

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 22-488

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): 11/17/22 Filing Description: Decrease of Spot Month Position Limits for the Long-Term U.S. Treasury Note Futures (6½ to 10-Year) Contract

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.

November 17, 2022

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. Decrease of the Spot Month Position Limits for the Long-Term U.S. Treasury Note Futures (6½ to 10-Year) Contract. CBOT Submission No. 22-488

Dear Mr. Kirkpatrick:

The Board of Trade of the City of Chicago, Inc. (“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 decrease the spot-month limit for the Long-Term U.S. Treasury Note Futures (6½ to 10-Year) contract (the “Contract”) commencing with the September 2023 contract month and beyond. This submission shall become effective on December 5, 2022.

Contract Title	Rulebook Chapter	CME Globex / CME ClearPort Code	Spot-Month Limit (in Net Futures Equivalents) (Up to and including the June 2023 Contract Month)	Spot-Month Limit (in Net Futures Equivalents) (Commencing with the September 2023 Contract Month and Beyond)
Long-Term U.S. Treasury Note Futures (6½ to 10-Year)	19	ZN/21	100,000	<u>75,000</u>

The Table will be amended to reflect the aforementioned changes to the Contract. Exhibit A provides amendments to the Table effective December 5, 2022. Exhibit B provides amendments to the Table on June 30, 2023, the date the September 2023 contract month of the Contract becomes the lead month (collectively, the “Rule Amendments”). Note that the September 2023 contract month will be listed for trading and clearing on December 21, 2022.

The Exchange reviewed recent auction activity in deliverable-grade US Treasury Notes and Bonds of CBOT’s Treasury futures products. The Rule Amendments are partially attributable to smaller 7-year and 10-year note issue sizes. The Exchange is providing advanced notification to market participants with application commencing with the September 2023 contract month and beyond to provide multiple quarters for consideration of the Rule Amendments prior to implementation. This amount of advance notification is intended to alleviate any potential disruptions. The decreased spot month position limit of the Contract will not apply to any futures delivery months with existing open interest.

The position limits for the remaining Treasury Note and Bond futures will remain at current levels – 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 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.

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. 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 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.
- **Prevention of Market Disruption**: The Rule Amendments, which determines position limits in expiring Treasury futures at levels that are consistent with existing and expected deliverable supplies of cash Treasury 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 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.
- **Protection of Market Participants**: The Rule Amendments, which determine position limits in expiring Treasury futures at levels that are consistent with existing and expected deliverable supplies of cash Treasury 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 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 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 (attached under separate cover), effective December 5, 2022
Exhibit B – Position Limit, Position Accountability, and Reportable Level Table in Chapter 5 Of the CBOT Rulebook (attached under separate cover), effective June 30, 2023

Exhibit A

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

Position Limit, Position Accountability and Reportable Level Table
(attached under separate cover)
(effective December 5, 2022)

Exhibit B

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

Position Limit, Position Accountability and Reportable Level Table
(attached under separate cover)
(effective June 30, 2023)