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## **Chicago Climate Futures Exchange**

### **Block Trade and Exchange for Physical Transaction Procedures**

Version 1.4  
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# 1 Overview

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## 1.1 Overview

Chicago Climate Futures Exchange, LLC (“CCFE”) Rules 411 and 412 stipulate the requirements for the submission and execution of block trades and exchange of future for physical transactions (“EFP”). These procedures will provide Trading Privilege Holders (“TPH”) and Authorized Traders assistance with the submission of CCFE off-exchange transactions and explain the CCFE Block and EFP review and approval process.

In accordance with Rule 403, TPH are responsible for all orders, including block and EFP trades, submitted by their approved Authorized Traders to the Trading Platform or by submission of a Block Trade Confirmation E-mail / form.

## 1.2 Definitions

A “block trade” is a privately-negotiated transaction between two parties. CCFE Rule 412 stipulates block trade requirements, which include: eligibility for participation, fair and reasonable pricing and reporting requirements. TPHs and Authorized Traders must understand and comply with Rule 412 when handling block trades.

An EFP transaction must contain the following three elements, as prescribed in CCFE Rule 411:

1. A combination of a futures transaction and a cash transaction that are integrally related;
2. An exchange of futures for the underlying commodity where the commodity contract provides for the transfer of ownership of the commodity to the cash buyer upon performance of the terms of such contract, with delivery to take place within a reasonable time thereafter, in accordance with prevailing cash market practice; and
3. Separate Persons, such that the accounts involved on each side of the EFP have different beneficial ownership or are under separate control.

## 2 Block Trades

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### 2.1 Eligibility

Pursuant to CCFE Rule 412(a)(ii), both parties to a block trade must qualify as an Eligible Contract Participant (“ECP”), as defined by Section 1(a)(12) of the Commodity Exchange Act.

As referenced in Section 2.2 below, the Block Trade Confirmation Form may be submitted to CCFE by an Authorized Trader of the Clearing TPH pursuant to the following requirements:

1. If the Authorized Trader submitting the Block Trade Confirmation Form is an employee or agent of the Clearing TPH, it is deemed that the Clearing TPH is affirming that the customer account identified on the Block Trade Confirmation Form is an ECP.
2. If the Authorized Trader is an employee or agent of the customer of the Clearing TPH (indicated as the Authorized Trader firm on the Block Trade Confirmation Form), the following procedures must be followed before the Authorized Trader of the customer of the Clearing TPH will be permitted to submit the Block Trade Confirmation Form directly to CCFE:
  - a. The Clearing TPH must complete an Authorization to Submit Block Trades (Exhibit 1), in which it attests the customer’s eligibility as an ECP and allows the customer to submit block trades directly to CCFE pursuant to the parameters established by the Clearing TPH (i.e., account number, product and limits).
  - b. In the event that the customer ceases to meet the eligibility requirement or the Clearing TPH no longer wishes for the customer to participate in block trades, it is the responsibility of the Clearing TPH to notify CCFE in writing, at which point CCFE will no longer accept block trades from such customer.

### 2.2 Minimum Block Trade Size

CCFE will communicate the minimum number of contracts required for an eligible block trade via Member Notices. Minimums vary by product and are stipulated in product-specific contract specifications, updates to such minimums can be found on the CCFE website at: [http://www.ccfex.com/membership\\_ccfe/advisories.html](http://www.ccfex.com/membership_ccfe/advisories.html)

### 2.3 Reporting and Submitting Block Trades

All negotiated block trades must be reported to CCFE within fifteen minutes of negotiations being completed. In most instances, CCFE is notified of negotiated block trades via electronic communications prior to receiving the supporting documentation.

The preferred methods for notifying CCFE of a negotiated block trade are thru electronic messaging to alias “CCFEBlockTrades” or via email to [blocktrades@ccfe.com](mailto:blocktrades@ccfe.com).

**The preferred method for submitting supporting documentation is by sending a completed Block Trade Confirmation Form (Exhibit 2) by e-mail to [blocktrades@ccfe.com](mailto:blocktrades@ccfe.com).**

Block Trade Confirmation Forms will be accepted from any approved CCFE Trading Platform Authorized Traders (“eligible parties”). CCFE will accept an e-mail Block Trade Confirmation Form that is not signed, provided that the e-mail address it was sent from is that of the eligible party. CCFE will accept a Block Trade Confirmation Form via fax, but additional time may be required to review and approve a block trade submitted in this manner (Fax number: 312.229.1208).

Block trade confirmations from both eligible parties must be received by CCFE no later than the market close in order to ensure that CCFE has the opportunity to review the confirmations for completeness and consistency and post the trade. However, it should be noted that CCFE may periodically make exceptions to this rule prior to market close.

Eligible parties must maintain a copy of the Block Trade Confirmation Form with timestamps (the e-mail “send” time will suffice or a fax time indication) and make such records available on request to CCFE and/or the NFA for review purposes. Eligible parties which are customers of CCFE Clearing FCMs should address the means of record retention with their CCFE Clearing FCM.

## 2.4 After Hours Block Trades

If a block trade is agreed upon outside of trading hours, participants are required to report the transaction within fifteen minutes after the opening of the CCFE on the first subsequent trading day (i.e., prior to 7:15am CST on T+1). In certain cases, CCFE may accept block trades for IFEX markets on days when the markets are closed (Saturday, Sunday, Holidays). CCFE will post these trades on the next business day.

## 2.5 Block Trade Restrictions

Block trades agreed upon during a trading day but received by CCFE after the close of the trading day may not afford CCFE the opportunity to review and approve the trades and may therefore be treated as “After Hours Block Trades”.

*No block trades are permitted after 12:00 PM on the last trading day for a contract delivery month.*

## 2.6 CCFE Reporting and Review Process

CCFE is usually notified of a negotiated block trade by electronic means prior to the receipt of the Block Trade Confirmation Form. CCFE will report the negotiated block trade to the market by means of a trading system message in the following manner (content may vary):

A block trade was reported to the Exchange and is pending approval:

<Product> - <Month>, <Price>, <Quantity>

Upon receipt of both Block Trade Confirmation Forms:

1. CCFE will review the trade details for completeness and approve or reject the trade. All confirmations must have a time stamp (e-mail submission time or fax time stamp is acceptable), and for faxed forms, have an authorized signature for the eligible party.

The confirmations will be considered successfully received and eligible for acceptance by CCFE if: both confirmations are in agreement on the terms of the block trade; the two listed eligible parties agree on block trade details; and the signature on both forms are those of the eligible parties.

## 2. Block Trade Approval

- a. If the block trade is approved, CCFE will post the trade to the CCFE Trading Platform.
- b. The block trade will be reported to the market as a block trade with “volume” and “price”.

## 3. Rejected Block Trade

If the terms of the block trade differ in any way between the Block Trade Confirmation Forms submitted by the counter parties or CCFE determines that the block trade should not be executed (e.g., a block trade order that exceeds an eligible party’s order size or daily volume limits established by its clearing firm), CCFE will contact the eligible parties to inform them that the block trade has been rejected.

## **3 Exchange for Physical Transactions**

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The process for submission, review and approval / rejection for EFPs is similar to block trades, with the exception of the confirmation form to be submitted (the EFP Confirmation Form is attached as Exhibit 3), the information required on the EFP Confirmation Form and the following procedures.

### **3.1 CCFE EFP Review Process**

1. If the following requirements are met, the EFP confirmations will be considered successfully received and eligible for acceptance by CCFE: EFP Confirmation Forms are in agreement with the terms of the EFP and the two listed eligible parties; the futures price is within the daily trading limit (if a product has a daily limit); and the signature on the form is that of an eligible user.
2. EFP Approval
  - a. If the EFP is approved, CCFE will post and report the futures trade to the market as an EFP with volume only, no prices.
3. Rejected EFP Trade

Refer to Rejected Block Trade procedures (2.6, S3)

## Exhibit 1

### AUTHORIZATION TO SUBMIT BLOCK TRADES

***CHICAGO CLIMATE FUTURES EXCHANGE, LLC  
AUTHORIZATION TO SUBMIT BLOCK TRADES***

To: Director of Compliance  
Chicago Climate Futures Exchange (“CCFE”)

From: \_\_\_\_\_ (“Clearing TPH”)  
(Clearing Trading Privilege Holder’s Name)

CCFE Rule 412 requires all parties to a Block Trade to qualify as Eligible Contract Participants (“ECP”) as that term is defined in Section 1a(12) of the Commodity Exchange Act, unless such block trades are entered on behalf of customers by a commodity trading advisor, investment adviser, or foreign equivalent with total assets under management exceeding \$25 million, in which case only the commodity trading advisor or investment adviser, must so qualify as an ECP.

CCFE procedures allow Authorized Traders of Customers to submit Block Trades directly to CCFE without prior approval of the Clearing Trading Privilege Holder provided that the Customer qualifies as an ECP and each such trade is for an account and within the limits designated by the Clearing Trading Privilege Holder in the CCFE Trading Platform.

(Clearing Trading Privilege Holder’s Name) attests that as of the date of this agreement, (Name of Customer) (“Customer”) qualifies as an ECP and agrees to notify CCFE in the event the Customer ceases to qualify as an ECP or if the Clearing TPH will no longer allow the Authorized Trader of the Customer to submit Block Trades directly to CCFE.

By:

\_\_\_\_\_  
Authorized Representative (Officer/General Partner) of Clearing TPH

\_\_\_\_\_  
Print Name of Authorized Representative

\_\_\_\_\_  
Title of Authorized Representative

\_\_\_\_\_  
Date

## Exhibit 2

### BLOCK TRADE CONFIRMATION FORM

**From:** Block Trades [mailto:blocktrades@ccfe.com]  
**Sent:** Monday, March 23, 2009 11:04 AM  
**To:** <Authorized Party>  
**Subject:** [B398954192] CCFE Block Trade PURCHASE - Confirmation Requested

Details of your recent block trade at CCFE:

Date: 23-Mar-09  
Authorized Trader: <Name of Trader>  
Trader ID: <Trader ID>  
Firm: <Firm>  
Authorized FCM: <Firm's FCM>  
Counterparty: <Counterparty Firm>  
Counterparty FCM: Counterparty FCM>  
Account #: <Account number>  
Broker: <Broker, if any>  
Buy/Sell: <Buy or Sell>  
Quantity: <Quantity>  
Product: <CCFE Product>  
Contract Month: <Contract Month>  
Price/Strike: <Price, in USD>  
Put/Call: <Put or Call, if option>  
Expiration Month: <Expiration month, for options>  
Premium: <Option Premium>

CCFE Control #: <Control number generated by CCFE>

If all terms are good, please hit 'Reply to All' and send back an 'ok'.  
Thanks from your friends at CCFE.

## Exhibit 3

### EFP CONFIRMATION FORM

**From:** Block Trades [mailto:blocktrades@ccfe.com]  
**Sent:** Monday, March 23, 2009 11:04 AM  
**To:** <Authorized Party>  
**Subject:** [B398954192] CCFE EFP Trade PURCHASE - Confirmation Requested

Details of your recent EFP trade at CCFE:

Date: 23-Mar-09  
Authorized Trader: <Name of Trader>  
Trader ID: <Trader ID>  
Firm: <Firm>  
Authorized FCM: <Firm's FCM>  
Counterparty: <Counterparty Firm>  
Counterparty FCM: Counterparty FCM>  
Account #: <Account number>  
Broker: <Broker, if any>  
Buy/Sell: <Buy or Sell>  
Quantity: <Quantity>  
Product: <CCFE Product>  
Contract Month: <Contract Month>  
Price: <Price, in USD>

CCFE Control #: <Control number generated by CCFE>

If all terms are good, please hit 'Reply to All' and send back an 'ok'.  
Thanks from your friends at CCFE.