



Chicago Climate Exchange®

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December 17, 2008

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

Re: **Chicago Climate Futures Exchange, LLC
Submission No. 08-32**

Dear Mr. Stawick:

Pursuant to Section 5c(c)(1) of the Commodity Exchange Act, as amended (the "Act") and Part 40.6 of the regulations promulgated by the Commodity Futures Trading Commission ("CFTC") under the Act, Chicago Climate Futures Exchange, LLC ("CCFE") hereby submits amendments to Chapter 22 of the CCFE Rulebook (the "Rulebook").

On November 17, 2008, the Exchange amended its rules regarding the Carbon Financial Instrument futures contract ("CFI futures") to allow additional deliverable instruments for expirations subsequent to December 2012 (submission No. 08-28). CCFE now amends its Chapter 22 to list options on such CFI futures contracts with expirations subsequent to December 2012.

CCFE intends to make these amendments effective as of December 19, 2008. The Exchange certifies that these amendments neither violate nor are inconsistent with any portion of the Act or of the rules thereunder.

A marked copy of amended Chapter 22 and revised contract specifications for CFI options on futures contracts are attached hereto.

Should you require additional information regarding this submission, please contact me at 312.554.0812. Please reference our submission number 08-32 in any related correspondence.

Very truly yours,

Ann M. Cresce
Senior Vice President & General Counsel

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cc: Riva Adriance
Tom Leahy
Jon Hultquist

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CHAPTER 22
OPTIONS ON CARBON FINANCIAL INSTRUMENT FUTURES
CONTRACT SPECIFICATIONS

2201. Scope of Chapter

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

2202. Eligibility

In order to make or take delivery of Carbon Financial Instrument futures (“CFI futures”) resulting from the exercise or assignment of CFI options, Clearing Members, Trading Privilege Holders and other market participants must be a member of the Chicago Climate Exchange (“CCX”) with CCX Trading Platform eligibility and have an established CCX Registry Account prior to the expiration of any CFI futures contract.

2203. Contract Specifications

(a) *Contract size.* The contract size for calls or puts on CFI options is one (1) CFI futures contract which is equivalent to 1,000 metric tons of CCX carbon dioxide allowances.

(b) *Schedule.*

(i) Standard-cycle Contract Listing:

Expirations through December 2012:

The Exchange may list for trading up to six consecutive quarterly contract months on the March quarterly cycle (March, June, September, December) as well as the front three serial calendar months and annual December contract months through 2012.

Expirations subsequent to December 2012:

The Exchange will initially list the January 2013, December 2013, December 2014 and December 2015.

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

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

(c) *Termination of Trading (Contract Expiration).* The last day of trading of a contract is the second business day prior to the last trading day for the expiring CFI futures contract at the normal Trading Session closing time.

(d) *New Contract Listing.* A new standard-cycle contract month will be listed on the same Business Day as a new contract listing for the underlying CFI futures contract.

(e) *Minimum Tick Increment.* The minimum tick increment of the CFI options contract is 10.00 per contract (i.e., \$0.01 per metric ton of carbon dioxide).

(f) ~~(f)~~ *Strike Prices.*

Expirations through December 2012:

Call and put options based on twenty-five strike prices in the series will be listed at the introduction of a contract. Strike prices will be listed at \$0.25 increments with eight listed below the at-the-money strike price and sixteen listed above the at-the-money strike price. Additional strikes will be listed on the trading day following the day a related futures contract settles for the first time above or below an existing option strike price.

Expirations subsequent to December 2012:

Call and put options based on twenty-five strike prices in the series will be listed at the introduction of a contract. Strike prices will be listed at \$1.00 increments with 8 listed below the at-the-money strike price and 16 listed above the at-the-money strike price. Additional strikes will be listed on the trading day following the day a related futures contract settles for the first time above or below an existing option strike price.

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

(g) *Exercise.* CFI Options will have a European style exercise after the close of trading on the last trade day. Option exercise results in an underlying CFI futures contract position in the related contract month. The exercise of a call option will result in the buyer receiving a long position in the underlying CFI futures contract and the seller receiving a short position in the underlying CFI futures contract. The exercise of a put option will result in the buyer receiving a short position in the underlying CFI futures contract and the seller receiving a long position in the underlying CFI futures contract.

Options on positions that are in-the-money at the close on the last day of trading are automatically exercised unless proper instructions not to exercise in-the-

money options are provide and accepted by the Clearing Service Provider's clearing system by the Clearing Service Provider's expiration deadline.

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

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

(j) *Position Limits.* A person may not own or control more than 4,000 contracts on a net futures-equivalent basis in each nearby month expiring futures product, equivalent to 4000 CFI futures contracts (i.e., 4,000,000 metric tons of carbon dioxide). Commission Regulation 150.1(f) states that the futures-equivalent value of an option is determined by adjusting the option by its delta coefficient from the previous day.

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

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

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

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

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



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

Contract Size	One CCFE Carbon Financial Instrument futures contract (of a specified contract month)
Quotation	US dollars / metric ton CO ₂
Minimum Tick Increment	\$0.01 per metric ton = \$10.00 per contract
Symbol	CFIPDC, CFIPDP
Trading Hours	7:00 a.m. – 3:00 p.m. Central Time
Strike Price Intervals	<p>Expirations through December 2012: Call and put options based on twenty-five strike prices in the series will be listed at the introduction of a contract. Strike prices will be listed at \$0.25 increments with 8 listed below the at-the-money strike price and 16 listed above the at-the-money strike price. Additional strikes will be listed on the trading day following the day a related futures contract settles for the first time above or below an existing option strike price.</p> <p>Expirations subsequent to December 2012: Call and put options based on twenty-five strike prices in the series will be listed at the introduction of a contract. Strike prices will be listed at \$1.00 increments with 8 listed below the at-the-money strike price and 16 listed above the at-the-money strike price. Additional strikes will be listed on the trading day following the day a related futures contract settles for the first time above or below an existing option strike price.</p>
Contract Listing Cycle	<p>Standard-cycle contract listings for contract months with expirations through 2012:</p> <ul style="list-style-type: none"> a. Six consecutive quarterly contracts on a March, June, September, December cycle; b. Front three serial calendar months <p>Contract listings for contract months with expirations subsequent to 2012:</p> <ul style="list-style-type: none"> a. Initial listings will be January 2013, December 2013, December 2014 and December 2015; and b. Other contract months as determined by CCFE
First Trading Day	A new contract month will listed on the same Business Day as a new contract listing for the underlying CFI futures contract.
Last Trading Day	The last day of trading is the second business day prior to the last trading day for the expiring underlying futures contract.
Exercise	European style. Option exercise results in an underlying futures position in the related contract month. Options in-the-money at the close on the last day of trading are automatically exercised unless proper instructions are provided to the CCFE Clearing System Provider ("CSP") clearing system not to exercise an in-the-money options by the expiration deadline. (Instructions may also be input to the CCFE CSP's clearing systems to exercise an out-of-the money option.)

Expiration	Unexercised CCFE CFI options shall expire at 5:00 p.m. on the last day of trading.
Option Premium	The CCFE CSP will collect the full option premium from the buyer clearing member and pay the full option premium to the seller clearing member on the day of trade in accordance with CCFE CSP's procedures.
Price Limits	None
Reportable Position Limits	25 contracts gross in each option quadrant
Nearby Expiration Month Speculative Position Limits	4,000 contracts on a net futures-equivalent basis.
Block Trade Minimum	Expirations prior to 2013 – minimum 100 contracts Expirations 2013 and later – minimum of 10 contracts

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

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