

August 3, 2023

**VIA CFTC PORTAL**

Commodity Futures Trading Commission  
Attention: Chris Kirkpatrick, Secretary  
Three Lafayette Centre  
1155 21<sup>st</sup> Street, NW  
Washington, DC 20581

**Re: CFTC Regulation 40.2(a) Certification: Notification of Product Offered for Trading on Nodal Exchange, LLC – Washington Carbon Allowance Specific Vintage 2026 Future**

Dear Mr. Kirkpatrick:

Nodal Exchange, LLC (“Nodal Exchange” or “Exchange”) is notifying the Commodity Futures Trading Commission (“CFTC” or “Commission”) that pursuant to Commission Regulation 40.2(a), the Exchange is self-certifying the listing of 5 new environmental futures contracts for trading on Nodal Exchange beginning on or after August 11, 2023. The contract specifications describing these new Exchange futures contracts are attached to this letter as Exhibit A, to be added to the Nodal Exchange Rulebook Appendix A – Contract Specifications. The deliverable supply analysis has been segregated as Exhibit B, for which confidential treatment is requested. The reporting levels, accountability levels, and position limits for these contracts is attached to this letter as Exhibit C, which will be added to the Nodal Exchange Rulebook Appendix C - Reporting Levels, Accountability Levels and Position Limits.

Exchange management has assessed the Exchange’s contracts’ compliance with applicable provisions of the Commodity Exchange Act (“Act”), including the Commissions Regulations thereunder and the Core Principles. Regulatory compliance of Nodal Exchange’s futures and options contracts is mostly addressed in the Nodal Exchange Rulebook, concisely explained as follows:

**Core Principle 2 - Compliance with the Rules:** Trading in the Exchange’s contracts will be subject to the Nodal Exchange Rulebook in Section IV, describing trading procedures, and Section VI, which establishes trading codes of conduct, sound trading practices, and identifies prohibited trading behavior and abuses. In addition, trading behavior and activity will be subject to extensive monitoring and surveillance by the Exchange’s Division of Market

Administration and Surveillance. The Exchange's Compliance Department has the authority to address disciplinary matters through investigation and enforcement procedures in accordance with Section VII of the Exchange Rulebook.

Core Principle 3 - Contracts not Readily Susceptible to Manipulation: A description of the underlying cash markets and deliverable supply analysis for the Exchange's contracts was provided for the futures contracts, which demonstrates compliance that the Exchange's new contracts are not readily susceptible to manipulation.

Core Principle 4 - Prevention of Market Disruption: Trading in the Exchange's contracts will be subject to the Nodal Exchange Rulebook Section VI, which prohibits disruptive trading behavior and manipulation, subject to monitoring and surveillance by the Exchange's Division of Market Administration and Surveillance.

Core Principle 5 - Position Limitations or Accountability: The spot-month speculative position limits for the Exchange's contracts are set at less than 25% of the deliverable supply in the respective underlying market. In addition, the Exchange monitors and enforces position accountability rules for individual single-month and all-months combined, which are also within 25% of deliverable supply. The new contract reporting levels, accountability levels and position limits are provided in attached Exhibit C, to be added to the Nodal Exchange Rulebook Appendix C – Reporting Levels, Position Accountability Levels and Position Limits.

Core Principle 7 - Availability of General Information: The Exchange will post general information, including the contract specifications for the new contracts, Exchange fees, and the Nodal Exchange Rulebook, on the Exchange's website: [www.nodalexchange.com](http://www.nodalexchange.com).

Core Principle 8 - Daily publication of Trading Information: The Exchange will publish daily information on settlement prices, volume, open interest and opening and closing ranges for the Exchange's actively traded contracts on its website.

Core Principle 9 - Execution of Transactions: The Exchange's new contracts will be available on the Exchange's electronic trading screen that is a central limit order book ("CLOB"). The CLOB provides the market with the ability to execute the Exchange's contracts from the interaction of multiple bids and multiple offers within a predetermined, nondiscretionary automated trade matching and execution algorithm.

Core Principle 10 - Trade Information: The CLOB will maintain all information with respect to each order and each consummated trade, as well as all other information relating to the trade environment that determines the matching and clearing of trades. As such, any order submitted to the CLOB can be tracked from the time it is entered into the system until the time that it is matched, canceled or otherwise removed.

Core Principle 11 - Financial Integrity of Transactions: The Exchange has entered into a clearing arrangement with Nodal Clear, a derivatives clearing organization subject to Part 39 of the Commission Regulations. The new contracts executed on the CLOB or as a block trade will be subject to the Exchange Rulebook provisions for submission to Nodal Clear for clearing as described in Section V.

Core Principle 12 - Protection of Markets and Market Participants: Section VI of the Nodal Exchange Rulebook protects the market and market participants from abusive, disruptive, fraudulent, noncompetitive and unfair conduct and trade practices. The new contracts are subject to these rules that apply to all transactions in the Exchange's contracts.

Core Principle 13 - Disciplinary Procedures: Section VII of the Nodal Exchange Rulebook describes the disciplinary procedures of the Exchange that authorize the Exchange to discipline, suspend, or expel anyone on the Exchange that violates these rules.

Core Principle 14 - Dispute Resolution: Section VIII of the Nodal Exchange Rulebook establishes rules concerning alternative dispute resolution, which provide for the resolution of disputes between or among Exchange users through the NFA arbitration program. Under Section VIII, arbitration is available for all disputes, controversies or claims among all Exchange users relating to Exchange activities.

Pursuant to Section 5c(c) of the Act and the Commission's Regulation 40.2(a), the Exchange certifies that the Exchange's new futures and options contracts to be listed comply with the Act and the Commission's Regulations thereunder.

Nodal Exchange certifies that this submission has been concurrently posted on the Nodal Exchange website at [www.nodalexchange.com](http://www.nodalexchange.com).

If you have any question or need additional information regarding the above, please contact the undersigned at 703-962-9853 or [markotic@nodalexchange.com](mailto:markotic@nodalexchange.com) or Anita Herrera, Chief Regulatory Officer & General Counsel at 703-962-9835 or [Herrera@nodalexchange.com](mailto:Herrera@nodalexchange.com).

Sincerely,  
/s/ Max Markotic  
Managing Director

Attachments:

Exhibit A: August 11, 2023 Addition to Nodal Exchange Appendix A - Contract Specifications

**Confidential** Exhibit B: Deliverable Supply Analysis (*Confidential Treatment Requested*)

Exhibit C: August 11, 2023 Addition to Nodal Exchange Appendix C - Reporting Levels, Accountability Levels and Position Limits

**Exhibit A – Contract Specifications**  
**(Rulebook Appendix A)**

**NODAL EXCHANGE CONTRACT SPECIFICATION**

**Washington Carbon Allowance Specific Vintage 2023 Future**

<b>ITEM</b>	<b>SPECIFICATION</b>
<b>Contract Description</b>	Physically delivered greenhouse gas emissions allowances where each is an allowance issued by Washington State or a linked program (“Washington Carbon Allowance”) representing one metric ton of CO2 equivalent under Climate Commitment Act and its associated regulations, rules and amendments, all together known as the “Washington Cap and Invest Program”.
<b>Contract Code</b>	SVG
<b>Settlement Method</b>	Physical Delivery
<b>Hours of Trading</b>	As defined at <a href="http://www.nodalexchange.com">http://www.nodalexchange.com</a>
<b>Unit of Trading</b>	1 lot
<b>Lot Size</b>	1,000 Washington Carbon Allowances
<b>Currency</b>	US Dollars
<b>Minimum Tick</b>	\$0.01 per Washington Carbon Allowance
<b>Settlement Price Precision</b>	\$0.01 per Washington Carbon Allowance
<b>Last Trading Day</b>	Three Business Days prior to the last Business Day of the delivery month
<b>Delivery Day</b>	Three Business Days after the Last Trading Day (Last Business Day of the delivery month)
<b>Contract Series</b>	Monthly contracts for the current year beginning with August 2023, plus an additional 3 years. The exchange may list any other calendar month contract off the standard listing cycle for up to 10 years.
<b>Deliverable Product</b>	The deliverable instruments are Washington Carbon Allowances equal to the contract size delivered through the Washington Compliance Instrument Tracking System Services (WCITSS). Washington Carbon Allowances acceptable for delivery are those issued as an authorization to emit up to one metric ton of CO2 or CO2 equivalent in the Washington Cap and Invest Program having a vintage corresponding to the specified vintage year only.
<b>Registry</b>	Washington Compliance Instrument Tracking System Services (WCITSS)
<b>Daily Settlement Price</b>	Determined by the Exchange based on exchange activity, other market data, and extrapolation to traded contracts, as appropriate
<b>Final Settlement Price</b>	The Daily Settlement Price on the Last Trading Day
<b>Delivery</b>	On the Last Trading Day, the Exchange will provide the Clearing House with information identifying the Participants with delivery obligations for the purpose of issuing Tender and invoice notices in accordance with Section IX (Physical Delivery and Settlement) of the Nodal Clear Rulebook.
<b>Final Settlement (Payment) Date</b>	Three or four Business Days after the Last Trading Day on the successful delivery of the underlying instruments (if the delivery confirmation is available by 11:30am on the third Business Day after the Last Trading Day, the payment will be made on the same day during the Midday Margin Cycle; if it is available after 11:30am, the payment will be made on the next Margin Cycle which will be the next Business Day)
<b>Position Limit</b>	<a href="https://www.nodalexchange.com/files/autogenerated/Nodal_Rulebook_Appendix_C-Limits_and_Levels.PDF">https://www.nodalexchange.com/files/autogenerated/Nodal_Rulebook_Appendix_C-Limits_and_Levels.PDF</a>

**NODAL EXCHANGE CONTRACT SPECIFICATION**

**Washington Carbon Allowance Specific Vintage 2024 Future**

<b>ITEM</b>	<b>SPECIFICATION</b>
<b>Contract Description</b>	Physically delivered greenhouse gas emissions allowances where each is an allowance issued by Washington State or a linked program (“Washington Carbon Allowance”) representing one metric ton of CO2 equivalent under Climate Commitment Act and its associated regulations, rules and amendments, all together known as the “Washington Cap and Invest Program”.
<b>Contract Code</b>	SVH
<b>Settlement Method</b>	Physical Delivery
<b>Hours of Trading</b>	As defined at <a href="http://www.nodalexchange.com">http://www.nodalexchange.com</a>
<b>Unit of Trading</b>	1 lot
<b>Lot Size</b>	1,000 Washington Carbon Allowances
<b>Currency</b>	US Dollars
<b>Minimum Tick</b>	\$0.01 per Washington Carbon Allowance
<b>Settlement Price Precision</b>	\$0.01 per Washington Carbon Allowance
<b>Last Trading Day</b>	Three Business Days prior to the last Business Day of the delivery month
<b>Delivery Day</b>	Three Business Days after the Last Trading Day (Last Business Day of the delivery month)
<b>Contract Series</b>	Monthly contracts for the current year beginning with April 2024, plus an additional 3 years. The exchange may list any other calendar month contract off the standard listing for up to 10 years.
<b>Deliverable Product</b>	The deliverable instruments are Washington Carbon Allowances equal to the contract size delivered through the Washington Compliance Instrument Tracking System Services (WCITSS). Washington Carbon Allowances acceptable for delivery are those issued as an authorization to emit up to one metric ton of CO2 or CO2 equivalent in the Washington Cap and Invest Program having a vintage corresponding to the specified vintage year only.
<b>Registry</b>	Washington Compliance Instrument Tracking System Services (WCITSS)
<b>Daily Settlement Price</b>	Determined by the Exchange based on exchange activity, other market data, and extrapolation to traded contracts, as appropriate
<b>Final Settlement Price</b>	The Daily Settlement Price on the Last Trading Day
<b>Delivery</b>	On the Last Trading Day, the Exchange will provide the Clearing House with information identifying the Participants with delivery obligations for the purpose of issuing Tender and invoice notices in accordance with Section IX (Physical Delivery and Settlement) of the Nodal Clear Rulebook.
<b>Final Settlement (Payment) Date</b>	Three or four Business Days after the Last Trading Day on the successful delivery of the underlying instruments (if the delivery confirmation is available by 11:30am on the third Business Day after the Last Trading Day, the payment will be made on the same day during the Midday Margin Cycle; if it is available after 11:30am, the payment will be made on the next Margin Cycle which will be the next Business Day)
<b>Position Limit</b>	<a href="https://www.nodalexchange.com/files/autogenerated/Nodal_Rulebook_Appendix_C-Limits_and_Levels.PDF">https://www.nodalexchange.com/files/autogenerated/Nodal_Rulebook_Appendix_C-Limits_and_Levels.PDF</a>

**NODAL EXCHANGE CONTRACT SPECIFICATION**

**Washington Carbon Allowance Specific Vintage 2025 Future**

<b>ITEM</b>	<b>SPECIFICATION</b>
<b>Contract Description</b>	Physically delivered greenhouse gas emissions allowances where each is an allowance issued by Washington State or a linked program (“Washington Carbon Allowance”) representing one metric ton of CO2 equivalent under Climate Commitment Act and its associated regulations, rules and amendments, all together known as the “Washington Cap and Invest Program”.
<b>Contract Code</b>	SVI
<b>Settlement Method</b>	Physical Delivery
<b>Hours of Trading</b>	As defined at <a href="http://www.nodalexchange.com">http://www.nodalexchange.com</a>
<b>Unit of Trading</b>	1 lot
<b>Lot Size</b>	1,000 Washington Carbon Allowances
<b>Currency</b>	US Dollars
<b>Minimum Tick</b>	\$0.01 per Washington Carbon Allowance
<b>Settlement Price Precision</b>	\$0.01 per Washington Carbon Allowance
<b>Last Trading Day</b>	Three Business Days prior to the last Business Day of the delivery month
<b>Delivery Day</b>	Three Business Days after the Last Trading Day (Last Business Day of the delivery month)
<b>Contract Series</b>	Monthly contracts for the current year beginning with April 2025, plus an additional 3 years. The exchange may list any other calendar month contract off the standard listing cycle for up to 10 years.
<b>Deliverable Product</b>	The deliverable instruments are Washington Carbon Allowances equal to the contract size delivered through the Washington Compliance Instrument Tracking System Services (WCITSS). Washington Carbon Allowances acceptable for delivery are those issued as an authorization to emit up to one metric ton of CO2 or CO2 equivalent in the Washington Cap and Invest Program having a vintage corresponding to the specified vintage year only.
<b>Registry</b>	Washington Compliance Instrument Tracking System Services (WCITSS)
<b>Daily Settlement Price</b>	Determined by the Exchange based on exchange activity, other market data, and extrapolation to traded contracts, as appropriate
<b>Final Settlement Price</b>	The Daily Settlement Price on the Last Trading Day
<b>Delivery</b>	On the Last Trading Day, the Exchange will provide the Clearing House with information identifying the Participants with delivery obligations for the purpose of issuing Tender and invoice notices in accordance with Section IX (Physical Delivery and Settlement) of the Nodal Clear Rulebook.
<b>Final Settlement (Payment) Date</b>	Three or four Business Days after the Last Trading Day on the successful delivery of the underlying instruments (if the delivery confirmation is available by 11:30am on the third Business Day after the Last Trading Day, the payment will be made on the same day during the Midday Margin Cycle; if it is available after 11:30am, the payment will be made on the next Margin Cycle which will be the next Business Day)
<b>Position Limit</b>	<a href="https://www.nodalexchange.com/files/autogenerated/Nodal_Rulebook_Appendix_C-Limits_and_Levels.PDF">https://www.nodalexchange.com/files/autogenerated/Nodal_Rulebook_Appendix_C-Limits_and_Levels.PDF</a>

**NODAL EXCHANGE CONTRACT SPECIFICATION**

**Washington Carbon Allowance Specific Vintage 2026 Future**

<b>ITEM</b>	<b>SPECIFICATION</b>
<b>Contract Description</b>	Physically delivered greenhouse gas emissions allowances where each is an allowance issued by Washington State or a linked program (“Washington Carbon Allowance”) representing one metric ton of CO2 equivalent under Climate Commitment Act and its associated regulations, rules and amendments, all together known as the “Washington Cap and Invest Program”.
<b>Contract Code</b>	SVJ
<b>Settlement Method</b>	Physical Delivery
<b>Hours of Trading</b>	As defined at <a href="http://www.nodalexchange.com">http://www.nodalexchange.com</a>
<b>Unit of Trading</b>	1 lot
<b>Lot Size</b>	1,000 Washington Carbon Allowances
<b>Currency</b>	US Dollars
<b>Minimum Tick</b>	\$0.01 per Washington Carbon Allowance
<b>Settlement Price Precision</b>	\$0.01 per Washington Carbon Allowance
<b>Last Trading Day</b>	Three Business Days prior to the last Business Day of the delivery month
<b>Delivery Day</b>	Three Business Days after the Last Trading Day (Last Business Day of the delivery month)
<b>Contract Series</b>	Monthly contracts for the current year beginning with August 2023, plus an additional 3 years. The exchange may list any other calendar month contract off the standard listing cycle for up to 10 years.
<b>Deliverable Product</b>	The deliverable instruments are Washington Carbon Allowances equal to the contract size delivered through the Washington Compliance Instrument Tracking System Services (WCITSS). Washington Carbon Allowances acceptable for delivery are those issued as an authorization to emit up to one metric ton of CO2 or CO2 equivalent in the Washington Cap and Invest Program having a vintage corresponding to the specified vintage year only.
<b>Registry</b>	Washington Compliance Instrument Tracking System Services (WCITSS)
<b>Daily Settlement Price</b>	Determined by the Exchange based on exchange activity, other market data, and extrapolation to traded contracts, as appropriate
<b>Final Settlement Price</b>	The Daily Settlement Price on the Last Trading Day
<b>Delivery</b>	On the Last Trading Day, the Exchange will provide the Clearing House with information identifying the Participants with delivery obligations for the purpose of issuing Tender and invoice notices in accordance with Section IX (Physical Delivery and Settlement) of the Nodal Clear Rulebook.
<b>Final Settlement (Payment) Date</b>	Three or four Business Days after the Last Trading Day on the successful delivery of the underlying instruments (if the delivery confirmation is available by 11:30am on the third Business Day after the Last Trading Day, the payment will be made on the same day during the Midday Margin Cycle; if it is available after 11:30am, the payment will be made on the next Margin Cycle which will be the next Business Day)
<b>Position Limit</b>	<a href="https://www.nodalexchange.com/files/autogenerated/Nodal_Rulebook_Appendix_C-Limits_and_Levels.PDF">https://www.nodalexchange.com/files/autogenerated/Nodal_Rulebook_Appendix_C-Limits_and_Levels.PDF</a>



**NODAL EXCHANGE CONTRACT SPECIFICATION**

**Washington Clean Fuels Program Futures**

<b>ITEM</b>	<b>SPECIFICATION</b>
<b>Contract Description</b>	Physically delivered futures contract on Clean Fuels Program (“CFP”) Credits issued by the Washington Department of Ecology.
<b>Contract Code</b>	WFS
<b>Settlement Method</b>	Physical Delivery
<b>Hours of Trading</b>	As defined at <a href="http://www.nodalexchange.com">http://www.nodalexchange.com</a>
<b>Unit of Trading</b>	1 lot
<b>Lot Size</b>	100 CFP Credits
<b>Currency</b>	US Dollars
<b>Minimum Tick</b>	\$0.25 per CFP Credit
<b>Settlement Price Precision</b>	\$0.25 per CFP Credit
<b>Last Trading Day</b>	Three Business Days prior to the last Business Day of the delivery month
<b>Delivery Day</b>	Three Business Days after the Last Trading Day (Last Business Day of the delivery month)
<b>Contract Series</b>	Monthly contract sets for the current and coming calendar year, plus December contracts for up to 10 consecutive years. The exchange may list any other calendar month contract set off the standard listing cycle.
<b>Deliverable Product</b>	CFP Credits eligible for delivery are those specified under Washington Administrative Code Title 173 Chapter 173-424 and delivered through the WFRS-CBTS.
<b>Eligible Deliverer</b>	To engage in physical delivery of this contract, Participants must be deemed an eligible deliverer by the Exchange. Participants must meet the eligibility criteria set forth in the Nodal Exchange Rulebook as well as the criteria provided in the Participant Application to Physically Deliver Washington CFP Futures to become an eligible deliverer. A Participant seller not eligible to deliver this contract must ensure all its expiration month positions in Washington CFP futures contracts have been closed at the latest on the fifth business day before the first delivery day of the expiring contract. If a Participant does not close all its expiration month positions in Washington CFP futures contracts five business days before the first delivery day, the Exchange may use any and all measures to close the positions, which are ineligible for delivery. This would occur without prior notification and at the expense of the Participant
<b>Registry</b>	WFRS-CBTS
<b>Daily Settlement Price</b>	Determined by the Exchange based on exchange activity, other market data, and extrapolation to traded contracts, as appropriate
<b>Final Settlement Price</b>	The Daily Settlement Price on the Last Trading Day
<b>Delivery</b>	On the Last Trading Day, the Exchange will provide the Clearing House with information identifying the Participants with delivery obligations for the purpose of issuing Tender and invoice notices in accordance with Section IX (Physical Delivery and Settlement) of the Nodal Clear Rulebook.
<b>Final Settlement (Payment) Date</b>	Three or four Business Days after the Last Trading Day on the successful delivery of the underlying instruments (if the delivery confirmation is available by 11:30am on the third Business Day after the Last Trading Day, the payment will be made on the

## NODAL EXCHANGE CONTRACT SPECIFICATION

ITEM	SPECIFICATION
	same day during the Midday Margin Cycle; if it is available after 11:30am, the payment will be made on the next Margin Cycle which will be the next Business Day)
<b>Position Limit</b>	<a href="https://www.nodalexchange.com/files/autogenerated/Nodal_Rulebook_Appendix_C-Limits_and_Levels.PDF">https://www.nodalexchange.com/files/autogenerated/Nodal_Rulebook_Appendix_C-Limits_and_Levels.PDF</a>

# **Exhibit C**

## **Nodal Exchange, LLC Rulebook Appendix C: Reporting Levels, Accountability Levels and Position Limits**

Physical Commodity Code	Contract Name	Reporting Level	Spot Month Position Limit (lots)	Single Month Accountability Level (lots)	All Month Accountability Level (lots)	Aggregation Group*	CFTC Referenced Contract
SVG	WCA Specific V23 Future	25	15300	15300	15300		0
SVH	WCA Specific V24 Future	25	14100	14100	14100		0
SVI	WCA Specific V25 Future	25	13000	13000	13000		0
SVJ	WCA Specific V26 Future	25	11800	11800	11800		0
WFS	WA CFP Future	25	2500	2500	2500		0