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March 12, 2004

Ms. Jean A. Webb
Secretary
Commodity Futures Trading Commission
Three Lafayette Center
1155 21st Street, NW
Washington, DC 20581

Reference File #2437.01
Rule Certification

Dear Ms. Webb:

By this letter, the Board of Trade of the City of Chicago, Inc. (CBOT®) hereby certifies, pursuant to Commission Regulation 40.6, that the attached amendments to Regulations A2704.01, A2804.01, A3504.01, A3604.01, 5004.01, and 5204.01 regarding striking prices for CBOT U.S. Treasury Bond and Note options and U.S. Interest Rate Swap options comply with the Commodity Exchange Act and the rules thereunder.

At the commencement of trading in a new Treasury or Swap option expiration, the CBOT currently lists an initial strike price band composed of a fixed number of strike prices that bracket the previous day's settlement price of the underlying futures contract. In addition to this band, the Exchange also lists all strike prices for all other option contract months listed at that time. Since strike prices are systematically added, but not deleted, over time in response to price movements in the underlying futures markets, existing strike price listing procedures for Treasury and Swap options tend to produce an unnecessarily large array of strike prices for all option expiries. The CBOT, therefore, intends to amend current strike price regulations by:

1) Limiting strike prices to a prescribed band that brackets the previous day's settlement price of the underlying futures contract at the commencement of trading in a new expiry;

2) Adding strike prices over time in all expiries to ensure that the prescribed strike price band continues to bracket the previous day's settlement price of the underlying futures contract;

3) Deleting extraneous strike prices in all expiries that have no open interest and fall outside of the parameters of the prescribed strike price band immediately upon the implementation of the revised listing procedures;

4) Extending the strike price bands of Treasury Note and Swap options in all expiries to ensure the listing of an adequate number of essential strike prices that surround the at-the-money strike price; and

5) Adopting additional regulation language which harmonizes strike price listing procedures across the CBOT's Treasury and Swap option products in all option expiries.

The CBOT intends to implement these changes no sooner than one day after the Commission's receipt of this filing. Strike prices with no open positions which do not comply with the revised strike price regulations will be delisted.

There were no opposing views among the CBOT's Board of Directors regarding these changes.

Sincerely,

Paul J. Draths
Vice President and Secretary

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Attachment 1

(Additions are underlined; deletions are ~~struck through~~.)

A3604.01 **Striking Prices** — Trading shall be conducted for put and call options with striking prices in integral multiples of one-quarter (1/4) point per Short Term U.S. Treasury Note futures contract. At the commencement of trading for such option contracts, the following striking ~~strike~~ prices shall be listed: one with a striking price closest to the previous day's settlement price on the underlying Short Term U.S. Treasury Note futures contract~~,~~ and the next ten (10) ~~six~~ consecutive higher and the next ten (10) ~~six~~ consecutive lower striking prices closest to the previous day's settlement price~~; and all strike prices listed for all other option contract months listed at that time~~. If the previous day's settlement price is midway between two striking prices, the closest price shall be the larger of the two. Over time, new striking prices will be added to ensure that at least ten (10) striking prices always exist above and below the previous day's settlement price on the underlying futures. ~~When a sale in the underlying Short Term U.S. Treasury Note futures contract occurs at a price greater than or equal to the sixth largest striking price, a new striking price one increment higher than the existing striking prices will be added. When a sale in the underlying Short Term U.S. Treasury Note futures contract occurs at a price less than or equal to the sixth smallest striking price, a new striking price one increment lower than the existing striking prices will be added. When a new strike price is added for an option contract month, the same strike price will be added to all option contract months for which that strike price is not already listed.~~ All new striking ~~strike~~ prices will be added prior to the opening of trading on the following business day.

The Exchange may modify the procedure for the introduction of striking prices as it deems appropriate in order to respond to market conditions.

Attachment 2

(Additions are underlined; deletions are ~~struck through~~.)

A3504.01 **Striking Prices** — Trading shall be conducted for put and call options with striking prices in integral multiples of one-half (1/2) point per Medium Term U.S. Treasury Note futures contract. At the commencement of trading for such option contracts, the following striking ~~strike~~ prices shall be listed: one with a striking price closest to the previous day's settlement price on the underlying Medium Term U.S. Treasury Note futures contract~~,~~ and the next fifteen (15) ~~twelve~~ consecutive higher and the next fifteen (15) ~~twelve~~ consecutive lower striking prices closest to the previous day's settlement price~~; and all strike prices listed for all other option contract months listed at that time~~. If the previous day's settlement price is midway between two striking prices, the closest price shall be the larger of the two. Over time, new striking prices will be added to ensure that at least fifteen (15) striking prices always exist above and below the previous day's settlement price on the underlying futures. ~~When a sale in the underlying Medium Term U.S. Treasury Note futures contract occurs at a price greater than or equal to the twelfth largest striking price, a new striking price one increment higher than the existing striking prices will be added. When a sale in the underlying Medium Term U.S. Treasury Note futures contract occurs at a price less than or equal to the twelfth smallest striking price, a new striking price one increment lower than the existing striking prices will be added. When a new strike price is added for an option contract month, the same strike price will be added to all options contract months for which that strike price is not already listed.~~ All new striking ~~strike~~ prices will be added prior to the opening of trading on the following business day.

The Exchange may modify the procedure for the introduction of striking prices as it deems appropriate in order to respond to market conditions.

Attachment 3

(Additions are underlined; deletions are ~~struck through~~.)

A2704.01 **Striking Prices** — Trading shall be conducted for put and call options with striking prices in integral multiples of one (1) point per Long Term Treasury Note futures contract. At the commencement of trading for such option contracts, the following striking ~~strike~~ prices shall be listed: one with a striking price closest to the previous day's settlement price on the underlying Long Term Treasury Note futures contract~~,~~ and the next twenty-five (25) ~~fifteen~~ consecutive higher and the next twenty-five (25) ~~fifteen~~ consecutive lower striking prices closest to the previous day's settlement price~~; and all strike prices listed for all other option contract months listed at the time~~. If the previous day's settlement price is midway between two striking prices, the closest price shall be the larger of the two. Over time, new striking prices will be added to ensure that at least twenty-five (25) striking prices always exist above and below the previous day's settlement price on the underlying futures. ~~When a sale in the underlying Long Term Treasury Note futures contract occurs at a price greater than or equal to the fifteenth largest striking price, a new striking price one increment higher than the existing striking prices will be added. When a sale in the underlying Long Term Treasury Note futures contract occurs at a price less than or equal to the fifteenth smallest striking price, a new striking price one increment lower than the existing striking prices will be added. When a new strike price is added for an option contract month, the same strike price will be added to all option contract months for which that strike price is not already listed.~~ All new striking ~~strike~~ prices will be added prior to the opening of trading on the following business day.

The Exchange may modify the procedure for the introduction of striking prices as it deems appropriate in order to respond to market conditions.

Attachment 4

(Additions are underlined; deletions are ~~struck through~~.)

A2804.01 **Striking Prices** — Trading shall be conducted for put and call options with striking prices in integral multiples of one (1) point per U.S. Treasury Bond futures contract as follows: At the commencement of trading for such option contracts, the following striking prices shall be listed: one with a striking price closest to the U.S. Treasury Bond futures contract's previous day's settlement price~~,~~ and the next thirty (30) consecutive higher and the next thirty (30) consecutive lower striking prices closest to the previous day's settlement price~~, and all striking prices listed for all other option contract months listed at the time~~. If the previous day's settlement price is midway between two striking prices, the closest price shall be the larger of the two. Over time, new striking prices will be added to ensure that at least thirty (30) striking prices always exist above and below the previous day's settlement price on ~~trading range in~~ the underlying futures. All new striking ~~strike~~ prices will be added prior to the opening of trading on the following business day.

The Exchange may modify the procedure for the introduction of striking prices as it deems appropriate in order to respond to market conditions.

Attachment 5

(Additions are underlined; deletions are ~~struck through~~.)

5204.01 **Striking ~~Strike~~ Prices** — Trading shall be conducted for put and call options with striking ~~strike~~ prices in integral multiples of one-half (½) point per 5-Year Interest Rate Swap futures contract. At the commencement of trading for such option contracts, the following striking ~~strike~~ prices shall be listed: one with a striking ~~strike~~ price closest to the previous day's settlement price on the underlying 5-Year Interest Rate Swap futures contract~~,~~ and the next fifteen (15) ~~twelve (12)~~ consecutive higher and the next fifteen (15) ~~twelve (12)~~ consecutive lower striking ~~strike~~ prices closest to the previous day's settlement price~~; and all strike prices listed for all other option contract months listed at the time~~. If the previous day's settlement price is midway between two striking ~~strike~~ prices, the closest price shall be the larger of the two. Over time, new striking prices will be added to ensure that at least fifteen (15) striking prices always exist above and below the previous day's settlement price on the underlying futures. ~~When a sale in the underlying 5-Year Interest Rate Swap futures contract occurs at a price greater than or equal to the twelfth largest strike price, a new strike price one increment higher than the existing strike prices will be added. When a sale in the underlying 5-Year Interest Rate Swap futures contract occurs at a price less than or equal to the twelfth smallest strike price, a new strike price one increment lower than the existing strike prices will be added. When a new strike price is added for an option contract month, the same strike price will be added to all option contract months for which that strike price is not already listed.~~ All new striking ~~strike~~ prices will be added prior to the opening of trading on the following business day.

The Exchange may modify the procedure for the introduction of striking ~~strike~~ prices as it deems appropriate in order to respond to market conditions.

Attachment 5

(Additions are underlined; deletions are ~~struck through~~.)

5004.01 **Striking** **~~Strike~~** **Prices** — Trading shall be conducted for put and call options with striking ~~strike~~ prices in integral multiples of one (1) point per 10-Year Interest Rate Swap futures contract. At the commencement of trading for such option contracts, the following striking ~~strike~~ prices shall be listed: one with a striking ~~strike~~ price closest to the previous day's settlement price on the underlying 10-Year Interest Rate Swap futures contract~~,~~ and the next twenty-five (25) ~~fifteen (15)~~ consecutive higher and the next twenty-five (25) ~~fifteen (15)~~ consecutive lower striking ~~strike~~ prices closest to the previous day's settlement price~~; and all strike prices listed for all other option contract months listed at the time~~. If the previous day's settlement price is midway between two strike prices, the closest price shall be the larger of the two. Over time, new striking prices will be added to ensure that at least twenty-five (25) striking prices always exist above and below the previous day's settlement price on the underlying futures. ~~When a sale in the underlying 10-Year Interest Rate Swap futures contract occurs at a price greater than or equal to the fifteenth largest strike price, a new strike price one increment higher than the existing strike prices will be added. When a sale in the underlying 10-Year Interest Rate Swap futures contract occurs at a price less than or equal to the fifteenth smallest strike price, a new strike price one increment lower than the existing strike prices will be added. When a new strike price is added for an option contract month, the same strike price will be added to all option contract months for which that strike price is not already listed.~~ All new striking ~~strike~~ prices will be added prior to the opening of trading on the following business day.

The Exchange may modify the procedure for the introduction of striking ~~strike~~ prices as it deems appropriate in order to respond to market conditions.