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# **Chicago Climate Futures Exchange, LLC**

## **Delivery Procedures Regional Greenhouse Gas Initiative Futures**

**Version 1.0  
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## **Overview**

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

Regional Greenhouse Gas Initiative Futures (RGGI)

Contract specifications for this product 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, 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 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**

For CCFE RGGI futures products delivered into the RGGI CO2 Allowance Tracking System (COATS) system, CCFE clearing and non-clearing members and all their market participants that make or take delivery of RGGI futures products must have a RGGI COATS account.

A RGGI COATS account can be established at:

[http://www.rggi-coats.org/eats/rggi/index.cfm?fuseaction=register.register\\_step1&returnfuseaction=login.login&hc=ISkwICAK&nc=ADB709F3E4EFFD8C169BA8F32AFB3619](http://www.rggi-coats.org/eats/rggi/index.cfm?fuseaction=register.register_step1&returnfuseaction=login.login&hc=ISkwICAK&nc=ADB709F3E4EFFD8C169BA8F32AFB3619)

Questions about establishing a RGGI COATS should be directed to: [rggi-coats@pqa.com](mailto:rggi-coats@pqa.com)

## **Delivery Process for Futures Contracts**

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

### **Position Day**

Clearing Members must report their long futures positions to CCorp on the first business day following a RGGI futures contract expiration day, which must be reported in the time frame and format required by CCorp.

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

### **Notice Day**

CCorp notifies buyers and sellers of delivery assignments no later than the business day following the Position Day. (May occur at close of business on the applicable Position Day.)

The assigned CCFE clearing members will exchange the following information:

1. The seller clearing member provides to the buyer clearing member(s) a description of the underlying RGGI allowances to be delivered.
2. The buyer clearing member(s) will provide the following information to the seller clearing member:
  - CCFE Clearing Member's or its customer's COATS Account #
  - COATS Authorized Account Representative (AAR) ID#
  - AAR email address
  - AAR phone number

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 will issue payment instructions to the buyer clearing member for the full contract value in a means and manner prescribed by CCorp.

#### **B. Positions**

CCorp removes delivery positions from margined positions.

#### **C. Delivery**

No later than 3:00 p.m. CT, the seller clearing member or its customer must electronically submit the allowance transfer instructions via the RGGI COATS, which is available 24 hours a day, 7 days a week.

RGGI COATS automatically effects transfer immediately upon receipt of the transfer instructions and issues an email confirmation of the allowance transfer to the seller clearing member (or its customer depending on which party placed the instruction) and buyer clearing member (or its customer depending on the COATS account number provided for receiving the allowances).

If the seller clearing member's customer was responsible for providing the delivery instructions to RGGI, the customer must forward the email confirmation to the seller clearing member.

#### **D. Confirmation of Delivery to CCorp**

The CCorp delivery confirmation requirements are as follows.

- The buying clearing member will create a separate CCFE Receipt of Delivery Confirmation form for each selling clearing member.
- No money will be released to the selling clearing member for any transfers not contained on the confirmation document.
- This form should be completed electronically and e-mailed to CSS at [css@clearingcorp.com](mailto:css@clearingcorp.com) or faxed to 312-986-3444 and should be sent to CCorp by an authorized individual known by CSS. The buyer clearing member should contact CSS via telephone at 312-786-5718 to verify receipt of the e-mail.  
*CSS reserves the right to contact the buying clearing member to verify the validity of any form received from the buying clearing member.*

### **Payment**

CCorp will release the delivery proceeds to the seller clearing member on the following schedule:

- Confirmation documents received at CCorp by 12:30 p.m. will result in money released at midday. This time may be adjusted earlier if CCorp runs its midday process earlier.<sup>1</sup>
- Confirmation documents received after 12:30 will result in money being released for end of day.
- If a confirmation document is not received at CCorp by 4:00 p.m. on the delivery day, the money will NOT be released to the Selling CP. The Buying CP should contact CCorp and CCFE ASAP if this deadline cannot be met. Failure to authorize the release of money on delivery day will be considered to be a default on delivery and will be referred to CCFE.

The CCFE Receipt of Delivery form is located at:  
<http://www.clearingcorp.com/clearingmembers/SpecialForms/CCFE-Receipt-of-Delivery-Confirmation.html>

#### **Underlying Emission Allowances 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.

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<sup>1</sup> On occasion, at CCorp's discretion, Mid-day Variations may be run earlier than CCorp's regularly scheduled mid-day settlement. CCorp will release delivery proceeds to a selling clearing member during the earlier mid-day settlement provided that CCorp receives the applicable confirmation sufficiently prior to the earlier mid-day settlement. Otherwise, CCorp will release the delivery proceeds at the 6:40 a.m. CT on the next business day.

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

Emissions Contract – 1,000 Regional Greenhouse Gas Initiative allowances

December 2008 Futures Contract

Final Settlement Price for December 2008 futures contract: \$3.50 / allowance

Seller and Buyer Clearing Members coordinate the delivery between themselves

	Clearing Member A		Clearing Member B		
	Position	Trade Date	Position	Trade Date	
Customer A1	100 S		60 L	9/3/08	Customer B1
Customer A2	50 L	9/18/08	40 L	8/27/08	Customer B2
Customer A3	75 L	9/15/08	50 L	8/20/08	Customer B3
			50 S		Customer B4
			25 S		Customer B5

Position Day

1. Report long positions to CCorp

Clearing Member A	75 long 9/15/08
	50 long 9/18/08
Clearing Member B	50 long 8/20/08
	40 long 8/27/08
	60 long 9/3/08

2. Clearing Member A submits delivery tender notice for 100 contracts (100,000 allowances) on behalf of Customer A1
3. End of day, CCorp informs Clearing Member A and Clearing Member B (clearing member with oldest open long position) of delivery assignment.

8/20/08	50
8/27/08	40
9/3/08	10

Notice Day

1. Clearing Member A informs Clearing Member B of intention to deliver 100,000 Vintage 2009 emission allowances.
2. Clearing Member B provides Clearing Member A with its RGGI COATS account and contact information.
3. Clearing Member A must have 100,000 Vintage 2009 emission allowances in its COATS account by the close of business on Notice Day for delivery the next day.

#### Delivery Day

1. CCorp issues payment instructions to the respective buyer clearing members for full contract value (\$350,000) from Clearing Member B based on final settlement price.
2. By 3:00 p.m. CT, Clearing Member A submits electronic allowance transfer instruction to RGGI COATS. (Instructions include e-mail contact information for seller and buyer clearing members.)
3. RGGI COATS sends both parties (Clearing Members A and B) e-mail confirmation of transfer.
4. Buyer clearing member submits CCFE Receipt of Delivery Confirmation to CCorp.

#### Payment

CCorp remits delivery proceeds (\$350,000) to Clearing Member A's non-segregated settlement account.



Chicago Climate Futures Exchange

**Appendix B**

**CHICAGO CLIMATE FUTURES EXCHANGE, LLC  
CO2 ALLOWANCE TRACKING SYSTEM (COATS)  
DELIVERY INSTRUCTIONS**

Date:  
Futures Contract: RGGI

Month (Circle one)	December June	January September	March
Year	_____		
Specific Vintage (if applicable)	_____		
Quantity	_____		

Seller Clearing Member Name: \_\_\_\_\_

Vintage(s) to be Delivered:

<u>Vintage</u>	<u>Quantity</u>	
_____	_____	
_____	_____	
_____	_____	
_____	_____	
		<b>Total Quantity</b>

Seller Clearing Member Representative: \_\_\_\_\_  
 Phone Number \_\_\_\_\_  
 Fax Number \_\_\_\_\_

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Buyer Clearing Member Name: \_\_\_\_\_

COATS Information:

Account # \_\_\_\_\_  
 AAR<sup>2</sup> ID # \_\_\_\_\_  
 AAR email \_\_\_\_\_  
 AAR phone # \_\_\_\_\_  
 AAR fax # \_\_\_\_\_

Buyer Clearing Member Representative: \_\_\_\_\_  
 (If different from AAR)  
 Phone Number \_\_\_\_\_  
 Fax Number \_\_\_\_\_

<sup>2</sup> Authorized Account Representative  
version 1.0  
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