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# **Chicago Climate Futures Exchange, LLC**

## **Delivery Procedures Carbon Financial Instrument Futures**

**Version 2.0  
January 2009**

## **Overview**

This document addresses the delivery process for the following Chicago Climate Futures Exchange, LLC (“CCFE”) products:

### *CCX Carbon Financial Instruments (CFI)*

The contract specifications for the products may be found on the Chicago Climate Exchange website at [http://www.ccfex.com/about\\_ccfe/products.html](http://www.ccfex.com/about_ccfe/products.html) and in the CCFE rulebook which is also available on the website at [http://www.ccfex.com/membership\\_ccfe/rulebook.html](http://www.ccfex.com/membership_ccfe/rulebook.html).

Delivery will occur only at the expiration of a contract. Market participants holding positions at the expiration of a contract will be required to participate in the delivery process. The Clearing Corporation (“CCorp”), CCFE’s clearing service provider, will assign deliveries between clearing firms upon the expiration of a contract.

## **Eligibility to Participate in the Delivery Process**

All CCFE clearing firms and market participants that make or take delivery of CCX Carbon Financial Instruments must have a Chicago Climate Exchange, Inc. Registry Account and be eligible to participate in the Chicago Climate Exchange, Inc. Carbon Financial Instrument electronic trading market place as stipulated by CCFE rules.

## **Delivery Process for Futures Contracts**

Delivery is a three-day process consisting of Position Day, Notice Day and Delivery Day. The three days occur over three consecutive business days. See Exhibit A for a delivery example.

### **Position Day**

The first business following a Carbon Financial Instrument futures contract’s expiration day is the day that Clearing Members must report their long futures positions and submit delivery tender notices to CCorp based on positions as of the close of the expiration day.

CCorp assigns the buyer clearing member to the seller clearing member and the details of the delivery notice, e.g. number of contracts, delivery price (expiration day’s settlement price) and delivery value.

### **Notice Day**

No later than the business day following the Position Day, CCorp notifies buyers and sellers of delivery assignments.

The assigned CCFE clearing members will exchange the following information by 12:00 p.m. CT:

1. The seller clearing member provides to the buyer clearing member(s) a description of the underlying CCX CFI vintages and quantities to be delivered.
2. The buyer clearing member(s) will provide to the seller clearing member its or its customer’s CCX Registry Account # .

The **CCFE CARBON FINANCIAL INSTRUMENT DELIVERY INSTRUCTIONS** form is to be completed and submitted to the Exchange by the selling clearing members by 3:00 p.m. CT on Notice Day. (See Exhibit B) The form is to be submitted via e-mail to [ccfedelivery@ccfe.com](mailto:ccfedelivery@ccfe.com).

The seller clearing member must ensure that the appropriate CCX CFIs are in the applicable CCX Registry account from which the delivery(s) will be made by the close of the CCX market. With a Registry Account Holder's authorization, the Chicago Climate Exchange, Inc. will provide a clearing member with view-only access to a Registry Account.

CCorp will invoice payment instructions to the respective buyer clearing member(s) for the full contract value based upon the expiration day settlement price.

#### **Delivery Day**

A. **Buyer Clearing Member Pays for Delivery**

At 6:40 a.m. CT, CCorp confirms payment from the buyer clearing member for the full contract value.

B. **Positions**

CCorp removes delivery positions from margined positions.

C. **Delivery**

CCFE will execute deliveries after the CCX market close.

D. **Confirmation of Delivery to CCorp**

CCFE will confirm to CCorp when all deliveries have been completed.

#### **Payment**

CCorp will release the delivery proceeds to the seller clearing member after the CCFE confirmation.

#### **Underlying CCX CFI Vintages Eligible for Delivery**

The CCFE Rulebook and Member Advisories provide details regarding emission allowances eligible for delivery purposes.

#### **Delivery Disputes and Resolutions**

The CCFE Rulebook and Member Advisories address delivery disputes and resolutions.

#### **Delivery Fees**

CCFE and CCorp may assess transaction fees to CCFE clearing members for delivery transactions. Communication of such fees will be through CCFE Member Advisories and CCorp's communication process.

**Exhibit A**  
**CCFE CFI Futures Contract Delivery Example**

Emissions Contract – 10 CCX CFIs = 1000 mt CO<sub>2</sub> per contract

December 2008 Futures Contract

Expiration Day Settlement Price for December 2008 futures contract: \$4.00 / allowance

	Clearing Member A	Clearing Member B		Clearing Member C	
	Position	Position			
Cust A1	50 L	60 L	Cust B1	50 S	Cust C1
Cust A2	75 L	40 L	Cust B2	50 S	Cust C2
		50 L	Cust B3		
		150 S	Cust B4		
		25 S	Cust B5		

Position Day

1. Report long positions to CCorp
 

Clearing Member A	75 long
	50 long
Clearing Member B	50 long
	40 long
	60 long
  
2. End of day, CCorp informs Clearing Member A and Clearing Member B of delivery assignment.
 

Member A	to	Member A	50 contracts
Member A	to	Member A	50 contracts
Member B	to	Member A	25 contracts
Member B	to	Member B	150 contracts
Member C	to	Member A	100 contracts

Notice Day

1. Clearing Member BA informs Clearing Member A of intention to deliver 25 CCX CFIs of Vintage 2007 (or earlier vintage(s)).
2. Clearing Member A provides Clearing Member B with the applicable CCX Registry Account number for delivery and applicable contact information.
3. Clearing Members A and B submit **CCX CARBON FINANCIAL INSTRUMENT DELIVERY INSTRUCTIONS** forms for each account they are making delivery to. (Required for “in-house” account-to-account transfers).
4. Clearing Members A and B must ensure that each account making delivery has the applicable CCX CFIs in the CCX Registry Account by the close of the CCX market.
5. CCX prepares delivery instructions for the CCX Registry.

6. CCorp issues payment instructions to the respective buyer clearing members for full contract value (\$500,000) from Clearing Member A based on settlement price on Expiration Day.

Delivery Day

1. CCorp confirms payment from Clearing Member A
2. Chicago Climate Exchange, Inc. processes the deliveries through its Registry after the close of its market.
3. CCFE confirms to CCorp when all deliveries have been completed.

Payment

CCorp remits delivery proceeds to Clearing Members B's and C's non-segregated settlement account.

## Exhibit B Sample CCFE CFI Delivery Instructions Form

CFI Delivery Instructions Form (v2.1)

CCFE CARBON FINANCIAL INSTRUMENT DELIVERY INSTRUCTIONS					
<i>To ensure accurate &amp; timely delivery, please complete form electronically and submit to: <a href="mailto:ccfedelivery@theccx.com">ccfedelivery@theccx.com</a> by 3 CST on Notice Day</i>					
DATE:	<input type="text"/>	<b>Submit form to:</b> <a href="mailto:ccfedelivery@theccx.com">ccfedelivery@theccx.com</a> <b>Questions:</b> Niall McCarthy - (312) 229 - 5168 Claudia Wanner - (312) 554 - 7056			
DELIVERY MONTH:	<input type="text"/>				
YEAR:	<input type="text"/>				
VINTAGES TO BE DELIVERED *		<i>- Additional delivery instructions may be listed on Page 2 -</i>			
Vintage	CCX CFIs	#CFI Future	Allow/Offset (A/O)	Specified Offsets (Project Name)	Project #
EXAMPLE	100	100	0	Germany Coalmine Methane	100
2003		0.0			
		0.0			
		0.0			
2004		0.0			
		0.0			
		0.0			
2005		0.0			
		0.0			
		0.0			
2006		0.0			
		0.0			
		0.0			
2007		0.0			
		0.0			
		0.0			
2008		0.0			
		0.0			
		0.0			
2009		0.0			
		0.0			
		0.0			
<b>0</b>		<b>0.0</b>	<b>Totals</b>		
Seller Clearing Member Name (CCorp #): <input style="width: 100%;" type="text"/>					
<b>Delivery to be made from CCX Registry Account #</b>					
Seller Clearing Member Representative: <input style="width: 100%;" type="text"/>					
Phone: <input style="width: 100%;" type="text"/>					
Fax: <input style="width: 100%;" type="text"/>					
e-mail: <input style="width: 100%;" type="text"/>					
Buyer Clearing Member Name (CCorp #): <input style="width: 100%;" type="text"/>					
<b>Delivery to be made to CCX Registry Account #:</b>					
Buyer Clearing Member Representative: <input style="width: 100%;" type="text"/>					
Phone: <input style="width: 100%;" type="text"/>					
Fax: <input style="width: 100%;" type="text"/>					
e-mail: <input style="width: 100%;" type="text"/>					

\* Eligible CFIs have Vintages that are the same calendar year as the expired futures contract and earlier-year Vintages.  
 \*\* Each CFI futures contract = 10 CCX CFIs