



eurex circular 028/08

Date: Frankfurt, February 11, 2008
Recipients: All Clearing Members of Eurex Clearing AG and Vendors
Authorized by: Peter Reitz

 High priority

Extension of EEX / Eurex Cooperation: Launch of CER-Futures

Related Eurex Circulars: 205/07, 019/08

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Content may be most important for:

➡ All departments

Attachments:

Contract Specifications CER Futures

Summary:

As of **March 26, 2008**, Eurex Clearing AG will settle transactions in CER Futures concluded or registered for clearing at the European Energy Exchange (EEX). The CER Futures can be traded by both trading members of EEX and Eurex in the framework of the product cooperation between EEX and Eurex.

This circular provides information on the settlement of CER Futures, the planned simulation as well as recognition of trading members.



Extension of EEX / Eurex Cooperation: Launch of CER-Futures

In conjunction with the Kyoto protocol, Certified Emission Reductions (CERs) are awarded for climate protection projects that industrial states conduct in development countries. One CER equals one ton of CO₂ reduction. As of 2008, CERs can be partially deducted from the reduction obligations in the European trading system of emission rights. Thereby, other than European CO₂ emission allowances (EUA), they constitute today a global "currency" which in the future is supposed to be transferred via regional emission trading systems.

Contract Specifications:

The CER Futures will be set up in the Eurex[®]-System as follows:

ISIN	WKN	Short Code	Long Name
DE000A0SYUY8	A0SYUY	FCER	CER-Futures

Every year, CER Futures mature on the last EEX trading day in November. However, maturity will be specified as December, e.g. FCER DEC08.

At maximum the next 5 maturities dates can be traded.

CER Futures are fulfilled by means of delivery on the first business day in December; usually, this will be December 1, unless this date is a day on a weekend. A futures contract creates the obligation to deliver 1000 CERs to the ECC register account kept at the German Emissions Trading Authority (DEHSt).

The contract specifications of the CER Future are attached to this circular.

Margining, daily Settlement:

It is planned to create a margin group in order to offset margins settlement between CER and EUA Futures. Margin parameters for start of trading will be published at the beginning of March 2008.

For open interest in CER Futures, a variation margin will be calculated and settled between Eurex Clearing AG and the respective Clearing Members on a daily basis. Daily settlement prices required therefore are calculated by EEX and published in the Eurex[®] system at approx. 17:30 CET.

Delivery:

The "CE120 EEX Physical Delivery Report" contains information regarding the delivery of futures positions which have reached maturity and regarding the amount of the value-added tax. As for EUA Futures, delivery as such is affected directly between ECC and the trading participant concerned, while payment takes place via the Clearing Members.

Simulation:

The CER Futures will be set up in the Eurex simulation environment and will be available for testing as of February 25, 2008. For the simulation calendar, please refer to the attachment of Eurex circular 019/08. The simulation of annual expiry will take place in autumn 2008.

During simulation, the following margin parameters will apply for CER Futures:

Designation of Margin Class	Contracts in this Margin Class	Additional Margin Parameter	Spread Margin Parameter
FCER	all maturities	EUR 1.70 per t or CER	EUR 0.30 per t or CER

Rules & Regulations:

In early March 2008, Eurex Clearing AG will publish updated sections of the Clearing Conditions and a new Price List before start of trading of the new products. You will be informed accordingly.

Precondition for Clearing and Trading of CER Futures:

Settlement of CER Futures requires an EEX-Clearing license which will be granted by Eurex Clearing AG upon written application.

All Eurex Trading Members, who possess admission for trading of CO₂ products granted by EEX, are also admitted to trading of CER futures. CER Futures are allocated to the Eurex product group "XACFAE". Thereby, maximum order quantity for this product is set to the default value defined in the product group.

If you have any questions regarding product allocation, please contact the Functional Helpdesk Equity-, Equity Index Products and EXTF Products at tel. +49-69-211-1 12 10 or the Member Services & Admission team at tel. +49-69-211-1 17 00 for any questions you might have concerning the admission process.

Frankfurt, February 11, 2008

Contract Specifications

CER Futures

Advice: The contract specifications require an approval by the exchange council to be effective.

Date **05.02.08**

Place **Leipzig**

Document Version **Draft 1.0e**



1 Derivatives Market

1.1 Contract Specifications for Futures on Certified Emission Reductions

ISIN Code/ WKN/ Exchange Code/ Name	DE000A0SYUY8	A0SYUY	FCER	CER Future
Underlying	Delivery and purchase of Certified Emission Reductions (CER)			
Tradable Maturities	Each CER Future has a December maturity; a maximum of five maturities are tradable. The exact number of tradable maturities is set by the management of the exchange.			
Certified Emission Reductions (CER)	<p>Certified Emission Reductions from bilateral projects* according to article 12 of the Kyoto Protocol and the Kyoto Protocol decisions of the UNFCCC, valid at the time of delivery, corresponding to one tonne of carbon dioxide or equivalent.</p> <p>Certified Emission Reductions from nuclear power projects, from land use, land-use change and forestry (LULUCF) and from hydro power projects with a generation capacity exceeding 20 MW are not included in the contract specifications</p> <p>* Bilateral projects: Projects which hold a letter of approval (LoA) from the project host country as well as a LoA from a designated national authority (DNA) of a contractual state according to Annex 1 of the Kyoto Protocol as part of the project documentation submitted and published by the UN.</p>			
Extension	<p>The exchange management reserves the right to include Certified Emission Reductions from hydro power projects with a generation capacity exceeding 20 MW in this contract specifications at a later date as a deliverable CER. These are currently excluded.</p> <p>The inclusion of the above shall only occur if these Certified Emission Reductions correspond to the traded CER at the time of introduction. This is assumed should these projects be generally accepted in the market and EU member states as homogenous with the projects already admitted.</p> <p>The exchange management shall inform its exchange members on its decision at notice before maturity.</p>			
Contract Size	1.000 CER			
Pricing	Two decimal digits after the point; this corresponds to €0.01 per CER			

Minimum Price Fluctuation	0,01 €/CER; this corresponds to 10 € per contract
Last Trading Day	The last exchange day in November each year.
Delivery Day	December 1 st of each year. If this is not a settlement day, delivery is effected on the first settlement day after the last trading day.
Registry Account	ECC AG keeps an account in trust for all exchange participants at a dedicated eligible national registry which has the effect that the respective trading participants own a proportionate part of the total stock of CERs recorded in this account.
Settlement	<p>Fulfilment is carried out by means of transferring CERs within the internal inventory accounts of the exchange participants and of the changes in the proportionate part of the total stock of CERs in the account at the dedicated registry kept in trust by ECC AG.</p> <p>Upon the payment of the purchase price, the buyer of a Future Contract on CER purchases the corresponding proportionate part of the total stock of CERs which are booked in the account of ECC AG at the dedicated registry on the delivery day.</p> <p>The seller of a Future Contract on CERs transfers his corresponding proportionate part of the total stock, which is booked in the account of ECC AG at the dedicated registry on the delivery day.</p>
Delivery	Every co-holder of the total stock of CERs in the registry account of ECC AG is entitled to demand of ECC AG the transfer of his CER to an account to be specified by the exchange participant at an eligible national registry on the following settlement day after said request at any time.