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SECRETARIAT

July 18, 2011

Mr. David Stawick  
Office of the Secretariat  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21st Street, NW  
Washington, DC 20581

**RE: Changes to position limits for expiring Long-Term U.S. Treasury Note Futures, Medium-Term U.S. Treasury Note Futures, Short-Term U.S. Treasury Note Futures, and Long-Term U.S. Treasury Bond Futures CBOT Submission 11-261**

Dear Mr. Stawick:

Pursuant to Commission Regulation 40.6 and Section 5c(c)(1) of the Commodity Exchange Act, the Chicago Board of Trade, Inc. ("CBOT" or "Exchange") hereby certifies amendments to Exchange Rules 19102.E., 20102.E., 21102.E., and 40102.E. concerning position limits and position accountability for CBOT Long-Term ("10-Year") U.S. Treasury Note Futures, Medium-Term ("5-Year") U.S. Treasury Note Futures, Short-Term ("2-Year") U.S. Treasury Note Futures, and Long-Term ("Ultra") U.S. Treasury Bond Futures, respectively.

The CBOT seeks to amend these position limits as follows:

- 2-Year Notes: Increase from 25,000 to 50,000 contracts.
- 5-Year Notes: Increase from 45,000 to 115,000 contracts.
- 10-Year Notes: Increase from 60,000 to 95,000 contracts.
- Long-Term Bonds: Increase from 20,000 to 50,000 contracts.

The amended position limits will apply to contracts for delivery in September 2011 and thereafter. Insofar as the proposed rule amendments result in increased position limits, the Exchange anticipates that their timely implementation will cause no disruption to trading in futures delivery months with existing open interest.

The position limit for expiring CBOT U.S. Treasury Bond futures will remain at its current level of 25,000 contracts, reflecting the Exchange's determination that this limit is appropriate to the characteristics and supply of contract-grade Treasury bonds having at least 15 years and less than 25 years of remaining term to maturity. The position limit for expiring CBOT 3-Year U.S. Treasury Note futures likewise will remain at its current level of 20,000 contracts, until the Exchange has determined that the corresponding liquidity pool is sufficiently broad, deep, and mature to warrant a reevaluation.

For any given Treasury futures contract, the Exchange establishes and periodically reevaluates the corresponding position limit in light of both market conditions and the structure of the basket of deliverable-grade securities for such contract. Among the factors taken into consideration are (a) the size distribution and supply of such deliverable-grade issues, (b) the proximity of market yields on deliverable-grade issues to the 6% notional yield that the Exchange uses to set

conversion factors for standardization of contract delivery invoice prices, and (c) the distribution of durations among Treasury issues eligible for delivery into the contract.

The CBOT implemented position limits in expiring Treasury futures in June 2005 in an effort to mitigate congested deliveries that might arise as a result of structural imbalances between the futures and cash markets. The position limits were last reevaluated and revised in July 2006. As in those earlier instances, the aim of the present reexamination and revision is to ensure that the position limits comport with both market conditions and scale of deliverable supply.

In performing this reevaluation, the Exchange has taken into account potential implications for deliverable supply arising from the dynamics of Federal Reserve System holdings, conditions in the Treasury STRIPS market, and foreign investment in Treasury securities. None of these factors appears to undermine, or otherwise to work to the detriment of, the effectiveness of the position limits. Though the Federal Reserve System has been an aggressive buyer of Treasury securities through its open market operations since the financial crisis of late 2008, it also functions as a temporary source of Treasury issues for market participants, by way of securities lending through the System Open Market Account (SOMA). As for issues held in stripped form, these represent a small fraction of the outstanding stock of Treasury coupon-bearing securities – approximately three percent as of May 2011. Finally, although both Treasury issuance and foreign holdings of Treasury marketable debt have grown dramatically since early 2009, the share held by foreign investors has held steady at around 50 percent.

Attachment 1 summarizes proposed amendments to CBOT Rules 19102.E., 20102.E., 21102.E., and 40102.E. on position limits and position accountability for, respectively, CBOT Long-Term U.S. Treasury Note Futures, Medium-Term U.S. Treasury Note Futures, Short-Term U.S. Treasury Note Futures, and Long-Term “Ultra” U.S. Treasury Bond Futures. Attachment 2 displays clean versions of the revised Rule amendments.

Likewise, Attachments 3 and 4 present, respectively, the proposed amendments to CBOT Rulebook Table 5.C. on position limits, position accountability, and reportable levels, and the clean version of CBOT Rulebook Table 5.C., so revised.

CBOT certifies that these changes comply with the Commodity Exchange Act and regulations thereunder. There were no substantive opposing views to this proposal.

Please direct inquiries regarding this submission to Daniel Grombacher at 312.634.1583 or via e-mail at [Daniel.Grombacher@cmegroup.com](mailto:Daniel.Grombacher@cmegroup.com). Alternatively, you may contact me at 312.466-7478 or [Tim.Elliott@cmegroup.com](mailto:Tim.Elliott@cmegroup.com). Please reference CBOT Submission No. 11-261 in any related correspondence.

Sincerely,

/s/ Timothy Elliott  
Director and Associate General Counsel

## Attachment 1

### Mark-Up of Proposed Changes to Position Limits and Position Accountability Thresholds for CBOT Treasury Futures

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

#### Long-Term U.S. Treasury Note Futures

##### **19102.E. Position Limits and Position Accountability**

In accordance with Rule 559., no person shall own or control positions in excess of 95,000 ~~60,000~~ contracts in an expiring contract during the contract's last 10 trading days (Rule 19102.F.). No hedge exemptions will be permitted with respect to this position limit.

Position accountability, as defined in Rule 560., will apply to trading of Long-Term U.S. Treasury Bond futures.

#### Medium-Term U.S. Treasury Note Futures

##### **20102.E. Position Limits and Position Accountability**

In accordance with Rule 559., no person shall own or control positions in excess of 115,000 ~~45,000~~ contracts in an expiring contract during the contract's last 10 trading days (Rule 20102.F.). No hedge exemptions will be permitted with respect to this position limit.

Position accountability, as defined in Rule 560., will apply to trading of Medium-Term U.S. Treasury Note futures.

#### Short-Term U.S. Treasury Note Futures

##### **21102.E. Position Limits and Position Accountability**

In accordance with Rule 559., no person shall own or control positions in excess of 50,000 ~~25,000~~ contracts in an expiring contract during the contract's last 10 trading days (Rule 21102.F.). No hedge exemptions will be permitted with respect to this position limit.

Position accountability, as defined in Rule 560., will apply to trading of Short-Term U.S. Treasury Note futures.

#### Long-Term U.S. Treasury Bond Futures

##### **40102.E. Position Limits and Position Accountability**

In accordance with Rule 559., no person shall own or control positions in excess of 50,000 ~~20,000~~ contracts in an expiring contract during the contract's last 10 trading days (Rule 40102.F.). No hedge exemptions will be permitted with respect to this position limit.

Position accountability, as defined in Rule 560, will apply to trading of Long-Term U.S. Treasury Bond futures.

## **Attachment 2**

### **Clean Version of Proposed Changes to Position Limits and Position Accountability Thresholds for CBOT Treasury Futures**

#### **Long-Term U.S. Treasury Note Futures**

##### **19102.E. Position Limits and Position Accountability**

In accordance with Rule 559., no person shall own or control positions in excess of 95,000 contracts in an expiring contract during the contract's last 10 trading days (Rule 19102.F.). No hedge exemptions will be permitted with respect to this position limit.

Position accountability, as defined in Rule 560., will apply to trading of Long-Term U.S. Treasury Bond futures.

#### **Medium-Term U.S. Treasury Note Futures**

##### **20102.E. Position Limits and Position Accountability**

In accordance with Rule 559., no person shall own or control positions in excess of 115,000 contracts in an expiring contract during the contract's last 10 trading days (Rule 20102.F.). No hedge exemptions will be permitted with respect to this position limit.

Position accountability, as defined in Rule 560., will apply to trading of Medium-Term U.S. Treasury Note futures.

#### **Short-Term U.S. Treasury Note Futures**

##### **21102.E. Position Limits and Position Accountability**

In accordance with Rule 559., no person shall own or control positions in excess of 50,000 contracts in an expiring contract during the contract's last 10 trading days (Rule 21102.F.). No hedge exemptions will be permitted with respect to this position limit.

Position accountability, as defined in Rule 560., will apply to trading of Short-Term U.S. Treasury Note futures.

#### **Long-Term U.S. Treasury Bond Futures**

##### **40102.E. Position Limits and Position Accountability**

In accordance with Rule 559., no person shall own or control positions in excess of 50,000 contracts in an expiring contract during the contract's last 10 trading days (Rule 40102.F.). No hedge exemptions will be permitted with respect to this position limit.

Position accountability, as defined in Rule 560, will apply to trading of Long-Term U.S. Treasury Bond futures.

### Attachment 3

## Mark-Up of Proposed Amendments to CBOT Rulebook Table 5.C. on Position Limits, Position Accountability, and Reportable Levels

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

CONTRACT NAME	Opts	SCALE-DOWN SPOT MONTH	SPOT <sup>1</sup> MONTH	SINGLE <sup>2</sup> MONTH	ALL <sup>3</sup> MONTHS COMBINED	POSITION ACCOUNTABILITY Futures/Options <sup>4</sup>	REPORTABLE FUTURES LEVEL	REPORTABLE OPTIONS LEVEL
<b>FINANCIALS</b>								
Long-Term U.S. Treasury Bonds	Y	(see #13)				10,000/25,000	1,500	1,500
U.S. Treasury Bonds	Y	(see #13)				10,000/25,000	1,500	1,500
U.S. Treasury Notes (2 yr.)	Y	(see #13)				7,500 / 20,000	1,000	1,000
U.S. Treasury Notes (3 yr.)		(see #13)				7,500 / N/A	750	
U.S. Treasury Notes (5 yr.)	Y	(see #13)				7,500 / 20,000	2,000	2,000
U.S. Treasury Notes (6 ½ - 10 yr.)	Y	(see #13)				7,500 / 20,000	2,000	2,000
On-the-Run Treasury Yield (2 yr.)						7,500 / NA	25	
On-the-Run Treasury Yield (5 yr.)						7,500 / NA	25	
On-the-Run Treasury Yield (10 yr.)						7,500 / NA	25	
30 Day Fed Fund	Y					3,000(e) / 3,000(e)	600	600
30 Day Fed Fund Mid-Curve Options	Y					3,000(e)		25
30-Year Interest Rate Swap	Y					5,000 / 15,000	500	25
10-Year Interest Rate Swap	Y					5,000 / 15,000	500	500
7-Year Interest Rate Swap	Y					5,000 / 15,000	25	25
5-Year Interest Rate Swap	Y					5,000 / 15,000	500	500

#1 Additional futures contracts may be held outside of the spot month as part of futures/futures spreads within a crop year provided that the total of such positions, when combined with outright positions, do not exceed the all months combined limit. In addition, a person may own or control additional options in excess of the futures-equivalent limits provided that those option contracts in excess of the futures-equivalent limits are part of an eligible option/futures spread.

#2 Reserved

#3 No more than 13,500 futures-equivalent contracts net on the same side of the market are allowed in a single month in all strike prices combined. Additional options contracts may be held as part of option/option or option/futures spreads between months within the same crop year provided that the total of such positions, when combined with outright positions, does not exceed the all months combined limit. The futures-equivalents for both the options and futures

<sup>1</sup> Net long or short effective at the close of trading two business days prior to the first trading day of the delivery month.

<sup>2</sup> Futures-equivalent position limit net long or net short in any one month other than the spot month. Net equivalent futures long or short in all months and strike prices combined.

<sup>3</sup> Futures-equivalent position limit net long or net short in all months and strike prices combined. Long futures contracts, long call options, and short put options are considered to be on the long side of the market, while short futures contracts, long put options, and short call options are considered to be on the short side of the market.

<sup>4</sup> As described in Rule 560. Futures levels refer to futures equivalent contracts. Options levels refer to option contracts for all months and all strike prices combined in each option category (long call, long put, short call and short put).

<sup>5</sup> Net Futures Equivalent Positions are combined across 30 Day Fed Fund futures, standard options on 30 Day Fed Fund futures, and mid-curve options on 30 Day Fed Fund futures to determine Position Accountability.

contracts are aggregated to determine compliance with these net same side single month position limits.

- #4 No more than 6,500 futures-equivalent contracts net on the same side of the market are allowed in a single month in all strike prices combined. Additional options contracts may be held as part of option/option or option/futures spreads between months within the same crop year provided that the total of such positions, when combined with outright positions, does not exceed the all months combined limit. The futures-equivalents for both the options and futures contracts are aggregated to determine compliance with these net same side single month position limits.
- #5 In the last five trading days of the expiring futures month, the speculative position limit for the July futures month will be 200 contracts and for the September futures month the limit will be 250 contracts.
- #6 No more than 1,400 futures-equivalent contracts net on the same side of the market are allowed in a single month in all strike prices combined. Additional options contracts may be held as part of option/option or option/futures spreads between months within the same crop year provided that the total of such positions, when combined with outright positions, does not exceed the all months combined limit. The futures-equivalents for both the options and futures contracts are aggregated to determine compliance with these net same side single month position limits.
- #7 No more than 5,000 futures-equivalent contracts net on the same side of the market are allowed in a single month in all strike prices combined. Additional options contracts may be held as part of option/option or option/futures spreads between months within the same crop year provided that the total of such positions, when combined with outright positions, does not exceed the all months combined limit. The futures-equivalents for both the options and futures contracts are aggregated to determine compliance with these net same side single month position limits.
- #8 In the last five trading days of the expiring futures month in May, the speculative position limit will be 600 contracts if deliverable supplies are at or above 2,400 contracts, 500 contracts if deliverable supplies are between 2,000 and 2,399 contracts, 400 contracts if deliverable supplies are between 1,600 and 1,999 contracts, 300 contracts if deliverable supplies are between 1,200 and 1,599 contracts, and 220 contracts if deliverable supplies are below 1,200 contracts. Deliverable supplies will be determined from the CBOT's Stocks of Grain report on the Friday preceding the first notice day for the May contract month. For the purposes of this Appendix, one mini-sized Wheat contract shall be deemed to be equivalent to one-fifth of a corresponding Wheat contract.
- #9 The aggregate position limit in DJIA Index (\$25 multiplier) futures, mini-sized Dow (\$5 multiplier) futures and options, and DJIA Index futures and options is 50,000 DJIA Index futures contracts, net long or net short in all contract months combined. For the purposes of this appendix:
- One DJIA Index futures contract shall be deemed to be equivalent to two mini-sized Dow (\$5 multiplier) contracts.
  - One DJIA Index (\$25 multiplier) futures contract shall be deemed to be equivalent to five mini-sized Dow (\$5 multiplier) contracts.
  - Two DJIA Index (\$25 multiplier) futures contracts shall be deemed to be equivalent to five DJIA Index futures contracts.
- #10 The net long or net short positions in Corn, Soybeans, or Wheat contracts may not exceed their respective position limits. The net long or net short positions in mini-sized Corn, mini-sized Soybeans, or mini-sized Wheat contracts may not exceed their respective position limits. The aggregate net long or net short positions in Corn and mini-sized Corn, Soybeans and mini-sized Soybeans, or Wheat and mini-sized Wheat contracts may not exceed their respective position limits. For the purposes of this Appendix, one mini-sized Corn, one mini-sized Soybean, or one mini-sized Wheat contract shall be deemed to be equivalent to one-fifth of a corresponding Corn, Soybeans, or Wheat contract.

- #11 The reporting level for the primary contract is separate from the reporting level for the mini-sized contract. Positions in any one month at or above the contract level indicated trigger reportable status. For a person in reportable status, all positions in any month of that contract must be reported. For the purposes of this Appendix, positions are on a contract basis.
- #12 Reserved.
- #13 In the last ten trading days of the expiring futures month, the following position limits in the expiring contract will apply: Long-Term U.S. Treasury Bonds – 50,000 ~~20,000~~ contracts; U.S. Treasury Bonds – 25,000 contracts; U.S. Treasury Notes (6½ - 10 Year) – 95,000 ~~60,000~~ contracts; U.S. Treasury Notes ( 5 Year) – 115,000 ~~45,000~~ contracts; U.S. Treasury Notes (3 year) – 20,000 contracts; U.S. Treasury Notes (2 Year) – 50,000 ~~25,000~~ contracts. No hedge exemptions will be permitted with respect to these limits.
- #14 Net Futures Equivalent Position limit applies to Ethanol futures and Ethanol Standard Options only.
- #15 Position Accountability applies to Cash-Settled Ethanol Options only. Reportable Option Levels applies to both
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**Attachment 4**

**Clean Version of Proposed Amendments to CBOT Rulebook Table 5.C. on Position Limits, Position Accountability, and Reportable Levels**

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

CONTRACT NAME	Opts	SCALE-DOWN SPOT MONTH	SPOT <sup>5</sup> MONTH	SINGLE <sup>6</sup> MONTH	ALL <sup>7</sup> MONTHS COMBINED	POSITION ACCOUNTABILITY Futures/Options <sup>8</sup>	REPORTABLE FUTURES LEVEL	REPORTABLE OPTIONS LEVEL
<b>FINANCIALS</b>								
Long-Term U.S. Treasury Bonds	Y	(see #13)				10,000/25,000	1,500	1,500
U.S. Treasury Bonds	Y	(see #13)				10,000/25,000	1,500	1,500
U.S. Treasury Notes (2 yr.)	Y	(see #13)				7,500 / 20,000	1,000	1,000
U.S. Treasury Notes (3 yr.)		(see #13)				7,500 / N/A	750	
U.S. Treasury Notes (5 yr.)	Y	(see #13)				7,500 / 20,000	2,000	2,000
U.S. Treasury Notes (6 ½ - 10 yr.)	Y	(see #13)				7,500 / 20,000	2,000	2,000
On-the-Run Treasury Yield (2 yr.)						7,500 / NA	25	
On-the-Run Treasury Yield (5 yr.)						7,500 / NA	25	
On-the-Run Treasury Yield (10 yr.)						7,500 / NA	25	
30 Day Fed Fund	Y					3,000(e) / 3,000(e)	600	600
30 Day Fed Fund Mid-Curve Options	Y					3,000(e)		25
30-Year Interest Rate Swap	Y					5,000 / 15,000	500	25
10-Year Interest Rate Swap	Y					5,000 / 15,000	500	500
7-Year Interest Rate Swap	Y					5,000 / 15,000	25	25
5-Year Interest Rate Swap	Y					5,000 / 15,000	500	500

- #1 Additional futures contracts may be held outside of the spot month as part of futures/futures spreads within a crop year provided that the total of such positions, when combined with outright positions, do not exceed the all months combined limit. In addition, a person may own or control additional options in excess of the futures-equivalent limits provided that those option contracts in excess of the futures-equivalent limits are part of an eligible option/futures spread.
- #2 Reserved
- #3 No more than 13,500 futures-equivalent contracts net on the same side of the market are allowed in a single month in all strike prices combined. Additional options contracts may be held as part of option/option or option/futures spreads between months within the same crop year provided that the total of such positions, when combined with outright positions, does not exceed the all months combined limit. The futures-equivalents for both the options and futures

<sup>5</sup> Net long or short effective at the close of trading two business days prior to the first trading day of the delivery month.  
<sup>6</sup> Futures-equivalent position limit net long or net short in any one month other than the spot month. Net equivalent futures long or short in all months and strike prices combined.  
<sup>7</sup> Futures-equivalent position limit net long or net short in all months and strike prices combined. Long futures contracts, long call options, and short put options are considered to be on the long side of the market, while short futures contracts, long put options, and short call options are considered to be on the short side of the market.  
<sup>8</sup> As described in Rule 560. Futures levels refer to futures equivalent contracts. Options levels refer to option contracts for all months and all strike prices combined in each option category (long call, long put, short call and short put).  
<sup>9</sup> Net Futures Equivalent Positions are combined across 30 Day Fed Fund futures, standard options on 30 Day Fed Fund futures, and mid-curve options on 30 Day Fed Fund futures to determine Position Accountability.

contracts are aggregated to determine compliance with these net same side single month position limits.

- #4 No more than 6,500 futures-equivalent contracts net on the same side of the market are allowed in a single month in all strike prices combined. Additional options contracts may be held as part of option/option or option/futures spreads between months within the same crop year provided that the total of such positions, when combined with outright positions, does not exceed the all months combined limit. The futures-equivalents for both the options and futures contracts are aggregated to determine compliance with these net same side single month position limits.
- #5 In the last five trading days of the expiring futures month, the speculative position limit for the July futures month will be 200 contracts and for the September futures month the limit will be 250 contracts.
- #6 No more than 1,400 futures-equivalent contracts net on the same side of the market are allowed in a single month in all strike prices combined. Additional options contracts may be held as part of option/option or option/futures spreads between months within the same crop year provided that the total of such positions, when combined with outright positions, does not exceed the all months combined limit. The futures-equivalents for both the options and futures contracts are aggregated to determine compliance with these net same side single month position limits.
- #7 No more than 5,000 futures-equivalent contracts net on the same side of the market are allowed in a single month in all strike prices combined. Additional options contracts may be held as part of option/option or option/futures spreads between months within the same crop year provided that the total of such positions, when combined with outright positions, does not exceed the all months combined limit. The futures-equivalents for both the options and futures contracts are aggregated to determine compliance with these net same side single month position limits.
- #8 In the last five trading days of the expiring futures month in May, the speculative position limit will be 600 contracts if deliverable supplies are at or above 2,400 contracts, 500 contracts if deliverable supplies are between 2,000 and 2,399 contracts, 400 contracts if deliverable supplies are between 1,600 and 1,999 contracts, 300 contracts if deliverable supplies are between 1,200 and 1,599 contracts, and 220 contracts if deliverable supplies are below 1,200 contracts. Deliverable supplies will be determined from the CBOT's Stocks of Grain report on the Friday preceding the first notice day for the May contract month. For the purposes of this Appendix, one mini-sized Wheat contract shall be deemed to be equivalent to one-fifth of a corresponding Wheat contract.
- #9 The aggregate position limit in DJIA Index (\$25 multiplier) futures, mini-sized Dow (\$5 multiplier) futures and options, and DJIA Index futures and options is 50,000 DJIA Index futures contracts, net long or net short in all contract months combined. For the purposes of this appendix:
- One DJIA Index futures contract shall be deemed to be equivalent to two mini-sized Dow (\$5 multiplier) contracts.
  - One DJIA Index (\$25 multiplier) futures contract shall be deemed to be equivalent to five mini-sized Dow (\$5 multiplier) contracts.
  - Two DJIA Index (\$25 multiplier) futures contracts shall be deemed to be equivalent to five DJIA Index futures contracts.
- #10 The net long or net short positions in Corn, Soybeans, or Wheat contracts may not exceed their respective position limits. The net long or net short positions in mini-sized Corn, mini-sized Soybeans, or mini-sized Wheat contracts may not exceed their respective position limits. The aggregate net long or net short positions in Corn and mini-sized Corn, Soybeans and mini-sized Soybeans, or Wheat and mini-sized Wheat contracts may not exceed their respective position limits. For the purposes of this Appendix, one mini-sized Corn, one mini-sized Soybean, or one mini-sized Wheat contract shall be deemed to be equivalent to one-fifth of a corresponding Corn, Soybeans, or Wheat contract.

- #11 The reporting level for the primary contract is separate from the reporting level for the mini-sized contract. Positions in any one month at or above the contract level indicated trigger reportable status. For a person in reportable status, all positions in any month of that contract must be reported. For the purposes of this Appendix, positions are on a contract basis.
- #12 Reserved.
- #13 In the last ten trading days of the expiring futures month, the following position limits in the expiring contract will apply: Long-Term U.S. Treasury Bonds – 50,000 contracts; U.S. Treasury Bonds – 25,000 contracts; U.S. Treasury Notes (6½ - 10 Year) – 95,000 contracts; U.S. Treasury Notes ( 5 Year) – 115,000 contracts; U.S. Treasury Notes (3 year) – 20,000 contracts; U.S. Treasury Notes (2 Year) – 50,000 contracts. No hedge exemptions will be permitted with respect to these limits.
- #14 Net Futures Equivalent Position limit applies to Ethanol futures and Ethanol Standard Options only.
- #15 Position Accountability applies to Cash-Settled Ethanol Options only. Reportable Option Levels applies to both Standard Ethanol Options and Cash-Settled Ethanol Options.