

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 24-074

Organization: The Board of Trade of the City of Chicago, Inc. ("CBOT")

Filing as a: DCM SEF DCO SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 01/25/24 Filing Description: Amendments to Position Limits for the 30-Year Uniform Mortgage-Backed Securities (UMBS) To-Be Announced (TBA) Futures

SPECIFY FILING TYPE

Please note only ONE choice allowed per Submission.

Organization Rules and Rule Amendments

- Certification § 40.6(a)
- Approval § 40.5(a)
- Notification § 40.6(d)
- Advance Notice of SIDCO Rule Change § 40.10(a)
- SIDCO Emergency Rule Change § 40.10(h)

Rule Numbers:

New Product

Please note only ONE product per Submission.

- Certification § 40.2(a)
- Certification Security Futures § 41.23(a)
- Certification Swap Class § 40.2(d)
- Approval § 40.3(a)
- Approval Security Futures § 41.23(b)
- Novel Derivative Product Notification § 40.12(a)
- Swap Submission § 39.5

Product Terms and Conditions (product related Rules and Rule Amendments)

- Certification § 40.6(a)
- Certification Made Available to Trade Determination § 40.6(a)
- Certification Security Futures § 41.24(a)
- Delisting (No Open Interest) § 40.6(a)
- Approval § 40.5(a)
- Approval Made Available to Trade Determination § 40.5(a)
- Approval Security Futures § 41.24(c)
- Approval Amendments to enumerated agricultural products § 40.4(a), § 40.5(a)
- "Non-Material Agricultural Rule Change" § 40.4(b)(5)
- Notification § 40.6(d)

Official Name(s) of Product(s) Affected: See filing.

Rule Numbers: See filing.

January 25, 2024

VIA ELECTRONIC PORTAL

Mr. Christopher J. Kirkpatrick
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, D.C. 20581

Re: CFTC Regulation 40.6(a) Certification. Amendments to Position Limits for the 30-Year Uniform Mortgage-Backed Securities (UMBS) To-Be Announced (TBA) Futures. CBOT Submission No. 24-074

Dear Mr. Kirkpatrick:

The Board of Trade of the City of Chicago, Inc.'s ("CBOT" or "Exchange") is certifying to the Commodity Futures Trading Commission ("CFTC" or "Commission") amendments to CBOT Chapter 5 Position Limits, Position Accountability and Reportable Level table (the "Table") to amend the spot month position limits of 30-Year Uniform Mortgage-Backed Securities (UMBS) To-Be-Announced (TBA) Futures Contracts (2.0%, 2.5%, 3.0%, 3.5%, 4.0%, 4.5%, 5.0%, 5.5%, 6.0%, and 6.5% Coupon Rates) (the "Contracts") effective on February 9, 2024 and commencing with the June 2024 contract month and beyond (collectively, the "Rule Amendments").

Contract Title	Rulebook Chapter	Commodity Code	Current Position Limits (in Net Futures Equivalents) (Up to and including the May 2024 Contract Month)	Amended Position Limits (in Net Futures Equivalents) (Commencing with the June 2024 Contract Month and Beyond)
30-Year UMBS TBA Futures – 2.0% Coupons	75	20U	10,000	<u>4,000</u>
30-Year UMBS TBA Futures – 2.5% Coupons	75	25U	7,000	<u>3,000</u>
30-Year UMBS TBA Futures – 3.0% Coupons	75	30U	10,000	<u>6,000</u>
30-Year UMBS TBA Futures – 3.5% Coupons	75	35U	12,000	<u>9,000</u>
30-Year UMBS TBA Futures – 4.0% Coupons	75	40U	12,000	<u>5,000</u>
30-Year UMBS TBA Futures – 4.5% Coupons	75	45U	18,000	<u>9,000</u>
30-Year UMBS TBA Futures – 5.0% Coupons	75	50U	15,000	<u>10,000</u>
30-Year UMBS TBA Futures – 5.5% Coupons	75	55U	20,000	<u>22,000</u>

30-Year UMBS TBA Futures – 6.0% Coupons	75	60U	15,000	<u>23,000</u>
30-Year UMBS TBA Futures – 6.5% Coupons	75	65U	6,000	<u>33,000</u>

The Table will be amended to reflect the aforementioned changes to the Contracts. Exhibit A provides the Table effective February 9, 2024 and Exhibit B provides the Table effective May 7, 2024 (collectively, the “Rule Amendments”). Exhibits A and B are provided in blackline format under separate cover.

After a review of recent settlement volumes in deliverable-grade 30-Year Uniform Mortgage-Backed Securities for the Contracts, the Rule Amendments are partially attributable to the fluctuation of mortgage rates over the course of 2023. Advanced market notification with application to June 2024 futures delivery months allows the marketplace multiple months to consider the changes prior to implementation. This amount of advance warning should minimize any potential disruptions to trading in futures delivery months with existing open interest.

The Rule Amendments are based on the Exchange’s analysis conducted in an effort to adjust limits to levels that are appropriate to the characteristics and supply of contract-grade 30-Year Uniform Mortgage-Backed Securities (UMBS) that are eligible for delivery into the Contracts. For any given TBA 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.

CBOT implemented position limits in expiring 30-Year Uniform Mortgage-Backed Securities (UMBS) To-Be-Announced (TBA) Futures to mitigate congested deliveries that might arise as a result of structural imbalances between the futures and cash markets. As in 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.

The Exchange reviewed the designated contract market core principles (“Core Principles”) as set forth in the Commodity Exchange Act (“Act”) and identified that the Rule Amendments may have some bearing on the following Core Principles.

- **Contracts Not Readily Subject to Manipulation:** The Rule Amendments are designed to set position limits in expiring TBA futures at levels that are consistent with existing and expected deliverable supplies of cash 30-UMBS securities. As such, the proposed rule will eliminate the potential for congested deliveries of cash securities during delivery periods and thus obviate the chance of manipulation by market participants.
- **Prevention of Market Disruption:** The Rule Amendments, which determines position limits in expiring TBA futures at levels that are consistent with existing and expected deliverable supplies of cash 30-UMBS securities, will provide the Exchange’s market surveillance, compliance, and enforcement functions with an important metric for preventing market disruptions, price distortions, and delivery disruptions during delivery periods.
- **Position Limits and Accountability:** The Rule Amendments, which sets position limits in expiring TBA futures at levels that are consistent with existing and expected deliverable supplies of cash 30-UMBS securities, will reduce the potential threat of market manipulation or delivery congestion during trading in the delivery month.
- **Protection of Market Participants:** The Rule Amendments, which determine position limits in expiring TBA futures at levels that are consistent with existing and expected

deliverable supplies of cash 30-UMBS securities, will protect market participants from abusive trading practices by any party that seeks to benefit from unfair and inequitable trading practices.

- **Availability of General Information:** The Rule Amendments will be disseminated to the marketplace via Market Surveillance Notice. The Exchange will publish information on the contracts' specifications on its website, together with daily trading volume, open interest, and price information.

Pursuant to Section 5c(c) of the Act and CFTC Regulation 40.6(a), the Exchange hereby certifies that the Rule Amendments comply with the Act, including regulations under the Act. There were no substantive opposing views to this proposal.

The Exchange certifies that this submission has been concurrently posted on the Exchange's website at: <http://www.cmegroup.com/market-regulation/rule-filings.html>.

Should you have any questions concerning the above, please contact me at (312) 466-7478 or via e-mail at CMEGSubmissionInquiry@cmegroup.com.

Sincerely,

/s/Timothy Elliott
Managing Director and Chief Regulatory Counsel

Attachments: Exhibit A – Position Limit, Position Accountability, and Reportable Level Table in Chapter 5 of the CBOT Rulebook (attached under separate cover), effective February 9, 2024

Exhibit B – Position Limit, Position Accountability, and Reportable Level Table in Chapter 5 of the CBOT Rulebook (attached under separate cover), effective May 7, 2024

Exhibit A

**CBOT Rulebook
Chapter 5
("Trading Qualifications and Practices")**

Position Limit, Position Accountability and Reportable Level Table
(attached under separate cover)

[Effective February 9, 2024]

Exhibit B

**CBOT Rulebook
Chapter 5
("Trading Qualifications and Practices")**

Position Limit, Position Accountability and Reportable Level Table
(attached under separate cover)

[Effective May 7, 2024]