

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested ☐

Registered Entity Identifier Code (optional): 23-049

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): 02/08/23 Filing Description: Amendments to Position Limits for the 30-Year Uniform Mortgage-Backed Security (UMBS) To-Be Announced (TBA) Futures

SPECIFY FILING TYPE

Please note only ONE choice allowed per Submission.

Organization Rules and Rule Amendments

- | | | |
|--------------------------|-------------------------------------|------------|
| <input type="checkbox"/> | Certification | § 40.6(a) |
| <input type="checkbox"/> | Approval | § 40.5(a) |
| <input type="checkbox"/> | Notification | § 40.6(d) |
| <input type="checkbox"/> | Advance Notice of SIDCO Rule Change | § 40.10(a) |
| <input type="checkbox"/> | SIDCO Emergency Rule Change | § 40.10(h) |

Rule Numbers:

New Product

Please note only ONE product per Submission.

- | | | |
|--------------------------|---------------------------------------|------------|
| <input type="checkbox"/> | Certification | § 40.2(a) |
| <input type="checkbox"/> | Certification Security Futures | § 41.23(a) |
| <input type="checkbox"/> | Certification Swap Class | § 40.2(d) |
| <input type="checkbox"/> | Approval | § 40.3(a) |
| <input type="checkbox"/> | Approval Security Futures | § 41.23(b) |
| <input type="checkbox"/> | Novel Derivative Product Notification | § 40.12(a) |
| <input type="checkbox"/> | Swap Submission | § 39.5 |

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

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

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

Rule Numbers: See filing.

February 8, 2023

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 Security (UMBS) To-Be Announced (TBA) Futures.
CBOT Submission No. 23-049**

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% and 6.0% Coupon Rates) (collectively, the "Contracts") effective on February 27, 2023 and commencing with the June 2023 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 2023 Contract Month)	Proposed Position Limits (in Net Futures Equivalents) (Commencing with the June 2023 Contract Month and Beyond)
30-Year UMBS TBA Futures – 2.0% Coupons	75	20U	25,000	<u>10,000</u>
30-Year UMBS TBA Futures – 2.5% Coupons	75	25U	60,000	<u>7,000</u>
30-Year UMBS TBA Futures – 3.0% Coupons	75	30U	60,000	<u>10,000</u>
30-Year UMBS TBA Futures – 3.5% Coupons	75	35U	32,000	<u>12,000</u>
30-Year UMBS TBA Futures – 4.0% Coupons	75	40U	10,000	<u>12,000</u>
30-Year UMBS TBA Futures – 4.5% Coupons	75	45U	5,000	<u>18,000</u>
30-Year UMBS TBA Futures – 5.0% Coupons	75	50U	2,500	<u>15,000</u>
30-Year UMBS TBA Futures – 5.5% Coupons	75	55U	8,000	<u>20,000</u>

30-Year UMBS TBA Futures – 6.0% Coupons	75	60U	3,000	<u>15,000</u>
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Exhibit A and Exhibit B provide amendments to the Table effective February 27, 2023 and May 8, 2023, the date that the June 2023 contract month will be the lead contract month.

As described in the initial listing of the Contracts via [CBOT Submission No. 22-053](#) dated October 14, 2022, position accountability thresholds for the Contracts shall be similar to the methodology applied to the U.S. Treasury Note and Bond futures complex. Position limits have been determined and will be maintained by the monthly settlement volumes of 30-Year UMBS TBA forwards at MBSD.

Upon review of recent settlement volumes in deliverable-grade of the Contracts, the Rule Amendments are partially attributable to rise of mortgage rates over the course of 2022. Advanced market notification with application to June 2023 futures delivery months allows the marketplace multiple months to consider the changes prior to implementation. This amount of advance warning is intended to 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 the contract grade which are eligible for delivery into the Contracts. For all coupon rates available for trading and clearing, 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.

Further, the Rule Amendments are intended to continue to mitigate congested deliveries that may potentially 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.

In a separate but related matter, via [CBOT Submission No. 23-050](#) dated January 20, 2023, CBOT amended the various aspects of the delivery mechanism for Contracts commencing with the May 2023 contract month and beyond.

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 the Contracts at levels that are consistent with existing and expected deliverable supplies of cash 30-Year UMBS securities. As such, the Rule Amendments are intended to minimize any possible 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 are consistent with existing and expected deliverable supplies of cash 30-Year UMBS securities. The Exchange will continue its 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 are consistent with existing and expected deliverable supplies of cash 30-Year UMBS securities.

- **Protection of Market Participants:** As a result of the Rule Amendments the position levels will remain consistent with existing and expected deliverable supplies of cash 30-Year UMBS securities and will continue to protect market participants from abusive trading practices by any party that seeks to benefit from unfair and inequitable trading practices.
- **Availability of General Information:** Information regarding the Rule Amendments will be disseminated to the marketplace via Market Surveillance Notice (“MSN”). The MSN will also be posted on the CME Group website. The Exchange will continue to 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 (212) 299-2200 or via e-mail at CMEGSubmissionInquiry@cmegroup.com.

Sincerely,

/s/Christopher Bowen
Managing Director and Chief Regulatory Counsel

Attachments: Exhibit A – Position Limit, Position Accountability, and Reportable Level Table in Chapter 5 of the CBOT Rulebook Effective February 27, 2023 (blackline format) (attached under separate cover)
Exhibit B – Position Limit, Position Accountability, and Reportable Level Table in Chapter 5 of the CBOT Rulebook Effective May 8, 2023 (blackline format) (attached under separate cover)

Exhibit A

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

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

[effective February 27, 2023]

Exhibit B

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

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

[effective May 8, 2023]