

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 18-367

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): 09/11/18 **Filing Description:** Notification Regarding Decrease and Increase of the Position Limits for the Short-Term U.S. Treasury Note Futures (2-Year) and 3-Year U.S. Treasury Note Futures Contracts, Respectively

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)

- | | | |
|-------------------------------------|---|----------------------|
| <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: Short-Term U.S. Treasury Note Futures (2-Year), 3-Year U.S. Treasury Note Futures.

Rule Numbers: CBOT Rulebook Chapter 5; Position Limit, Position Accountability, and Reportable Level Table; Position Limit Table.

September 11, 2018

VIA ELECTRONIC PORTAL

Mr. Christopher J. Kirkpatrick
Office of the Secretariat
Commodity Futures Trading Commission
3 Lafayette Center
1155 21st Street NW
Washington, DC 20581

**Re: CFTC Regulation 40.6(a) Certification. Notification Regarding Amendments to CBOT Chapter 5 Position Limits, Position Accountability and Reportable Level Table to Decrease and Increase the Initial Spot Month Limits of the Short-Term (2-Year) U.S. Treasury Note Futures and 3-Year U.S. Treasury Note Futures Contracts, Respectively.
CBOT Submission No. 18-367**

Dear Mr. Kirkpatrick:

The Board of Trade of the City of Chicago, Inc. (“CBOT” or “Exchange”) is notifying the Commodity Futures Trading Commission (“CFTC” or “Commission”) that it is self-certifying amendments CBOT Chapter 5 (“Trading Qualifications and Practices”) Position Limits, Position Accountability and Reportable Level Table (the “Table”) to:

- decrease the initial spot-month limit of the Short-Term U.S. Treasury Note Futures (2-Year) contract (Rulebook Chapter 21; Commodity Code: 26); and
- increase the initial spot-month limit of the 3-Year U.S. Treasury Note Futures contract (Rulebook Chapter 39; Commodity Code: 3YR) (collectively, the “Contracts”)

effective on Tuesday, September 25, 2018 and commencing with the March 2019 contract month and beyond (collectively, the “Rule Amendments”) as noted in Exhibit 1. below. The initial spot-month limit for contract months up to and including the December 2018 contract month of the Contracts shall remain unchanged.

Exhibit 1.

Contract Title	Current Initial Spot-Month Limit (up to and including December 2018 contract month)	Amended Initial Spot-Month Limit (commencing with the March 2019 contract month and beyond)
Short-Term U.S. Treasury Note Futures (2-Year)	30,000 contracts	<u>25,000 contracts</u>
3-Year U.S. Treasury Note Futures	20,000 contracts	<u>35,000 contracts</u>

Appendix A, attached under separate cover, provides amendments to the Table effective on Tuesday, September 25, 2018 in blackline format. Appendix B, also attached under separate cover, provides amendments to the Table effective on Monday, January 7, 2019 in blackline format.

The Exchange is providing the market place sufficient notice as the Rule Amendments result in decreased position limits for the Short-Term U.S. Treasury Note Futures (2-Year) contract. This advanced market notification shall provide a full expiration cycle (three months) which will minimize any potential disruptions to trading in futures delivery months with existing open interest.

The position limits for expiring CBOT Medium-Term U.S. Treasury Note Futures (5-Year), Long-Term U.S. Treasury Note Futures (10-Year), 10-Year U.S. Treasury Note Futures, U.S. Treasury Bond Futures, and Long-Term U.S. Treasury Bond Futures will remain at current levels – i.e., 85,000, 70,000, 90,000, 30,000 and 80,000 contracts, respectively – reflecting the Exchange’s determination that these limits are appropriate to the characteristics and supply of contract-grade Treasury notes and bonds that are eligible for delivery into these futures contracts.

For any given Treasury futures contract, the Exchange establishes and periodically re-evaluates 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.

CBOT first 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 2015. As in those earlier instances, the aim of the present re-examination 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 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 Treasury futures at levels that are consistent with existing and expected deliverable supplies of cash Treasury 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.
- **Position Limitations or Accountability**: The Rule Amendments, which sets position limits in expiring Treasury futures at levels that are consistent with existing and expected deliverable supplies of cash Treasury securities, will reduce the potential threat of market manipulation or delivery congestion during trading in the delivery month.
- **Availability of General Information**: The information contained herein 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 (212) 299-2200 or via e-mail at CMEGSubmisisonInquiry@cmegroup.com.

Sincerely,

/s/Christopher Bowen
Managing Director and Chief Regulatory Counsel

Attachments: Appendix A – Position Limit, Position Accountability, and Reportable Level Table in Chapter 5 of the CBOT Rulebook (blackline format) (attached under separate cover) (Effective Tuesday, September 25, 2018)
Appendix B – Position Limit, Position Accountability, and Reportable Level Table in Chapter 5 of the CBOT Rulebook (blackline format) (attached under separate cover) (Effective Monday, January 7, 2019)

Appendix A

**Position Limit, Position Accountability, and Reportable Level Table in
Chapter 5 (“Trading Practices and Qualifications”) of the CBOT Rulebook**

(attached under separate cover)

(Effective Tuesday, September 25, 2018)

Appendix B

**Position Limit, Position Accountability, and Reportable Level Table in
Chapter 5 (“Trading Practices and Qualifications”) of the CBOT Rulebook**

(attached under separate cover)

(Effective Monday, January 7, 2019)