

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 22-468

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): 12/06/22 Filing Description: Amendments to Rule 19101.A. ("Contract Grade") of the Long-Term U.S. Treasury Note Futures (6½ to 10-Year) Contract Commencing with the September 2023 Contract Month and Beyond

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: Long-Term U.S. Treasury Note Futures (6½ to 10-Year).

Rule Numbers: CBOT Rulebook Chapter 19.

December 6, 2022

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. Amendments to Rule 19101.A. (“Contract Grade”) of the Long-Term U.S. Treasury Note Futures (6½ to 10-Year) Contract Commencing with the September 2023 Contract Month and Beyond. CBOT Submission No. 22-468

The Board of Trade of the City of Chicago, Inc. (“CBOT” or “Exchange”) certifies to the Commodity Futures Trading Commission (“CFTC” or “Commission”) amendments to Rule 19101.A. (“Contract Grade”) of the Long-Term U.S. Treasury Note Futures (6½ to 10-Year) contract (the “Contract”) effective on Tuesday, December 20, 2022 for trade date Wednesday, December 21, 2022 commencing with the September 2023 contract month and beyond.

Contract Title	CME Globex / CME ClearPort Code	Rulebook Chapter
Long-Term U.S. Treasury Note Futures (6½ to 10-Year) (all contract months up to and including June 2023)	ZN / 21	19
U.S. Treasury Note Futures (6½ to 7¾-Year) (all contract months commencing with September 2023 and beyond)	ZN / 21	19

Specifically, CBOT will:

Effective December 21, 2022

- (1) amend Rule 19101.A. such that commencing with the September 2023 contract (which will be listed for trading and clearing currently on December 21, 2022), such that the terms to maturity of the Contract shall include notes with a remaining term to maturity of not less than 6 years 6 months and not greater than 7 years 9 months (Note: the existing terms to maturity shall remain unchanged for all previously-listed contract months of the Contract);
- (2) commencing with the September 2023 contract month, amend the title of the Contract from Long-Term U.S. Treasury Note Futures (6½ to 10-Year) to U.S. Treasury Note Futures (6½ to 7¾ Year); and

Effective July 1, 2023

- (3) upon September 2023 becoming the spot month of the Contract on July 1, 2023, implement administrative amendments to CBOT Chapter 19 to delete obsolete language (collectively, the “Rule Amendment”).

The Rule Amendments are intended ensure an effective delivery basket for a variety of interest rate environments and note issuance scenarios and allow all U.S. Treasury notes to be eligible for the delivery. Moreover, the Rule Amendments more clearly distinguish the specifications from that of CBOT’s Ultra 10-Year U.S. Treasury Note Futures contract (Code: TN; CBOT Rulebook Chapter [26](#)) in an environment where rates exceed 6%.

Currently, the Contract behaves as having approximately 6.5-year maturity, by tracking shortest duration security in the basket as the “cheapest-to-deliver (CTD)” is generally near the ‘left’ side. In an environment of yields above 6%, the futures CTD tends toward the longest duration security in the basket. The implication is that in that yield environment, the Ultra 10-Year U.S. Treasury Note Futures contract (Code: TN) and the Contract will likely track the same CTD near the 10-year point.

When interest rates remain well below 6%, treasury futures are likely to continue tracking the shortest duration securities, 6 years 6 months for the Contract and 9 years 5 months for the Ultra 10-Year U.S. Treasury Note Futures Futures contract (Code: TN). The Ultra 10-Year U.S. Treasury Note Futures contract (Code: TN) basket will remain unchanged.

The deliverable basket design enables large amount of open interest buildup, far exceeding deliverable supply of any one security.

Appendix A and Appendix B below provide amendments to CBOT Chapter 19 effective on December 21, 2022 and July 1, 2023, respectively. Appendix C and Appendix D provided under separate cover provide amendments to the Position Limit, Position Accountability and Reportable Level Table located in Chapter 5 effective on December 21, 2022 and July 1, 2023, respectively.

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

- **Contract Not Readily Subject to Manipulation:** Pursuant to the Rule Amendments, it will consist of eleven issues that are eligible for delivery (five 10-yr and six 7-yr notes) with projected cumulative issuance of about \$800 B, giving it the largest basket size among the Treasury Note futures. The new deliverable grade will be robust and shall not be readily subject to manipulation due to the breadth and depth of the basket.
- **Availability of General Information:** The Exchange shall disseminate a Special Executive Report (“SER”) regarding the Rule Amendments. The SER will also be posted on the CME Group website.

Pursuant to Section 5c(c) of the Act and Regulation 40.6(a), the Exchange certifies that the Rule Amendments comply with the Act, including all regulations thereunder. 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-fillings.html>.

Should you have any questions concerning the above, please contact the undersigned at (212) 299-2200 or CMEGSubmissionInquiry@cmegroup.com.

Sincerely,

/s/ Christopher Bowen
Managing Director and Chief Regulatory Counsel

Attachments: Appendix A Amendments to CBOT Rule 19101.A. (“Contract Grade”) (blackline format) (Effective December 21, 2022)
Appendix B Amendments to CBOT Rule 19101.A. (“Contract Grade”) (blackline format) (Effective July 1, 2023)

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- Appendix C Amendments to the Position Limits, Position Accountability and Reportable Level Table in Chapter 5 of the CBOT Rulebook (attached under separate cover) (Effective December 21, 2022)
- Appendix D Amendments to the Position Limits, Position Accountability and Reportable Level Table in Chapter 5 of the CBOT Rulebook (attached under separate cover) (Effective July 1, 2023)

Appendix A
CBOT Rulebook

[Effective December 21, 2022]

Chapter 19

(additions underscored; deletions ~~struck through~~)

Long-Term U.S. Treasury Note Futures (6½ to 10-Year)
(ALL CONTRACT MONTHS UP TO AND INCLUDING THE JUNE 2023 CONTRACT MONTH)

~~Long-Term U.S. Treasury Note Futures (6½ to 10-~~ 7¾-Year)
(ALL CONTRACT MONTHS COMMENCING WITH THE SEPTEMBER 2023 CONTRACT MONTH AND BEYOND)

19101. CONTRACT SPECIFICATIONS

19101.A. Contract Grade

(ALL CONTRACT MONTHS UP TO AND INCLUDING THE JUNE 2023 CONTRACT MONTH)

The contract grade for delivery on futures made under these Rules shall be U.S. Treasury fixed-principal notes which have fixed semi-annual coupon payments, and which have:

- (a) an original term to maturity (i.e., term to maturity at issue) of not more than 10 years; and
- (b) a remaining term to maturity of not less than 6 years 6 months.

For the purpose of determining a U.S. Treasury note's eligibility for contract grade, its remaining term to maturity shall be calculated from the first day of the contract's named month of expiration, and shall be rounded down to the nearest three-month increment (e.g., 8 years 10 months 17 days shall be taken to be 8 years 9 months). New issues of U.S. Treasury notes that satisfy the standards in this Rule shall be added to the contract grade as they are issued.

Notwithstanding the foregoing, the Exchange shall have the right to exclude any new issue from the contract grade or to further limit outstanding issues from the contract grade.

19101.A. Contract Grade

(ALL CONTRACT MONTHS COMMENCING WITH THE SEPTEMBER 2023 CONTRACT MONTH AND BEYOND)

The contract grade for delivery on futures made under these Rules shall be U.S. Treasury fixed-principal notes which have fixed semi-annual coupon payments, and which have:

- (a) an original term to maturity (i.e., term to maturity at issue) of not more than 10 years; and
- (b) a remaining term to maturity of not less than 6 years 6 months **and not greater than 7 years 9 months.**

For the purpose of determining a U.S. Treasury note's eligibility for contract grade, its remaining term to maturity shall be calculated from the first day of the contract's named month of expiration, and shall be rounded down to the nearest three-month increment (e.g., 6 years 10 months 17 days shall be taken to be 6 years 9 months). New issues of U.S. Treasury notes that satisfy the standards in this Rule shall be added to the contract grade as they are issued.

Notwithstanding the foregoing, the Exchange shall have the right to exclude any new issue from the contract grade or to further limit outstanding issues from the contract grade.

[Remainder of Rule unchanged.]

Appendix B
CBOT Rulebook

[Effective July 1, 2023]

Chapter 19

(deletions struck through)

Long-Term U.S. Treasury Note Futures (6½ to 10-Year)
(ALL CONTRACT MONTHS UP TO AND INCLUDING THE JUNE 2023 CONTRACT MONTH)

U.S. Treasury Note Futures (6½ to 7¾-Year)
(ALL CONTRACT MONTHS COMMENCING WITH THE SEPTEMBER 2023 CONTRACT MONTH AND BEYOND)

19101. CONTRACT SPECIFICATIONS

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19101.A. Contract Grade

(ALL CONTRACT MONTHS COMMENCING WITH THE SEPTEMBER 2023 CONTRACT MONTH AND BEYOND)

The contract grade for delivery on futures made under these Rules shall be U.S. Treasury fixed principal notes which have fixed semi-annual coupon payments, and which have:

- (a) an original term to maturity (i.e., term to maturity at issue) of not more than 10 years; and
- (b) a remaining term to maturity of not less than 6 years 6 months and not greater than 7 years 9 months.

For the purpose of determining a U.S. Treasury note's eligibility for contract grade, its remaining term to maturity shall be calculated from the first day of the contract's named month of expiration, and shall be rounded down to the nearest three-month increment (e.g., 6 years 10 months 17 days shall be taken to be 6 years 9 months). New issues of U.S. Treasury notes that satisfy the standards in this Rule shall be added to the contract grade as they are issued.

Notwithstanding the foregoing, the Exchange shall have the right to exclude any new issue from the contract grade or to further limit outstanding issues from the contract grade.

[Remainder of Rule unchanged.]

Appendix C
CBOT Rulebook

[Effective December 21, 2022]

Chapter 5
(“Trading Qualifications and Practices”)

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

Appendix D
CBOT Rulebook

[Effective July 1, 2023]

Chapter 5
(“Trading Qualifications and Practices”)

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