grant qualified exemptions in its sole discretion.

Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits. **Position Limits and Position Accountability**

~~In accordance with Rule 559, no person shall own or control positions in excess of 28,000 contracts net long or net short in the spot month.~~

~~In accordance with Rule 560:~~

~~the all months accountability level shall be 70,000 contracts net long or net short in all months combined;~~

~~the any one month accountability level shall be 50,000 contracts net long or net short in any single contract month excluding the spot month.~~

~~Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.~~

### 1250102.E. Termination of Trading

No trades in In Delivery Month European Union Allowance (EUA) futures in the expiring contract month shall be made after the last Monday of the delivery month for such expiring contract. 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. Any contracts remaining open after the last day of trading must be either:

- (a) Settled by delivery which shall take place in accordance with Rule 1250105; or
- (b) Liquidated by means of a bona fide Exchange for Related Position ("EFRP") pursuant to Exchange Rule 538. An EFRP is permitted in the expiring futures contract at any time before 6:00 p.m. on the last trading day of the delivery month.

## 1250103. DELIVERY

EUA delivery shall comply with all requirements for the electronic transfer of EUAs on the Registry (UK). Notwithstanding the use of a designee, all clearing members will remain ultimately responsible for performance of all applicable contract terms specific to the sellers' clearing members and buyers' clearing members.

## **1250104. DELIVERY PROCEDURES**

The Exchange is a party to all deliveries under this contract and will receive EUAs from the seller's clearing member into the Clearing House Holding Account of the Registry (UK). Following receipt from the seller's clearing member, the Exchange will deliver EUAs to the buyer's clearing member from the Clearing House Holding Account to the Registry (UK) Holding Account nominated by the buyer's clearing member.

The seller's clearing member 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's clearing member 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 rules of this Chapter or the Exchange rules is inconsistent with a provision of the Registry Regulations, the provision of the rules of this Chapter and the Exchange rules shall prevail as between the buyer's clearing member, seller's clearing member, and the Exchange to the extent of such inconsistency and to the extent permitted by law.

By transferring EUAs to the Exchange, the seller's clearing member represents and warrants that, at the time of delivery, it has good and marketable title to such EUAs, and that such EUAs are free and clear of all liens, security interests, claims, encumbrances and adverse claims.

### **1250104.A. Responsibilities of Clearing Members**

#### **1. Notice of Intention to Accept**

Exchange clearing members having open long positions shall provide the Clearing House with a Notice of Intention to Accept delivery by 10:00 p.m. on the final day of trading of the delivery month. The Notice of Intention to Accept must be in the form prescribed by the Exchange and must be properly completed and indicate the name of the buyer, the number of contracts to be accepted, the Registry (UK) Account Number, the 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**

Exchange clearing members having open short positions shall provide the Clearing House with a Notice of Intention to Deliver by 10:00 p.m. on the final day of trading of the delivery month. The Notice of Intention to Deliver must be in the form prescribed by the Exchange, and must be properly completed, indicate the name of the seller, the number of contracts to be delivered, the Registry (UK) Account Number, the 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.

### **1250104.B. Final Settlement Price**

The final settlement price shall be the basis for delivery.

### **1250104.C. Assignment Day**

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

The Clearing House shall provide Assignment Notice Reports to the respective clearing members on the final day of trading of the delivery month.

## **1250105. TIMING OF DELIVERY**

1. The seller's clearing member shall transfer EUAs subject to delivery to the Clearing House Holding Account of the Registry (UK) by 6:30 p.m. on the first business day after the final day of trading of the delivery month.
2. For each buyer's clearing member that has satisfied its obligations under subsection (4) of this rule, the Clearing House shall initiate the process of transferring the EUAs to the buyer's clearing member's account at the Registry (UK) by 7:00 p.m. on the first business day after the final day of trading of the delivery month.
3. The buyer's clearing member shall receive EUAs from the Clearing House Holding Account of the Registry (UK) by 3:00 p.m. on the second business day after the final day of trading of the delivery month.
4. The buyer's clearing member shall deposit/transfer Euro currency equal to the full value of the product to the designated Clearing House bank account by 2:00 p.m. on the business day following the last day of trading of the delivery month.

5. For each seller's clearing member that has satisfied its obligations under subsection (1) of this rule, the Clearing House shall pay the seller's clearing member the full contract value by 3:00 p.m. on the second business day following the last day of trading of the delivery month.

**1250106. DELIVERY MARGINS AND PAYMENT**

**1250106.A. Definitions**

For purposes of this Rule 1250106,

"Payment Date" shall mean the date on which the Clearing House transfers Payment in connection with a delivery to a seller's clearing member.

"Payment" shall include the final settlement price times the number of contracts times 1,000.

**1250106.B. Margin**

The buyer's clearing member and seller's clearing member shall deposit with the Clearing House margins in such amounts and in such form as required by the Clearing House. Such margins shall be returned on the business day following notification to the Exchange that delivery and Payment have been completed.

**1250106.C. Payment**

Any Payment made on the Payment Date shall be based on EUAs that the seller's clearing member is obligated to deliver pursuant to the applicable delivery.

**1250107. VALIDITY OF DOCUMENTS**

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

**1250108. ALTERNATIVE DELIVERY PROCEDURE**

A seller and buyer matched by the Exchange under Rule 1250104.C. may agree 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 and 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 rules of this Chapter and any other rules regarding physical delivery.

In executing such notice, clearing members shall indemnify the Exchange against any liability, cost or expense the Exchange 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 thereunder. 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.

## Chapter 1251 In Delivery Month European Union Allowance (EUA) Option

### 1251100. SCOPE OF CHAPTER

This chapter is limited in application to put and call options on In Delivery Month European Union Allowance (EUA) futures contracts. In addition to the rules of this chapter, transactions in options on In Delivery Month European Union Allowance (EUA) futures shall be subject to the general rules of the Exchange insofar as applicable.

### 1251101. OPTION CHARACTERISTICS

The number of months open for trading at a given time shall be determined by the Exchange.

#### 1251101.A. Trading Schedule

The hours of trading for this contract shall be determined by the Exchange.

#### 1251101.B. Trading Unit

An In Delivery Month European Union Allowance (EUA) option traded on the Exchange represents an option to assume a short or long position in the underlying In Delivery Month European Union Allowance (EUA)- futures contract at the strike price.

#### 1251101.C. Price Increments

The minimum price fluctuation is €0.01 per EUA. Prices shall be quoted in Euros (€) and Euro cents (¢) per EUA. 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.

#### 1251101.D. Position Limits, Exemptions, Position Accountability and Reportable Levels

The applicable position limits and/or accountability levels, in addition to the reportable levels, are set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5.

A Person seeking an exemption from position limits for bona fide commercial purposes shall apply to the Market Regulation Department on forms provided by the Exchange, and the Market Regulation Department may grant qualified exemptions in its sole discretion.

Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits. **Position Limits and Position Accountability**

~~For purposes of calculating compliance with position limits, each contract will be aggregated with positions held in In Delivery Month European Union Allowance (EUA) futures. Each position in the contract will be calculated as a single position in the In Delivery Month European Union Allowance (EUA) futures contract.~~

~~In accordance with Rule 559, no person shall own or control positions in excess of 28,000 contracts net long or net short in the spot month.~~

~~In accordance with Rule 560:~~

~~1. \_\_\_\_\_ the all-months accountability level shall be 70,000 futures-equivalent contracts net long or net short in all months combined;~~

~~2. \_\_\_\_\_ the any one month accountability level shall be 50,000 futures-equivalent contracts net long or net short in any single contract month excluding the spot month.~~

~~Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.~~

#### 1251101.E. Termination of Trading

The option contract 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.

#### 1251101.F. Type Option

The option is a European-style option which can only be exercised into the underlying futures cash settled only on expiration day.

### 1251102. EXERCISE PRICES

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

1. 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 contract 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 subsection (i) of this rule; and (iii) the ten fifty-cent increment strike prices which are ten increments lower than the strike price described in subsection (i) of this rule.
2. Thereafter, on any business day prior to the expiration of the option contract, 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.
3. Notwithstanding the provisions of subsections (1) and (2) of this rule, if the Exchange determines that trading in the option contract will be facilitated thereby, the Exchange may 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 an option contract in which no new strike prices may be introduced.

## Chapter 1252

### In Delivery Month European Union Allowance (EUA) Serial Option

#### 1252100. SCOPE OF CHAPTER

This chapter is limited in application to put and call options on In Delivery Month European Union Allowance (EUA) futures contracts. In addition to the rules of this chapter, transactions in options on In Delivery Month European Union Allowance (EUA) futures shall be subject to the general rules of the Exchange insofar as applicable.

#### 1252101. OPTION CHARACTERISTICS

The number of months open for trading at a given time shall be determined by the Exchange.

##### 1252101.A. Trading Schedule

The hours of trading for this contract shall be determined by the Exchange.

##### 1252101.B. Trading Unit

An In Delivery Month European Union Allowance (EUA) Serial put option 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 at the strike price. An In Delivery Month European Union Allowance (EUA) Serial call option 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 at the strike price.

##### 1252101.C. Price Increments

The minimum price fluctuation is €0.01 per EUA. Prices shall be quoted in Euros (€) and Euro cents (¢) per EUA. 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.

##### 1252101.D. Position Limits, Exemptions, Position Accountability and Reportable Levels

The applicable position limits and/or accountability levels, in addition to the reportable levels, are set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5.

A Person seeking an exemption from position limits for bona fide commercial purposes shall apply to the Market Regulation Department on forms provided by the Exchange, and the Market Regulation Department may grant qualified exemptions in its sole discretion.

Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits. **Position Limits and Position Accountability**

For purposes of calculating compliance with position limits, each contract will be aggregated with positions held in In Delivery Month European Union Allowance (EUA) futures. Each position in the contract will be calculated as a single position in the In Delivery Month European Union Allowance (EUA) futures contract.

In accordance with Rule 559, no person shall own or control positions in excess of 28,000 contracts net long or net short in the spot month.

In accordance with Rule 560:

1. the all-months accountability level shall be 70,000 futures-equivalent contracts net long or net short in all months combined;

2. the any one month accountability level shall be 50,000 futures-equivalent contracts net long or net short in any single contract month excluding the spot month.

Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.

##### 1252101.E. Termination of Trading

The option contract 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 underlying In Delivery Month European Union Allowance (EUA) futures contract.

##### 1252101.F. Type Option

The option is a European-style option which can only be exercised into the underlying futures cash settled only on expiration day.

#### 1252102. EXERCISE PRICES



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

1. 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 contract 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 subsection (i) of this rule, and (iii) the ten fifty-cent increment strike prices which are ten increments lower than the strike price described in subsection (i) of this rule.
2. Thereafter, on any business day prior to the expiration of the option contract, 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.
3. Notwithstanding the provisions of subsections (1) and (2) of this rule, if the Exchange determines that trading in the option contract will be facilitated thereby, the Exchange may 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 an option contract in which no new strike prices may be introduced.

## Chapter 1253

### In Delivery Month Certified Emission Reduction (CER) Futures

#### 1253100. SCOPE OF CHAPTER

This chapter is limited in application to In Delivery Month Certified Emission Reduction (CER) futures. The procedures for trading, clearing, delivery and settlement not specifically covered herein or in Chapter 7B shall be governed by the general rules of the Exchange.

The provisions of these rules shall apply to all Certified Emission Reductions, 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 Registry (UK).

The terms “seller” and “buyer” shall mean the seller of the physical product and the buyer of the physical product, respectively. The seller’s clearing member and buyer’s clearing member may utilize a designee to perform their respective and necessary obligations with regard to transferring and accepting Certified Emission Reductions at the Registry (UK).

The term “CDM” or “Clean Development Mechanism” shall mean a mechanism established by Article 12 of the Kyoto Protocol for project-based emission reduction activities in developing countries.

The term “Clean Development Mechanism-Executive Board” or “CDM-EB” shall mean the following: The CDM-EB registers validated project activities as CDM projects, issues certified emission reductions to relevant projects participants, and manages series of technical panels and working groups meetings.

The term “EUTL” shall mean the independent transaction log provided for in Article 20(1) of the Directive, the operation of which is further detailed in the Registries Regulation.

The term “ITL” shall mean the International Transaction Log. All transactions between registries are maintained by transaction logs which verify the validity of transactions.

The term “Community Independent Transaction Log” or “CITL” shall mean the predecessor log to the EUTL provided for in Article 20(1) of the Directive, for the purpose of recording the issue, transfer and cancellation of CERs under the EU ETS 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 CERs between national Registries.

The term “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 or EUTL, and/or (3) by which CITL or EUTL communicates with the ITL (where applicable), and/or (4) by which a Registry communicates with the ITL (where Applicable), and/or (5) by which the UNFCCC communicates with the CDM Registry (where applicable), which in any case is necessary to facilitate a transfer.

The term “Registry (UK)” shall mean the Registry under the jurisdiction of the United Kingdom (collectively being the holding accounts within the Union Registry that are under the jurisdiction of the United Kingdom).

The term “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 EU ETS, and which has been identified as a Registry by the Clearing House from time to time for the purpose of this futures contract. For the avoidance of doubt, references to a Registry shall include (i) the Union Registry and (ii) collectively the holding accounts within the Union Registry that are under the jurisdiction of a single Member State. In the case of (ii), such holding accounts will together be deemed to be a Registry for that Member State.

The term “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.

The term “Union Registry” shall mean the Registry referred to as the “Community registry” in Article 19(1) of the Directive.

For purposes of this rule, unless otherwise specified, times referred to herein shall refer to and indicate the prevailing time in the United Kingdom.

#### **1253101. CONTRACT SPECIFICATIONS**

The contract specifications for delivery on futures contracts shall apply to all Certified Emission Reductions, issued pursuant to Articles 12 and 17 of the Kyoto Protocol, with delivery at the Registry (UK).

Certified Emission Reduction ("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.

#### **1253102. TRADING SPECIFICATIONS**

Trading in In Delivery Month Certified Emission Reduction (CER) futures is regularly conducted in all calendar months. The number of months open for trading at a given time shall be determined by the Exchange.

##### **1253102.A. Trading Schedule**

The hours for trading shall be determined by the Exchange.

##### **1253102.B. Trading Unit**

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

##### **1253102.C. Price Increments**

The minimum price fluctuation shall be €0.01 per CER (€10.00 per contract). Prices shall be quoted in Euro and Euro cents per CER.

##### **1253102.D. Position Limits, Exemptions, Position Accountability and Reportable Levels**

The applicable position limits and/or accountability levels, in addition to the reportable levels, are set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5.

A Person seeking an exemption from position limits for bona fide commercial purposes shall apply to the Market Regulation Department on forms provided by the Exchange, and the Market Regulation Department may grant qualified exemptions in its sole discretion.

Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits. **Position Limits and Position Accountability**

~~In accordance with Rule 559, no person shall own or control positions in excess of 8,700 contracts net long or net short in the spot month.~~

~~In accordance with Rule 560:~~

~~the all-months accountability level shall be 30,000 contracts net long or net short in all months combined;~~

~~the any-one month accountability level shall be 20,000 contracts net long or net short in any single contract month excluding the spot month.~~

~~Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.~~

##### **1253102.E. Termination of Trading**

No trades in In Delivery Month Certified Emission Reduction (CER) futures in the expiring contract month shall be made after the last Monday of the delivery month for such expiring contract. 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. Any contracts remaining open after the last day of trading must be either:

(a) Settled by delivery which shall take place in accordance with Rule 1253105; or

- (b) Liquidated by means of a bona fide Exchange for Related Position (“EFRP”) pursuant to Exchange Rule 538. An EFRP is permitted in the expiring futures contract at any time before 6:00 p.m. on the last trading day of the delivery month.

**1253103. DELIVERY**

At the registry designation of the buyer’s clearing member, CER delivery shall take place by electronic transfer of CERs at the Registry (UK). The registry will be designated by the buyer’s clearing member, and it must satisfy “Eligibility Criteria” for international emissions trading specified in Article 17 of the Kyoto Protocol and Decision 11/CMP.1. Notwithstanding the use of a designee, all clearing members will remain ultimately responsible for performance of all applicable contract terms specific to sellers’ clearing members and buyers’ clearing members.

**1253104. DELIVERY PROCEDURES**

The Exchange is a party to all deliveries under this contract and will receive CERs from the seller’s clearing member into the Clearing House Holding Account of the Registry (UK). Following receipt from the seller’s clearing member, the Exchange will deliver CERs to the buyer’s clearing member from the Clearing House Holding Account to the Registry (UK) Holding Account nominated by the buyer’s clearing member.

The seller’s clearing member 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’s clearing member 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 rules of this Chapter or the Exchange rules is inconsistent with a provision of the Registry Regulations, the provision of the rules of this Chapter and the Exchange rules shall prevail as between the buyer’s clearing member, seller’s clearing member, and the Exchange to the extent of such inconsistency and to the extent permitted by law.

By transferring CERs to the Exchange, the seller’s clearing member represents and warrants that, at the time of delivery, it has good and marketable title to such CERs, and that such CERs are free and clear of all liens, security interests, claims, encumbrances and adverse claims.

**1253104.A. Responsibilities of Clearing Members**

1. Notice of Intention to Accept

Exchange clearing members having open long positions shall provide the Clearing House with a Notice of Intention to Accept delivery by 10:00 p.m. on the final day of trading of the delivery month. The Notice of Intention to Accept must be in the form prescribed by the Exchange and must be properly completed and indicate the name of the buyer, the number of contracts to be accepted, the Registry (UK) Account Number, the 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

Exchange clearing members having open short positions shall provide the Clearing House with a Notice of Intention to Deliver by 10:00 p.m. on the final day of trading of the delivery month. The Notice of Intention to Deliver must be in the form prescribed by the Exchange, and must be properly completed, indicate the name of the seller, the number of contracts to be delivered, the Registry (UK) Account Number, the 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.

**1253104.B. Final Settlement Price**

The final settlement price shall be the basis for delivery.

**1253104.C. Assignment Day** The Clearing House shall allocate Notices of Intention to Accept and Notices of Intention to Deliver by matching positions, to the extent possible.

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

**1253105. TIMING OF DELIVERY**

1. The seller’s clearing member shall transfer CERs subject to delivery to the Clearing House Holding Account of the Registry (UK) by 6:30 p.m. on the first business day after the final day of trading of the delivery month.

2. For each buyer's clearing member that has satisfied its obligations under subsection (4) of this rule, the Clearing House shall initiate the process of transferring the CERs to the buyer's clearing member's account at the Registry (UK) by 7:00 p.m. on the first business day after the final day of trading of the delivery month.
3. The buyer's clearing member shall receive CERs from the Clearing House Holding Account of the Registry (UK) by 3:00 p.m. on the second business day after the final day of trading of the delivery month.
4. The buyer's clearing member shall deposit/transfer Euro currency equal to the full value of the product to the designated Clearing House bank account by 2:00 p.m. on the business day following the last day of trading of the delivery month.
5. For each seller's clearing member that has satisfied its obligations under subsection (1) of this rule, the Clearing House shall pay the seller's clearing member the full contract value by 3:00 p.m. on the second business day following the last day of trading of the delivery month.

## **1253106. DELIVERY MARGINS AND PAYMENT**

### **1253106.A. Definitions**

For purposes of this Rule 1253106,

"Payment Date" shall mean the date on which the Clearing House transfers Payment in connection with a delivery to a seller's clearing member.

"Payment" shall include the final settlement price times the number of contracts times 1,000.

### **1253106.B. Margin**

The buyer's clearing member and seller's clearing member shall deposit with the Clearing House margins in such amounts and in such form as required by the Clearing House. Such margins shall be returned on the business day following notification to the Exchange that delivery and Payment have been completed.

### **1253106.C. Payment**

Any Payment made on the Payment Date shall be based on CERs that the seller's clearing member is obligated to deliver pursuant to the applicable delivery.

## **1253107. VALIDITY OF DOCUMENTS**

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

## **1253108. ALTERNATIVE DELIVERY PROCEDURE**

A seller and buyer matched by the Exchange under Rule 1253104.C may agree 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 and 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 rules of this Chapter and any other rules regarding physical delivery.

In executing such notice, clearing members shall indemnify the Exchange against any liability, cost or expense the Exchange 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 thereunder. 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.

## Chapter 1254

### In Delivery Month Certified Emission Reduction (CER) Option

#### 1254100. SCOPE OF CHAPTER

This chapter is limited in application to put and call options on In Delivery Month Certified Emission Reduction (CER) futures contracts. In addition to the rules of this chapter, transactions in options on In Delivery Month Certified Emission Reduction (CER) futures shall be subject to the general rules of the Exchange insofar as applicable.

#### 1254101. OPTION CHARACTERISTICS

The number of months open for trading at a given time shall be determined by the Exchange.

##### 1254101.A. Trading Schedule

The hours of trading for this contract shall be determined by the Exchange.

##### 1254101.B. Trading Unit

An In Delivery Month Certified Emission Reduction (CER) option traded on the Exchange represents an option to assume a short or long position in the underlying In Delivery Month Certified Emission Reduction (CER) futures contract at the strike price.

##### 1254101.C. Price Increments

The minimum price fluctuation is €0.01 per CER. Prices shall be quoted in Euros (€) and Euro cents (¢) 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.

##### 1254101.D. Position Limits, Exemptions, Position Accountability and Reportable Levels

The applicable position limits and/or accountability levels, in addition to the reportable levels, are set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5.

A Person seeking an exemption from position limits for bona fide commercial purposes shall apply to the Market Regulation Department on forms provided by the Exchange, and the Market Regulation Department may grant qualified exemptions in its sole discretion.

Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits. **Position Limits and Position Accountability**

~~For purposes of calculating compliance with position limits, each contract will be aggregated with positions held in In Delivery Month Certified Emission Reduction (CER) futures. Each position in the contract will be calculated as a single position in the In Delivery Month Certified Emission Reduction (CER) futures contract.~~

~~In accordance with Rule 559, no person shall own or control positions in excess of 8,700 contracts net long or net short in the spot month.~~

~~In accordance with Rule 560:~~

~~the all-months accountability level shall be 30,000 futures-equivalent contracts net long or net short in all months combined;~~

~~2. the any-one month accountability level shall be 20,000 futures-equivalent contracts net long or net short in any single contract month excluding the spot month.~~

~~Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.~~

##### 1254101.E. Termination of Trading

The option contract 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.

##### 1254101.F. Type Option

The option is a European-style option which can only be exercised into the underlying futures cash settled only on expiration day.

#### 1254102. EXERCISE PRICES

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

1. 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 contract 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 subsection (i) of this rule, and (iii) the ten fifty-cent increment strike prices which are ten increments lower than the strike price described in subsection (i) of this rule.

2. Thereafter, on any business day prior to the expiration of the option contract, 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.
3. Notwithstanding the provisions of subsections (1) and (2) of this rule, if the Exchange determines that trading in the option contract will be facilitated thereby, the Exchange may 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 an option contract in which no new strike prices may be introduced.

## Chapter 1255

### In Delivery Month Certified Emission Reduction (CER) Serial Option

#### 1255100. SCOPE OF CHAPTER

This chapter is limited in application to put and call options on In Delivery Month Certified Emission Reduction (CER) futures contracts. In addition to the rules of this chapter, transactions in options on In Delivery Month Certified Emission Reduction (CER) futures shall be subject to the general rules of the Exchange insofar as applicable.

#### 1255101. OPTION CHARACTERISTICS

The number of months open for trading at a given time shall be determined by the Exchange.

##### 1255101.A. Trading Schedule

The hours of trading for this contract shall be determined by the Exchange.

##### 1255101.B. Trading Unit

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 at the strike price. 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 at the strike price.

##### 1255101.C. Price Increments

The minimum price fluctuation is €0.01 per CER. Prices shall be quoted in Euros (€) and Euro cents (¢) 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.

##### 1255101.D. Position Limits, Exemptions, Position Accountability and Reportable Levels

The applicable position limits and/or accountability levels, in addition to the reportable levels, are set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5.

A Person seeking an exemption from position limits for bona fide commercial purposes shall apply to the Market Regulation Department on forms provided by the Exchange, and the Market Regulation Department may grant qualified exemptions in its sole discretion.

Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits. **Position Limits and Position Accountability**

~~For purposes of calculating compliance with position limits, each contract will be aggregated with positions held in In Delivery Month Certified Emission Reduction (CER) futures. Each position in the contract will be calculated as a single position in the In Delivery Month Certified Emission Reduction (CER) futures contract.~~

~~In accordance with Rule 559, no person shall own or control positions in excess of 8,700 contracts net long or net short in the spot month.~~

~~In accordance with Rule 560:~~

~~the all-months accountability level shall be 30,000 futures-equivalent contracts net long or net short in all months combined;~~

~~2. the any one month accountability level shall be 20,000 futures-equivalent contracts net long or net short in any single contract month excluding the spot month.~~

~~Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.~~

##### 1255101.E. Termination of Trading

The option contract 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 underlying In Delivery Month Certified Emission Reduction (CER) futures contract.

##### 1255101.F. Type Option

The option is a European-style option which can only be exercised into the underlying futures cash settled only on expiration day.



**1255102.**

**EXERCISE PRICES**

Trading shall be conducted for option contracts with strike prices in increments as set forth below:

1. 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 subsection (i) of this rule; and (iii) the ten fifty-cent increment strike prices which are ten increments lower than the strike price described in subsection (i) of this rule.
2. Thereafter, on any business day prior to the expiration of the option contract, 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.
3. Notwithstanding the provisions of subsections (1) and (2) of this rule, if the Exchange determines that trading in the option contract will be facilitated thereby, the Exchange may 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 an option contract in which no new strike prices may be introduced.

## **Chapter 1256**

### **Certified Emission Reduction Plus (CERplus<sup>SM</sup>) Futures**

#### **1256100. SCOPE OF CHAPTER**

This chapter is limited in application to Certified Emission Reduction Plus (CERplus<sup>SM</sup>) futures. The procedures for trading, clearing, delivery and settlement not specifically covered herein or in Chapter 7B shall be governed by the general rules of the Exchange.

The provisions of these rules shall apply to all CERs bought or sold for future delivery on the Exchange with delivery at the Registry (UK).

The terms "seller" and "buyer" shall mean the seller of the physical product and the buyer of the physical product, respectively. The seller's clearing member and buyer's clearing member may utilize a designee to perform their respective and necessary obligations with regard to transferring and accepting Relevant CERs at the Registry (UK).

The term "Clean Development Mechanism" or "CDM" shall mean a mechanism established by Article 12 of the Kyoto Protocol for project-based emission reduction activities in developing countries.

The term "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 or EUTL, and/or (3) by which CITL or EUTL communicates with the ITL (where applicable), and/or (4) by which a Registry communicates with the ITL (where applicable), and/or (5) by which the ITL communicates with the CDM Registry (where applicable), which in any case is necessary to facilitate a transfer.

The term "Community Independent Transaction Log" or "CITL" shall mean the predecessor log to the EUTL provided for in Article 20(1) of the EU ETS Directive, for the purpose of recording the issue, transfer and cancellation of CERs under the EU ETS and established, operated and maintained pursuant to the Registry Regulations.

The term "EU ETS" shall mean the European Union Emissions Trading System implemented pursuant to the EU ETS Directive.

The term "EU ETS Directive" shall mean Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a scheme for greenhouse gas emissions allowance trading within the European Community, and amending Council Directive 96/61/EC, as amended from time to time, including, for the avoidance of doubt by Directive 2009/29/EC of the European Parliament and of the Council of 23 April 2009 amending Directive 2003/87/EC so as to improve and extend the greenhouse gas emission allowance trading scheme of the European Community.

The term "EUTL" shall mean the independent transaction log provided for in Article 20(1) of the Directive, the operation of which is further detailed in the Registries Regulation.

The term "ITL" shall mean International Transaction Log.

The term "Linking Directive" shall mean Directive 2004/101/EC, which amends the EU ETS Directive.

The term "Qualitative Restriction" shall mean any restriction on the use of CERs imposed pursuant to Article 11a(9) of the EU ETS Directive in respect of which legislation has been published in the Official Journal of the European Union.

The term "Registry (UK)" shall mean the Registry under the jurisdiction of the United Kingdom (collectively being the holding accounts within the Union Registry that are under the jurisdiction of the United Kingdom).

The term "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 holding, transfer, acquisition, surrender, cancellation, and replacement of CERs under the EU ETS, and which has been identified as a Registry by the Clearing House from time to time for the purpose of this futures contract. For the avoidance of doubt, references to a Registry shall include (i) the Union Registry and (ii) collectively the holding accounts within the Union Registry that are under the jurisdiction of a single Member State. In the case of (ii), such holding accounts will together be deemed to be a Registry for that Member State.

The term "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.

Council, as amended from time to time including by Commission Regulation (EC) No.916/2007 of 31 July 2007.

The term "Union Registry" shall mean the Registry referred to as the "Community registry" in Article 19(1) of the Directive.

For purposes of these rules, unless otherwise specified, times referred to herein shall refer to and indicate the prevailing time in the United Kingdom.

## **1256101. CONTRACT SPECIFICATIONS**

The contract specifications for delivery on futures contracts shall apply to all to Certified Emission Reduction Plus (CERplus<sup>SM</sup>) futures contracts with delivery at the Registry (UK).

The term Certified Emission Reduction ("CER") shall mean a unit issued by the Clean Development Mechanism Executive Board pursuant to Article 12 of the Kyoto Protocol and the decisions adopted pursuant to the UNFCCC or the Kyoto Protocol.

"CERplus Contract" shall mean an obligation to deliver the number of Relevant CERs that would be required, as at the point of delivery under Rules 1256104 – 1256106, to be Surrendered to meet a compliance obligation under the EU ETS in respect of 1,000 Tonnes of CO2 Equivalent.

The "Relevant CER" shall mean any CER which:

1. For Delivery in 2011 and 2012, any CER which:
  - (a) may be Surrendered by an operator or aircraft operator under the EU ETS Directive (without regard to any quantitative restrictions on the ability of any operator or aircraft operator imposed under Article 11a of the EU ETS Directive or otherwise to surrender such CERs); and
  - (b) does not originate from nuclear facilities; land use, land use change and forestry activities (LULUCF); trifluoromethane (HFC-23) projects; and nitrous oxide (N2O) from adipic acid production.
2. For Delivery in 2013 and subsequent years, any CER which:
  - (a) may be Surrendered by an operator or aircraft operator under the EU ETS Directive (without regard to any quantitative restrictions on the ability of any operator or aircraft operator imposed under Article 11a of the EU ETS Directive or otherwise to surrender such CERs); and
  - (b) in the case of CERs that are subject to Qualitative Restrictions, those Qualitative Restrictions: (A) can be identified by the Exchange by way of reference to the serial number of the CER subject to such Qualitative Restriction; and (B) do not render them wholly ineligible for the purpose of Surrender under the EU ETS Directive, in each case as determined pursuant to Rule 1256103.

The term "Surrender" shall mean the surrender of CERs by an operator or aircraft operator for compliance either by way of direct surrender or by way of conversion of CERs to EUAs pursuant to the EU ETS Directive, the Linking Directive and the Registry Regulations.

The term "Tonne of CO2 Equivalent" shall mean a tonne of CO2 as monitored, reported and verified pursuant to the EU ETS Directive.

## **1256102. TRADING SPECIFICATIONS**

Trading in Certified Emission Reduction Plus (CERplus<sup>SM</sup>) futures is regularly conducted in all calendar months. The number of months open for trading at a given time shall be determined by the Exchange.

### **1256102.A. Trading Schedule**

The hours for trading shall be determined by the Exchange.

### **1256102.B. Trading Unit**

The contract shall mean an obligation to deliver the number of Relevant CERs that would be required, as at the point of delivery under Rules 1256104 – 1256106, to be Surrendered to meet a compliance obligation under the EU ETS in respect of 1,000 Tonnes of CO2 Equivalent.

### **1256102.C. Price Increments**

The minimum price fluctuation shall be €0.01 per CER (€10.00 per contract). Prices shall be quoted in Euro and Euro cents per CER.

#### **1256102.D. Position Limits, Exemptions, Position Accountability and Reportable Levels**

The applicable position limits and/or accountability levels, in addition to the reportable levels, are set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5.

A Person seeking an exemption from position limits for bona fide commercial purposes shall apply to the Market Regulation Department on forms provided by the Exchange, and the Market Regulation Department may grant qualified exemptions in its sole discretion.

Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits. **Position Limits and Position Accountability**

~~In accordance with Rule 559, no person shall own or control positions in excess of 6,000 contracts net long or net short in the spot month.~~

~~In accordance with Rule 560:~~

~~the all months accountability level shall be 30,000 contracts net long or net short in all months combined;~~

~~the any one month accountability level shall be 20,000 contracts net long or net short in any single contract month excluding the spot month.~~

~~Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.~~

#### **1256102.E. Termination of Trading**

No trades in Certified Emission Reduction Plus (CERplus<sup>SM</sup>) futures in the expiring contract month shall be made after the last Monday of the delivery month for such expiring contract. 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. Any contracts remaining open after the last day of trading must be either:

- (a) Settled by delivery which shall take place in accordance with Rule 1256105; or
- (b) Liquidated by means of a bona fide Exchange for Related Position ("EFRP") pursuant to Exchange Rule 538. An EFRP is permitted in the expiring futures contract at any time before 6:00 p.m. on the last trading day of the delivery month.

#### **1256103. DELIVERY**

Delivery shall take place by electronic transfer of Relevant CERs at the Registry (UK) and Registry must satisfy "Eligibility Criteria" for international emissions trading specified in Article 17 of the Kyoto Protocol and Decision 11/CMP.1.

In determining whether or not a CER constitutes a Relevant CER, the Exchange may specify such criteria as it deems appropriate, including without limitation the project type, nature and source of a CER, the scheme and/or mechanism pursuant to which such CER has been issued, and the originating or issuing Registry.

The Exchange may determine at its own discretion the number of Relevant CERs that are due to be delivered to satisfy a contract, taking account of whether, in its opinion, at the point of delivery under Rules 1256104 – 1256106, a CER is subject to a Qualitative Restriction. Notwithstanding the use of a designee, all clearing members will remain ultimately responsible for performance of all applicable contract terms specific to the sellers' clearing members and the buyers' clearing members.

#### **1256104. DELIVERY PROCEDURES**

The Exchange is a party to all deliveries under this contract and will receive Relevant CERs from the seller's clearing member into the Clearing House Holding Account of the Registry (UK). Following receipt from the seller's clearing member, the Exchange will deliver Relevant CERs to the buyer's clearing member from the Clearing House Holding Account to the Registry (UK) Holding Account nominated by the buyer's clearing member.

The seller's clearing member 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's clearing member 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 rules of this Chapter or the Exchange rules is inconsistent with a provision of the Registry Regulations, the provision of the rules of this Chapter and the Exchange rules shall prevail as between the buyer's clearing member, seller's clearing member, and the Exchange to the extent of such inconsistency and to the extent permitted by law.

By transferring Relevant CERs to the Exchange, the seller's clearing member represents and warrants that, at the time of delivery, it has good and marketable title to such Relevant CERs, and that such Relevant CERs are free and clear of all liens, security interests, claims, encumbrances, and adverse claims.

#### **1256104.A. Responsibilities of Clearing Members**

##### **1. Notice of Intention to Accept**

Exchange clearing members having open long positions shall provide the Clearing House with a Notice of Intention to Accept delivery by 10:00 p.m. on the final day of trading of the delivery month. The Notice of Intention to Accept must be in the form prescribed by the Exchange and must be properly completed and indicate the name of the buyer, the number of contracts to be accepted (meaning that the buyer's clearing member will accept the type and number of Relevant CERs required to satisfy the contract), the Registry (UK) Account Number, the 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**

Exchange clearing members having open short positions shall provide the Clearing House with a Notice of Intention to Deliver by 10:00 p.m. on the final day of trading of the delivery month. The Notice of Intention to Deliver must be in the form prescribed by the Exchange, and must be properly completed, indicate the name of the seller, the number of contracts to be satisfied by the seller's clearing member by delivery of the applicable number of Relevant CERs (including where this is a number other than 1,000 Relevant CERs per contract, the number of Relevant CERs to be delivered to satisfy each CERplus Contract), the Registry (UK) Account Number, the 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.

#### **1256104.B. Final Settlement Price**

The final settlement price shall be the basis for delivery.

#### **1256104.C. Assignment Day**

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

The Clearing House shall provide Assignment Notice Reports to the respective clearing members on the final day of trading of the delivery month.

### **1256105. TIMING OF DELIVERY**

1. The seller's clearing member shall transfer the Relevant CERs subject to delivery to the Clearing House Holding Account of the Registry (UK) by 6:30 p.m. on the first business day after the final day of trading of the delivery month.
2. For each buyer's clearing member that has satisfied its obligations under subsection (4) of this rule, the Clearing House shall initiate the process of transferring the Relevant CERs to the buyer's clearing member's account at the Registry (UK) by 7:00 p.m. on the first business day after the final day of trading of the delivery month.
3. The buyer's clearing member shall receive the Relevant CERs from the Clearing House Holding Account of the Registry (UK) by 3:00 p.m. on the second business day after the final day of trading of the delivery month.
4. The buyer's clearing member shall deposit/transfer Euro currency equal to the full value of the product to the designated Clearing House bank account by 2:00 p.m. on the business day following the last day of trading of the delivery month.
5. For each seller's clearing member that has satisfied its obligations under subsection (1) of this rule, the Clearing House shall pay the seller's clearing member the full contract value by 3:00 p.m. on the second business day following the last day of trading of the delivery month.

### **1256106. DELIVERY MARGINS AND PAYMENT**

#### **1256106.A. Definitions**

For purposes of this Rule 1256106,

"Payment Date" shall mean the date on which the Clearing House transfers Payment in connection with a delivery to a seller's clearing member.

"Payment" shall include the final settlement price times the number of contracts times 1,000. For the avoidance of doubt, where more than 1,000 Relevant CERs are required to be delivered to satisfy a contract, the Payment for that contract shall be the settlement price times 1,000.

**1256106.B. Margin**

The buyer's clearing member and seller's clearing member shall deposit with the Clearing House margins in such amounts and in such form as required by the Clearing House. Such margins shall be returned on the business day following notification to the Exchange that delivery and Payment have been completed.

**1256106.C. Payment**

Any Payment made on the Payment Date shall be based on the contracts that the seller's clearing member is obligated to deliver pursuant to the applicable delivery.

**1256107. VALIDITY OF DOCUMENTS**

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

**1256108. ALTERNATIVE DELIVERY PROCEDURE**

A seller and buyer matched by the Exchange under Rule 1256104.C. may agree 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 and 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 rules of this Chapter and any other rules regarding physical delivery.

In executing such notice, clearing members shall indemnify the Exchange against any liability, cost or expense the Exchange 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 thereunder. 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.

## **Chapter 1257**

### **European Union Aviation Allowance (EUAA) Futures**

#### **1257100. SCOPE OF CHAPTER**

This chapter is limited in application to European Union Aviation Allowance (EUAA) futures. The procedures for trading, clearing, delivery and settlement not specifically covered herein or in Chapter 7B shall be governed by the general rules of the Exchange.

The provisions of these rules shall apply to all European Union Aviation Allowances bought or sold for future delivery on the Exchange with delivery at the Registry (UK).

The terms “seller” and “buyer” shall mean the seller of the physical product and the buyer of the physical product, respectively. The seller’s clearing member and buyer’s clearing member may utilize a designee to perform their respective and necessary obligations with regard to transferring and accepting allowances at the Registry (UK).

The term “EU ETS” shall mean the European Union Emission Trading Scheme established pursuant to the Directive.

The term “Directive” shall mean Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a scheme for greenhouse gas emissions allowance trading and amending Council Directive 96/61/EC, as amended from time to time.

The term “EUTL” shall mean the independent transaction log provided for in Article 20(1) of the Directive, the operation of which is further detailed in the Registries Regulation.

The term “Community Independent Transaction Log” or “CITL” shall mean the predecessor log to the EUTL provided for in Article 20(1) of Directive 2003/87/EC, for the purpose of recording the issue, transfer and cancellation of EUAAs under the Scheme and established, operated and maintained pursuant to Article 5 of the Registries Regulation.

The term “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 or EUTL, which in any case is necessary to facilitate a transfer.

The term “Registry (UK)” shall mean the Registry under the jurisdiction of the United Kingdom (collectively being the holding accounts within the Union Registry that are under the jurisdiction of the United Kingdom).

The term “Registry” shall mean the registry established by a Member State or the EU pursuant to the Directive or the Registries Regulation, in order to ensure the accurate accounting of the issue, holding, transfer, acquisition, surrender, cancellation and replacement of allowances (including EUAAs). For the avoidance of doubt, references to a Registry shall include (i) the Union Registry and (ii) collectively the holding accounts within the Union Registry that are under the jurisdiction of a single Member State. In the case of (ii), such holding accounts will together be deemed to be a Registry for that Member State.

The term “Registries Regulation” shall mean the EU regulation no. 1193/2011 of 18 November 2011 establishing a Union Registry for the trading period commencing on 1 January 2013, and subsequent trading periods, of the Union emissions trading scheme pursuant to the Directive 2003/87/EC and Decision 280/2004/EC of the European Parliament and of the Council and amending Commission Regulations (EC) No. 2216/2004 and (EU) No. 920/2010.

The term “Union Registry” shall mean the Registry referred to as the “Community registry” in Article 19(1) of the Directive.

For purposes of these rules, unless otherwise specified, times referred to herein shall refer to and indicate the prevailing time in the United Kingdom.

#### **1257101. CONTRACT SPECIFICATIONS**

The contract specifications for delivery on futures contracts shall apply to all European Union Aviation Allowances with delivery at the Registry (UK).

An “EUAA” or “European Union Aviation Allowance” shall mean a unit of account that is an “allowance” as defined in the Directive and is issued pursuant to Chapter II thereof.

## 1257102. TRADING SPECIFICATIONS

Trading in European Union Aviation Allowance (EUAA) futures is regularly conducted in all calendar months. The number of months open for trading at a given time shall be determined by the Exchange.

### 1257102.A. Trading Schedule

The hours for trading shall be determined by the Exchange.

### 1257102.B. Trading Unit

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

### 1257102.C. Price Increments

The minimum price fluctuation shall be €0.01 per EUAA (€ 10.00 per contract). Prices shall be quoted in Euros and Euro cents per EUAA.

### 1257102.D. **Position Limits, Exemptions, Position Accountability and Reportable Levels**

The applicable position limits and/or accountability levels, in addition to the reportable levels, are set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5.

A Person seeking an exemption from position limits for bona fide commercial purposes shall apply to the Market Regulation Department on forms provided by the Exchange, and the Market Regulation Department may grant qualified exemptions in its sole discretion.

Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits. **Position Limits and Position Accountability**

~~In accordance with Rule 559, no person shall own or control positions in excess of 3,000 contracts net long or net short in the spot month.~~

~~In accordance with Rule 560:~~

~~the all months accountability level shall be 9,000 contracts net long or net short in all months combined;~~

~~the any one month accountability level shall be 6,000 contracts net long or net short in any single contract month excluding the spot month.~~

~~Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.~~

### 1257102.E. Termination of Trading

No trades in European Union Aviation Allowance (EUAA) futures in the expiring contract month shall be made after the last Monday of the delivery month for such expiring contract. 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. Any contracts remaining open after the last day of trading must be either:

- (a) Settled by delivery which shall take place in accordance with Rule 1257105; or
- (b) Liquidated by means of a bona fide Exchange for Related Position ("EFRP") pursuant to Exchange Rule 538. An EFRP is permitted in the expiring futures contract at any time before 6:00 p.m. on the last trading day of the delivery month.

## 1257103. DELIVERY

EUAA delivery shall comply with all requirements for the electronic transfer of EUAAs on the Registry (UK). Notwithstanding the use of a designee, all clearing members will remain ultimately responsible for performance of all applicable contract terms specific to the sellers' clearing members and the buyers' clearing members.

## 1257104. DELIVERY PROCEDURES

The Exchange is a party to all deliveries under this contract and will receive EUAAs from the seller's clearing member into the Clearing House Holding Account of the Registry (UK). Following receipt from the seller's clearing member, the Exchange will deliver EUAAs to the buyer's clearing



member from the Clearing House Holding Account to the Registry (UK) Holding Account nominated by the buyer's clearing member.

The seller's clearing member shall comply with such requirements and obligations imposed by, or under, applicable Registries Regulation in all respects material to the submission of the forms noted in this rule. The buyer's clearing member shall comply with such requirements and obligations imposed by, or under, the Registries Regulation in all respects material to ensure the acceptance of a valid transfer into its Holding Account. If a provision of the rules of this Chapter or the Exchange rules is inconsistent with a provision of the Registries Regulation, the provision of the rules of this Chapter and the Exchange rules shall prevail as between the buyer's clearing member, seller's clearing member, and the Exchange to the extent of such inconsistency and to the extent permitted by law.

By transferring EUAAs to the Exchange, the seller's clearing member represents and warrants that, at the time of delivery, it has good and marketable title to such EUAAs, and that such EUAAs are free and clear of all liens, security interests, claims, encumbrances and adverse claims.

#### **1257104.A. Responsibilities of Clearing Members**

##### **1. Notice of Intention to Accept**

Exchange clearing members having open long positions shall provide the Clearing House with a Notice of Intention to Accept delivery by 10:00 p.m. on the final day of trading of the delivery month. The Notice of Intention to Accept must be in the form prescribed by the Exchange and must be properly completed and indicate the name of the buyer, the number of contracts to be accepted, the Registry (UK) Account Number, the 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**

Exchange clearing members having open short positions shall provide the Clearing House with a Notice of Intention to Deliver by 10:00 p.m. on the final day of trading of the delivery month. The Notice of Intention to Deliver must be in the form prescribed by the Exchange and must be properly completed and indicate the name of the seller, the number of contracts to be delivered, the Registry (UK) Account Number, the 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.

#### **1257104.B. Final Settlement Price**

The final settlement price shall be the basis for delivery.

#### **1257104.C. Assignment Day**

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

The Clearing House shall provide Assignment Notice Reports to the respective clearing members on the final day of trading of the delivery month.

### **1257105. TIMING OF DELIVERY**

1. The seller's clearing member shall transfer EUAAs subject to delivery to the Clearing House Holding Account of the Registry (UK) by 6:30 p.m. on the first business day after the final day of trading of the delivery month.
2. For each buyer's clearing member that has satisfied its obligations under subsection (4) of this rule, the Clearing House shall initiate the process of transferring the EUAAs to the buyer's clearing member's account at the Registry (UK) by 7:00 p.m. on the first business day after the final day of trading of the delivery month.
3. The buyer's clearing member shall receive EUAAs from the Clearing House Holding Account of the Registry (UK) by 3:00 p.m. the second business day after the final day of trading of the delivery month.
4. The buyer's clearing member shall deposit/transfer Euro currency equal to the full value of the product to the designated Clearing House bank account by 2:00 p.m. on the business day following the last day of trading of the delivery month.
5. For each seller's clearing member that has satisfied its obligations under subsection (1) of this rule, the Clearing House shall pay the seller's clearing member the full contract value by 3:00 p.m. on the second business day following the last day of trading of the delivery month.

**1257106. DELIVERY MARGINS AND PAYMENT**

**1257106.A. Definitions**

For purposes of this Rule 1257106,

“Payment Date” shall mean the date on which the Clearing House transfers Payment in connection with a delivery to a seller’s clearing member.

“Payment” shall include the final settlement price times the number of contracts times 1,000.

**1257106.B. Margin**

The buyer’s clearing member and seller’s clearing member shall deposit with the Clearing House margins in such amounts and in such form as required by the Clearing House. Such margins shall be returned on the business day following notification to the Exchange that delivery and Payment have been completed.

**1257106.C. Payment**

Any Payment made on the Payment Date shall be based on EUAs that the seller’s clearing member is obligated to deliver pursuant to the applicable delivery.

**1257107. VALIDITY OF DOCUMENTS**

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

**1257108. ALTERNATIVE DELIVERY PROCEDURE**

A seller and buyer matched by the Exchange under Rule 1257104.C. may agree 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 and 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 rules of this Chapter and any other rules regarding physical delivery.

In executing such notice, clearing members shall indemnify the Exchange against any liability, cost or expense the Exchange 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 thereunder. 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.

## **Chapter 1258**

### **Emission Reduction Unit (ERU) Futures**

#### **1258100. SCOPE OF CHAPTER**

This chapter is limited in application to Emission Reduction Unit (ERU) futures. The procedures for trading, clearing, delivery and settlement not specifically covered herein or in Chapter 7B shall be governed by the general rules of the Exchange.

The provisions of these rules shall apply to all Emission Reduction Units bought or sold for future delivery on the Exchange with delivery at the Registry (UK).

The terms “seller” and “buyer” shall mean the seller of the physical product and the buyer of the physical product, respectively. The seller’s clearing member and buyer’s clearing member may utilize a designee to perform their respective and necessary obligations with regard to transferring and accepting allowances at the Registry (UK).

The term “Directive” shall mean Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a scheme for greenhouse gas emissions allowance trading and amending Council Directive 96/61/EC, as amended from time to time.

The term “EUTL” shall mean the independent transaction log provided for in Article 20(1) of the Directive, the operation of which is further detailed in the Registries Regulation.

The term “ITL” shall mean the 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.

The term “Community Independent Transaction Log” or “CITL” shall mean the predecessor log to the EUTL provided for in Article 20(1) of the Directive, for the purpose of recording the issue, transfer and cancellation of ERUs under the EU ETS 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 ERUs between national Registries.

The term “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 or EUTL, and/or (3) by which CITL or EUTL communicates with the UNFCCC ITL (where applicable), and/or (4) by which a Registry communicates with the UNFCCC ITL (where applicable), and/or (5) by which the UNFCCC ITL communicates with the ERU Registry (where applicable), which in any case is necessary to facilitate a transfer.

The term “Registry (UK)” shall mean the Registry under the jurisdiction of the United Kingdom (collectively being the holding accounts within the Union Registry that are under the jurisdiction of the United Kingdom).

The term “Registry” shall mean the registry established by a Member State or the EU pursuant to the Directive or the Registries Regulation, in order to ensure the accurate accounting of the issue, holding, transfer, acquisition, surrender, cancellation and replacement of allowances and offsets (including ERUs). For the avoidance of doubt, references to a Registry shall include (i) the Union Registry and (ii) collectively the holding accounts within the Union Registry that are under the jurisdiction of a single Member State. In the case of (ii), such holding accounts will together be deemed to be a Registry for that Member State.

The term “Registry Regulations” shall mean the EU Commission Regulation (EC) no. 1193/2011 of 18 November 2011 establishing a Union Registry for the trading period commencing on 1 January 2013, and subsequent trading periods, of the Union emissions trading scheme pursuant to the Directive and Decision 280/2004/EC of the European Parliament and of the Council and amending Commission Regulations (EC) No. 2216/2004 and (EU) No. 920/2010.

The term “Union Registry” shall mean the Registry referred to as the “Community registry” in Article 19(1) of the Directive.

For purposes of these rules, unless otherwise specified, times referred to herein shall refer to and indicate the prevailing time in the United Kingdom.

#### **1258101. CONTRACT SPECIFICATIONS**

The contract specifications for delivery on futures contracts shall apply to all Emission Reduction Units with delivery at the Registry (UK).

An "Emission Reduction Unit" or "ERU" shall mean a unit issued pursuant to Article 6 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 and the Linking Directive 2004/101/EC as implemented into Member State law. ERUs 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. For the avoidance of doubt, "ERU" includes any ERU issued under Track 1 or Track 2.

## 1258102. TRADING SPECIFICATIONS

Trading in Emission Reduction Unit (ERU) futures is regularly conducted in all calendar months. The number of months open for trading at a given time shall be determined by the Exchange.

### 1258102.A. Trading Schedule

The hours for trading shall be determined by the Exchange.

### 1258102.B. Trading Unit

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

### 1258102.C. Price Increments

The minimum price fluctuation shall be €0.01 per ERU (€10.00 per contract). Prices shall be quoted in Euro and Euro cents per ERU.

### 1258102.D. Position Limits, Exemptions, Position Accountability and Reportable Levels

The applicable position limits and/or accountability levels, in addition to the reportable levels, are set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5.

A Person seeking an exemption from position limits for bona fide commercial purposes shall apply to the Market Regulation Department on forms provided by the Exchange, and the Market Regulation Department may grant qualified exemptions in its sole discretion.

Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits. ~~Position Limits and Position Accountability~~

~~In accordance with Rule 559, no person shall own or control positions in excess of 4,000 contracts net long or net short in the spot month.~~

~~In accordance with Rule 560:~~

~~the all-months accountability level shall be 12,000 contracts net long or net short in all months combined;~~

~~the any-one month accountability level shall be 8,000 contracts net long or net short in any single contract month excluding the spot month.~~

~~Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.~~

### 1258102.E. Termination of Trading

No trades in Emission Reduction Unit (ERU) futures in the expiring contract month shall be made after the last Monday of the delivery month for such expiring contract. 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. . Any contracts remaining open after the last day of trading must be either:

- (a) Settled by delivery which shall take place in accordance with Rule 1258105; or
- (b) Liquidated by means of a bona fide Exchange for Related Position ("EFRP") pursuant to Exchange Rule 538. An EFRP is permitted in the expiring futures contract at any time before 6:00 p.m. on the last trading day of the delivery month.

## 1258103. DELIVERY

ERU delivery shall comply with all requirements for the electronic transfer of ERUs on the Registry (UK). Deliveries must satisfy "Eligibility Criteria" for international emissions trading specified in Article 17 of the Kyoto Protocol and Decision 11/CMP.1. Notwithstanding the use of a designee, all

clearing members will remain ultimately responsible for performance of all applicable contract terms specific to sellers' clearing members and buyers' clearing members.

#### **1258104. DELIVERY PROCEDURES**

The Exchange is a party to all deliveries under this contract and will receive ERUs from the seller's clearing member into the Clearing House Holding Account of the Registry (UK). Following receipt from the seller's clearing member, the Exchange will deliver ERUs to the buyer's clearing member from the Clearing House Holding Account to the Registry (UK) Holding Account nominated by the buyer's clearing member.

The seller's clearing member 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's clearing member shall comply with such requirements and obligations imposed by, or under, the Registry Regulations in all respects material to ensure the acceptance of a valid transfer into its Holding Account. If a provision of the rules of this Chapter or the Exchange rules is inconsistent with a provision of the Registry Regulations, the provision of the rules of this Chapter and the Exchange rules shall prevail as between the buyer's clearing member, seller's clearing member, and the Exchange to the extent of such inconsistency and to the extent permitted by law.

By transferring ERUs to the Exchange, the seller's clearing member represents and warrants that, at the time of delivery, it has good and marketable title to such ERUs, and that such ERUs are free and clear of all liens, security interests, claims, encumbrances and adverse claims.

##### **1258104.A. Responsibilities of Clearing Members**

###### **1. Notice of Intention to Accept**

Exchange clearing members having open long positions shall provide the Clearing House with a Notice of Intention to Accept delivery by 10:00 p.m. on the final day of trading of the delivery month. The Notice of Intention to Accept must be in the form prescribed by the Exchange and must be properly completed and indicate the name of the buyer, the number of contracts to be accepted, the Registry (UK) Account Number, the name, telephone number and e-mail address of the Authorized Representative(s) for that Holding Account, and any additional information as may be required by the Exchange.

###### **2. Notice of Intention to Deliver**

Exchange clearing members having open short positions shall provide the Clearing House with a Notice of Intention to Deliver by 10:00 p.m. on the final day of trading of the delivery month. The Notice of Intention to Deliver must be in the form prescribed by the Exchange, and must be properly completed, indicate the name of the seller, the number of contracts to be delivered, the Registry (UK) Account Number, the name, telephone number and e-mail address of the Authorized Representative(s) for that Holding Account, and any additional information as may be required by the Exchange.

##### **1258104.B. Final Settlement Price**

The final settlement price shall be the basis for delivery.

##### **1258104.C. Assignment Day**

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

The Clearing House shall provide Assignment Notice Reports to the respective clearing members on the final day of trading of the delivery month.

#### **1258105. TIMING OF DELIVERY**

1. The seller's clearing member shall transfer ERUs subject to delivery to the Clearing House Holding Account of the Registry (UK) by 6:30 p.m. on the first business day after the final day of trading of the delivery month.
2. For each buyer's clearing member that has satisfied its obligations under subsection (4) of this rule, the Clearing House shall initiate the process of transferring the ERUs to the buyer's clearing member's account at the Registry (UK) by 7:00 p.m. on the first business day after the final day of trading of the delivery month.
3. The buyer's clearing member shall receive ERUs from the Clearing House Holding Account of the Registry (UK) by 3:00 p.m. on the second business day after the final day of trading of the delivery month.

4. The buyer's clearing member shall deposit/transfer Euro currency equal to the full value of the product to the designated Clearing House bank account by 2:00 p.m. on the business day following the last day of trading of the delivery month.
5. For each seller's clearing member that has satisfied its obligations under subsection (1) of this rule, the Clearing House shall pay the seller's clearing member the full contract value by 3:00 p.m. on the second business day following the last day of trading of the delivery month.

**1258106. DELIVERY MARGINS AND PAYMENT**

**1258106.A. Definitions**

For purposes of this Rule 1258106,

"Payment Date" shall mean the date on which the Clearing House transfers Payment in connection with a delivery to a seller's clearing member.

"Payment" shall include the final settlement price times the number of contracts times 1,000.

**1258106.B. Margin**

The buyer's clearing member and seller's clearing member shall deposit with the Clearing House margins in such amounts and in such form as required by the Clearing House. Such margins shall be returned on the business day following notification to the Exchange that delivery and Payment have been completed.

**1258106.C. Payment**

Any Payment made on the Payment Date shall be based on ERUs that the seller's clearing member is obligated to deliver pursuant to the applicable delivery.

**1258107. VALIDITY OF DOCUMENTS**

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

**1258108. ALTERNATIVE DELIVERY PROCEDURE**

A seller and buyer matched by the Exchange under Rule 1258104.C. may agree 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 and 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 rules of this Chapter and any other rules regarding physical delivery.

In executing such notice, clearing members shall indemnify the Exchange against any liability, cost or expense the Exchange 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 thereunder. 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.

## Chapter 1259 Emission Reduction Unit (ERU) Option

### 1259100. SCOPE OF CHAPTER

This chapter is limited in application to put and call options on Emission Reduction Unit (ERU) futures contracts. In addition to the rules of this chapter, transactions in options on Emission Reduction Unit (ERU) futures shall be subject to the general rules of the Exchange insofar as applicable.

### 1259101. OPTION CHARACTERISTICS

The number of months open for trading at a given time shall be determined by the Exchange.

#### 1259101.A. Trading Schedule

The hours of trading for this contract shall be determined by the Exchange.

#### 1259101.B. Trading Unit

An Emission Reduction Unit (ERU) option traded on the Exchange represents an option to assume a short or long position in the underlying Emission Reduction Unit (ERU) futures contract at the strike price.

#### 1259101.C. Price Increments

The minimum price fluctuation is €0.01 per ERU. Prices shall be quoted in Euros (€) and Euro cents (¢) per ERU. 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.

#### 1259101.D. Position Limits, Exemptions, Position Accountability and Reportable Levels

The applicable position limits and/or accountability levels, in addition to the reportable levels, are set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5.

A Person seeking an exemption from position limits for bona fide commercial purposes shall apply to the Market Regulation Department on forms provided by the Exchange, and the Market Regulation Department may grant qualified exemptions in its sole discretion.

Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits. **Position Limits and Position Accountability**

~~For purposes of calculating compliance with position limits, each contract will be aggregated with positions held in Emission Reduction Unit (ERU) futures. Each position in the contract will be calculated as a single position in the Emission Reduction Unit (ERU) futures contract.~~

~~In accordance with Rule 559, no person shall own or control positions in excess of 4,000 contracts net long or net short in the spot month.~~

~~In accordance with Rule 560:~~

~~1. the all-months accountability level shall be 12,000 futures-equivalent contracts net long or net short in all months combined;~~

~~2. the any one month accountability level shall be 8,000 futures-equivalent contracts net long or net short in any single contract month excluding the spot month.~~

~~Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.~~

#### 1259101.E. Termination of Trading

The option contract shall expire at the close of trading three business days prior to the expiration of the underlying Emission Reduction Unit (ERU) futures contract.

#### 1259101.F. Type Option

The option is a European-style option which can only be exercised into the underlying futures cash settled only on expiration day.

### 1259102. EXERCISE PRICES

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

1. 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 Emission Reduction Unit (ERU) futures contract 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 subsection (i) of this rule, and (iii) the ten fifty-cent increment strike prices which are five increments lower than the strike price described in subsection (i) of this rule.

2. Thereafter, on any business day prior to the expiration of the option contract, 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.
3. Notwithstanding the provisions of subsections (1) and (2) of this rule, if the Exchange determines that trading in the option contract will be facilitated thereby, the Exchange may 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 an option contract in which no new strike prices may be introduced.



## Chapter 1260 Daily European Union Allowance (EUA) Futures

### 1260100. SCOPE OF CHAPTER

This chapter is limited in application to Daily European Union Allowance (EUA) futures. The procedures for trading, clearing, delivery and settlement not specifically covered herein or in Chapter 7B shall be governed by the general rules of the Exchange.

The provisions of these rules shall apply to all European Union Allowances bought or sold for future delivery on the Exchange with delivery at the Registry (UK).

The terms “seller” and “buyer” shall mean the seller of the physical product and the buyer of the physical product, respectively. The seller’s clearing member and buyer’s clearing member may utilize a designee to perform their respective and necessary obligations with regard to transferring and accepting allowances at the Registry (UK).

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 CO<sub>2</sub>. 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.

The term “EUTL” shall mean the independent transaction log provided for in Article 20(1) of the Directive, the operation of which is further detailed in the Registries Regulation.

The term “ITL” shall mean the International Transaction Log. All transactions between registries are maintained by transaction logs which verify the validity of transactions.

The term “Community Independent Transaction Log” or “CITL” shall mean the predecessor log to the EUTL 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 EU ETS 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.

The term “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 or EUTL, and/or (3) by which CITL or EUTL communicates with the ITL (where applicable), and/or (4) by which a Registry communicates with the ITL (where Applicable).

The term “Registry (UK)” shall mean the Registry under the jurisdiction of the United Kingdom (collectively being the holding accounts within the Union Registry that are under the jurisdiction of the United Kingdom).

The term “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 EU ETS, and which has been identified as a Registry by the Clearing House from time to time for the purpose of this Futures Contract. For the avoidance of doubt, references to a Registry shall include (i) the Union Registry and (ii) collectively the holding accounts within the Union Registry that are under the jurisdiction of a single Member State. In the case of (ii), such holding accounts will together be deemed to be a Registry for that Member State.

The term “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.

The term “Union Registry” shall mean the Registry referred to as the “Community registry” in Article 19(1) of the Directive.

For purposes of these rules, unless otherwise specified, times referred to herein shall refer to and indicate the prevailing time in the United Kingdom.

## 1260101. CONTRACT SPECIFICATIONS

The contract specifications for delivery on futures contracts shall apply to all European Union Allowances with delivery at the Registry (UK).

The term "EUA" or European Union Allowance shall be granted under a National Allocation Plan of an EU member state.

## 1260102. TRADING SPECIFICATIONS

Trading in Daily European Union Allowance (EUA) futures is regularly conducted in all business days. The number of business days open for trading at a given time shall be determined by the Exchange.

### 1260102.A. Trading Schedule

The hours for trading shall be determined by the Exchange.

### 1260102.B. Trading Unit

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

### 1260102.C. Price Increments

The minimum price fluctuation shall be €0.01 per EUA (€ 10.00 per contract). Prices shall be quoted in Euros and Euro cents per EUA.

### 1260102.D. Position Limits, Exemptions, Position Accountability and Reportable Levels

The applicable position limits and/or accountability levels, in addition to the reportable levels, are set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5.

A Person seeking an exemption from position limits for bona fide commercial purposes shall apply to the Market Regulation Department on forms provided by the Exchange, and the Market Regulation Department may grant qualified exemptions in its sole discretion.

Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits. ~~Position Limits and Position Accountability~~

~~In accordance with Rule 559, no person shall own or control positions in excess of 1,800 contracts net long or net short in the spot month.~~

~~In accordance with Rule 560:~~

~~1. the all-months accountability level shall be 1,800 contracts net long or net short in all months combined;~~

~~2. the any-one month accountability level shall be 1,800 contracts net long or net short in any single contract month excluding the spot month.~~

~~Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.~~

### 1260102.E. Termination of Trading

No trades in Daily European Union Allowance (EUA) futures in the expiring contract day shall be made after 5:00 p.m. on the contract day for such expiring contract. Any contracts remaining open after the last trade date must be either:

- (a) Settled by delivery which shall take place in accordance with Rule 1260105; or
- (b) Liquidated by means of a bona fide Exchange for Related Position ("EFRP") pursuant to Exchange Rule 538. An EFRP is permitted in the expiring futures contract at any time before 6:00 p.m. on the last day of trading for the futures contract.

## 1260103. DELIVERY

EUA delivery shall comply with all requirements for the electronic transfer of EUAs on the Registry (UK). Notwithstanding the use of a designee, all clearing members will remain ultimately responsible for performance of all applicable contract terms specific to the sellers' clearing members and buyers' clearing members.

## 1260104. DELIVERY PROCEDURES

The Exchange is a party to all deliveries under this contract and will receive EUAs from the seller's clearing member into the Clearing House Holding Account of the Registry (UK). Following receipt from the seller's clearing member, the Exchange will deliver EUAs to the buyer's clearing member

from the Clearing House Holding Account to the Registry (UK) Holding Account nominated by the buyer's clearing member.

The seller's clearing member 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's clearing member 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 rules of this Chapter or the Exchange rules is inconsistent with a provision of the Registry Regulations, the provision of the rules of this Chapter and the Exchange rules shall prevail as between the buyer's clearing member, seller's clearing member, and the Exchange to the extent of such inconsistency and to the extent permitted by law.

By transferring EUAs to the Exchange, the seller's clearing member represents and warrants that, at the time of delivery, it has good and marketable title to such EUAs, and that such EUAs are free and clear of all liens, security interests, claims, encumbrances and adverse claims.

#### **1260104.A. Responsibilities of Clearing Members**

##### **1. Notice of Intention to Accept**

Exchange clearing members having open long positions shall provide the Clearing House with a Notice of Intention to Accept delivery by 10:00 p.m. on the final day of trading of the delivery day. The Notice of Intention to Accept must be in the form prescribed by the Exchange and must be properly completed and indicate the name of the buyer, the number of contracts to be accepted, the Registry (UK) Account Number, the 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**

Exchange clearing members having open short positions shall provide the Clearing House with a Notice of Intention to Deliver by 10:00 p.m. on the final day of trading of the delivery day. The Notice of Intention to Deliver must be in the form prescribed by the Exchange, and must be properly completed, indicate the name of the seller, the number of contracts to be delivered, the Registry (UK) Account Number, the 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.

#### **1260104.B. Final Settlement Price**

The final settlement price shall be the basis for delivery.

#### **1260104.C. Assignment Day**

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

The Clearing House shall provide Assignment Notice Reports to the respective clearing members on the final day of trading of the delivery day.

### **1260105. TIMING OF DELIVERY**

1. The seller's clearing member shall transfer EUAs subject to delivery to the Clearing House Holding Account of the Registry (UK) by 6:30 p.m. on the first business day after the final day of trading of the delivery day.
2. For each buyer's clearing member that has satisfied its obligations under subsection (4) of this rule, the Clearing House shall initiate the process of transferring the EUAs to the buyer's clearing member's account at the Registry (UK) by 7:00 p.m. on the first business day after the final day of trading of the delivery day.
3. The buyer's clearing member shall receive EUAs from the Clearing House Holding Account of the Registry (UK) by 3:00 p.m. on the second business day after the final day of trading of the delivery day.
4. The buyer's clearing member shall deposit/transfer Euro currency equal to the full value of the product to the designated Clearing House bank account by 2:00 p.m. on the business day following the last day of trading of the delivery day.
5. For each seller's clearing member that has satisfied its obligations under subsection (1) of this rule, the Clearing House shall pay the seller's clearing member the full contract value by 3:00 p.m. on the second business day following the last day of trading of the delivery day.

**1260106. DELIVERY MARGINS AND PAYMENT**

**1260106.A. Definitions**

For purposes of this Rule 1260106,

“Payment Date” shall mean the date on which the Clearing House transfers Payment in connection with a delivery to a seller’s clearing member.

“Payment” shall include the final settlement price times the number of contracts times 1,000.

**1260106.B. Margin**

The buyer’s clearing member and seller’s clearing member shall deposit with the Clearing House margins in such amounts and in such form as required by the Clearing House. Such margins shall be returned on the business day following notification to the Exchange that delivery and Payment have been completed.

**1260106.C. Payment**

Any Payment made on the Payment Date shall be based on EUAs that the seller’s clearing member is obligated to deliver pursuant to the applicable delivery.

**1260107. VALIDITY OF DOCUMENTS**

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

**1260108. ALTERNATIVE DELIVERY PROCEDURE**

A seller and buyer matched by the Exchange under Rule 1260104.C. may agree 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 and 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 rules of this Chapter and any other rules regarding physical delivery.

In executing such notice, clearing members shall indemnify the Exchange against any liability, cost or expense the Exchange 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 thereunder. 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.

## Chapter 1261 Climate Action Reserve (CAR) Futures

### 1261100. SCOPE OF CHAPTER

This chapter is limited in application to Climate Action Reserve (CAR) futures. The procedures for trading, clearing, delivery and settlement not specifically covered herein or in Chapter 7B shall be governed by the general rules of the Exchange.

The provisions of these rules shall apply to all Climate Reserve Tonnes™ (CRT™) bought or sold for future delivery on the Exchange with delivery at the “Reserve” which shall mean the Climate Action Reserve accredited system, by which a Climate Reserve Tonne is issued, held, transferred or retired.

The terms “seller” and “buyer” shall mean the seller of the physical product and the buyer of the physical product, respectively.

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.

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

### 1261101. CONTRACT SPECIFICATIONS

The contract specifications for delivery on futures contracts shall apply to all “Climate Reserve Tonne” or “CRT” as being equal to an emission reduction that is equivalent to one metric tonne of verified greenhouse gas emission reductions, as defined by CAR, with delivery at the Reserve.

The “Carbon Dioxide Equivalent” or “CO2e” is 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. For contracts without a specified vintage year, CRTs acceptable for delivery are those having a vintage 2009 or later.

For contracts with a specified vintage year, CRTs acceptable for delivery are those having a vintage corresponding to the specified vintage year.

### 1261102. TRADING SPECIFICATIONS

Trading in Climate Action Reserve (CAR) futures is regularly conducted in all calendar months. The number of months open for trading at a given time shall be determined by the Exchange.

#### 1261102.A. Trading Schedule

The hours for trading shall be determined by the Exchange.

#### 1261102.B. Trading Unit

The contract unit shall be one thousand (1,000) CRT for a delivery made by transfer through the Reserve.

#### 1261102.C. Price Increments

Prices shall be quoted in U.S. dollars and cents per CRT. The minimum price fluctuation shall be \$0.01 per CRT (\$10.00 per contract).

#### 1261102.D. **Position Limits, Exemptions, Position Accountability and Reportable Levels**

The applicable position limits and/or accountability levels, in addition to the reportable levels, are set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5.

A Person seeking an exemption from position limits for bona fide commercial purposes shall apply to the Market Regulation Department on forms provided by the Exchange, and the Market Regulation Department may grant qualified exemptions in its sole discretion.

Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits. **Position Limits and Position Accountability**

~~For purposes of calculating compliance with position limits, Climate Action Reserve (CAR) (Vintage 2009) futures contract will be aggregated with positions held in Climate Action Reserve (CAR) (Non Vintage) futures. Each position in the Climate Action Reserve (CAR) (Vintage 2009) futures~~

~~contract will be calculated as a single position in the Climate Action Reserve (CAR) (Non-Vintage) futures contract.~~

~~For purposes of calculating compliance with position limits, Climate Action Reserve (CAR) (Vintage 2010) futures will be aggregated into Climate Action Reserve (CAR) (Vintage 2010) futures.~~

~~For purposes of calculating compliance with position limits, Climate Action Reserve (CAR) (Vintage 2011) futures will be aggregated into Climate Action Reserve (CAR) (Vintage 2011) futures.~~

~~For purposes of calculating compliance with position limits, Climate Action Reserve (CAR) (Vintage 2012) futures will be aggregated into Climate Action Reserve (CAR) (Vintage 2012) futures.~~

~~In accordance with Rule 559, no person shall own or control positions in excess of 100 contracts net long or net short in the spot month.~~

~~In accordance with Rule 560:~~

~~the all-months accountability level shall be 700 contracts net long or net short in all months combined;~~

~~the any-one month accountability level shall be 500 contracts net long or net short in any single contract month excluding the spot month.~~

~~Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.~~

#### **1261102.E. Termination of Trading**

No trades in Climate Action Reserve (CAR) futures in the expiring contract month shall be made after the last business day of the contract month for such expiring contract. Any contracts remaining open after the last day of trading must be either:

- (a) Settled by delivery which shall take place no later than the second business day after the termination of trading for the contract month; or
- (b) Liquidated by means of a bona fide Exchange for Related Position (EFRP), pursuant to Exchange Rule 538. An EFRP is permitted in the expiring futures contract no later than two hours after trading terminates on the last day of trading of the expiring futures contract.

### **1261103. DELIVERY**

CRT delivery shall comply with all requirements for the electronic transfer through the Reserve.

### **1261104. DELIVERY PROCEDURES**

By transferring CRTs to the Exchange, the seller's clearing member represents and warrants that, at the time of delivery, it has good and marketable title to such CRTs, and that such CRTs are free and clear of all liens, security interests, claims, encumbrances and adverse claims.

#### **1261104.A. Responsibilities of Clearing Members Having Open Long Positions**

Notice of Intention to Accept

Exchange clearing members having open long positions shall provide the Clearing House with a Notice of Intention to Accept delivery by 10:00 a.m. on the first business day after the final day of trading. The Notice of Intention to Accept must be in the form prescribed by the Exchange and must be properly completed and indicate the name of the buyer, the number of contracts to be accepted, the Reserve account number, the name, telephone number and e-mail address of the account holder for that Reserve account, and any additional information as may be required by the Exchange;

#### **1261104.B. Responsibilities of Clearing Members Having Open Short Positions**

Notice of Intention to Deliver

Exchange clearing members having open short positions shall provide the Clearing House with a Notice of Intention to Deliver by 10:00 a.m. on the first business day after the final day of trading. The Notice of Intention to Deliver must be in the form prescribed by the Exchange, and must be properly completed and indicate the name of the seller, the number of contracts to be delivered, the Reserve account number, the name, telephone number and e-mail address of the account holder for that Reserve account, and any additional information as may be required by the Exchange.

#### **1261104.C. Final Settlement Price**

The final settlement price shall be the basis for delivery.

#### **1261104.D. Notice Day**

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.

The Clearing House shall provide Tender Allocation Notices to the respective clearing members on the first business day after the final day of trading.

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.

**1261105. TIMING OF DELIVERY**

Delivery shall take place on the second business day after the final day of trading.

**1261106. DELIVERY MARGINS AND PAYMENT**

**1261106.A. Definitions**

For purposes of this Rule 1261106,

"Payment Date" shall mean the business day after the buyer's receipt of proper notification from the Climate Action Reserve System that CRTs have been transferred from the seller's account to the buyer's account, provided documentation is supplied to the buyer 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.

"Payment" shall include the final settlement price times the number of contracts times 1,000.

**1261106.B. Margin**

The buyer's clearing member and seller's clearing member shall deposit with the Clearing House margins in such amounts and in such form as required by the Clearing House. Such margins shall be returned on the business day following notification to the Exchange that delivery and Payment have been completed.

On the first business day following the last day of trading, the clearing member shall obtain from any buyer 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.

**1261106.C. Payment**

The buyer's clearing member shall pay the seller's clearing member at the office of the seller's clearing member 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.

On the Payment Date, The seller's clearing member shall deliver a Notice of Payment to the buyer's clearing member and the Exchange by 4:30 p.m. Upon receipt of such notice, the delivery shall be complete.

Any Payment made on the Payment Date shall be based on CRTs actually delivered.

**1261107. VALIDITY OF DOCUMENTS**

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

**1261108. ALTERNATIVE DELIVERY PROCEDURE**

A seller and buyer matched by the Exchange under Rule 1261104.D. may agree 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 and 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 rules of this Chapter and any other rules regarding physical delivery.

In executing such notice, clearing members shall indemnify the Exchange against any liability, cost or expense the Exchange 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 thereunder.

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.



## Chapter 1262 Climate Action Reserve (CAR) Option

### 1262100. SCOPE OF CHAPTER

This chapter is limited in application to put and call options on Climate Action Reserve (CAR) futures contracts. In addition to the rules of this chapter, transactions in options on Climate Action Reserve (CAR) futures shall be subject to the general rules of the Exchange insofar as applicable.

### 1262101. OPTION CHARACTERISTICS

The number of months open for trading at a given time shall be determined by the Exchange.

#### 1262101.A. Trading Schedule

The hours of trading for this contract shall be determined by the Exchange.

#### 1262101.B. Trading Unit

A Climate Action Reserve (CAR) put or call option traded on the Exchange represents an option to assume a short or long position in the underlying Climate Action Reserve (CAR) futures contract at the strike price.

#### 1262101.C. Price Increments

The minimum price fluctuation is \$0.01 per CRT. Prices shall be quoted in Dollars (\$) and cents (¢) 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.

#### 1262101.D. Position Limits, Exemptions, Position Accountability and Reportable Levels

The applicable position limits and/or accountability levels, in addition to the reportable levels, are set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5.

A Person seeking an exemption from position limits for bona fide commercial purposes shall apply to the Market Regulation Department on forms provided by the Exchange, and the Market Regulation Department may grant qualified exemptions in its sole discretion.

Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits. **Position Limits and Position Accountability**

For purposes of calculating compliance with position limits, each contract will be aggregated with positions held in Climate Action Reserve (CAR) futures. Each position in the contract will be calculated as a single position in the Climate Action Reserve (CAR) futures contract.

In accordance with Rule 559, no person shall own or control positions in excess of 100 contracts net long or net short in the spot month.

In accordance with Rule 560:

the all months accountability level shall be 700 contracts net long or net short in all months combined;

the any one month accountability level shall be 500 contracts net long or net short in any single contract month excluding the spot month.

Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.

#### 1262101.E. Termination of Trading

The option contract shall expire at the close of trading three business days prior to the expiration of the underlying Climate Action Reserve (CAR) futures contract.

#### 1262101.F. Type Option

The option is a European-style option which can only be exercised into the underlying futures cash settled only on expiration day.

### 1262102. EXERCISE PRICES

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

1. 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 contract 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 subsection (i) of this rule, and (iii) the ten fifty-cent

increment strike prices which are ten increments lower than the strike price described in subsection (i) of this rule.

2. Thereafter, on any business day prior to the expiration of the option contract, 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.
3. Notwithstanding the provisions of subsections (1) and (2) of this rule, if the Exchange determines that trading in the option contracts will be facilitated thereby, the Exchange may 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 an option contract in which no new strike prices may be introduced.

## Chapter 1263

### Regional Greenhouse Gas Initiative (RGGI) CO2 Allowance Futures

#### 1263100. SCOPE OF CHAPTER

This chapter is limited in application to Regional Greenhouse Gas Initiative (RGGI) CO2 Allowance futures. The procedures for trading, clearing, delivery and settlement not specifically covered herein or in Chapter 7B shall be governed by the general rules of the Exchange.

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 delivery through the RGGI CO2 Allowance Tracking System, which shall mean the system by which the RGGI CO2 allowances are allocated, deducted, or transferred.

The terms “seller” and “buyer” shall mean the seller of the physical product and the buyer of the physical product, respectively.

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.

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

#### 1263101. CONTRACT SPECIFICATIONS

The contract specifications for delivery on futures contracts shall apply to all Regional Greenhouse Gas Initiative (RGGI) Carbon Dioxide (CO2) allowances or “RGGI CO2 Allowance(s)” which shall mean a limited authorization under RGGI program to emit up to one ton of CO2.

Contracts without a specific vintage year: RGGI CO2 Allowances acceptable for delivery are those having a vintage usable for compliance in the control period associated with the calendar year of the contract expiration month or allowances having a vintage usable for compliance in any prior control period.

Contracts with a specific vintage year: RGGI CO2 Allowances acceptable for delivery are allowances with a vintage corresponding to the specified vintage year.

All RGGI CO2 Allowances acceptable for delivery must be eligible for compliance in participating RGGI states at the time of delivery.

#### 1263102. TRADING SPECIFICATIONS

Trading in Regional Greenhouse Gas Initiative (RGGI) CO2 Allowance futures is regularly conducted in all calendar months. The number of months open for trading at a given time shall be determined by the Exchange. 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.

##### 1263102.A. Trading Schedule

The hours for trading shall be determined by the Exchange.

##### 1263102.B. Trading 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.

##### 1263102.C. Price Increments

The minimum price fluctuation shall be \$0.01 per allowance (\$10.00 per contract). Prices shall be quoted in U.S. dollars and cents per allowance.

##### 1263102.D. **Position Limits, Exemptions, Position Accountability and Reportable Levels**

The applicable position limits and/or accountability levels, in addition to the reportable levels, are set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5.

A Person seeking an exemption from position limits for bona fide commercial purposes shall apply to the Market Regulation Department on forms provided by the Exchange, and the Market Regulation Department may grant qualified exemptions in its sole discretion.

Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits. **Position Limits and Position Accountability**

~~For purposes of calculating compliance with position limits, Regional Greenhouse Gas Initiative (RGGI) CO2 Allowance (Vintage 2009) futures and Regional Greenhouse Gas Initiative (RGGI) CO2 Allowance (Vintage 2010) futures contracts will be aggregated with positions held in Regional Greenhouse Gas Initiative (RGGI) CO2 Allowance (Non-Vintage) futures. Each position in the Regional Greenhouse Gas Initiative (RGGI) CO2 Allowance (Vintage 2009) futures and position held in Regional Greenhouse Gas Initiative (RGGI) CO2 Allowance (Vintage 2010) futures contracts will each be calculated as a single position in the Regional Greenhouse Gas Initiative (RGGI) CO2 Allowance (Non-Vintage) futures contract.~~

~~For purposes of calculating compliance with position limits, Regional Greenhouse Gas Initiative (RGGI) CO2 Allowance (Vintage 2011) futures will be aggregated into Regional Greenhouse Gas Initiative (RGGI) CO2 Allowance (Vintage 2011) futures.~~

~~For purposes of calculating compliance with position limits, Regional Greenhouse Gas Initiative (RGGI) CO2 Allowance (Vintage 2012) futures will be aggregated into Regional Greenhouse Gas Initiative (RGGI) CO2 Allowance (Vintage 2012) futures.~~

~~In accordance with Rule 559, no person shall own or control positions in excess of 2,000 contracts (Non-Vintage futures and Vintage 2009 futures), 1,000 contracts (Vintage 2010 futures, Vintage 2011 futures and Vintage 2012 futures) net long or net short in the spot month.~~

~~In accordance with Rule 560:~~

~~the all-months accountability level shall be 14,000 contracts (Non-Vintage futures and Vintage 2009 futures), 7,000 contracts (Vintage 2010 futures, Vintage 2011 futures and Vintage 2012 futures) net long or net short in all months combined;~~

~~the any one month accountability level shall be 10,000 contracts (Non-Vintage futures and Vintage 2009 futures), 5,000 contracts (Vintage 2010 futures, Vintage 2011 futures and Vintage 2012 futures) net long or net short in any single contract month excluding the spot month.~~

~~Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.~~

#### **1263102.E. Termination of Trading**

No trades in Regional Greenhouse Gas Initiative (RGGI) CO2 Allowance futures in the expiring contract month shall be made after the last business day of the contract month for such expiring contract. Any contracts remaining open after the last day of trading must be either:

- (a) Settled by delivery no later than the third business day after the final day of trading; or
- (b) Liquidated by means of a bona fide Exchange for Related Position (EFRP) pursuant to Exchange Rule 538. An EFRP is permitted in the expiring futures contract at any time no later than two hours after trading terminates on the last day of trading of the expiring futures contract.

#### **1263103. DELIVERY**

RGGI CO2 Allowances delivery shall comply with all requirements for the electronic transfer of CO2 allowances on the RGGI CO2 Allowance Tracking System.

#### **1263104. DELIVERY PROCEDURES**

By transferring RGGI CO2 Allowances to the Exchange, the seller's clearing member represents and warrants that, at the time of delivery, it has good and marketable title to such RGGI CO2 Allowances, and that such RGGI CO2 Allowances are free and clear of all liens, security interests, claims, encumbrances and adverse claims.

If a provision of the rules of this Chapter or the Exchange rules is inconsistent with a provision of the RGGI CO2 Allowance Tracking System regulations, the provision of the rules of this Chapter and the Exchange rules shall prevail as among the buyer's clearing member, seller's clearing member, and the Exchange to the extent of such inconsistency and to the extent permitted by law.

##### **1263104.A. Responsibilities of Clearing Members Having Open Long Positions**

Notice of Intention to Accept

Exchange clearing members having open long positions shall provide the Clearing House with a Notice of Intention to Accept delivery by 4:30 p.m. on the first business day after the final day of trading. The Notice of Intention to Accept must be in the form prescribed by the Exchange and must be properly completed and indicate the name of the buyer, the number of contracts to be accepted, The RGGI CO2 Allowance Tracking System account number, the name, telephone

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.

**1263104.B. Responsibilities of Clearing Members Having Open Short Positions**

Notice of Intention to Deliver Exchange clearing members having open short positions shall provide the Clearing House with a Notice of Intention to Deliver by 4:30 p.m. on the first business day after the final day of trading. The Notice of Intention to Deliver must be in the form prescribed by the Exchange, and must be properly completed and indicate the name of the seller, the number of contracts to be delivered, the RGGI CO2 Allowance Tracking System account number, the name, telephone 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.

**1263104.C. Final Settlement Price**

The final settlement price shall be the basis for delivery.

**1263104.D. Notice Day**

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

The Clearing House shall provide Tender Allocation Notices to the respective clearing members on the second business day after the final day of trading.

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.

**1263105. TIMING OF DELIVERY**

Delivery shall take place on the third business day after the final day of trading.

**1263106. DELIVERY MARGINS AND PAYMENT**

**1263106.A. Definitions**

For purposes of this Rule 1263106,

"Payment Date" shall mean the business day after the buyer's receipt of proper notification from the RGGI CO2 Allowance Tracking System that allowances have been transferred from the seller's account to the buyer's account, provided documentation is supplied to the buyer 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.

"Payment" shall include the settlement price times the number of Contracts times 1,000.

**1263106.B. Margin**

The buyer's clearing member and seller's clearing member shall deposit with the Clearing House margins in such amounts and in such form as required by the Clearing House. Such margins shall be returned on the business day following notification to the Exchange that delivery and Payment have been completed.

On the business day following the last day of trading, the clearing member shall obtain from any buyer 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.

**1263106.C. Payment**

The buyer's clearing member shall pay the seller's clearing member at the office of the seller's clearing member 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.

On the Payment Date, the seller's clearing member shall deliver a Notice of Payment to the buyer's clearing member and the Exchange by 4:30 p.m. Upon receipt of such notice, the delivery shall be complete.

Any Payment made on the Payment Date shall be based on RGGI CO2 Allowances actually delivered.

**1263107. VALIDITY OF DOCUMENTS**

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

**1263108. ALTERNATIVE DELIVERY PROCEDURE**

A seller and buyer matched by the Exchange under Rule 1263104.D. may agree 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 and 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 rules of this Chapter and any other rules regarding physical delivery.

In executing such notice, clearing members shall indemnify the Exchange against any liability, cost or expense the Exchange 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 thereunder. 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.

## Chapter 1264

### Regional Greenhouse Gas Initiative (RGGI) CO2 Allowance Option

#### 1264100. SCOPE OF CHAPTER

This chapter is limited in application to put and call options on Regional Greenhouse Gas Initiative (RGGI) CO2 Allowance futures contracts. In addition to the rules of this chapter, transactions in options on Regional Greenhouse Gas Initiative (RGGI) CO2 Allowance futures shall be subject to the general rules of the Exchange insofar as applicable.

#### 1264101. OPTION CHARACTERISTICS

The number of months open for trading at a given time shall be determined by the Exchange.

##### 1264101.A. Trading Schedule

The hours of trading for this contract shall be determined by the Exchange.

##### 1264101.B. Trading Unit

A Regional Greenhouse Gas Initiative (RGGI) CO2 Allowance put or call option 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 at the strike price.

##### 1264101.C. Price Increments

The minimum price fluctuation is \$0.01 per allowance. Prices shall be quoted in dollars and cents per allowance.

##### 1264101.D. Position Limits, Exemptions, Position Accountability and Reportable Levels

The applicable position limits and/or accountability levels, in addition to the reportable levels, are set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5.

A Person seeking an exemption from position limits for bona fide commercial purposes shall apply to the Market Regulation Department on forms provided by the Exchange, and the Market Regulation Department may grant qualified exemptions in its sole discretion.

Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits. **Position Limits and Position Accountability**

~~For purposes of calculating compliance with position limits, each contract will be aggregated with positions held in Regional Greenhouse Gas Initiative (RGGI) CO2 Allowance (Non-Vintage) futures. Each position in the contract will be calculated as a single position in the Regional Greenhouse Gas Initiative (RGGI) CO2 Allowance (Non-Vintage) futures contract.~~

~~In accordance with Rule 559, no person shall own or control positions in excess of 2,000 contracts net long or net short in the spot month.~~

~~In accordance with Rule 560:~~

~~the all-months accountability level shall be 14,000 futures-equivalent contracts net long or net short in all months combined;~~

~~the any-one month accountability level shall be 10,000 futures-equivalent contracts net long or net short in any single contract month excluding the spot month.~~

~~Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.~~

##### 1264101.E. Termination of Trading

The option contract shall expire at the close of trading on the 15<sup>th</sup> day of the option contract month. If the 15<sup>th</sup> day is not a business day, the option shall expire on the business day prior to the 15<sup>th</sup> day of the option contract month.

##### 1264101.F. Type Option

The option is a European-style option which can only be exercised into the underlying futures cash settled only on expiration day.

#### 1264102. EXERCISE PRICES

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

1. 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 contract 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, (ii) the five fifty-cent increment strike prices which are five increments higher than the strike price described in subsection (i) of this rule, and (iii) the five fifty-cent increment strike prices which are five increments lower than the strike price described in subsection (i) of this rule.

2. Thereafter, on any business day prior to the expiration of the option contract, 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 option contract months.
3. Notwithstanding the provisions of subsections (1) and (2) of this rule, if the Exchange determines that trading in the option will be facilitated thereby, the Exchange may 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 an option contract in which no new strike prices may be introduced.



## Chapter 1269 European Union Allowance (EUA) Futures

### 1269100. SCOPE OF CHAPTER

This chapter is limited in application to European Union Allowance (EUA) futures. The procedures for trading, clearing, delivery and settlement not specifically covered herein or in Chapter 7B shall be governed by the general rules of the Exchange.

The provisions of these rules shall apply to all European Union Allowances bought or sold for future delivery on the Exchange with delivery at the Registry (UK).

The terms “seller” and “buyer” shall mean the seller of the physical product and the buyer of the physical product, respectively. The seller’s clearing member and buyer’s clearing member may utilize a designee to perform their respective and necessary obligations with regard to transferring and accepting allowances at the Registry (UK).

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 CO<sub>2</sub>. 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.

The term “EUTL” shall mean the independent transaction log provided for in Article 20(1) of the Directive, the operation of which is further detailed in the Registries Regulation.

The term “ITL” shall mean the International Transaction Log. All transactions between registries are maintained by transaction logs which verify the validity of transactions.

The term “Community Independent Transaction Log” or “CITL” shall mean the predecessor log to the EUTL 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 EU ETS 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.

The term “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 or EUTL, and/or (3) by which CITL or EUTL communicates with the ITL (where applicable), and/or (4) by which a Registry communicates with the ITL (where Applicable).

The term “Registry (UK)” shall mean the Registry under the jurisdiction of the United Kingdom (collectively being the holding accounts within the Union Registry that are under the jurisdiction of the United Kingdom).

The term “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 EU ETS, and which has been identified as a Registry by the Clearing House from time to time for the purpose of this futures contract. For the avoidance of doubt, references to a Registry shall include (i) the Union Registry and (ii) collectively the holding accounts within the Union Registry that are under the jurisdiction of a single Member State. In the case of (ii), such holding accounts will together be deemed to be a Registry for that Member State.

The term “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.

The term “Union Registry” shall mean the Registry referred to as the “Community registry” in Article 19(1) of the Directive.

For purposes of these rules, unless otherwise specified, times referred to herein shall refer to and indicate the prevailing time in the United Kingdom.

## 1269101. CONTRACT SPECIFICATIONS

The contract specifications for delivery on futures contracts shall apply to all European Union Allowances with delivery at the Registry (UK).

The term "EUA" or European Union Allowance shall be granted under a National Allocation Plan of an EU member state.

## 1269102. TRADING SPECIFICATIONS

Trading in European Union Allowance (EUA) futures is regularly conducted in all calendar months. The number of months open for trading at a given time shall be determined by the Exchange.

### 1269102.A. Trading Schedule

The hours for trading shall be determined by the Exchange.

### 1269102.B. Trading Unit

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

### 1269102.C. Price Increments

The minimum price fluctuation shall be €0.01 per EUA (€ 10.00 per contract). Prices shall be quoted in Euros and Euro cents per EUA.

### 1269102.D. Position Limits, Exemptions, Position Accountability and Reportable Levels

The applicable position limits and/or accountability levels, in addition to the reportable levels, are set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5.

A Person seeking an exemption from position limits for bona fide commercial purposes shall apply to the Market Regulation Department on forms provided by the Exchange, and the Market Regulation Department may grant qualified exemptions in its sole discretion.

Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits. ~~Position Limits and Position Accountability~~

~~For purposes of calculating compliance with position limits, each contract will be aggregated with positions held in In-Delivery Month European Union Allowance (EUA) futures. Each position in the contract will be calculated as a single position in In-Delivery Month European Union Allowance (EUA) futures.~~

~~In accordance with Rule 559, no person shall own or control positions in excess of 28,000 contracts net long or net short in the spot month.~~

~~In accordance with Rule 560:~~

~~the all-months accountability level shall be 70,000 contracts net long or net short in all months combined;~~

~~the any-one-month accountability level shall be 50,000 contracts net long or net short in any single contract month excluding the spot month.~~

~~Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.~~

### 1269102.E. Termination of Trading

No trades in European Union Allowance (EUA) futures in the expiring contract month shall be made after the second business day prior to the first business day of the delivery month for such expiring contract. Any contracts remaining open after the last day of trading must be either:

- (a) Settled by delivery which shall take place in accordance with Rule 1269105; or
- (b) Liquidated by means of a bona fide Exchange for Related Position ("EFRP") pursuant to Exchange Rule 538. An EFRP is permitted in the expiring futures contract at any time before 6:00 p.m. on the last trading day of the delivery month.

## 1269103. DELIVERY

EUA delivery shall comply with all requirements for the electronic transfer of EUAs on the Registry (UK). Notwithstanding the use of a designee, all clearing members will remain ultimately responsible for performance of all applicable contract terms specific to the sellers' clearing members and buyers' clearing members.

## **1269104. DELIVERY PROCEDURES**

The Exchange is a party to all deliveries under this contract and will receive EUAs from the seller's clearing member into the Clearing House Holding Account of the Registry (UK). Following receipt from the seller's clearing member, the Exchange will deliver EUAs to the buyer's clearing member from the Clearing House Holding Account to the Registry (UK) Holding Account nominated by the buyer's clearing member.

The seller's clearing member 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's clearing member 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 rules of this Chapter or the Exchange rules is inconsistent with a provision of the Registry Regulations, the provision of the rules of this Chapter and the Exchange rules shall prevail as between the buyer's clearing member, seller's clearing member, and the Exchange to the extent of such inconsistency and to the extent permitted by law.

By transferring EUAs to the Exchange, the seller's clearing member represents and warrants that, at the time of delivery, it has good and marketable title to such EUAs, and that such EUAs are free and clear of all liens, security interests, claims, encumbrances and adverse claims.

### **1269104.A. Responsibilities of Clearing Members**

#### **1. Notice of Intention to Accept**

Exchange clearing members having open long positions shall provide the Clearing House with a Notice of Intention to Accept delivery by 10:00 p.m. on the final day of trading of the delivery month. The Notice of Intention to Accept must be in the form prescribed by the Exchange and must be properly completed and indicate the name of the buyer, the number of contracts to be accepted, the Registry (UK) Account Number, the 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**

Exchange clearing members having open short positions shall provide the Clearing House with a Notice of Intention to Deliver by 10:00 p.m. on the final day of trading of the delivery month. The Notice of Intention to Deliver must be in the form prescribed by the Exchange, and must be properly completed, indicate the name of the seller, the number of contracts to be delivered, the Registry (UK) Account Number, the 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.

### **1269104.B. Final Settlement Price**

The final settlement price shall be the basis for delivery.

### **1269104.C. Assignment Day**

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

The Clearing House shall provide Assignment Notice Reports to the respective clearing members on the final day of trading of the delivery month.

## **1269105. TIMING OF DELIVERY**

1. The seller's clearing member shall transfer EUAs subject to delivery to the Clearing House Holding Account of the Registry (UK) by 6:30 p.m. on the first business day after the final day of trading of the delivery month.
2. For each buyer's clearing member that has satisfied its obligations under subsection (4) of this rule, the Clearing House shall initiate the process of transferring the EUAs to the buyer's clearing member's account at the Registry (UK) by 7:00 p.m. on the first business day after the final day of trading of the delivery month.
3. The buyer's clearing member shall receive EUAs from the Clearing House Holding Account of the Registry (UK) by 3:00 p.m. on the second business day after the final day of trading of the delivery month.
4. The buyer's clearing member shall deposit/transfer Euro currency equal to the full value of the product to the designated Clearing House bank account by 2:00 p.m. on the business day following the last day of trading of the delivery month.

5. For each seller's clearing member that has satisfied its obligations under subsection (1) of this rule, the Clearing House shall pay the seller's clearing member the full contract value by 3:00 p.m. on the second business day following the last day of trading of the delivery month.

**1269106. DELIVERY MARGINS AND PAYMENT**

**1269106.A. Definitions**

For purposes of this Rule 1269106,

"Payment Date" shall mean the date on which the Clearing House transfers Payment in connection with a delivery to a seller's clearing member.

"Payment" shall include the final settlement price times the number of contracts times 1,000.

**1269106.B. Margin**

The buyer's clearing member and seller's clearing member shall deposit with the Clearing House margins in such amounts and in such form as required by the Clearing House. Such margins shall be returned on the business day following notification to the Exchange that delivery and Payment have been completed.

**1269106.C. Payment**

Any Payment made on the Payment Date shall be based on EUAs that the seller's clearing member is obligated to deliver pursuant to the applicable delivery.

**1269107. VALIDITY OF DOCUMENTS**

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

**1269108. ALTERNATIVE DELIVERY PROCEDURE**

A seller and buyer matched by the Exchange under Rule 1269104.C. may agree 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 and 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 rules of this Chapter and any other rules regarding physical delivery.

In executing such notice, clearing members shall indemnify the Exchange against any liability, cost or expense the Exchange 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 thereunder. 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.

## Chapter 1270 European Union Allowance (EUA) Option

### 1270100. SCOPE OF CHAPTER

This chapter is limited in application to put and call options on European Union Allowance (EUA) futures contracts. In addition to the rules of this chapter, transactions in options on European Union Allowance (EUA) futures shall be subject to the general rules of the Exchange insofar as applicable.

### 1270101. OPTION CHARACTERISTICS

The number of months open for trading at a given time shall be determined by the Exchange.

#### 1270101.A. Trading Schedule

The hours of trading for this contract shall be determined by the Exchange.

#### 1270101.B. Trading Unit

A European Union Allowance (EUA) option traded on the Exchange represents an option to assume a short or long position in the underlying European Union Allowance (EUA) futures contract at the strike price.

#### 1270101.C. Price Increments

The minimum price fluctuation is €0.01 per EUA. Prices shall be quoted in Euros (€) and Euro cents (¢) per EUA. 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.

#### 1270101.D. Position Limits, Exemptions, Position Accountability and Reportable Levels

The applicable position limits and/or accountability levels, in addition to the reportable levels, are set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5.

A Person seeking an exemption from position limits for bona fide commercial purposes shall apply to the Market Regulation Department on forms provided by the Exchange, and the Market Regulation Department may grant qualified exemptions in its sole discretion.

Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits. **Position Limits and Position Accountability**

~~For purposes of calculating compliance with position limits, each contract will be aggregated with positions held in In-Delivery Month European Union Allowance (EUA) futures. Each position in the contract will be calculated as a single position in the In-Delivery Month European Union Allowance (EUA) futures contract.~~

~~In accordance with Rule 559, no person shall own or control positions in excess of 28,000 contracts net long or net short in the spot month.~~

~~In accordance with Rule 560:~~

~~1. — the all-months accountability level shall be 70,000 futures-equivalent contracts net long or net short in all months combined;~~

~~2. — the any-one month accountability level shall be 50,000 futures-equivalent contracts net long or net short in any single contract month excluding the spot month.~~

~~Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.~~

#### 1270101.E. Termination of Trading

The option contract shall expire at the close of trading three business days prior to the expiration of the underlying European Union Allowance (EUA) futures contract.

#### 1270101.F. Type Option

The option is a European-style option which can only be exercised into the underlying futures cash settled only on expiration day.

### 1270102. EXERCISE PRICES

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

1. 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 European Union Allowance (EUA) futures contract 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 subsection (i) of this rule; and (iii) the ten fifty-cent increment strike prices which are ten increments lower than the strike price described in subsection (i) of this rule.

2. Thereafter, on any business day prior to the expiration of the option contract, 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.
3. Notwithstanding the provisions of subsections (1) and (2) of this rule, if the Exchange determines that trading in the option contract will be facilitated thereby, the Exchange may 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 an option contract in which no new strike prices may be introduced.

## Chapter 1271 Certified Emission Reduction (CER) Futures

### 1271100. SCOPE OF CHAPTER

This chapter is limited in application to Certified Emission Reduction (CER) futures. The procedures for trading, clearing, delivery and settlement not specifically covered herein or in Chapter 7B shall be governed by the general rules of the Exchange.

The provisions of these rules shall apply to all Certified Emission Reductions, 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 Registry (UK).

The terms “seller” and “buyer” shall mean the seller of the physical product and the buyer of the physical product, respectively. The seller’s clearing member and buyer’s clearing member may utilize a designee to perform their respective and necessary obligations with regard to transferring and accepting Certified Emission Reductions at the Registry (UK).

The term “CDM” or “Clean Development Mechanism” shall mean a mechanism established by Article 12 of the Kyoto Protocol for project-based emission reduction activities in developing countries.

The term “Clean Development Mechanism-Executive Board” or “CDM-EB” shall mean the following: The CDM EB registers validated project activities as CDM projects, issues certified emission reductions to relevant projects participants, and manages series of technical panels and working groups meetings.

The term “EUTL” shall mean the independent transaction log provided for in Article 20(1) of the Directive, the operation of which is further detailed in the Registries Regulation.

The term “ITL” shall mean International Transaction Log. All transactions between registries are maintained by transaction logs which verify the validity of transactions.

The term “Community Independent Transaction Log” or “CITL” shall mean the predecessor log to the EUTL provided for in Article 20(1) of the Directive, for the purpose of recording the issue, transfer and cancellation of CERs under the EU ETS 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 CERs between national Registries.

The term “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 or EUTL, and/or (3) by which CITL or EUTL communicates with the ITL (where applicable), and/or (4) by which a Registry communicates with the ITL (where Applicable), and/or (5) by which the ITL communicates with the CDM Registry (where applicable), which in any case is necessary to facilitate a transfer.

The term “Registry (UK)” shall mean the Registry under the jurisdiction of the United Kingdom (collectively being the holding accounts within the Union Registry that are under the jurisdiction of the United Kingdom).

The term “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 EU ETS, and which has been identified as a Registry by the Clearing House from time to time for the purpose of this futures contract. For the avoidance of doubt, references to a Registry shall include (i) the Union Registry and (ii) collectively the holding accounts within the Union Registry that are under the jurisdiction of a single Member State. In the case of (ii), such holding accounts will together be deemed to be a Registry for that Member State.

The term “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.

The term “Union Registry” shall mean the Registry referred to as the “Community registry” in Article 19(1) of the Directive.

For purposes of this rule, unless otherwise specified, times referred to herein shall refer to and

indicate the prevailing time in the United Kingdom.

## 1271101. CONTRACT SPECIFICATIONS

The contract specifications for delivery on futures contracts shall apply to all Certified Emission Reductions, issued pursuant to Articles 12 and 17 of the Kyoto Protocol, with delivery at the Registry (UK).

Certified Emission Reduction ("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.

## 1271102. TRADING SPECIFICATIONS

Trading in Certified Emission Reduction (CER) futures is regularly conducted in all calendar months. The number of months open for trading at a given time shall be determined by the Exchange.

### 1271102.A. Trading Schedule

The hours for trading shall be determined by the Exchange.

### 1271102.B. Trading Unit

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

### 1271102.C. Price Increments

The minimum price fluctuation shall be €0.01 per CER (€10.00 per contract). Prices shall be quoted in Euro and Euro cents per CER.

### 1271102.D. Position Limits, Exemptions, Position Accountability and Reportable Levels

The applicable position limits and/or accountability levels, in addition to the reportable levels, are set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5.

A Person seeking an exemption from position limits for bona fide commercial purposes shall apply to the Market Regulation Department on forms provided by the Exchange, and the Market Regulation Department may grant qualified exemptions in its sole discretion.

Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits. **Position Limits and Position Accountability**

~~For purposes of calculating compliance with position limits, each contract will be aggregated with positions held in In-Delivery Month Certified Emission Reduction (CER) futures. Each position in the contract will be calculated as a single position in In-Delivery Month Certified Emission Reduction (CER) futures.~~

~~In accordance with Rule 559, no person shall own or control positions in excess of 8,700 contracts net long or net short in the spot month.~~

~~In accordance with Rule 560:~~

~~the all-months accountability level shall be 30,000 contracts net long or net short in all months combined;~~

~~the any one month accountability level shall be 20,000 contracts net long or net short in any single contract month excluding the spot month.~~

~~Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.~~

### 1271102.E. Termination of Trading

No trades in Certified Emission Reduction (CER) futures in the expiring contract month shall be made after the second business day prior to the first business day of the delivery month for such expiring contract. Any contracts remaining open after the last day of trading must be either:

- (a) Settled by delivery which shall take place in accordance with Rule 1271105; or
- (b) Liquidated by means of a bona fide Exchange for Related Position ("EFRP") pursuant to Exchange Rule 538. An EFRP is permitted in the expiring futures contract at any time before 6:00 p.m. on the last trading day of the delivery month.



**1271103. DELIVERY**

At the registry designation of the buyer's clearing member, CER delivery shall take place by electronic transfer of CERs at the Registry (UK). The registry will be designated by the buyer's clearing member, and it must satisfy "Eligibility Criteria" for international emissions trading specified in Article 17 of the Kyoto Protocol and Decision 11/CMP.1. Notwithstanding the use of a designee, all clearing members will remain ultimately responsible for performance of all applicable contract terms specific to sellers' clearing members and buyers' clearing members.

**1271104. DELIVERY PROCEDURES**

The Exchange is a party to all deliveries under this contract and will receive CERs from the seller's clearing member into the Clearing House Holding Account of the Registry (UK). Following receipt from the seller's clearing member, the Clearing House will deliver CERs to the buyer's clearing member from the Clearing House Holding Account to the Registry (UK) Holding Account nominated by the buyer's clearing member.

The seller's clearing member 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's clearing member 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 rules of this Chapter or the Exchange rules is inconsistent with a provision of the Registry Regulations, the provision of the rules of this Chapter and the Exchange rules shall prevail as between the buyer's clearing member, seller's clearing member, and the Exchange to the extent of such inconsistency and to the extent permitted by law.

By transferring CERs to the Exchange, the seller's clearing member represents and warrants that, at the time of delivery, it has good and marketable title to such CERs, and that such CERs are free and clear of all liens, security interests, claims, encumbrances and adverse claims.

**1271104.A. Responsibilities of Clearing Members**

1. Notice of Intention to Accept

Exchange clearing members having open long positions shall provide the Clearing House with a Notice of Intention to Accept delivery by 10:00 p.m. on the final day of trading of the delivery month. The Notice of Intention to Accept must be in the form prescribed by the Exchange and must be properly completed and indicate the name of the buyer, the number of contracts to be accepted, the Registry (UK) Account Number, the telephone number and e-mail address of the Authorized Representative(s) for that that registry account; and any additional information as may be required by the Exchange

2. Notice of Intention to Deliver

Exchange clearing members having open short positions shall provide the Clearing House with a Notice of Intention to Deliver by 10:00 p.m. on the final day of trading of the delivery month. The Notice of Intention to Deliver must be in the form prescribed by the Exchange, and must be properly completed, indicate the name of the seller, the number of contracts to be delivered, the Registry (UK) Account Number, the 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.

**1271104.B. Final Settlement Price**

The final settlement price shall be the basis for delivery.

**1271104.C. Assignment Day**

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

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

**1271105. TIMING OF DELIVERY**

1. The seller's clearing member shall transfer CERs subject to delivery to the Clearing House Holding Account of the Registry (UK) by 6:30 p.m. on the first business day after the final day of trading of the delivery month.
2. For each buyer's clearing member that has satisfied its obligations under subsection (4) of this rule, the Clearing House shall initiate the process of transferring the CERs to the buyer's

clearing member's account at the Registry (UK) by 7:00 p.m. on the first business day after the final day of trading of the delivery month.

3. The buyer's clearing member shall receive CERs from the Clearing House Holding Account of the Registry (UK) by 3:00 p.m. on the second business day after the final day of trading of the delivery month.
4. The buyer's clearing member shall deposit/transfer Euro currency equal to the full value of the product to the designated Clearing House bank account by 2:00 p.m. on the business day following the last day of trading of the delivery month.
5. For each seller's clearing member that has satisfied its obligations under subsection (1) of this rule, the Clearing House shall pay the seller's clearing member the full contract value by 3:00 p.m. on the second business day following the last day of trading of the delivery month.

## **1271106. DELIVERY MARGINS AND PAYMENT**

### **1271106.A. Definitions**

For purposes of this Rule 1271106,

"Payment Date" shall mean the date on which the Clearing House transfers payment in connection with a delivery to a seller's clearing member.

"Payment" shall include the final settlement price times the number of contracts times 1,000.

### **1271106.B. Margin**

The buyer's clearing member and seller's clearing member shall deposit with the Clearing House margins in such amounts and in such form as required by the Clearing House. Such margins shall be returned on the business day following notification to the Exchange that delivery and Payment have been completed.

### **1271106.C. Payment**

Any Payment made on Payment Date shall be based on CERs that the seller's clearing member is obligated to deliver pursuant to the applicable delivery.

## **1271107. VALIDITY OF DOCUMENTS**

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

## **1271108. ALTERNATIVE DELIVERY PROCEDURE**

A seller and buyer matched by the Exchange under Rule 1271104.C. may agree 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 and 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 rules of this Chapter and any other rules regarding physical delivery.

In executing such notice, clearing members shall indemnify the Exchange against any liability, cost or expense the Exchange 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 thereunder. 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.

## Chapter 1272 Certified Emission Reduction (CER) Option

### 1272100. SCOPE OF CHAPTER

This chapter is limited in application to put and call options on Certified Emission Reduction (CER) futures contracts. In addition to the rules of this chapter, transactions in options on Certified Emission Reduction (CER) futures shall be subject to the general rules of the Exchange insofar as applicable.

### 1272101. OPTION CHARACTERISTICS

The number of months open for trading at a given time shall be determined by the Exchange.

#### 1272101.A. Trading Schedule

The hours of trading for this contract shall be determined by the Exchange.

#### 1272101.B. Trading Unit

A Certified Emission Reduction (CER) option traded on the Exchange represents an option to assume a short or long position in the underlying Certified Emission Reduction (CER) futures contract at the strike price.

#### 1272101.C. Price Increments

The minimum price fluctuation is €0.01 per CER. Prices shall be quoted in Euros (€) and Euro cents (¢) 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.

#### 1272101.D. Position Limits, Exemptions, Position Accountability and Reportable Levels

The applicable position limits and/or accountability levels, in addition to the reportable levels, are set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5.

A Person seeking an exemption from position limits for bona fide commercial purposes shall apply to the Market Regulation Department on forms provided by the Exchange, and the Market Regulation Department may grant qualified exemptions in its sole discretion.

Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits. **Position Limits and Position Accountability**

~~For purposes of calculating compliance with position limits, each contract will be aggregated with positions held in In-Delivery Month Certified Emission Reduction (CER) futures. Each position in the contract will be calculated as a single position in the In-Delivery Month Certified Emission Reduction (CER) futures contract.~~

~~In accordance with Rule 559, no person shall own or control positions in excess of 8,700 contracts net long or net short in the spot month.~~

~~In accordance with Rule 560:~~

~~the all-months accountability level shall be 30,000 futures-equivalent contracts net long or net short in all months combined;~~

~~2. the any-one month accountability level shall be 20,000 futures-equivalent contracts net long or net short in any single contract month excluding the spot month.~~

~~Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.~~

#### 1272101.E. Termination of Trading

The option contract shall expire at the close of trading three business days prior to the expiration of the underlying Certified Emission Reduction (CER) futures contract.

#### 1272101.F. Type Option

The option is a European-style option which can only be exercised into the underlying futures cash settled only on expiration day.

### 1272102. EXERCISE PRICES

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

1. 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 Certified Emission Reduction (CER) futures contract 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 subsection (i) of this rule; and (iii) the ten fifty-cent increment strike prices which are ten increments lower than the strike price described in subsection (i) of this rule.

2. Thereafter, on any business day prior to the expiration of the option contract, 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.
3. Notwithstanding the provisions of subsections (1) and (2) of this rule, if the Exchange determines that trading in the option contract will be facilitated thereby, the Exchange may 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 an option contract in which no new strike prices may be introduced.

## Chapter 1273 California Carbon Allowance (CCA) Futures

### 1273100. SCOPE OF CHAPTER

This chapter is limited in application to California Carbon Allowance (CCA) futures. The procedures for trading, clearing, delivery and settlement not specifically covered herein or in Chapter 7B shall be governed by the general rules of the Exchange.

The provisions of these rules shall apply to all California Carbon Allowance (CCA) futures bought or sold for future delivery on the Exchange with the delivery of CCAs made through the Market Tracking System.

The terms “seller” and “buyer” shall mean the seller of the physical product and the buyer of the physical product, respectively.

The term “Applicable Emissions Law” shall mean Assembly Bill 32, the State of California’s Global Warming Solutions Act of 2006, together with associated regulations or rules, and amendments thereto.

The term “Auction Reserve Price” or “ARP” shall refer to the minimum price at which CCAs can be auctioned in a given year, as defined by the Applicable Emissions Law. In the event that the ARP is not defined by the Applicable Emissions Law, ARP will be \$10 per metric ton in 2012 and 2013. For all years following 2013, the ARP for the delivery month will increase by 5 percent per year plus a CPI calculated on the previous 12 months.

The term “CCA” shall mean a California Carbon Allowance or California Greenhouse Gas Allowance, a limited authorization to emit up to one metric ton of CO<sub>2</sub> or CO<sub>2</sub> equivalent, as defined by the California Air Resources Board in accordance with the Applicable Emissions Law.

The term “Consumer Price Index” or “CPI” shall refer to changes in prices of all goods and services purchased for consumption by urban households for the last twelve (12) month period as defined by the United States Department of Labor.

The term “ETS” shall refer to the California Emissions Trading System - a cap-and-trade program designed to reduce emissions of greenhouse gases (GHG) pursuant to Applicable Emissions Law.

The term “In-Force” shall mean: (i) CCAs have been issued; and (ii) the MTS has been established and has commenced operations.

The term “Market Tracking System” or “MTS” shall mean the system Tracking System by which California Carbon Allowances are allocated, deducted, or transferred.

The term “Vintage Year” shall mean the first calendar year for which the allowance may be utilized for compliance.

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

### 1273101. CONTRACT SPECIFICATIONS

The contract specifications for delivery on futures contracts shall apply to all California Carbon Allowance(s) (“CCA(s)”) or California Greenhouse Gas Allowance(s), which shall mean a limited authorization to emit up to one metric ton of CO<sub>2</sub> or CO<sub>2</sub> equivalent, as defined by the California Air Resources Board in accordance with the Applicable Emissions Law.

Deliverable allowances under this Chapter shall include (i) CCAs and (ii) any other greenhouse gas allowances that have been approved by the California Air Resources Board for purposes of compliance with the ETS, subject to any quantitative adjustments required by the California Air Resources Board.

Allowances acceptable for delivery are:

Allowances as described above; and

For contracts with expiration in:

- (a) Calendar year 2012, those having a 2013 Vintage Year;
- (b) Calendar year 2013, those having a 2013 Vintage Year; and
- (c) Calendar year 2014, those having a 2013 or 2014 Vintage Year.

## 1273102. TRADING SPECIFICATIONS

Trading in California Carbon Allowance (CCA) futures is regularly conducted in all calendar months. The number of months (with and without specific Vintage Years) open for trading at a given time shall be determined by the Exchange.

### 1273102.A. Trading Schedule

The hours for trading shall be determined by the Exchange.

### 1273102.B. Trading Unit

The contract unit shall be one thousand (1,000) CCAs for a delivery made by transfer through the MTS

### 1273102.C. Price Increments

Prices shall be quoted in dollars and cents per allowance. The minimum price fluctuation shall be \$0.01 per allowance (\$10.00 per contract).

### 1273102.D. **Position Limits, Exemptions, Position Accountability and Reportable Levels**

The applicable position limits and/or accountability levels, in addition to the reportable levels, are set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5.

A Person seeking an exemption from position limits for bona fide commercial purposes shall apply to the Market Regulation Department on forms provided by the Exchange, and the Market Regulation Department may grant qualified exemptions in its sole discretion.

Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits. **Position Limits and Position Accountability**

~~In accordance with Rule 559, no person shall own or control positions in excess of 2,200 contracts net long or net short in the spot month.~~

~~In accordance with Rule 560:~~

~~the all months accountability level shall be 18,000 contracts net long or net short in all months combined;~~

~~the any one month accountability level shall be 6,400 contracts net long or net short in any single contract month excluding the spot month.~~

~~Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.~~

### 1273102.E. Termination of Trading

No trades in California Carbon Allowance (CCA) futures in the expiring contract month shall be made after the fifteenth (15th) day of the delivery month for such expiring contract. If the fifteenth (15th) day of the delivery month is not a business day, trading shall cease on the following day that is a business day. Any contracts remaining open after the last day of trading must be either:

1. If the California ETS is in-force at the termination of trading:
  - (a) Settled by delivery which shall take place no later than the second business day after the termination of trading for the contract month. Should the MTS be inoperable during the Delivery Period due to a California public holiday that is an Exchange business day, the Exchange shall have the option to extend the delivery period by one (1) business day.
  - (b) Liquidated by means of a bona fide Exchange for Related Position (EFRP), pursuant to Exchange Rule 538. An EFRP is permitted in the expiring futures contract no later than two hours after trading terminates on the last day of trading of the expiring futures contract.
2. If the California ETS is not in-force at the termination of trading:
  - (a) For contracts with expiration in the 2012 calendar year, transferred by the Clearing House to the corresponding monthly contract in the immediately following calendar year; or
  - (b) For contracts with expiration in 2013 or later, financially settled at the ARP for the given calendar year on the second (2<sup>nd</sup>) business day after the cessation of trading.

## 1273103. DELIVERY

CCA delivery shall comply with all requirements for the electronic transfer of allowances on the MTS.

## **1273104. DELIVERY PROCEDURES**

### **A. IF THE CALIFORNIA ETS IS IN-FORCE AT THE TERMINATION OF TRADING:**

The Exchange is a party to all deliveries under this contract and will receive allowances by electronic transfer from the seller's clearing member into the Clearing House holding account at the MTS. Following receipt from the seller's clearing member, the Exchange will deliver allowances from the Clearing House holding account to the MTS holding account nominated by the buyer's clearing member.

All rights, title, and interest in and to, and risk of loss related to, the allowances will transfer upon receipt in the applicable MTS account.

The seller's clearing member shall comply with such requirements and obligations imposed by or under applicable MTS regulations in all respects material to the submission of the forms noted in this rule. The buyer's clearing member shall comply with such requirements and obligations imposed by or under applicable MTS regulations in all respects material to ensure the acceptance of a valid transfer into its holding account. If a provision of the rules of this Chapter or the Exchange rules is inconsistent with a provision of the MTS regulations, the provision of the rules of this Chapter and the Exchange rules shall prevail as among the buyer's clearing member, seller's clearing member, and the Exchange to the extent of such inconsistency and to the extent permitted by law.

By transferring allowances to the Exchange, the seller's clearing member represents and warrants that, at the time of delivery, it has good and marketable title to such allowances, and that such allowances are free and clear of all liens, security interests, claims, encumbrances and adverse claims.

### **1273104.A. Responsibilities of Clearing Members**

#### **1. Notice of Intention to Accept**

Exchange clearing members having open long positions shall provide the Clearing House with a Notice of Intention to Accept delivery by 11:00 a.m. on the first (1<sup>st</sup>) business day after the final day of trading. The Notice of Intention to Accept must be in the form prescribed by the Exchange and must be properly completed and indicate the name of the buyer, the number of contracts to be accepted, the MTS account number, the name, telephone number and e-mail address of the authorized account representative for that MTS account, and any additional information as may be required by the Exchange.

#### **2. Notice of Intention to Deliver**

Exchange clearing members having open short positions shall provide the Clearing House with a Notice of Intention to Deliver by 11:00 a.m. on the first (1<sup>st</sup>) business day after the final day of trading. The Notice of Intention to Deliver must be in the form prescribed by the Exchange, and must be properly completed, indicate the name of the seller, the number of contracts to be delivered, the MTS Account Number, the name, telephone number and e-mail address of the authorized account representative for that MTS account, and any additional information as may be required by the Exchange.

### **1273104.B. Final Settlement Price**

The final settlement price shall be the basis for delivery.

### **1273104.C. Assignment Day**

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

The Clearing House shall provide Assignment Notice Reports to the respective clearing members on the first (1<sup>st</sup>) business day after the final day of trading.

### **B. FOR CONTACTS WITH EXPIRATION IN 2013 OR LATER AND IF THE CALIFORNIA ETS IS NOT IN FORCE:**

Delivery against California Carbon Allowances (CCA) futures contracts shall be made by cash settlement through the Clearing House following normal variation margin procedures. The final Settlement Price shall be the ARP for the given year. A final mark-to-market will be made on the day the Final Settlement Price is determined.

## **1273105. TIMING OF DELIVERY**

For purposes of this Rule 1273105,

"Delivery Period" shall mean the time between the final day of trading and the second (2<sup>nd</sup>) business day following the final day of trading.

Delivery shall take place on the second (2<sup>nd</sup>) business day after the final day of trading. Should the MTS be inoperable during the Delivery Period due to a California public holiday that is an Exchange business day, the Exchange shall have the option to extend the Delivery Period by one (1) business day.

1. The seller's clearing member shall transfer allowances subject to delivery to the Clearing House holding account of the MTS by 10:00 a.m. on the second (2<sup>nd</sup>) business day after the final day of trading of the delivery month.
2. The buyer's clearing member shall deposit / transfer payment equal to the full value of the product to the designated Clearing House bank account by 10:00 a.m. on the second (2<sup>nd</sup>) business day after the final day of trading of the delivery month.
3. For each buyer's clearing member that has satisfied its obligations under subsection (2) of this rule, the Clearing House shall initiate the process of transferring the allowances to the buyer's clearing member's account at the MTS by 12:00 p.m. on the second (2<sup>nd</sup>) business day after the final day of trading of the delivery month.
4. The buyer's clearing member shall receive allowances from the Clearing House holding account of the MTS by 3:00 p.m. on the second (2<sup>nd</sup>) business day after the final day of trading of the delivery month.
5. For each seller's clearing member that has satisfied its obligations under subsection (1) of this rule, the Clearing House shall pay the seller's clearing member full contract value by 3:00 p.m. on the second (2<sup>nd</sup>) business day after the final day of trading of the delivery month.

#### **1273106. DELIVERY MARGINS AND PAYMENT**

##### **1273106.A. Definitions**

For purposes of this Rule 1273106,

"Payment Date" shall mean the date on which the Clearing House transfers Payment in connection with a delivery to the seller's clearing member.

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

##### **1273106.B. Margin**

The buyer's clearing member and seller's clearing member shall deposit with the Exchange margins in such amounts and in such form as required by the Exchange. Such margins shall be returned on the business day following notification to the Exchange that delivery and Payment have been completed.

##### **1273106.C. Payment**

Any Payment made on the Payment Date shall be based on allowances actually delivered.

#### **1273107. VALIDITY OF DOCUMENTS**

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

#### **1273108. ALTERNATIVE DELIVERY PROCEDURE**

A seller and buyer matched by the Exchange under Rule 1273104.C. may agree 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 and 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 rules of this Chapter and any other rules regarding physical delivery.

In executing such notice, clearing members shall indemnify the Exchange against any liability, cost or expense the Exchange 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 thereunder. 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.

## Chapter 1274 California Carbon Allowance (CCA) Option

### 1274100. SCOPE OF CHAPTER

This chapter is limited in application to put and call options on California Carbon Allowance (CCA) futures contracts. In addition to the rules of this chapter, transactions in options on California Carbon Allowance (CCA) futures shall be subject to the general rules of the Exchange insofar as applicable.

### 1274101. OPTION CHARACTERISTICS

The number of months open for trading at a given time shall be determined by the Exchange.

#### 1274101.A. Trading Schedule

The hours of trading for this contract shall be determined by the Exchange.

#### 1274101.B. Trading Unit

A California Carbon Allowance (CCA) put or call option traded on the Exchange represents an option to assume a short or long position in the underlying California Carbon Allowance (CCA) futures contract at the strike price.

#### 1274101.C. Price Increments

The minimum price fluctuation is \$0.01 per allowance. Prices shall be quoted in Dollars (\$) and cents (¢) per allowance. A cabinet trade may occur at a price of \$ 0.001 per allowance, or \$1.00 per contract, however, if it results in the liquidation of positions for both parties to the trade.

#### 1274101.D. Position Limits, Exemptions, Position Accountability and Reportable Levels

The applicable position limits and/or accountability levels, in addition to the reportable levels, are set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5.

A Person seeking an exemption from position limits for bona fide commercial purposes shall apply to the Market Regulation Department on forms provided by the Exchange, and the Market Regulation Department may grant qualified exemptions in its sole discretion.

Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits. **Position Limits and Position Accountability**

~~For purposes of calculating compliance with position limits, each contract will be aggregated with positions held in California Carbon Allowance (CCA) futures. Each position in the contract will be calculated as a single position in the California Carbon Allowance (CCA) futures contract.~~

~~In accordance with Rule 559, no person shall own or control positions in excess of 2,200 contracts net long or net short in the spot month.~~

~~In accordance with Rule 560:~~

~~the all-months accountability level shall be 18,000 contracts net long or net short in all months combined;~~

~~the any one month accountability level shall be 6,400 contracts net long or net short in any single contract month excluding the spot month.~~

~~Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.~~

#### 1274101.E. Termination of Trading

The option contract shall expire at the close of trading three business days prior to the expiration of the underlying California Carbon Allowance (CCA) futures contract.

#### 1274101.F. Type Option

The option is a European-style option which can only be exercised into the underlying futures cash settled only on expiration day.

### 1274102. EXERCISE PRICES

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

1. 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 the California Carbon Allowance (CCA) futures contract in the corresponding delivery month rounded off to the nearest dollar increment strike price, (ii) the ten one-dollar increment strike prices which are

ten increments higher than the strike price described in subsection (i) of this rule, and (iii) the ten one-dollar increment strike prices which are ten increments lower than the strike price described in subsection (i) of this rule.

2. Thereafter, on any business day prior to the expiration of the option contract, 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.
3. Notwithstanding the provisions of subsections (1) and (2) of this rule, if the Exchange determines that trading in the option contract will be facilitated thereby, the Exchange may 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 an option contract in which no new strike prices may be introduced.