

## Chapter 1260

### CBL California Carbon Allowance (CCA) Vintage-Specific 2021 Futures

#### 1260100. SCOPE OF CHAPTER

This chapter is limited in application to California Carbon Allowance (CCA) Vintage-Specific 2021 Futures. The procedures for trading, clearing, delivery and settlement not specifically covered herein or in Chapter 7 shall be governed by the general rules of the Exchange.

The provisions of these rules shall apply to all California Carbon Allowance (CCA) Vintage-Specific 2021 Futures bought or sold for future delivery on the Exchange with the delivery of applicable CCAs made through the Compliance Instrument Tracking System Service (CITSS).

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 CITSS.

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 California Carbon Allowance or (CCA), means 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 “In-Force” shall mean: (i) CCAs have been issued and (ii) the CITSS is in operation.

The term “Compliance Instrument Tracking System Service” or “CITSS” shall mean the market tracking system in which accounts are established for market participants to hold and retire California Carbon Allowances and to participate in transactions of California Carbon Allowances with other account holders.

The term “Vintage Year” shall mean the 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 Eastern Prevailing Time (EPT).

#### 1260101. CONTRACT SPECIFICATIONS

The California Carbon Allowance (CCA) Vintage-Specific 2021 Futures specifies the physical delivery of applicable California Carbon Allowances (CCAs) within the Compliance Instrument Tracking System Service (CITSS).

Deliverable allowances under this Chapter shall be CCAs dated with the Vintage Year 2021.

#### 1260102. TRADING SPECIFICATIONS

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

##### 1260102.A. Trading Schedule

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

##### 1260102.B. Trading Unit

The contract unit shall be one thousand (1,000) CCAs for a delivery made by transfer through the CITSS. Each contract shall be valued as the contract quantity (1,000) multiplied by the settlement price.

##### 1260102.C. Price Increments

Prices shall be quoted in U.S. dollars and cents per allowance. The minimum price fluctuation shall be \$0.01 per allowance (\$10.00 per contract).

**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.

**1260102.E. Termination of Trading**

Trading shall cease on the third business day prior to the last business day of the contract month. Any contracts remaining open after the last day of trading must be

(a) Settled by delivery, which shall take place no later than the third 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. An EFRP which establishes a futures position for either the buyer or the seller in an expired futures contract shall not be permitted following the termination of trading of an expired futures contract.

**1260102.F. Final Settlement**

Final settlement shall occur on the business day following the last trading day.

**1260103. DELIVERY**

CCA delivery shall comply with all requirements for the electronic transfer of allowances on the CITSS.

**1260104. DELIVERY PROCEDURES**

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 CITSS. Following receipt from the seller's clearing member, the Exchange will deliver allowances from the Clearing House holding account to the CITSS 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 CITSS account.

The seller's clearing member shall comply with such requirements and obligations imposed by or under applicable CITSS regulations in all respect material to the submission of the delivery of allowances noted in this rule. The buyer's clearing member shall comply with such requirements and obligations imposed by or under applicable CITSS regulations in all respect material to ensure the acceptance of a valid transfer into its holding account. Seller, buyer and the Exchange shall obtain and adequately maintain at all times systems and technology as may be necessary in order to comply with CITSS regulations. The Exchange may make amendments to delivery and timing of delivery, which may have a material impact to the contract, and will notify the Clearing Members of such amendments resulting from amendments to CITSS regulations.

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.

**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 11:00 a.m. on the second business day after the final day of trading providing number of contracts and any other information 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 second business day after the final day of trading providing number of contracts and any other information 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 second business day after the final day of trading.

### **1260105. TIMING OF DELIVERY**

For purposes of this Rule 1260105,

"Delivery Period" shall mean the time between the final day of trading and the third business day following the final day of trading.

Delivery shall take place on the third business day after the final day of trading. Should the CITSS be inoperable during the Delivery Period due to periodic maintenance that is an Exchange business day, the Exchange shall have the option to extend the Delivery Period to the next valid business day at the Registry and Exchange.

1. The seller's clearing member shall transfer allowances subject to delivery to the Clearing House holding account of the CITSS by 10:00 a.m. on the third 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 third 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 CITSS by 12:00 p.m. on the third 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 CITSS by 3:00 p.m. on the third 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 third business day after the final day of trading of the delivery month.

### **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 the seller's clearing member.

"Payment" shall include the settlement price, in U.S. dollars and cents, times the number of contracts times one thousand (1,000).

**1260106.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.

**1260106.C. Payment**

Any Payment made on the Payment Date shall be based on allowances actually delivered.

**1260107.****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.

**1260108.****ALTERNATIVE DELIVERY PROCEDURE**

Please refer to Rule 771 in Chapter 7.