DESCRIPTION (Rule Amendments Only)

1. On the day following this certification, the definition of "Authorized trader" in Eurex US rule 101 is amended to read as follows:

101. Definitions.

"Authorized Trader" means an individual employed by a Member or a Member's affiliate, provided the Member maintains supervisory authority over such individual's trading who is authorized by that Member to have direct access through a terminal or otherwise to the Trading System."

This amendment would permit a financial services company to staff its Eurex US trading desk using staff employed by an affiliate of the Member. This is particularly used by Members with affiliates located in different time zones. This is consistent with the analysis of past CFTC no-action letters (CFTC 92-11, 93-83) and is the practice at other exchanges.

2. On the day following this certification, rule 415 is amended to read as follows:

415. Block Trade Facility.

Block Trades between a Member's customers, between a Member (acting for itself or its Customers) and another Member, or between a Member and any Customer or between different profit centers of a Member having separate account numbers may be effected through the electronic Block Trading Facility provided by the Exchange, rather than on the Trading System, in accordance with the provisions of this Rule.

The amendment makes clear that two different Authorized Traders of a single member may conduct trades between each other under the Eurex US block trading rule if they are in different profit centers and the trades involved different account numbers. This change complies with current industry practices. This policy would be applied to procedures for all of the Eurex US OTC functionalities (rules 416, 417, and 418), although no change in language to those rules is required.

3a. On the day following this certification, rules 415(h), is amended to read as follows:

Block Trading Facility.

(h) The transaction may be consummated at a price mutually agreed upon by the parties to the transaction; provided that:

(i) the price for the Futures Contract ~~is~~ does not exceed ~~no more than 5 ticks outside of~~ the range of the day's high and low by more than the following values:~~; *provided further*, however, that:~~

Contract	Range
2 Year. Treasury Note Futures (FTNS)	0.05 percent (approximately 5 ticks)
5 Year U.S. Treasury Note Futures (FTNM)	0.1 percent (approximately 5 ticks)
10 Year U.S. Treasury Note Futures (FTNL)	0.1 percent (approximately 5 ticks)
30 Year U.S. Treasury Bond Futures (FTBX)	0.1 percent (approximately 5 ticks)

(ii) ~~the price for the Futures Contract, if agreed to by the parties at a time between the market's close on one day and its open on the next day (Interim Period) is no more than 5 ticks outside of the range of the Interim Period's high and low derived from a generally accepted theoretical model or of the range between the first day's settlement price and the next day's Opening Price; or~~

~~(ii) [if the market is open, but there has not been a transaction within ten minutes of when the price is agreed to by the parties, the price for the Futures Contract is no more than 5 ticks outside of a range of the day's high and low derived from a generally accepted theoretical model]; or~~

~~(iii)~~ or, in the case of an option, the price is no more than one-half the maximum applicable quote spread ~~5 ticks~~ outside of the range of the day's high and low, ~~or as applicable, the range provided in subparagraph (i) of this paragraph,~~ derived from a generally accepted theoretical model.

3b. On the day following this certification, rule 416(e) and 417(g) are amended to read as follows:

Rule 416. Exchange of Futures for Physicals Facility (EFPs).

(e) The transaction may be consummated at a price mutually agreed upon by the parties to the transaction; provided that the price of the futures leg ~~is~~ does not exceed ~~no more than 5 ticks outside of~~ the range of the day's high and low by more than the following values;~~; *provided further,* however, that:~~

Contract	Range
2 Year. Treasury Note Futures (FTNS)	0.05 percent (approximately 5 ticks)
5 Year U.S. Treasury Note Futures (FTNM)	0.1 percent (approximately 5 ticks)
10 Year U.S. Treasury Note Futures (FTNL)	0.1 percent (approximately 5 ticks)
30 Year U.S. Treasury Bond Futures (FTBX)	0.1 percent (approximately 5 ticks)

~~(i) the price for the Futures Contract, if agreed to by the parties at a time between the market's close on one day and its open on the next day (Interim Period) is no more than 5 ticks outside of the range of the Interim Period's high and low derived from a generally accepted theoretical model or of the range between the first day's settlement price and the next day's Opening Price; or~~

~~(ii) if the market is open, but there has not been a transaction within ten minutes of when the price is agreed to by the parties, the price for the Futures Contract is no more than 5 ticks outside of a range of the day's high and low derived from a generally accepted theoretical model.~~

417. Exchange of Futures for Swaps (EFSs) Facility.

(g) The transaction may be consummated at a price mutually agreed upon by the parties to the transaction; provided that the price of the futures leg ~~is~~ does not exceed ~~no more than 5 ticks outside of~~ the range of the day's high and low by more than the following values;~~; *provided further*, however, that:~~

~~(i) the price for the Futures Contract, if agreed to by the parties at a time between the market's close on one day and its open on the next day (Interim Period) is no more than 5 ticks outside of the range of the Interim Period's high and low derived from a generally accepted theoretical model or of the range between the first day's settlement price and the next day's Opening Price; or~~

~~(ii) if the market is open, but there has not been a transaction within ten minutes of when the price is agreed to by the parties, the price for the Futures Contract is no more than 5 ticks outside of a range of the day's high and low derived from a generally accepted theoretical model.~~

3c. On the day following this certification, rule 418(b)(iii) is amended to read as follows:

Contract	Range
2 Year. Treasury Note Futures (FTNS)	0.05 percent (approximately 5 ticks)
5 Year U.S. Treasury Note Futures (FTNM)	0.1 percent (approximately 5 ticks)
10 Year U.S. Treasury Note Futures (FTNL)	0.1 percent (approximately 5 ticks)
30 Year U.S. Treasury Bond Futures (FTBX)	0.1 percent (approximately 5 ticks)

The price of the futures leg ~~is~~ does not exceed ~~no more than 5 ticks outside of~~ the range of the day's high and low by more than the following values;~~; *provided further,* however, that:~~

~~(A) the price for the futures leg, if agreed to by the parties at a time between the market's close on one day and its open on the next day (Interim Period) is no more than 5 ticks outside of the range of the Interim Period's high and low derived from a generally accepted theoretical model or of the range between the first day's settlement price and the next day's Opening Price; or~~

~~(B) if the market is open, but there has not been a transaction within ten minutes of when the price is agreed to by the parties, the price for the futures leg is no more than 5 ticks outside of a range of the day's high and low derived from a generally accepted theoretical model;~~ and

These changes are appropriate in order to align more closely the rule's pricing parameters with the parameters of the Trading System's validity checks. The effect of these changes will be to prevent entry of transactions into the trading system which do not meet the rule's pricing requirements and will result in greater certainty for market users that the pricing information entered is valid.

4. On the day following this certification, rules 901(e), 902(e), 903(e) and 904(e) are amended by adding immediately preceding the sentence beginning with the words, "A permissible delivery day," the following new sentence to read as follows:

901. Specifications for Futures Contracts on Short-Term ("2 Year") U.S. Treasury Notes.

(e) Permissible Delivery Days, Deliverable Grades, Performance: Delivery of long-term U.S. Treasury bonds may be made by the short upon any permissible delivery day of the delivery month the short may

The addition of this provision to rules 901-904 would permit exchange-for-physicals ("EFPs") and exchange-for-swaps ("EFSs") during the delivery month after the last day of trading. This is consistent with industry practice and has the effect of reducing pressure on trading in the delivery month

> select. Delivery of long-term U.S. Treasury bonds must be made no later than the last business day of that month; except that by mutual agreement settlement may be made after the last trading day but no later than the fifth business day immediately preceding the last business day of the delivery month by exchanging any open Long-Term U.S. Treasury Bond Futures contract for $100,000 long-term U.S. Treasury bonds or comparable instruments, or for a swap in accordance with Rule 417. <u>Notwithstanding the requirements of Rules 416 and 417 that EFPs and EFSs be entered directly into the Trading System, EFPs and EFSs involving the expiring futures delivery month may be transacted after trading has ceased in that delivery month pursuant to procedures that the Exchange may from time to time promulgate.</u> A permissible delivery day is any business day on which the Federal Reserve Wire is open.

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There were no opposing views among the Exchange's Board of Directors concerning these rules and amendments.