

Chapter 1263

Regional Greenhouse Gas Initiative (RGGI) CO2 Allowance Futures

1263100. SCOPE OF CHAPTER

This chapter is limited in application to Regional Greenhouse Gas Initiative (RGGI) CO2 Allowance futures. The procedures for trading, clearing, delivery and settlement not specifically covered herein or in Chapter 7B shall be governed by the general rules of the Exchange.

The provisions of these rules shall apply to all Regional Greenhouse Gas Initiative (RGGI) Carbon Dioxide (CO2) allowances bought or sold for future delivery on the Exchange with delivery through the RGGI CO2 Allowance Tracking System, which shall mean the system by which the RGGI CO2 allowances are allocated, deducted, or transferred.

The terms “seller” and “buyer” shall mean the seller of the physical product and the buyer of the physical product, respectively.

The “Regional Greenhouse Gas Initiative” (“RGGI”) is a regional cap-and-trade program by Northeast and Mid-Atlantic states to limit carbon dioxide, i.e., CO2 emissions from regional power plants.

For purposes of this rule, unless otherwise specified, times referred to herein shall refer to and indicate the prevailing time in New York.

1263101. CONTRACT SPECIFICATIONS

The contract specifications for delivery on futures contracts shall apply to all Regional Greenhouse Gas Initiative (RGGI) Carbon Dioxide (CO2) allowances or “RGGI CO2 Allowance(s)” which shall mean a limited authorization under RGGI program to emit up to one ton of CO2.

Contracts without a specific vintage year: RGGI CO2 Allowances acceptable for delivery are those having a vintage usable for compliance in the control period associated with the calendar year of the contract expiration month or allowances having a vintage usable for compliance in any prior control period.

All RGGI CO2 Allowances acceptable for delivery must be eligible for compliance in participating RGGI states at the time of delivery.

1263102. TRADING SPECIFICATIONS

Trading in Regional Greenhouse Gas Initiative (RGGI) CO2 Allowance futures is regularly conducted in all calendar months. The number of months open for trading at a given time shall be determined by the Exchange. Trading shall be conducted in contract months with and without specific vintage years providing for delivery in such periods as shall be determined by the Exchange.

1263102.A. Trading Schedule

The hours for trading shall be determined by the Exchange.

1263102.B. Trading Unit

The contract unit shall be one thousand (1,000) RGGI CO2 Allowances for a delivery made by transfer through the RGGI CO2 Allowance Tracking System.

1263102.C. Price Increments

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

1263102.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.

1263102.E. Termination of Trading

No trades in Regional Greenhouse Gas Initiative (RGGI) CO2 Allowance futures in the expiring contract month shall be made after the last business day of the contract month for such expiring contract. Any contracts remaining open after the last day of trading must be either:

- (a) Settled by delivery no later than the third business day after the final day of trading; 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 at any time 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.

1263103. DELIVERY

RGGI CO2 Allowances delivery shall comply with all requirements for the electronic transfer of CO2 allowances on the RGGI CO2 Allowance Tracking System.

1263104. DELIVERY PROCEDURES

By transferring RGGI CO2 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 RGGI CO2 Allowances, and that such RGGI CO2 Allowances are free and clear of all liens, security interests, claims, encumbrances and adverse claims.

If a provision of the rules of this Chapter or the Exchange rules is inconsistent with a provision of the RGGI CO2 Allowance Tracking System regulations, the provision of the rules of this Chapter and the Exchange rules shall prevail as among the buyer's clearing member, seller's clearing member, and the Exchange to the extent of such inconsistency and to the extent permitted by law.

1263104.A. Responsibilities of Clearing Members Having Open Long Positions

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 4:30 p.m. on the first business day after the final day of trading. The Notice of Intention to Accept must be in the form prescribed by the Exchange and must be properly completed and indicate the name of the buyer, the number of contracts to be accepted, The RGGI CO2 Allowance Tracking System account number, the name, telephone number and e-mail address of the authorized account representative for that RGGI CO2 Allowance Tracking System account, and any additional information as may be required by the Exchange.

1263104.B. Responsibilities of Clearing Members Having Open Short Positions

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 4:30 p.m. on the first business day after the final day of trading. The Notice of Intention to Deliver must be in the form prescribed by the Exchange, and must be properly completed and indicate the name of the seller, the number of contracts to be delivered, the RGGI CO2 Allowance Tracking System account number, the name, telephone number and e-mail address of the authorized account representative for that RGGI CO2 Allowance Tracking System account and any additional information as may be required by the Exchange.

1263104.C. Final Settlement Price

The final settlement price shall be the basis for delivery.

1263104.D. Notice Day

The Clearing House shall allocate Notices of Intention to Accept and Notices of Intention to Deliver by matching size of positions, to the extent possible.

The Clearing House shall provide Tender Allocation Notices to the respective clearing members on the second business day after the final day of trading.

The day the Tender Allocation Notices are provided to the clearing members shall be referred to as "Notice Day". Tender Allocation Notices are not transferable.

1263105. TIMING OF DELIVERY

Delivery shall take place on the third business day after the final day of trading.

1263106. DELIVERY MARGINS AND PAYMENT

1263106.A. Definitions

For purposes of this Rule 1263106,

“Payment Date” shall mean the business day after the buyer's receipt of proper notification from the RGGI CO2 Allowance Tracking System that allowances have been transferred from the seller's account to the buyer's account, provided documentation is supplied to the buyer by no later than 2:00 p.m. Documentation supplied to buyer after 2:00 p.m. on any Exchange business day shall be considered received on the following Exchange business day.

“Payment” shall include the settlement price times the number of Contracts times 1,000.

1263106.B. Margin

The buyer's clearing member and seller's clearing member shall deposit with the Clearing House margins in such amounts and in such form as required by the Clearing House. Such margins shall be returned on the business day following notification to the Exchange that delivery and Payment have been completed.

On the business day following the last day of trading, the clearing member shall obtain from any buyer margin equal to the full value of the product to be delivered. Such margin shall consist of cash, securities issued by the United States Treasury Department maturing within ten (10) years from the date of deposit and guaranteed as to principal and interest by the United States Government or a letter of credit. Any Treasury securities so deposited shall be valued at ninety percent (90%) of the par value of such instruments. Any letter of credit so deposited shall be in a form approved by the Exchange, shall be issued or confirmed by an Exchange approved original margin depository, and shall be drawn in favor of the Exchange.

1263106.C. Payment

The buyer's clearing member shall pay the seller's clearing member at the office of the seller's clearing member by a certified check or electronic funds transfer, or any other method acceptable to both parties by 12:00 p.m. on the Payment Date.

On the Payment Date, the seller's clearing member shall deliver a Notice of Payment to the buyer's clearing member and the Exchange by 4:30 p.m. Upon receipt of such notice, the delivery shall be complete.

Any Payment made on the Payment Date shall be based on RGGI CO2 Allowances actually delivered.

1263107. 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.

1263108. ALTERNATIVE DELIVERY PROCEDURE

A seller and buyer matched by the Exchange under Rule 1263104.D. may agree to make and take delivery under terms or conditions which differ from the terms and conditions prescribed by this Chapter. In such a case, clearing members shall execute an Alternative Notice of Intention to Deliver on the form prescribed by the Exchange and shall deliver a completed and executed copy of such notice to the Exchange. The delivery of an executed Alternative Notice of Intention to Deliver to the Exchange shall release the clearing members and the Exchange from their respective obligations under the rules of this Chapter and any other rules regarding physical delivery.

In executing such notice, clearing members shall indemnify the Exchange against any liability, cost or expense the Exchange may incur for any reason as a result of the execution, delivery, or performance of such contracts or such agreement, or any breach thereof or default thereunder. Upon receipt of an executed Alternative Notice of Intention to Deliver, the Exchange will return to the clearing members all margin monies held for the account of each with respect to the contracts involved.