

January 12, 2009

Mr. David Stawick
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, DC 20581

OFFICE OF THE SECRETARIAT

JAN 12 PM 5:07

RECEIVED
OFFICE

**RE: CBOT Chapters 18, 19, 20 and 21 - Treasury Note
 and Bond Futures
 CBOT Submission No. 09-003**

Dear Mr. Stawick:

The Board of Trade of the City of Chicago, Inc. ("CBOT" or "Exchange") hereby notifies the Commission of amended Exchange rules governing trading in U.S. Treasury Bond Futures, Long-Term U.S. Treasury Note Futures (6-1/2 to 10-Year), Medium-Term U.S. Treasury Note Futures (5-Year), and Short-Term U.S. Treasury Note Futures (2-Year).

These amendments modify the second paragraphs of Rules 18103., 19103., 20103., and 21103., such that a short position holder in a Treasury Bond or Treasury Note futures contract who intends to make delivery must inform the Clearing House of such intention to deliver no later than 6:00 p.m. Chicago time on the second business day preceding the intended day of delivery. In their current form, the above-mentioned Rules require that the Clearing House must be informed of such intention no later than 8:00 p.m. Chicago time on the second business day preceding the intended day of delivery.

The amendments also modify the Rules 18102.F. (b) and 19102.F. (b), such that liquidation by Exchange of Futures for Related Positions in an expiring U.S. Treasury Bond Futures contract or Long-Term U.S. Treasury Note Futures contract that remains outstanding after it has ceased trading must occur no later than 12:00 noon on the fifth business day preceding the last business day of the contract's named month of expiration. In their current form, these Rules give no specific time of day as the deadline for effecting such contract liquidations. These amendments serve to bring Rules 18102.F. (b) and 19102.F. (b) into conformity with Rules 20102.F. (b) and 21102.F. (b) that respectively govern liquidation by Exchange of Futures for Related Positions in expiring Medium-Term U.S. Treasury Note Futures and Short-Term U.S. Treasury Note Futures that remain outstanding after they have ceased trading.

In all other respects the amendments herein introduce no changes to contract terms and conditions, but serve only to clarify the presentation of the terms and conditions – for example, to note cross-references among Rules; to bring up to date references to the Code of Federal Regulations such as the Rules cite in regard to computing of accrued interest in the determination of invoice prices for contract deliveries; and to codify established practice with respect to rounding of contract delivery invoice amounts.

Mr. David Stawick
12 January 2009

Amended versions of Chapters 18, 19, 20 and 21 shall take effect immediately upon certification.

CBOT certifies that these changes comply with the Commodity Exchange Act and regulations thereunder.

The eight appendices that follow present the amended versions of contract terms and conditions, followed in each case by mark ups to the current versions:

- Appendix 1 -- Clean amended version of Chapter 18 for U.S. Treasury Bond Futures;
- Appendix 2 -- Amendments to the current version of Chapter 18;
- Appendix 3 -- Clean amended version of Chapter 19 for Long-Term U.S. Treasury Note Futures (6-1/2 to 10-Year);
- Appendix 4 -- Amendments to the current version of Chapter 19;
- Appendix 5 -- Clean amended version of Chapter 20 for Medium-Term U.S. Treasury Note Futures (5-Year);
- Appendix 6 -- Amendments to the current version of Chapter 20;
- Appendix 7 -- Clean amended version of Chapter 21 for Short-Term U.S. Treasury Note Futures (2-Year); and
- Appendix 8 -- Amendments to the current version of Chapter 21.

If you require any additional information regarding this action, please do not hesitate to contact either Frederick Sturm at 312.930.1282, frederick.sturm@cmegroup.com or me at 312.648.5422. Please reference our CBOT Submission No. 09-003 in any related correspondence.

Sincerely,

/s/ Stephen M. Szarmack
Director and Associate General Counsel

7295

Mr. David Stawick
12 January 2009

Appendix 1 – Amended Chapter 18

Chapter 18
U.S. TREASURY BOND FUTURES

18100. SCOPE OF CHAPTER

This chapter is limited in application to trading of U.S. Treasury Bond futures. The procedures for trading, clearing, delivery, and settlement, and any other matters not specifically covered herein or in Chapter 7 shall be governed by the general rules of the Exchange.

All times referenced in this chapter are Chicago times and are subject to change by the Exchange.

18101. CONTRACT SPECIFICATIONS

18101.A. Contract Grade

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

- (a) if not callable, have a remaining term to maturity of at least 15 years; or
- (b) if callable, are not callable for at least 15 years.

For the purpose of determining a U.S. Treasury bond's eligibility for contract grade, its remaining term to maturity (or, if callable, its remaining term to first call) 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., 15 years 5 months 18 days shall be taken to be 15 years 3 months).

New issues of U.S. Treasury bonds 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.

18101.B. Physical Delivery

Each individual contract lot that is delivered must be composed of one and only one contract grade Treasury bond issue. The amount at which the short Clearing Member making delivery shall invoice the long Clearing Member taking delivery of said bonds (Rule 18105.A.) shall be determined as:

$$\text{Invoice Amount} = (\$1000 \times P \times c) + \text{Accrued Interest}$$

where

P is the contract daily settlement price on the day that the short Clearing Member gives the Clearing House notice of intention to deliver (Rule 18104.A.). *P* shall be expressed in points and fractions of points with par on the basis of 100 points (Rule 18102.C.); and

c is a conversion factor equal to the price at which a bond with the same time to maturity as said bond or, if callable, same time to first call (as per Rule 18101.A.), and with the same coupon rate as said bond, and with par on the basis of one (1) point, will yield 6% per annum according to conversion factor tables prepared and published by the Exchange.

Mr. David Stawick
12 January 2009

For each individual contract lot that is delivered, the product expression ($\$1000 \times P \times c$) shall be rounded to the nearest cent, with half-cents rounded up to the nearest cent.

Example: Assume that P is 100 and $25.5/32$ nds. Assume that c is 0.9633. The product expression ($\$1000 \times P \times c$) is found to be \$97,097.6296875. The rounded amount that enters into determination of the *Invoice Amount* is \$97,097.63.

In the determination of the *Invoice Amount* for each individual contract lot being delivered, *Accrued Interest* shall be charged to the long Clearing Member taking delivery by the short Clearing Member making delivery, in accordance with 31 CFR Part 306--General Regulations Governing U.S. Securities, Subpart E--Interest. See also Rule 18102.B.

18102. TRADING SPECIFICATIONS

The number of contract expiration months open for trading at a given time shall be determined by the Exchange. Without limiting the foregoing, the Exchange customarily shall list for trading five consecutive expiries in the March-June-September-December quarterly cycle.

18102.A. Trading Schedule

The hours of trading shall be determined by the Exchange. On the last day of trading in an expiring contract (Rule 18102.F.), the close of the expiring contract shall begin at 12:00 noon, and trading shall be permitted thereafter for a period not to exceed one minute.

18102.B. Trading Unit

The unit of trading shall be U.S. Treasury bonds having a face value at maturity of one hundred thousand dollars (\$100,000) or multiples thereof.

18102.C. Price Increments

Par shall be on the basis of 100 points, with each point equal to \$1,000 per contract. The minimum price fluctuation shall be one-half of one thirty-second of one point (equal to \$15.625 per contract), except for intermonth spreads for which the minimum price fluctuation shall be one-quarter of one thirty-second of one point (equal to \$7.8125 per contract). Contracts shall not be made on any other price basis.

18102.D. Reserved

18102.E. Position Limits and Position Accountability

In accordance with Rule 559., no person shall own or control positions in excess of 25,000 contracts in an expiring contract during the contract's last 10 trading days (Rule 18102.F.). No hedge exemptions will be permitted with respect to this position limit.

Position accountability, as defined in Rule 560., shall apply to trading of U.S. Treasury Bond futures.

18102.F. Termination of Trading

No trades in an expiring contract shall be made during the last 7 business days of the contract's named month of expiration. Any contract remaining open after the last day of trading must be either:

- (a) settled by physical delivery no later than the last business day of the contract's named month of expiration (Rule 18103.); or

Mr. David Stawick
12 January 2009

(b) liquidated by means of a bona fide Exchange of Futures for Related Position (Rule 538.) no later than 12:00 noon on the fifth business day preceding the last business day of the contract's named month of expiration.

18103. DATE OF DELIVERY

Delivery of contract grade U.S. Treasury bonds may be made by a short Clearing Member upon any business day of the contract delivery month that the short Clearing Member may select. The contract delivery month shall be defined so as to commence on, and to include, the first business day of the contract's named month of expiration, and to extend to, and to include, the last business day of the contract's named month of expiration.

18104. DELIVERIES ON EXPIRING FUTURES CONTRACTS

Deliveries against expiring contracts shall be by book-entry transfer between accounts of Clearing Members at qualified banks (Rule 18109.) in accordance with 31 CFR Part 306--General Regulations Governing U.S. Securities, Subpart O--Book-Entry Procedure, and 31 CFR Part 357--Regulations Governing Book-Entry of U.S. Treasury Bonds, Notes and Bills Held in Legacy Treasury Direct®.

Deliveries against an expiring contract can be made no earlier than the first business day of the contract's named month of expiration, and no later than the last business day of the contract's named month of expiration (Rule 18103.).

All deliveries must be assigned by the Clearing House.

18104.A. Day of Intention

No later than 6:00 p.m. on the second business day preceding the intended day of delivery, the short Clearing Member must tender to the Clearing House all notices of intention to make delivery such as it has received from its customers who are short.

Where a futures commission merchant, as a Clearing Member, has an interest both long and short for customers on its own books, it must tender all such notices of intention to deliver.

To each short Clearing Member who has issued a notice of intention to make delivery, the Clearing House shall assign long Clearing Members who shall be obligated to take delivery. Upon making such assignment, the Clearing House shall promptly furnish to each short Clearing Member making delivery the names of the long Clearing Members assigned to take delivery from such short Clearing Member.

18104.B. Day of Delivery

No later than 7:30 a.m. on the day of delivery, the long Clearing Member taking delivery must make funds available, and must notify its bank to accept contract grade U.S. Treasury bonds (Rules 18101.A. and 18105.A.) and to remit federal funds to the account of the short Clearing Member making delivery, at the short Clearing Member's bank.

In the event the long Clearing Member taking delivery does not agree with the terms of the invoice received from the short Clearing Member making delivery (Rule 18105.A.), the long Clearing Member must notify the short Clearing Member, and the dispute must be settled no later than 9:30 a.m. on the day of delivery.

No later than 10:00 a.m. on the day of delivery, the short Clearing Member making delivery must have contract grade U.S. Treasury bonds (Rules 18101.A. and 18105.) in place at its bank, in delivery form that

Mr. David Stawick
12 January 2009

is acceptable to its bank, and must notify its bank to transfer said U.S. Treasury bonds by book entry, on a delivery versus payment basis (Rule 18107.), to the account of the long Clearing Member taking delivery, at the long Clearing Member's bank.

No later than 1:00 p.m. on the day of delivery, contract grade U.S. Treasury bonds must be transferred, and payment must be made.

18105. SELLER'S INVOICE NOTIFICATION TO BUYER

18105.A. Invoice Terms

Each short Clearing Member making delivery shall prepare invoices addressed to each long Clearing Member assigned to take delivery from such short Clearing Member (Rule 18104.A.). Said invoices shall:

- (a) identify the U.S. Treasury bonds that the short Clearing Member shall tender to said long Clearing Member; and
- (b) show the amounts which said long Clearing Member must pay to said short Clearing Member in settlement of the actual delivery of said U.S. Treasury bonds, based on the delivery prices established by the Clearing House, and adjusted for accrued interest (Rule 18101.B.).

18105.B. Day of Notification

In the case of deliveries to be made prior to the last permissible day of delivery (Rule 18103.), each short Clearing Member making delivery shall submit said invoices to the Clearing House by 2:00 p.m. on the business day preceding the day of delivery. In the case of deliveries to be made on the last permissible day of delivery, the short Clearing Member shall submit such invoices to the Clearing House by 3:00 p.m. on the business day preceding the day of delivery. Upon receipt of such invoices, the Clearing House shall promptly furnish them to the long Clearing Members to whom they are addressed.

18106. BUYER'S BANKING NOTIFICATION TO SELLER

No later than 4:00 p.m. on the business day preceding the day of delivery, the long Clearing Member taking delivery shall provide the short Clearing Member making delivery with a Banking Notification form which shall include:

- (a) date of delivery;
- (b) identification number and name of the long Clearing Member taking delivery;
- (c) notification number of the Clearing House delivery assignment;
- (d) identification number and name of the short Clearing Member making delivery;
- (e) quantity of the contract being delivered; and
- (f) the long Clearing Member's bank, account number, and specific Federal Wire instructions for the transfer of U.S. Treasury securities.

18107. PAYMENT

No later than 1:00 p.m. on the day of delivery, the long Clearing Member assigned to take delivery must take delivery and make payment. In the case of banking holidays, said long Clearing Member must take delivery and make payment no later than 9:30 a.m. on the next banking business day.

Payment shall be made in federal funds on a delivery versus payment basis. That is, payment shall not be made until the U.S. Treasury bonds to be tendered for delivery (Rule 18105.A.) are delivered.

Mr. David Stawick
12 January 2009

Adjustments for differences between contract prices and delivery prices established by the Clearing House shall be made with the Clearing House in accordance with its rules, policies, and procedures.

18108. WIRE FAILURE

In the event that delivery cannot be accomplished because of a failure of the Federal Reserve wire, or because of a failure of either the long Clearing Member's bank or the short Clearing Member's bank to access the Federal Reserve wire, delivery shall be made before 9:30 a.m. on the next business day on which the Federal Reserve wire, or bank access to it, is operable.

In the event of such failure, the short Clearing Member making delivery shall remit to the long Clearing Member taking delivery such interest on the U.S. Treasury bonds being delivered as accrues between the day on which the bonds were originally to be delivered and the day on which the bonds are actually delivered. Both the long Clearing Member and the short Clearing Member must provide to the Exchange documented evidence that they gave instructions to their respective banks in accordance with Rules 18104. and 18107. and that they complied with all other provisions of Rules 18104. and 18107.

18109. BANKS

For the purposes of these Rules, "qualified bank" (Rule 18104.) shall mean a U.S. commercial bank (either Federal or State chartered) that is a member of the Federal Reserve System and that has capital (capital, surplus, and undivided earnings) in excess of one hundred million dollars (\$100,000,000).

Mr. David Stawick
12 January 2009

Appendix 2 – Amendments to Current Chapter 18

Chapter 18 U.S. Treasury Bond Futures

18100. SCOPE OF CHAPTER

This chapter is limited in application to ~~[futures]~~ trading of U.S. Treasury Bond~~s~~ ~~futures~~. The procedures for trading, clearing, delivery and settlement, and any other matters not specifically covered herein or in Chapter 7 shall be governed by the general rules of the Exchange.

All times referenced in this chapter are Chicago times and are subject to change by the Exchange.

18101. CONTRACT SPECIFICATIONS

~~[The contract grade for delivery on futures contracts made under these Rules shall be long term U.S. Treasury Bonds which if callable are not callable for at least 15 years or if not callable have a maturity of at least 15 years. All bonds delivered against a contract must be of the same issue. For settlement, the time to maturity (time to call if callable) of a given issue is calculated in complete three month increments (i.e., 15 years and 5 months = 15 years and 1 quarter) from the first day of the delivery month. The price at which a bond with this time to maturity (time to call if callable) and with the same coupon rate as this issue will yield 6% according to bond tables prepared by the Financial Publishing Co. of Boston, Mass., is multiplied times the settlement price to arrive at the amount which the short invoices the long.~~

~~U.S. Treasury Bonds deliverable against futures contracts under these Rules must have semi-annual coupon payments.~~

~~Interest accrued on the bonds shall be charged to the long by the short in accordance with Department of the Treasury Circular 300, Subpart P.~~

~~New issues of long term U.S. Treasury bonds which satisfy the standards in this Rule shall be added to the deliverable grade as they are issued. The Board shall have the right to exclude any new issue from deliverable status or to further limit outstanding issues from deliverable status.]~~

18101.A. Contract Grade

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

- (a) if not callable, have a remaining term to maturity of at least 15 years; or
- (b) if callable, are not callable for at least 15 years.

For the purpose of determining a U.S. Treasury bond's eligibility for contract grade, its remaining term to maturity (or, if callable, its remaining term to first call) 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., 15 years 5 months 18 days shall be taken to be 15 years 3 months).

New issues of U.S. Treasury bonds 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.

Mr. David Stawick
12 January 2009

18101.B. Physical Delivery

Each individual contract lot that is delivered must be composed of one and only one contract grade Treasury bond issue. The amount at which the short Clearing Member making delivery shall invoice the long Clearing Member taking delivery of said bonds (Rule 18105.A.) shall be determined as:

$$\text{Invoice Amount} = (\$1000 \times P \times c) + \text{Accrued Interest}$$

where

P is the contract daily settlement price on the day that the short Clearing Member gives the Clearing House notice of intention to deliver (Rule 18104.A.). P shall be expressed in points and fractions of points with par on the basis of 100 points (Rule 18102.C.); and

c is a conversion factor equal to the price at which a bond with the same time to maturity as said bond or, if callable, same time to first call (as per Rule 18101.A.), and with the same coupon rate as said bond, and with par on the basis of one (1) point, will yield 6% per annum according to conversion factor tables prepared and published by the Exchange.

For each individual contract lot that is delivered, the product expression $(\$1000 \times P \times c)$ shall be rounded to the nearest cent, with half-cents rounded up to the nearest cent.

Example: Assume that P is 100 and 25.5/32nds. Assume that c is 0.9633. The product expression $(\$1000 \times P \times c)$ is found to be \$97,097.6296875. The rounded amount that enters into determination of the Invoice Amount is \$97,097.63.

In the determination of the Invoice Amount for each individual contract lot being delivered, Accrued Interest shall be charged to the long Clearing Member taking delivery by the short Clearing Member making delivery, in accordance with 31 CFR Part 306--General Regulations Governing U.S. Securities, Subpart E--Interest. See also Rule 18102.B.

18102. TRADING SPECIFICATIONS

[Trading in U.S. Treasury Bond futures is regularly conducted in four months-- March, June, September and December. The number of months open for trading at a given time shall be determined by the Exchange.]

The number of contract expiration months open for trading at a given time shall be determined by the Exchange. Without limiting the foregoing, the Exchange customarily shall list for trading five consecutive expiries in the March-June-September-December quarterly cycle.

18102.A. Trading Schedule

The hours for trading [~~of U.S. Treasury Bond futures~~] shall be determined by the Exchange. On the last day of trading in an expiring [~~future~~]contract (Rule 18102.F.), the close of the expiring [~~future~~]contract shall begin at [~~12 o'clock~~]12:00 noon and trading shall be permitted thereafter for a period not to exceed one minute.

18102.B. Trading Unit

The unit of trading shall be [~~United States~~]U.S. Treasury Bonds having a face value at maturity of one hundred thousand dollars (\$100,000) or multiples thereof.

Mr. David Stawick
12 January 2009

18102.C. Price Increments¹

~~[Minimum price fluctuations shall be in multiples of one-half of one thirty-second point per 100 points (\$15.625 per contract) except for intermonth spreads, for which minimum price fluctuations shall be in multiples of one-fourth of one thirty-second point per 100 points (\$7.8125 per contract). Par shall be on the basis of 100 points.] Par shall be on the basis of 100 points, with each point equal to \$1,000 per contract. The minimum price fluctuation shall be one-half of one thirty-second of one point (equal to \$15.625 per contract), except for intermonth spreads for which the minimum price fluctuation shall be one-quarter of one thirty-second of one point (equal to \$7.8125 per contract). Contracts shall not be made on any other price basis.~~

18102.D. Reserved

18102.E. Position Limits and Position Accountability

In accordance with Rule 559., no person shall own or control positions in excess of 25,000 contracts in ~~[the]an~~ expiring contract during ~~[the last ten trading days of the expiring futures month]~~ the contract's last 10 trading days (Rule 18102.F.). No hedge exemptions will be permitted with respect to this position limit.

Position accountability, as defined in Rule 560, will apply to trading of U.S. Treasury Bond futures.

18102.F. Termination of Trading

~~[No trades in U.S. Treasury Note futures deliverable in the current month shall be made during the last seven business days of that month.] No trades in an expiring contract shall be made during the last 7 business days of the contract's named month of expiration.~~ Any contract[s] remaining open after the last day of trading must be either:

- (a) ~~[Settled by delivery no later than the last business day of the month.]~~ Settled by physical delivery no later than the last business day of the contract's named month of expiration (Rule 18103.); or
- (b) Liquidated by means of a bona fide Exchange of Futures for Related Position~~[, no later than the fifth business day immediately preceding the last business day of the delivery month.]~~ (Rule 538.) no later than 12:00 noon on the fifth business day preceding the last business day of the contract's named month of expiration.

~~[18103. DELIVERIES ON FUTURES CONTRACTS~~

~~Deliveries against long term U.S. Treasury bond futures contracts shall be by book-entry transfer between accounts of Clearing Members at qualified banks (Rule 18109.) in accordance with Department of the Treasury Circular 300, Subpart O: Book-Entry Procedure. Delivery must be made no later than the last business day of the month.~~

~~Notice of intention to deliver shall be given to the Clearing House by 8:00 p.m. on the second business day preceding delivery day. In the event the long Clearing Member does not agree with the terms of the invoice received from the short Clearing Member, the long Clearing Member must notify the short Clearing Member, and the dispute must be settled by 9:30 a.m. on delivery day. The short Clearing Member must have contract grade U.S. Treasury Bonds in place at his bank in acceptable (to his bank) delivery form no later than 10:00 a.m. on delivery day. The short Clearing Member must notify his bank to transfer contract grade U.S. Treasury bonds by book-entry to the long Clearing Member's account at the~~

¹ Revised March 2008.

Mr. David Stawick
12 January 2009

~~long Clearing Member's bank on a delivery versus payment basis. That is, payment shall not be made until the bonds are delivered.~~

~~On delivery day, the long Clearing Member must make funds available by 7:30 a.m. and notify his bank to accept contract grade U.S. Treasury bonds and to remit federal funds to the short Clearing Member's account at the short Clearing Member's bank in payment for delivery of the bonds. Contract grade U.S. Treasury bonds must be transferred and payment must be made before 1:00 p.m. on delivery day. All deliveries must be assigned by the Clearing House. Where a futures commission merchant as a clearing member has an interest both long and short for customers on its own books, it must tender to the Clearing House such notices of intention to deliver as it received from its customers who are short.]~~

18103. DATE OF DELIVERY

Delivery of contract grade U.S. Treasury bonds may be made by a short Clearing Member upon any business day of the contract delivery month that the short Clearing Member may select. The contract delivery month shall be defined so as to commence on, and to include, the first business day of the contract's named month of expiration, and to extend to, and to include, the last business day of the contract's named month of expiration.

~~18104. WIRE FAILURE~~

~~In the event that delivery cannot be accomplished because of a failure of the Federal Reserve wire or because of a failure of either the long Clearing Member's bank or the short Clearing Member's bank access to the Federal Reserve wire, delivery shall be made before 9:30 a.m. on the next business day on which the Federal Reserve wire, or bank access to it is operable. Interest shall accrue to the long paid by the short beginning on the day on which the bonds were to be originally delivered.~~

~~In the event of such failure, both the long and short must provide documented evidence that the instructions were given to their respective banks in accordance with Rules 18103. and 18107. and that all other provisions of Rules 18103. and 18107. have been complied with.]~~

18104. DELIVERIES ON EXPIRING FUTURES CONTRACTS

Deliveries against expiring contracts shall be by book-entry transfer between accounts of Clearing Members at qualified banks (Rule 18109.) in accordance with 31 CFR Part 306--General Regulations Governing U.S. Securities, Subpart O--Book-Entry Procedure, and 31 CFR Part 357--Regulations Governing Book-Entry of U.S. Treasury Bonds, Notes and Bills Held in Legacy Treasury Direct@.

Deliveries against an expiring contract can be made no earlier than the first business day of the contract's named month of expiration, and no later than the last business day of the contract's named month of expiration (Rule 18103.).

All deliveries must be assigned by the Clearing House

18104.A. Day of Intention

No later than 6:00 p.m. on the second business day preceding the intended day of delivery, the short Clearing Member must tender to the Clearing House all notices of intention to make delivery such as it has received from its customers who are short.

Where a futures commission merchant, as a Clearing Member, has an interest both long and short for customers on its own books, it must tender all such notices of intention to deliver.

To each short Clearing Member who has issued a notice of intention to make delivery, the Clearing House shall assign long Clearing Members who shall be obligated to take delivery. Upon making such

Mr. David Stawick
12 January 2009

assignment, the Clearing House shall promptly furnish to each short Clearing Member making delivery the names of the long Clearing Members assigned to take delivery from such short Clearing Member.

18104.B. Day of Delivery

No later than 7:30 a.m. on the day of delivery, the long Clearing Member taking delivery must make funds available, and must notify its bank to accept contract grade U.S. Treasury bonds (Rules 18101.A. and 18105.A.) and to remit federal funds to the account of the short Clearing Member making delivery, at the short Clearing Member's bank.

In the event the long Clearing Member taking delivery does not agree with the terms of the invoice received from the short Clearing Member making delivery (Rule 18105.A.), the long Clearing Member must notify the short Clearing Member, and the dispute must be settled no later than 9:30 a.m. on the day of delivery.

No later than 10:00 a.m. on the day of delivery, the short Clearing Member making delivery must have contract grade U.S. Treasury bonds (Rules 18101.A. and 18105.) in place at its bank, in delivery form that is acceptable to its bank, and must notify its bank to transfer said U.S. Treasury bonds by book entry, on a delivery versus payment basis (Rule 18107.), to the account of the long Clearing Member taking delivery, at the long Clearing Member's bank.

No later than 1:00 p.m. on the day of delivery, contract grade U.S. Treasury bonds must be transferred, and payment must be made.

[18105. DATE OF DELIVERY

Delivery of U.S. Treasury bonds may be made by the short upon any permissible delivery day of the delivery month the short may select. Delivery of U.S. Treasury bonds must be made no later than the last business day of that month.]

18105. SELLER'S INVOICE NOTIFICATION TO BUYER

18105.A. Invoice Terms

Each short Clearing Member making delivery shall prepare invoices addressed to each long Clearing Member assigned to take delivery from such short Clearing Member (Rule 18104.A.). Said invoices shall:

- (a) identify the U.S. Treasury bonds that the short Clearing Member shall tender to said long Clearing Member; and
- (b) show the amounts which said long Clearing Member must pay to said short Clearing Member in settlement of the actual delivery of said U.S. Treasury bonds, based on the delivery prices established by the Clearing House, and adjusted for accrued interest (Rule 18101.B.).

18105.B. Day of Notification

In the case of deliveries to be made prior to the last permissible day of delivery (Rule 18103.), each short Clearing Member making delivery shall submit said invoices to the Clearing House by 2:00 p.m. on the business day preceding the day of delivery. In the case of deliveries to be made on the last permissible day of delivery, the short Clearing Member shall submit such invoices to the Clearing House by 3:00 p.m. on the business day preceding the day of delivery. Upon receipt of such invoices, the Clearing House shall promptly furnish them to the long Clearing Members to whom they are addressed.

Mr. David Stawick
12 January 2009

[18106. SELLER'S INVOICE TO BUYERS

~~Upon determining the buyers obligated to accept deliveries tendered by issuers of delivery notices, the Clearing House shall promptly furnish each issuer the names of the buyers obligated to accept delivery from him and a description of each security tendered by him which was assigned by the Clearing House to each such buyer. Thereupon, sellers (issuers of delivery notices) shall prepare invoices addressed to their assigned buyers, describing the documents to be delivered to each such buyer. Such invoices shall show the amount which buyers must pay to sellers in settlement of the actual deliveries, based on the delivery prices established by the Clearing House, and adjusted for applicable interest payments. Such invoices shall be delivered to the Clearing House by 2:00 p.m. on the day of intention except on the last intention day of the month, where such invoices shall be delivered to the Clearing House by 3:00 p.m. Upon receipt of such invoices, the Clearing House shall promptly make them available to buyers to whom they are addressed.]~~

18106. BUYER'S BANKING NOTIFICATION TO SELLER

No later than 4:00 p.m. on the business day preceding the day of delivery, the long Clearing Member taking delivery shall provide the short Clearing Member making delivery with a Banking Notification form which shall include:

- (a) date of delivery;
- (b) identification number and name of the long Clearing Member taking delivery;
- (c) notification number of the Clearing House delivery assignment;
- (d) identification number and name of the short Clearing Member making delivery;
- (e) quantity of the contract being delivered; and
- (f) the long Clearing Member's bank, account number, and specific Federal Wire instructions for the transfer of U.S. Treasury securities.

18107. PAYMENT

~~[Payment shall be made in federal funds. The long obligated to take delivery must take delivery and make payment before 1:00 p.m. on the day of delivery except on banking holidays when delivery must be taken and payment made before 9:30 a.m. on the next banking business day. Adjustments for differences between contract prices and delivery prices established by the Clearing House shall be made with the Clearing House in accordance with its rules, policies and procedures.]~~

No later than 1:00 p.m. on the day of delivery, the long Clearing Member assigned to take delivery must take delivery and make payment. In the case of banking holidays, said long Clearing Member must take delivery and make payment no later than 9:30 a.m. on the next banking business day.

Payment shall be made in federal funds on a delivery versus payment basis. That is, payment shall not be made until the U.S. Treasury bonds to be tendered for delivery (Rule 18105.A.) are delivered. Adjustments for differences between contract prices and delivery prices established by the Clearing House shall be made with the Clearing House in accordance with its rules, policies, and procedures.

[18108. BUYER'S BANKING NOTIFICATION

~~The long Clearing Member shall provide the short Clearing Member by 4:00 p.m. on the day of intention, one business day prior to delivery day, with a Banking Notification. The Banking Notification form will include the following information: the identification number and name of the long Clearing Member; the delivery date; the notification number of the delivery assignment; the identification number and name of the short Clearing Member making delivery; the quantity of the contract being delivered; the long Clearing Member's bank, account number and specific Federal Wire instructions for the transfer of U.S. securities.]~~

Mr. David Stawick
12 January 2009

18108. WIRE FAILURE

In the event that delivery cannot be accomplished because of a failure of the Federal Reserve wire, or because of a failure of either the long Clearing Member's bank or the short Clearing Member's bank to access the Federal Reserve wire, delivery shall be made before 9:30 a.m. on the next business day on which the Federal Reserve wire, or bank access to it, is operable.

In the event of such failure, the short Clearing Member making delivery shall remit to the long Clearing Member taking delivery such interest on the U.S. Treasury bonds being delivered as accrues between the day on which the bonds were originally to be delivered and the day on which the bonds are actually delivered. Both the long Clearing Member and the short Clearing Member must provide to the Exchange documented evidence that they gave instructions to their respective banks in accordance with Rules 18104. and 18107. and that they complied with all other provisions of Rules 18104. and 18107.

18109. BANKS

For purposes of these Rules [~~relating to trading in U.S. Treasury Bond futures~~], [~~the word "Bank" (Rule 18103.)~~]"qualified bank" (Rule 18104.) shall mean a U.S. commercial bank (either Federal or State charter) that is a member of the Federal Reserve System and [~~with~~]that has capital (capital, surplus and undivided earnings) in excess of one hundred million dollars (\$100,000,000).

Mr. David Stawick
12 January 2009

Appendix 3 – Amended Chapter 19

Chapter 19

LONG-TERM U.S. TREASURY NOTE FUTURES (6½- TO 10-YEAR)

19100. SCOPE OF CHAPTER

This chapter is limited in application to trading of Long-Term U.S. Treasury Note futures. The procedures for trading, clearing, delivery, and settlement, and any other matters not specifically covered herein or in Chapter 7 shall be governed by the general rules of the Exchange.

All times referenced in this chapter are Chicago times and are subject to change by the Exchange.

19101. CONTRACT SPECIFICATIONS

19101.A. Contract Grade

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.

If the U.S. Treasury Department auctions and issues a Treasury security that meets these standards, such that said security is a re-opening of an extant Treasury issue that had not previously met these standards, then the extant Treasury issue shall be deemed to be a Treasury note meeting these standards and shall be added to the contract grade as of the issue date of said newly auctioned Treasury security.

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.B. Physical Delivery

Each individual contract lot that is delivered must be composed of one and only one contract grade Treasury note issue. The amount at which the short Clearing Member making delivery shall invoice the long Clearing Member taking delivery of said notes (Rule 19105.A.) shall be determined as:

$$\text{Invoice Amount} = (\$1000 \times P \times c) + \text{Accrued Interest}$$

where

P is the contract daily settlement price on the day that the short Clearing Member gives the Clearing House notice of intention to deliver (Rule 19104.A.). *P* shall be expressed in points and fractions of points with par on the basis of 100 points (Rule 19102.C.); and

Mr. David Stawick
12 January 2009

c is a conversion factor equal to the price at which a note with the same time to maturity as said note, and with the same coupon rate as said note, and with par on the basis of one (1) point, will yield 6% per annum according to conversion factor tables prepared and published by the Exchange.

For each individual contract lot that is delivered, the product expression ($\$1000 \times P \times c$) shall be rounded to the nearest cent, with half-cents rounded up to the nearest cent.

Example: Assume that P is 100 and 25.5/32nds. Assume that c is 0.9633. The product expression ($\$1000 \times P \times c$) is found to be \$97,097.6296875. The rounded amount that enters into determination of the *Invoice Amount* is \$97,097.63.

In the determination of the *Invoice Amount* for each individual contract lot being delivered, *Accrued Interest* shall be charged to the long Clearing Member taking delivery by the short Clearing Member making delivery, in accordance with 31 CFR Part 306--General Regulations Governing U.S. Securities, Subpart E--Interest. See also Rule 19102.B.

19102. TRADING SPECIFICATIONS

The number of contract expiration months open for trading at a given time shall be determined by the Exchange. Without limiting the foregoing, the Exchange customarily shall list for trading five consecutive expiries in the March-June-September-December quarterly cycle.

19102.A. Trading Schedule

The hours of trading shall be determined by the Exchange. On the last day of trading in an expiring contract (Rule 19102.F.), the close of the expiring contract shall begin at 12:00 noon, and trading shall be permitted thereafter for a period not to exceed one minute.

19102.B. Trading Unit

The unit of trading shall be U.S. Treasury notes having a face value at maturity of one hundred thousand dollars (\$100,000) or multiples thereof.

19102.C. Price Increments

Par shall be on the basis of 100 points, with each point equal to \$1,000 per contract. The minimum price fluctuation shall be one-half of one thirty-second of one point (equal to \$15.625 per contract), except for intermonth spreads for which the minimum price fluctuation shall be one-quarter of one thirty-second of one point (equal to \$7.8125 per contract). Contracts shall not be made on any other price basis.

19102.D. Reserved

19102.E. Position Limits and Position Accountability

In accordance with Rule 559., no person shall own or control positions in excess of 60,000 contracts in an expiring contract during the contract's last 10 trading days (Rule 19102.F.). No hedge exemptions will be permitted with respect to this position limit.

Position accountability, as defined in Rule 560., shall apply to trading of Long-Term U.S. Treasury Note futures.

Mr. David Stawick
12 January 2009

19102.F. Termination of Trading

No trades in an expiring contract shall be made during the last 7 business days of the contract's named month of expiration. Any contract remaining open after the last day of trading must be either:

- (a) settled by physical delivery no later than the last business day of the contract's named month of expiration (Rule 19103.); or
- (b) liquidated by means of a bona fide Exchange of Futures for Related Position (Rule 538.) no later than 12:00 noon on the fifth business day preceding the last business day of the contract's named month of expiration.

19103. DATE OF DELIVERY

Delivery of contract grade U.S. Treasury notes may be made by a short Clearing Member upon any business day of the contract delivery month that the short Clearing Member may select. The contract delivery month shall be defined so as to commence on, and to include, the first business day of the contract's named month of expiration, and to extend to, and to include, the last business day of the contract's named month of expiration.

19104. DELIVERIES ON EXPIRING FUTURES CONTRACTS

Deliveries against expiring contracts shall be by book-entry transfer between accounts of Clearing Members at qualified banks (Rule 19109.) in accordance with 31 CFR Part 306--General Regulations Governing U.S. Securities, Subpart O--Book-Entry Procedure, and 31 CFR Part 357--Regulations Governing Book-Entry of U.S. Treasury Bonds, Notes and Bills Held in Legacy Treasury Direct®.

Deliveries against an expiring contract can be made no earlier than the first business day of the contract's named month of expiration, and no later than the last business day of the contract's named month of expiration (Rule 19103.).

All deliveries must be assigned by the Clearing House.

19104.A. Day of Intention

No later than 6:00 p.m. on the second business day preceding the intended day of delivery, the short Clearing Member must tender to the Clearing House all notices of intention to make delivery such as it has received from its customers who are short.

Where a futures commission merchant, as a Clearing Member, has an interest both long and short for customers on its own books, it must tender all such notices of intention to deliver.

To each short Clearing Member who has issued a notice of intention to make delivery, the Clearing House shall assign long Clearing Members who shall be obligated to take delivery. Upon making such assignment, the Clearing House shall promptly furnish to each short Clearing Member making delivery the names of the long Clearing Members assigned to take delivery from such short Clearing Member.

19104.B. Day of Delivery

No later than 7:30 a.m. on the day of delivery, the long Clearing Member taking delivery must make funds available, and must notify its bank to accept contract grade U.S. Treasury notes (Rules 19101.A. and 19105.A.) and to remit federal funds to the account of the short Clearing Member making delivery, at the short Clearing Member's bank.

Mr. David Stawick
12 January 2009

In the event the long Clearing Member taking delivery does not agree with the terms of the invoice received from the short Clearing Member making delivery (Rule 19105.A.), the long Clearing Member must notify the short Clearing Member, and the dispute must be settled no later than 9:30 a.m. on the day of delivery.

No later than 10:00 a.m. on the day of delivery, the short Clearing Member making delivery must have contract grade U.S. Treasury notes (Rules 19101.A. and 19105.) in place at its bank, in delivery form that is acceptable to its bank, and must notify its bank to transfer said U.S. Treasury notes by book entry, on a delivery versus payment basis (Rule 19107.), to the account of the long Clearing Member taking delivery, at the long Clearing Member's bank.

No later than 1:00 p.m. on the day of delivery, contract grade U.S. Treasury notes must be transferred, and payment must be made.

19105. SELLER'S INVOICE NOTIFICATION TO BUYER

19105.A. Invoice Terms

Each short Clearing Member making delivery shall prepare invoices addressed to each long Clearing Member assigned to take delivery from such short Clearing Member (Rule 19104.A.). Said invoices shall:

- (a) identify the U.S. Treasury notes that the short Clearing Member shall tender to said long Clearing Member; and
- (b) show the amounts which said long Clearing Member must pay to said short Clearing Member in settlement of the actual delivery of said U.S. Treasury notes, based on the delivery prices established by the Clearing House, and adjusted for accrued interest (Rule 19101.B.).

19105.B. Day of Notification

In the case of deliveries to be made prior to the last permissible day of delivery (Rule 19103.), each short Clearing Member making delivery shall submit said invoices to the Clearing House by 2:00 p.m. on the business day preceding the day of delivery. In the case of deliveries to be made on the last permissible day of delivery, the short Clearing Member shall submit such invoices to the Clearing House by 3:00 p.m. on the business day preceding the day of delivery. Upon receipt of such invoices, the Clearing House shall promptly furnish them to the long Clearing Members to whom they are addressed.

19106. BUYER'S BANKING NOTIFICATION TO SELLER

No later than 4:00 p.m. on the business day preceding the day of delivery, the long Clearing Member taking delivery shall provide the short Clearing Member making delivery with a Banking Notification form which shall include:

- (a) date of delivery;
- (b) identification number and name of the long Clearing Member taking delivery;
- (c) notification number of the Clearing House delivery assignment;
- (d) identification number and name of the short Clearing Member making delivery;
- (e) quantity of the contract being delivered; and
- (f) the long Clearing Member's bank, account number, and specific Federal Wire instructions for the transfer of U.S. Treasury securities.

Mr. David Stawick
12 January 2009

19107. PAYMENT

No later than 1:00 p.m. on the day of delivery, the long Clearing Member assigned to take delivery must take delivery and make payment. In the case of banking holidays, said long Clearing Member must take delivery and make payment no later than 9:30 a.m. on the next banking business day.

Payment shall be made in federal funds on a delivery versus payment basis. That is, payment shall not be made until the U.S. Treasury notes to be tendered for delivery (Rule 19105.A.) are delivered. Adjustments for differences between contract prices and delivery prices established by the Clearing House shall be made with the Clearing House in accordance with its rules, policies, and procedures.

19108. WIRE FAILURE

In the event that delivery cannot be accomplished because of a failure of the Federal Reserve wire, or because of a failure of either the long Clearing Member's bank or the short Clearing Member's bank to access the Federal Reserve wire, delivery shall be made before 9:30 a.m. on the next business day on which the Federal Reserve wire, or bank access to it, is operable.

In the event of such failure, the short Clearing Member making delivery shall remit to the long Clearing Member taking delivery such interest on the U.S. Treasury notes being delivered as accrues between the day on which the notes were originally to be delivered and the day on which the notes are actually delivered. Both the long Clearing Member and the short Clearing Member must provide to the Exchange documented evidence that they gave instructions to their respective banks in accordance with Rules 19104. and 19107. and that they complied with all other provisions of Rules 19104. and 19107.

19109. BANKS

For the purposes of these Rules, "qualified bank" (Rule 19104.) shall mean a U.S. commercial bank (either Federal or State chartered) that is a member of the Federal Reserve System and that has capital (capital, surplus, and undivided earnings) in excess of one hundred million dollars (\$100,000,000).

Mr. David Stawick
12 January 2009

Appendix 4 – Amendments to Current Chapter 19

Chapter 19 **Long-Term U.S. Treasury Note Futures (6½ to 10-Year)**

19100. SCOPE OF CHAPTER

This chapter is limited in application to [futures] trading of Long-Term U.S. Treasury Note[s] futures. The procedures for trading, clearing, delivery, and settlement, and any other matters not specifically covered herein or in Chapter 7 shall be governed by the general rules of the Exchange.

All times referenced in this chapter are Chicago times and are subject to change by the Exchange.

19101. CONTRACT SPECIFICATIONS

~~[The contract grade for delivery on futures contracts made under these Rules shall be U.S. Treasury Notes which have an actual maturity of not less than six and one-half years and not more than ten years. All notes delivered against a contract must be of the same issue. For settlement, the time to maturity of a given issue is calculated in complete quarter year increments (i.e., 8 years, 10 months, 17 days is taken to be 8 years, 9 months) from the first day of the delivery month. The price at which a note with this time to maturity and with the same coupon rate as this issue will yield 6%, according to bond tables prepared by the Financial Publishing Co. of Boston, Mass., is multiplied by the settlement price to arrive at the amount at which the short invoices the long.~~

~~U.S. Treasury Notes deliverable against futures contracts under these rules must have semi-annual coupon payments.~~

~~Interest accrued on the notes shall be charged to the long by the short in accordance with Department of the Treasury Circular 300, Subpart P.~~

~~New issues of U.S. Treasury Notes which satisfy the standards in this rule shall be added to the deliverable grade as they are issued. If, during the auction of a note which will meet the standards of this chapter, the Treasury re-opens an existing issue, thus rendering the existing issue indistinguishable from the newly auctioned one, the older issue is deemed to meet the standards of this chapter and would be deliverable. The Exchange shall have the right to exclude any new issue from deliverable status or to further limit outstanding issues from deliverable status.]~~

19101.A. Contract Grade

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.

Mr. David Stawick
12 January 2009

If the U.S. Treasury Department auctions and issues a Treasury security that meets these standards, such that said security is a re-opening of an extant Treasury issue that had not previously met these standards, then the extant Treasury issue shall be deemed to be a Treasury note meeting these standards and shall be added to the contract grade as of the issue date of said newly auctioned Treasury security.

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.B. Physical Delivery

Each individual contract lot that is delivered must be composed of one and only one contract grade Treasury note issue. The amount at which the short Clearing Member making delivery shall invoice the long Clearing Member taking delivery of said notes (Rule 19105.A.) shall be determined as:

$$\text{Invoice Amount} = (\$1000 \times P \times c) + \text{Accrued Interest}$$

where

P is the contract daily settlement price on the day that the short Clearing Member gives the Clearing House notice of intention to deliver (Rule 19104.A.). P shall be expressed in points and fractions of points with par on the basis of 100 points (Rule 19102.C.); and

c is a conversion factor equal to the price at which a note with the same time to maturity as said note, and with the same coupon rate as said note, and with par on the basis of one (1) point, will yield 6% per annum according to conversion factor tables prepared and published by the Exchange.

For each individual contract lot that is delivered, the product expression $(\$1000 \times P \times c)$ shall be rounded to the nearest cent, with half-cents rounded up to the nearest cent.

Example: Assume that P is 100 and 25.5/32nds. Assume that c is 0.9633. The product expression $(\$1000 \times P \times c)$ is found to be \$97,097.6296875. The rounded amount that enters into determination of the *Invoice Amount* is \$97,097.63.

In the determination of the *Invoice Amount* for each individual contract lot being delivered, *Accrued Interest* shall be charged to the long Clearing Member taking delivery by the short Clearing Member making delivery, in accordance with 31 CFR Part 306--General Regulations Governing U.S. Securities, Subpart E--Interest. See also Rule 19102.B.

19102. TRADING SPECIFICATIONS

[Trading in Long-Term U.S. Treasury Note futures is regularly conducted in four months-- March, June, September and December. The number of months open for trading at a given time shall be determined by the Exchange.]

The number of contract expiration months open for trading at a given time shall be determined by the Exchange. Without limiting the foregoing, the Exchange customarily shall list for trading five consecutive expiries in the March-June-September-December quarterly cycle.

19102.A. Trading Schedule

The hours for trading [of Long-Term U.S. Treasury Note futures] shall be determined by the Exchange.

Mr. David Stawick
12 January 2009

On the last day of trading in an expiring ~~[future]contract (Rule 19102.F.)~~, the close of the expiring ~~[future]contract~~ shall begin at ~~[12 o'clock]~~12:00 noon and trading shall be permitted thereafter for a period not to exceed one minute.

19102.B. Trading Unit

The unit of trading shall be ~~[United States]~~U.S. Treasury Notes having a face value at maturity of one hundred thousand dollars (\$100,000) or multiples thereof.

19102.C. Price Increments

~~[Minimum price fluctuations shall be in multiples of one-half of one thirty-second point per 100 points (\$15.625 per contract) except for intermonth spreads, for which minimum price fluctuations shall be in multiples of one-fourth of one thirty-second point per 100 points (\$7.8125 per contract). Par shall be on the basis of 100 points.]~~ Par shall be on the basis of 100 points, with each point equal to \$1,000 per contract. The minimum price fluctuation shall be one-half of one thirty-second of one point (equal to \$15.625 per contract), except for intermonth spreads for which the minimum price fluctuation shall be one-quarter of one thirty-second of one point (equal to \$7.8125 per contract). Contracts shall not be made on any other price basis.

19102.D. Reserved

19102.E. Position Limits and Position Accountability

In accordance with Rule 559., no person shall own or control positions in excess of 60,000 contracts in ~~[the]an~~ expiring contract during ~~[the last ten trading days of the expiring futures month]~~ the contract's last 10 trading days (Rule 19102.F.). No hedge exemptions will be permitted with respect to this position limit.

Position accountability, as defined in Rule 560., will apply to trading of Long-Term U.S. Treasury Note futures.

19102.F. Termination of Trading

~~[No trades in Long-Term U.S. Treasury Note futures deliverable in the current month shall be made during the last seven business days of that month.]~~ No trades in an expiring contract shall be made during the last 7 business days of the contract's named month of expiration. Any contract[s] remaining open after the last day of trading must be either:

- (c) ~~[Settled by delivery no later than the last business day of the month.]~~ settled by physical delivery no later than the last business day of the contract's named month of expiration (Rule 19103.); or
- (d) Liquidated by means of a bona fide Exchange of Futures for Related Position~~[, no later than the fifth business day immediately preceding the last business day of the delivery month.]~~ (Rule 538.) no later than 12:00 noon on the fifth business day preceding the last business day of the contract's named month of expiration.

~~[19103. DELIVERIES ON FUTURES CONTRACTS~~

~~Deliveries against Long-Term U.S. Treasury Note futures contracts shall be by book-entry transfer between accounts of Clearing Members at qualified banks (Rule 19109.) in accordance with Department of the Treasury Circular 300, Subpart C: Book-Entry Procedure.~~

~~Delivery must be made no later than the last business day of the month. Notice of intention to deliver shall~~

Mr. David Stawick
12 January 2009

be given to the Clearing House by 8:00 p.m. on the second business day preceding delivery day. In the event the long Clearing Member does not agree with the terms of the invoice received from the short Clearing Member, the long Clearing Member must notify the short Clearing Member, and the dispute must be settled by 9:30 a.m. on delivery day. The short Clearing Member must have contract grade U.S. Treasury Notes in place at his bank in acceptable (to his bank) delivery form no later than 10:00 a.m. on delivery day. The short Clearing Member must notify his bank to transfer contract grade U.S. Treasury Notes by book-entry to the long Clearing Member's account at the long Clearing Member's bank on a delivery versus payment basis. That is, payment shall not be made until the notes are delivered.

On delivery day, the long Clearing Member must make funds available by 7:30 a.m. and notify his bank to accept contract grade U.S. Treasury Notes and to remit federal funds to the short Clearing Member's account at the short Clearing Member's bank in payment for delivery of the notes. Contract grade U.S. Treasury Notes must be transferred and payment must be made before 1:00 p.m. on delivery day. All deliveries must be assigned by the Clearing House. Where a futures commission merchant as a clearing member has an interest both long and short for customers on its own books, it must tender to the Clearing House such notices of intention to deliver as it received from its customers who are short.]

19103. DATE OF DELIVERY

Delivery of contract grade U.S. Treasury notes may be made by a short Clearing Member upon any business day of the contract delivery month that the short Clearing Member may select. The contract delivery month shall be defined so as to commence on, and to include, the first business day of the contract's named month of expiration, and to extend to, and to include, the last business day of the contract's named month of expiration.

[19104. WIRE FAILURE

In the event that delivery cannot be accomplished because of a failure of the Federal Reserve wire or because of a failure of either the long Clearing Member's bank or the short Clearing Member's bank access to the Federal Reserve wire, delivery shall be made before 9:30 a.m. on the next business day on which the Federal Reserve wire or bank access to it is operable. Interest shall accrue to the long paid by the short beginning on the day on which the notes were to be originally delivered.

In the event of such failure, both the long and short must provide documented evidence that the instructions were given to their respective banks in accordance with Rules 19103. and 19107. and that all other provisions of Rules 19103. and 19107. have been complied with.]

19104. DELIVERIES ON EXPIRING FUTURES CONTRACTS

Deliveries against expiring contracts shall be by book-entry transfer between accounts of Clearing Members at qualified banks (Rule 19109.) in accordance with 31 CFR Part 306--General Regulations Governing U.S. Securities, Subpart O--Book-Entry Procedure, and 31 CFR Part 357--Regulations Governing Book-Entry of U.S. Treasury Bonds, Notes and Bills Held in Legacy Treasury Direct®.

Deliveries against an expiring contract can be made no earlier than the first business day of the contract's named month of expiration, and no later than the last business day of the contract's named month of expiration (Rule 19103.).

All deliveries must be assigned by the Clearing House.

19104.A. Day of Intention

No later than 6:00 p.m. on the second business day preceding the intended day of delivery, the short Clearing Member must tender to the Clearing House all notices of intention to make delivery such as it has received from its customers who are short.

Mr. David Stawick
12 January 2009

Where a futures commission merchant, as a Clearing Member, has an interest both long and short for customers on its own books, it must tender all such notices of intention to deliver.

To each short Clearing Member who has issued a notice of intention to make delivery, the Clearing House shall assign long Clearing Members who shall be obligated to take delivery. Upon making such assignment, the Clearing House shall promptly furnish to each short Clearing Member making delivery the names of the long Clearing Members assigned to take delivery from such short Clearing Member.

19104.B. Day of Delivery

No later than 7:30 a.m. on the day of delivery, the long Clearing Member taking delivery must make funds available, and must notify its bank to accept contract grade U.S. Treasury notes (Rules 19101.A. and 19105.A.) and to remit federal funds to the account of the short Clearing Member making delivery, at the short Clearing Member's bank.

In the event the long Clearing Member taking delivery does not agree with the terms of the invoice received from the short Clearing Member making delivery (Rule 19105.A.), the long Clearing Member must notify the short Clearing Member, and the dispute must be settled no later than 9:30 a.m. on the day of delivery.

No later than 10:00 a.m. on the day of delivery, the short Clearing Member making delivery must have contract grade U.S. Treasury notes (Rules 19101.A. and 19105.) in place at its bank, in delivery form that is acceptable to its bank, and must notify its bank to transfer said U.S. Treasury notes by book entry, on a delivery versus payment basis (Rule 19107.), to the account of the long Clearing Member taking delivery, at the long Clearing Member's bank.

No later than 1:00 p.m. on the day of delivery, contract grade U.S. Treasury notes must be transferred, and payment must be made.

[19105. DATE OF DELIVERY

Delivery of U.S. Treasury Notes may be made by the short upon any permissible delivery day of the delivery month the short may select. Delivery of U.S. Treasury Notes must be made no later than the last business day of that month.]

19105. SELLER'S INVOICE NOTIFICATION TO BUYER

19105.A. Invoice Terms

Each short Clearing Member making delivery shall prepare invoices addressed to each long Clearing Member assigned to take delivery from such short Clearing Member (Rule 19104.A.). Said invoices shall:

- (a) identify the U.S. Treasury notes that the short Clearing Member shall tender to said long Clearing Member; and
- (b) show the amounts which said long Clearing Member must pay to said short Clearing Member in settlement of the actual delivery of said U.S. Treasury notes, based on the delivery prices established by the Clearing House, and adjusted for accrued interest (Rule 19101.B.).

19105.B. Day of Notification

In the case of deliveries to be made prior to the last permissible day of delivery (Rule 19103.), each short Clearing Member making delivery shall submit said invoices to the Clearing House by 2:00 p.m. on the

Mr. David Stawick
12 January 2009

business day preceding the day of delivery. In the case of deliveries to be made on the last permissible day of delivery, the short Clearing Member shall submit such invoices to the Clearing House by 3:00 p.m. on the business day preceding the day of delivery. Upon receipt of such invoices, the Clearing House shall promptly furnish them to the long Clearing Members to whom they are addressed.

[19106. SELLER'S INVOICE TO BUYERS

~~Upon determining the buyers obligated to accept deliveries tendered by issuers of delivery notices, the Clearing House shall promptly furnish each issuer the names of the buyers obligated to accept delivery from him and a description of the U.S. Treasury Notes tendered by him which were assigned by the Clearing House to each such buyer. Thereupon, sellers (issuers of delivery notices) shall prepare invoices addressed to their assigned buyers, describing the documents to be delivered to each such buyer. Such invoices shall show the amount which buyers must pay to sellers in settlement of the actual deliveries, based on the delivery prices established by the Clearing House, and adjusted for applicable interest payments. Such invoices shall be delivered to the Clearing House by 2:00 p.m. on the day of intention except on the last intention day of the month, where such invoices shall be delivered to the Clearing House by 3:00 p.m. Upon receipt of such invoices, the Clearing House shall promptly make them available to buyers to whom they are addressed.]~~

19106. BUYER'S BANKING NOTIFICATION TO SELLER

No later than 4:00 p.m. on the business day preceding the day of delivery, the long Clearing Member taking delivery shall provide the short Clearing Member making delivery with a Banking Notification form which shall include:

- (a) date of delivery;
- (b) identification number and name of the long Clearing Member taking delivery;
- (c) notification number of the Clearing House delivery assignment;
- (d) identification number and name of the short Clearing Member making delivery;
- (e) quantity of the contract being delivered; and
- (f) the long Clearing Member's bank, account number, and specific Federal Wire instructions for the transfer of U.S. Treasury securities.

19107. PAYMENT

~~{Payment shall be made in federal funds. The long obligated to take delivery must take delivery and make payment before 1:00 p.m. on the day of delivery, except on banking holidays when delivery must be taken and payment made before 9:30 a.m. on the next banking business day. Adjustments for differences between contract prices and delivery prices established by the Clearing House shall be made with the Clearing House in accordance with its rules, policies and procedures.}~~

No later than 1:00 p.m. on the day of delivery, the long Clearing Member assigned to take delivery must take delivery and make payment. In the case of banking holidays, said long Clearing Member must take delivery and make payment no later than 9:30 a.m. on the next banking business day.

Payment shall be made in federal funds on a delivery versus payment basis. That is, payment shall not be made until the U.S. Treasury notes to be tendered for delivery (Rule 19105.A.) are delivered. Adjustments for differences between contract prices and delivery prices established by the Clearing House shall be made with the Clearing House in accordance with its rules, policies, and procedures

[19108. BUYER'S BANKING NOTIFICATION

~~The long Clearing Member shall provide the short Clearing Member by 4:00 p.m. on the day of intention, one business day prior to delivery day, with a Banking Notification. The Banking Notification form will include the following information: the identification number and name of the long Clearing Member; the~~

Mr. David Stawick
12 January 2009

delivery date; the notification number of the delivery assignment; the identification number and name of the short Clearing Member making delivery; the quantity of the contract being delivered; the long Clearing Member's bank, account number and specific Federal Wire instructions for the transfer of U.S. securities.]

19108. WIRE FAILURE

In the event that delivery cannot be accomplished because of a failure of the Federal Reserve wire, or because of a failure of either the long Clearing Member's bank or the short Clearing Member's bank to access the Federal Reserve wire, delivery shall be made before 9:30 a.m. on the next business day on which the Federal Reserve wire, or bank access to it, is operable.

In the event of such failure, the short Clearing Member making delivery shall remit to the long Clearing Member taking delivery such interest on the U.S. Treasury notes being delivered as accrues between the day on which the notes were originally to be delivered and the day on which the notes are actually delivered. Both the long Clearing Member and the short Clearing Member must provide to the Exchange documented evidence that they gave instructions to their respective banks in accordance with Rules 19104. and 19107. and that they complied with all other provisions of Rules 19104. and 19107.

19109. BANKS

For purposes of these Rules [relating to trading in Long-Term U.S. Treasury Note futures], [the word "Bank" (~~Rule 19103.~~) "qualified bank" (Rule 19104.) shall mean a U.S. commercial bank (either Federal or State charter) that is a member of the Federal Reserve System and [with]that has capital (capital, surplus and undivided earnings) in excess of one hundred million dollars (\$100,000,000).

Mr. David Stawick
12 January 2009

Appendix 5 – Amended Chapter 20

Chapter 20

MEDIUM-TERM U.S. TREASURY NOTE FUTURES (5-YEAR)

20100. SCOPE OF CHAPTER

This chapter is limited in application to trading of Medium-Term U.S. Treasury Note futures. The procedures for trading, clearing, delivery, and settlement, and any other matters not specifically covered herein or in Chapter 7 shall be governed by the general rules of the Exchange.

All times referenced in this chapter are Chicago times and are subject to change by the Exchange.

20101. CONTRACT SPECIFICATIONS

20101.A. Contract Grade

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 5 years 3 months; and
- (b) a remaining term to maturity of not less than 4 years 2 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 one-month increment (e.g., 4 years 5 months 14 days shall be taken to be 4 years 5 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.

If the U.S. Treasury Department auctions and issues a Treasury security that meets these standards, such that said security is a re-opening of an extant Treasury issue that had not previously met these standards, then the extant Treasury issue shall be deemed to be a Treasury note meeting these standards and shall be added to the contract grade as of the issue date of said newly auctioned Treasury security.

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.

20101.B. Physical Delivery

Each individual contract lot that is delivered must be composed of one and only one contract grade Treasury note issue. The amount at which the short Clearing Member making delivery shall invoice the long Clearing Member taking delivery of said notes (Rule 20105.A.) shall be determined as:

$$\text{Invoice Amount} = (\$1000 \times P \times c) + \text{Accrued Interest}$$

where

Mr. David Stawick
12 January 2009

P is the contract daily settlement price on the day that the short Clearing Member gives the Clearing House notice of intention to deliver (Rule 20104.A.). *P* shall be expressed in points and fractions of points with par on the basis of 100 points (Rule 20102.C.); and

c is a conversion factor equal to the price at which a note with the same time to maturity as said note, and with the same coupon rate as said note, and with par on the basis of one (1) point, will yield 6% per annum according to conversion factor tables prepared and published by the Exchange.

For each individual contract lot that is delivered, the product expression ($\$1000 \times P \times c$) shall be rounded to the nearest cent, with half-cents rounded up to the nearest cent.

Example: Assume that *P* is 100 and 25.5/32nds. Assume that *c* is 0.9633. The product expression ($\$1000 \times P \times c$) is found to be \$97,097.6296875. The rounded amount that enters into determination of the *Invoice Amount* is \$97,097.63.

In the determination of the *Invoice Amount* for each individual contract lot being delivered, *Accrued Interest* shall be charged to the long Clearing Member taking delivery by the short Clearing Member making delivery, in accordance with 31 CFR Part 306--General Regulations Governing U.S. Securities, Subpart E--Interest. See also Rule 20102.B.

20102. TRADING SPECIFICATIONS

The number of contract expiration months open for trading at a given time shall be determined by the Exchange. Without limiting the foregoing, the Exchange customarily shall list for trading five consecutive expiries in the March-June-September-December quarterly cycle.

20102.A. Trading Schedule

The hours of trading shall be determined by the Exchange. On the last day of trading in an expiring contract (Rule 20102.F.), the close of the expiring contract shall begin at 12:00 noon, and trading shall be permitted thereafter for a period not to exceed one minute.

20102.B. Trading Unit

The unit of trading shall be U.S. Treasury notes having a face value at maturity of one hundred thousand dollars (\$100,000) or multiples thereof.

20102.C. Price Increments

Par shall be on the basis of 100 points, with each point equal to \$1,000 per contract. The minimum price fluctuation shall be one-quarter of one thirty-second of one point (equal to \$7.8125 per contract), including intermonth spreads. Contracts shall not be made on any other price basis.

20102.D. Reserved

20102.E. Position Limits and Position Accountability

In accordance with Rule 559., no person shall own or control positions in excess of 45,000 contracts in an expiring contract during the contract's last 10 trading days (Rule 20102.F.). No hedge exemptions will be permitted with respect to this position limit.

Mr. David Stawick
12 January 2009

Position accountability, as defined in Rule 560., shall apply to trading of Medium-Term U.S. Treasury Note futures.

20102.F. Termination of Trading

The last day of trading in an expiring contract shall be the last business day of the contract's named month of expiration. Any contract remaining open after the last day of trading must be either:

- (a) settled by physical delivery no later than the third business day following the last business day of the contract's named month of expiration (Rule 20103.); or
- (b) liquidated by means of a bona fide Exchange of Futures for Related Position (Rule 538.) no later than 12:00 noon on the business day immediately following the last business day of the contract's named month of expiration.

20103. DATE OF DELIVERY

Delivery of contract grade U.S. Treasury notes may be made by a short Clearing Member upon any business day of the contract delivery month that the short Clearing Member may select. The contract delivery month shall be defined so as to commence on, and to include, the first business day of the contract's named month of expiration, and to extend to, and to include, the third business day following the last business day of the contract's named month of expiration.

20104. DELIVERIES ON EXPIRING FUTURES CONTRACTS

Deliveries against expiring contracts shall be by book-entry transfer between accounts of Clearing Members at qualified banks (Rule 20109.) in accordance with 31 CFR Part 306--General Regulations Governing U.S. Securities, Subpart O--Book-Entry Procedure, and 31 CFR Part 357--Regulations Governing Book-Entry of U.S. Treasury Bonds, Notes and Bills Held in Legacy Treasury Direct® .

Deliveries against an expiring contract can be made no earlier than the first business day of the contract's named month of expiration, and no later than the third business day following the last business day of the contract's named month of expiration (Rule 20103.).

All deliveries must be assigned by the Clearing House.

20104.A. Day of Intention

No later than 6:00 p.m. on the second business day preceding the intended day of delivery, the short Clearing Member must tender to the Clearing House all notices of intention to make delivery such as it has received from its customers who are short.

Where a futures commission merchant, as a Clearing Member, has an interest both long and short for customers on its own books, it must tender all such notices of intention to deliver.

To each short Clearing Member who has issued a notice of intention to make delivery, the Clearing House shall assign long Clearing Members who shall be obligated to take delivery. Upon making such assignment, the Clearing House shall promptly furnish to each short Clearing Member making delivery the names of the long Clearing Members assigned to take delivery from such short Clearing Member.

20104.B. Day of Delivery

Mr. David Stawick
12 January 2009

No later than 7:30 a.m. on the day of delivery, the long Clearing Member taking delivery must make funds available, and must notify its bank to accept contract grade U.S. Treasury notes (Rules 20101.A. and 20105.A.) and to remit federal funds to the account of the short Clearing Member making delivery, at the short Clearing Member's bank.

In the event the long Clearing Member taking delivery does not agree with the terms of the invoice received from the short Clearing Member making delivery (Rule 20105.A.), the long Clearing Member must notify the short Clearing Member, and the dispute must be settled no later than 9:30 a.m. on the day of delivery.

No later than 10:00 a.m. on the day of delivery, the short Clearing Member making delivery must have contract grade U.S. Treasury notes (Rules 20101.A. and 20105.) in place at its bank, in delivery form that is acceptable to its bank, and must notify its bank to transfer said U.S. Treasury notes by book entry, on a delivery versus payment basis (Rule 20107.), to the account of the long Clearing Member taking delivery, at the long Clearing Member's bank.

No later than 1:00 p.m. on the day of delivery, contract grade U.S. Treasury notes must be transferred, and payment must be made.

20105. SELLER'S INVOICE NOTIFICATION TO BUYER

20105.A. Invoice Terms

Each short Clearing Member making delivery shall prepare invoices addressed to each long Clearing Member assigned to take delivery from such short Clearing Member (Rule 20104.A.). Said invoices shall:

- (a) identify the U.S. Treasury notes that the short Clearing Member shall tender to said long Clearing Member; and
- (b) show the amounts which said long Clearing Member must pay to said short Clearing Member in settlement of the actual delivery of said U.S. Treasury notes, based on the delivery prices established by the Clearing House, and adjusted for accrued interest (Rule 20101.B.).

20105.B. Day of Notification

In the case of deliveries to be made prior to the last permissible day of delivery (Rule 20103.), each short Clearing Member making delivery shall submit said invoices to the Clearing House by 2:00 p.m. on the business day preceding the day of delivery. In the case of deliveries to be made on the last permissible day of delivery, the short Clearing Member shall submit such invoices to the Clearing House by 3:00 p.m. on the business day preceding the day of delivery. Upon receipt of such invoices, the Clearing House shall promptly furnish them to the long Clearing Members to whom they are addressed.

20106. BUYER'S BANKING NOTIFICATION TO SELLER

No later than 4:00 p.m. on the business day preceding the day of delivery, the long Clearing Member taking delivery shall provide the short Clearing Member making delivery with a Banking Notification form which shall include:

- (a) date of delivery;
- (b) identification number and name of the long Clearing Member taking delivery;
- (c) notification number of the Clearing House delivery assignment;
- (d) identification number and name of the short Clearing Member making delivery;

Mr. David Stawick
12 January 2009

- (e) quantity of the contract being delivered; and
- (f) the long Clearing Member's bank, account number, and specific Federal Wire instructions for the transfer of U.S. Treasury securities.

20107. PAYMENT

No later than 1:00 p.m. on the day of delivery, the long Clearing Member assigned to take delivery must take delivery and make payment. In the case of banking holidays, said long Clearing Member must take delivery and make payment no later than 9:30 a.m. on the next banking business day.

Payment shall be made in federal funds on a delivery versus payment basis. That is, payment shall not be made until the U.S. Treasury notes to be tendered for delivery (Rule 20105.A.) are delivered. Adjustments for differences between contract prices and delivery prices established by the Clearing House shall be made with the Clearing House in accordance with its rules, policies, and procedures.

20108. WIRE FAILURE

In the event that delivery cannot be accomplished because of a failure of the Federal Reserve wire, or because of a failure of either the long Clearing Member's bank or the short Clearing Member's bank to access the Federal Reserve wire, delivery shall be made before 9:30 a.m. on the next business day on which the Federal Reserve wire, or bank access to it, is operable.

In the event of such failure, the short Clearing Member making delivery shall remit to the long Clearing Member taking delivery such interest on the U.S. Treasury notes being delivered as accrues between the day on which the notes were originally to be delivered and the day on which the notes are actually delivered. Both the long Clearing Member and the short Clearing Member must provide to the Exchange documented evidence that they gave instructions to their respective banks in accordance with Rules 20104. and 20107. and that they complied with all other provisions of Rules 20104. and 20107.

20109. BANKS

For the purposes of these Rules, "qualified bank" (Rule 20104.) shall mean a U.S. commercial bank (either Federal or State chartered) that is a member of the Federal Reserve System and that has capital (capital, surplus, and undivided earnings) in excess of one hundred million dollars (\$100,000,000).

Mr. David Stawick
12 January 2009

Appendix 6 – Amendments to Current Chapter 20

Chapter 20 Medium-Term U.S. Treasury Note Futures (5-Year)

20100. SCOPE OF CHAPTER

This chapter is limited in application to ~~[futures]~~ trading of Medium-Term U.S. Treasury Note~~s]~~ futures. The procedures for trading, clearing, delivery, and settlement, and any other matters not specifically covered herein or in Chapter 7 shall be governed by the general rules of the Exchange.

All times referenced in this chapter are Chicago times and are subject to change by the Exchange.

20101. CONTRACT SPECIFICATIONS

~~The contract grade for delivery on futures contracts made under these Rules shall be U.S. Treasury Notes which have an original time to maturity of not more than five years three months and which have a remaining time to maturity of not less than four years two months. For the purpose of determining contract grade, the time to maturity of a given issue is calculated in complete one-month increments (e.g., 4 years 5 months 14 days is taken to be 4 years 5 months) from the first day of the contract delivery month. U.S. Treasury Notes deliverable against futures contracts under these Rules must have fixed semi-annual coupon payments.~~

~~New issues of U.S. Treasury Notes that satisfy the standards in this Rule shall be added to the deliverable grade as they are issued. If, by auctioning a note that meets the standards of this chapter, the U.S. Treasury Department re-opens an existing Treasury issue that does not otherwise meet the standards of this chapter, such that the existing issue's payment dates and amounts are indistinguishable from the newly auctioned issue's payment dates and amounts, then the older issue shall also be deemed to meet the standards of this chapter and shall be deliverable.~~

~~All U.S. Treasury Notes delivered against a futures contract must be of the same Note issue. The amount at which the short Clearing Member invoices the long Clearing Member for delivery of said Note against a futures contract shall be determined by multiplying:~~

- ~~(a) the contract settlement price, quoted in points and halves of one thirty-second (1/32) of one point (Rule 20102.C.), on the day that the short Clearing Member gives the Clearing House notice of intention to deliver (Rule 20103.), and~~
- ~~(b) the price at which a note with the same time to maturity as said Note (or same time to first call, if said Note is callable), and the same coupon rate as said Note, and with par value of one (1), will yield 6% according to bond tables prepared by the Financial Publishing Co. of Boston, Mass., and~~
- ~~(c) the contract size of \$1,000 per price point (Rule 20102.C.).~~
~~Interest accrued on the Note shall be charged to the long Clearing Member by the short Clearing Member in accordance with Department of the Treasury Circular 300, Subpart P.~~

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

Mr. David Stawick
12 January 2009

20101.A. Contract Grade

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 5 years 3 months;
and
- (b) a remaining term to maturity of not less than 4 years 2 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 one-month increment (e.g., 4 years 5 months 14 days shall be taken to be 4 years 5 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.

If the U.S. Treasury Department auctions and issues a Treasury security that meets these standards, such that said security is a re-opening of an extant Treasury issue that had not previously met these standards, then the extant Treasury issue shall be deemed to be a Treasury note meeting these standards and shall be added to the contract grade as of the issue date of said newly auctioned Treasury security.

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.

20101.B. Physical Delivery

Each individual contract lot that is delivered must be composed of one and only one contract grade Treasury note issue. The amount at which the short Clearing Member making delivery shall invoice the long Clearing Member taking delivery of said notes (Rule 20105.A.) shall be determined as:

$$\text{Invoice Amount} = (\$1000 \times P \times c) + \text{Accrued Interest}$$

where

P is the contract daily settlement price on the day that the short Clearing Member gives the Clearing House notice of intention to deliver (Rule 20104.A.). P shall be expressed in points and fractions of points with par on the basis of 100 points (Rule 20102.C.); and

c is a conversion factor equal to the price at which a note with the same time to maturity as said note, and with the same coupon rate as said note, and with par on the basis of one (1) point, will yield 6% per annum according to conversion factor tables prepared and published by the Exchange.

For each individual contract lot that is delivered, the product expression $(\$1000 \times P \times c)$ shall be rounded to the nearest cent, with half-cents rounded up to the nearest cent.

Example: Assume that P is 100 and 25.5/32nds. Assume that c is 0.9633. The product expression $(\$1000 \times P \times c)$ is found to be \$97,097.6296875. The rounded amount that enters into determination of the Invoice Amount is \$97,097.63.

Mr. David Stawick
12 January 2009

In the determination of the Invoice Amount for each individual contract lot being delivered, Accrued Interest shall be charged to the long Clearing Member taking delivery by the short Clearing Member making delivery, in accordance with 31 CFR Part 306--General Regulations Governing U.S. Securities, Subpart E--Interest. See also Rule 20102.B.

20102. TRADING SPECIFICATIONS

~~[Trading in Medium Term U.S. Treasury Note futures is regularly conducted in four months-- March, June, September and December. The number of months open for trading at a given time shall be determined by the Exchange.]~~

The number of contract expiration months open for trading at a given time shall be determined by the Exchange. Without limiting the foregoing, the Exchange customarily shall list for trading five consecutive expiries in the March-June-September-December quarterly cycle.

20102.A. Trading Schedule

The hours for trading ~~[of Medium Term U.S. Treasury Note futures]~~ shall be determined by the Exchange. On the last day of trading in an expiring ~~[future]contract (Rule 20102.F.)~~, the close of the expiring ~~[future]contract~~ shall begin at ~~[12 o'clock]~~12:00 noon and trading shall be permitted thereafter for a period not to exceed one minute.

20102.B. Trading Unit

The unit of trading shall be ~~[United States]~~U.S. Treasury notes having a face value at maturity of one hundred thousand dollars (\$100,000) or multiples thereof.

20102.C. Price Increments²

~~[Minimum price fluctuations shall be in multiples of one quarter of one thirty-second point per 100 points (\$7.8125 per contract), including intermonth spreads. Par shall be on the basis of 100 points.] Par shall be on the basis of 100 points, with each point equal to \$1,000 per contract. The minimum price fluctuation shall be one-quarter of one thirty-second of one point (equal to \$7.8125 per contract), including intermonth spreads. Contracts shall not be made on any other price basis.~~

20102.D. Reserved

20102.E. Position Limits and Position Accountability

In accordance with Rule 559., no person shall own or control positions in excess of 45,000 contracts in ~~[the]an~~ expiring contract during ~~[the last ten trading days of the expiring futures month]~~ the contract's last 10 trading days (Rule 20102.F.). No hedge exemptions will be permitted with respect to this position limit.

Position accountability, as defined in Rule 560., will apply to trading of Medium-Term U.S. Treasury Note futures.

20102.F. Termination of Trading

The last day of trading in an expiring ~~[Medium Term Treasury Note futures]~~ contract shall be the last business day of the contract's named month of expiration. Any contracts remaining open after the last day of trading must be either:

- (a) Settled by physical delivery no later than the third business day following the ~~[last day of trading]~~last business day of the contract's named month of expiration (Rule 20103.); or

² Revised March 2008.

Mr. David Stawick
12 January 2009

- (b) Liquidated by means of a bona fide Exchange of Futures for Related Position (Rule 538.) no later than 12:00 noon [Chicago time] on the business day immediately following the last [day of trading in the expiring contract] business day of the contract's named month of expiration.

[20103. DELIVERIES ON FUTURES CONTRACTS

~~Deliveries against Medium Term U.S. Treasury Note futures contracts shall be by book-entry transfer between accounts of Clearing Members at qualified banks (Rule 20109.) in accordance with Department of the Treasury Circular 300, Subpart O: Book-Entry Procedure.~~

~~Delivery must be made no later than the last business day of the month. Notice of intention to deliver shall be given to the Clearing House by 8:00 p.m. on the second business day preceding delivery day. In the event the long Clearing Member does not agree with the terms of the invoice received from the short Clearing Member, the long Clearing Member must notify the short Clearing Member, and the dispute must be settled by 9:30 a.m. on delivery day. The short Clearing Member must have contract grade U.S. Treasury Notes in place at his bank in acceptable (to his bank) delivery form no later than 10:00 a.m. on delivery day. The short Clearing Member must notify his bank to transfer contract grade U.S. Treasury Notes by book-entry to the long Clearing Member's account at the long Clearing Member's bank on a delivery versus payment basis. That is, payment shall not be made until the notes are delivered. On delivery day, the long Clearing Member must make funds available by 7:30 a.m. and notify his bank to accept contract grade U.S. Treasury Notes and to remit federal funds to the short Clearing Member's account at the short Clearing Member's bank in payment for delivery of the notes. Contract grade U.S. Treasury Notes must be transferred and payment must be made before 1:00 p.m. on delivery day. All deliveries must be assigned by the Clearing House. Where a futures commission merchant as a clearing member has an interest both long and short for customers on its own books, it must tender to the Clearing House such notices of intention to deliver as it received from its customers who are short.]~~

20103. DATE OF DELIVERY

Delivery of contract grade U.S. Treasury notes may be made by a short Clearing Member upon any business day of the contract delivery month that the short Clearing Member may select. The contract delivery month shall be defined so as to commence on, and to include, the first business day of the contract's named month of expiration, and to extend to, and to include, the third business day following the last business day of the contract's named month of expiration.

[20104. WIRE FAILURE

~~In the event that delivery cannot be accomplished because of a failure of the Federal Reserve wire or because of a failure of either the long Clearing Member's bank or the short Clearing Member's bank access to the Federal Reserve wire, delivery shall be made before 9:30 a.m. on the next business day on which the Federal Reserve wire or bank access to it is operable. Interest shall accrue to the long paid by the short beginning on the day on which the notes were to be originally delivered.~~

~~In the event of such failure, both the long and short must provide documented evidence that the instructions were given to their respective banks in accordance with Rules 20103. and 20107. and that all other provisions of Rules 20103. and 20107. have been complied with.]~~

20104. DELIVERIES ON EXPIRING FUTURES CONTRACTS

Deliveries against expiring contracts shall be by book-entry transfer between accounts of Clearing Members at qualified banks (Rule 20109.) in accordance with 31 CFR Part 306--General Regulations Governing U.S. Securities, Subpart O--Book-Entry Procedure, and 31 CFR Part 357--Regulations Governing Book-Entry of U.S. Treasury Bonds, Notes and Bills Held in Legacy Treasury Direct®.

Mr. David Stawick
12 January 2009

Deliveries against an expiring contract can be made no earlier than the first business day of the contract's named month of expiration, and no later than the third business day following the last business day of the contract's named month of expiration. (Rule 20103.)

All deliveries must be assigned by the Clearing House.

20104.A. Day of Intention

No later than 6:00 p.m. on the second business day preceding the intended day of delivery, the short Clearing Member must tender to the Clearing House all notices of intention to make delivery such as it has received from its customers who are short.

Where a futures commission merchant, as a Clearing Member, has an interest both long and short for customers on its own books, it must tender all such notices of intention to deliver.

To each short Clearing Member who has issued a notice of intention to make delivery, the Clearing House shall assign long Clearing Members who shall be obligated to take delivery. Upon making such assignment, the Clearing House shall promptly furnish to each short Clearing Member making delivery the names of the long Clearing Members assigned to take delivery from such short Clearing Member.

20104.B. Day of Delivery

No later than 7:30 a.m. on the day of delivery, the long Clearing Member taking delivery must make funds available, and must notify its bank to accept contract grade U.S. Treasury notes (Rules 20101.A. and 20105.A.) and to remit federal funds to the account of the short Clearing Member making delivery, at the short Clearing Member's bank.

In the event the long Clearing Member taking delivery does not agree with the terms of the invoice received from the short Clearing Member making delivery (Rule 20105.A.), the long Clearing Member must notify the short Clearing Member, and the dispute must be settled no later than 9:30 a.m. on the day of delivery.

No later than 10:00 a.m. on the day of delivery, the short Clearing Member making delivery must have contract grade U.S. Treasury notes (Rules 20101.A. and 20105.) in place at its bank, in delivery form that is acceptable to its bank, and must notify its bank to transfer said U.S. Treasury notes by book entry, on a delivery versus payment basis (Rule 20107.), to the account of the long Clearing Member taking delivery, at the long Clearing Member's bank.

No later than 1:00 p.m. on the day of delivery, contract grade U.S. Treasury notes must be transferred, and payment must be made.

[20105. DATE OF DELIVERY

Delivery of contract grade U.S. Treasury Notes may be made by the short upon any permissible delivery day of the contract delivery month the short may select. The contract delivery month shall be defined so as to extend to, and to include, the third business day following the last day of trading of the contract's month of expiration. Delivery of contract grade U.S. Treasury Notes must be made no later than the last business day of the contract delivery month so defined.]

20105. SELLER'S INVOICE NOTIFICATION TO BUYER

20105.A. Invoice Terms

Mr. David Stawick
12 January 2009

Each short Clearing Member making delivery shall prepare invoices addressed to each long Clearing Member assigned to take delivery from such short Clearing Member (Rule 20104.A.). Said invoices shall:

- (a) identify the U.S. Treasury notes that the short Clearing Member shall tender to said long Clearing Member; and
- (b) show the amounts which said long Clearing Member must pay to said short Clearing Member in settlement of the actual delivery of said U.S. Treasury notes, based on the delivery prices established by the Clearing House, and adjusted for accrued interest (Rule 20101.B.).

20105.B. Day of Notification

In the case of deliveries to be made prior to the last permissible day of delivery (Rule 20103.), each short Clearing Member making delivery shall submit said invoices to the Clearing House by 2:00 p.m. on the business day preceding the day of delivery. In the case of deliveries to be made on the last permissible day of delivery, the short Clearing Member shall submit such invoices to the Clearing House by 3:00 p.m. on the business day preceding the day of delivery. Upon receipt of such invoices, the Clearing House shall promptly furnish them to the long Clearing Members to whom they are addressed.

[20106. SELLER'S INVOICE TO BUYERS

Upon determining the buyers obligated to accept deliveries tendered by issuers of delivery notices, the Clearing House shall promptly furnish each issuer the names of the buyers obligated to accept delivery from him and a description of the U.S. Treasury Notes tendered by him which were assigned by the Clearing House to each such buyer. Thereupon, sellers (issuers of delivery notices) shall prepare invoices addressed to their assigned buyers, describing the documents to be delivered to each such buyer. Such invoices shall show the amount which buyers must pay to sellers in settlement of the actual deliveries, based on the delivery prices established by the Clearing House, and adjusted for applicable interest payments. Such invoices shall be delivered to the Clearing House by 2:00 p.m. on the day of intention except on the last intention day of the month, where such invoices shall be delivered to the Clearing House by 3:00 p.m. Upon receipt of such invoices, the Clearing House shall promptly make them available to buyers to whom they are addressed.]

20106. BUYER'S BANKING NOTIFICATION TO SELLER

No later than 4:00 p.m. on the business day preceding the day of delivery, the long Clearing Member taking delivery shall provide the short Clearing Member making delivery with a Banking Notification form which shall include:

- (a) date of delivery;
- (b) identification number and name of the long Clearing Member taking delivery;
- (c) notification number of the Clearing House delivery assignment;
- (d) identification number and name of the short Clearing Member making delivery;
- (e) quantity of the contract being delivered; and
- (f) the long Clearing Member's bank, account number, and specific Federal Wire instructions for the transfer of U.S. Treasury securities.

20107. PAYMENT

Payment shall be made in federal funds. The long obligated to take delivery must take delivery and make payment before 1:00 p.m. on the day of delivery except on banking holidays when delivery must be taken and payment made before 9:30 a.m. on the next banking business day. Adjustments for differences between contract prices and delivery prices established by the Clearing House shall be made with the Clearing House in accordance with its rules, policies and procedures.

Mr. David Stawick
12 January 2009

No later than 1:00 p.m. on the day of delivery, the long Clearing Member assigned to take delivery must take delivery and make payment. In the case of banking holidays, said long Clearing Member must take delivery and make payment no later than 9:30 a.m. on the next banking business day.

Payment shall be made in federal funds on a delivery versus payment basis. That is, payment shall not be made until the U.S. Treasury notes to be tendered for delivery (Rule 20105.A.) are delivered. Adjustments for differences between contract prices and delivery prices established by the Clearing House shall be made with the Clearing House in accordance with its rules, policies, and procedures.

[20108. BUYER'S BANKING NOTIFICATION

~~The long Clearing Member shall provide the short Clearing Member by 4:00 p.m. on the day of intention, one business day prior to delivery day, with a Banking Notification. The Banking Notification form will include the following information: the identification number and name of the long Clearing Member; the delivery date; the notification number of the delivery assignment; the identification number and name of the short Clearing Member making delivery; the quantity of the contract being delivered; the long Clearing Member's bank, account number and specific Federal Wire instructions for the transfer of U.S. securities.]~~

20108. WIRE FAILURE

In the event that delivery cannot be accomplished because of a failure of the Federal Reserve wire, or because of a failure of either the long Clearing Member's bank or the short Clearing Member's bank to access the Federal Reserve wire, delivery shall be made before 9:30 a.m. on the next business day on which the Federal Reserve wire, or bank access to it, is operable.

In the event of such failure, the short Clearing Member making delivery shall remit to the long Clearing Member taking delivery such interest on the U.S. Treasury notes being delivered as accrues between the day on which the notes were originally to be delivered and the day on which the notes are actually delivered. Both the long Clearing Member and the short Clearing Member must provide to the Exchange documented evidence that they gave instructions to their respective banks in accordance with Rules 20104. and 20107. and that they complied with all other provisions of Rules 20104. and 20107.

20109. BANKS

For purposes of these Rules [~~relating to trading in Medium-Term U.S. Treasury Note futures~~], [~~the word "Bank" (Rule 20103.)~~]"qualified bank" (Rule 20104.) shall mean a U.S. commercial bank (either Federal or State charter) that is a member of the Federal Reserve System and [~~with~~]that has capital (capital, surplus and undivided earnings) in excess of one hundred million dollars (\$100,000,000).

Mr. David Stawick
12 January 2009

Appendix 7 – Amended Chapter 21

Chapter 21
SHORT-TERM U.S. TREASURY NOTE FUTURES (2-YEAR)

21100. SCOPE OF CHAPTER

This chapter is limited in application to trading of Short-Term U.S. Treasury Note futures. The procedures for trading, clearing, delivery, and settlement, and any other matters not specifically covered herein or in Chapter 7 shall be governed by the general rules of the Exchange.

All times referenced in this chapter are Chicago times and are subject to change by the Exchange.

21101. CONTRACT SPECIFICATIONS

21101.A. Contract Grade

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 5 years 3 months; and
- (b) a remaining term to maturity of not more than 2 years; and
- (c) a remaining term to maturity of not less than 1 year 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 one-month increment (e.g., 1 year 10 months 17 days shall be taken to be 1 year 10 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.

If the U.S. Treasury Department auctions and issues a Treasury security that meets these standards, such that said security is a re-opening of an extant Treasury issue that had not previously met these standards, then the extant Treasury issue shall be deemed to be a Treasury note meeting these standards and shall be added to the contract grade as of the issue date of said newly auctioned Treasury security.

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.

21101.B. Physical Delivery

Each individual contract lot that is delivered must be composed of one and only one contract grade Treasury note issue. The amount at which the short Clearing Member making delivery shall invoice the long Clearing Member taking delivery of said notes (Rule 21105.A.) shall be determined as:

$$\text{Invoice Amount} = (\$2000 \times P \times c) + \text{Accrued Interest}$$

where

Mr. David Stawick
12 January 2009

P is the contract daily settlement price on the day that the short Clearing Member gives the Clearing House notice of intention to deliver (Rule 21104.A.). *P* shall be expressed in points and fractions of points with par on the basis of 100 points (Rule 21102.C.); and

c is a conversion factor equal to the price at which a note with the same time to maturity as said note, and with the same coupon rate as said note, and with par on the basis of one (1) point, will yield 6% per annum according to conversion factor tables prepared and published by the Exchange.

For each individual contract lot that is delivered, the product expression ($\$2000 \times P \times c$) shall be rounded to the nearest cent, with half-cents rounded up to the nearest cent.

Example: Assume that *P* is 100 and 25.5/32nds. Assume that *c* is 0.9633. The product expression ($\$2000 \times P \times c$) is found to be \$194,195.259375. The rounded amount that enters into determination of the *Invoice Amount* is \$194,195.26.

In the determination of the *Invoice Amount* for each individual contract lot being delivered, *Accrued Interest* shall be charged to the long Clearing Member taking delivery by the short Clearing Member making delivery, in accordance with 31 CFR Part 306--General Regulations Governing U.S. Securities, Subpart E--Interest. See also Rule 21102.B.

21102. TRADING SPECIFICATIONS

The number of contract expiration months open for trading at a given time shall be determined by the Exchange. Without limiting the foregoing, the Exchange customarily shall list for trading five consecutive expiries in the March-June-September-December quarterly cycle.

21102.A. Trading Schedule

The hours of trading shall be determined by the Exchange. On the last day of trading in an expiring contract (Rule 21102.F.), the close of the expiring contract shall begin at 12:00 noon, and trading shall be permitted thereafter for a period not to exceed one minute.

21102.B. Trading Unit

The unit of trading shall be U.S. Treasury notes having a face value at maturity of two hundred thousand dollars (\$200,000) or multiples thereof.

21102.C. Price Increments

Par shall be on the basis of 100 points, with each point equal to \$2,000 per contract. The minimum price fluctuation shall be one-quarter of one thirty-second of one point (equal to \$15.625 per contract), including intermonth spreads. Contracts shall not be made on any other price basis.

21102.D. Reserved

21102.E. Position Limits and Position Accountability

In accordance with Rule 559., no person shall own or control positions in excess of 25,000 contracts in an expiring contract during the contract's last 10 trading days (Rule 21102.F.). No hedge exemptions will be permitted with respect to this position limit.

Mr. David Stawick
12 January 2009

Position accountability, as defined in Rule 560., shall apply to trading of Short-Term U.S. Treasury Note futures.

21102.F. Termination of Trading

The last day of trading in an expiring contract shall be the last business day of the contract's named month of expiration. Any contract remaining open after the last day of trading must be either:

- (a) settled by physical delivery no later than the third business day following the last business day of the contract's named month of expiration (Rule 21103.); or
- (b) liquidated by means of a bona fide Exchange of Futures for Related Position (Rule 538.) no later than 12:00 noon on the business day immediately following the last business day of the contract's named month of expiration.

21103. DATE OF DELIVERY

Delivery of contract grade U.S. Treasury notes may be made by a short Clearing Member upon any business day of the contract delivery month that the short Clearing Member may select. The contract delivery month shall be defined so as to commence on, and to include, the first business day of the contract's named month of expiration, and to extend to, and to include, the third business day following the last business day of the contract's named month of expiration.

21104. DELIVERIES ON EXPIRING FUTURES CONTRACTS

Deliveries against expiring contracts shall be by book-entry transfer between accounts of Clearing Members at qualified banks (Rule 21109.) in accordance with 31 CFR Part 306--General Regulations Governing U.S. Securities, Subpart O--Book-Entry Procedure, and 31 CFR Part 357--Regulations Governing Book-Entry of U.S. Treasury Bonds, Notes and Bills Held in Legacy Treasury Direct® .

Deliveries against an expiring contract can be made no earlier than the first business day of the contract's named month of expiration, and no later than the third business day following the last business day of the contract's named month of expiration (Rule 21103.).

All deliveries must be assigned by the Clearing House.

21104.A. Day of Intention

No later than 6:00 p.m. on the second business day preceding the intended day of delivery, the short Clearing Member must tender to the Clearing House all notices of intention to make delivery such as it has received from its customers who are short.

Where a futures commission merchant, as a Clearing Member, has an interest both long and short for customers on its own books, it must tender all such notices of intention to deliver.

To each short Clearing Member who has issued a notice of intention to make delivery, the Clearing House shall assign long Clearing Members who shall be obligated to take delivery. Upon making such assignment, the Clearing House shall promptly furnish to each short Clearing Member making delivery the names of the long Clearing Members assigned to take delivery from such short Clearing Member.

21104.B. Day of Delivery

Mr. David Stawick
12 January 2009

No later than 7:30 a.m. on the day of delivery, the long Clearing Member taking delivery must make funds available, and must notify its bank to accept contract grade U.S. Treasury notes (Rules 21101.A. and 21105.A.) and to remit federal funds to the account of the short Clearing Member making delivery, at the short Clearing Member's bank.

In the event the long Clearing Member taking delivery does not agree with the terms of the invoice received from the short Clearing Member making delivery (Rule 21105.A.), the long Clearing Member must notify the short Clearing Member, and the dispute must be settled no later than 9:30 a.m. on the day of delivery.

No later than 10:00 a.m. on the day of delivery, the short Clearing Member making delivery must have contract grade U.S. Treasury notes (Rules 21101.A. and 21105.) in place at its bank, in delivery form that is acceptable to its bank, and must notify its bank to transfer said U.S. Treasury notes by book entry, on a delivery versus payment basis (Rule 21107.), to the account of the long Clearing Member taking delivery, at the long Clearing Member's bank.

No later than 1:00 p.m. on the day of delivery, contract grade U.S. Treasury notes must be transferred, and payment must be made.

21105. SELLER'S INVOICE NOTIFICATION TO BUYER

21105.A. Invoice Terms

Each short Clearing Member making delivery shall prepare invoices addressed to each long Clearing Member assigned to take delivery from such short Clearing Member (Rule 21104.A.). Said invoices shall:

- (a) identify the U.S. Treasury notes that the short Clearing Member shall tender to said long Clearing Member; and
- (b) show the amounts which said long Clearing Member must pay to said short Clearing Member in settlement of the actual delivery of said U.S. Treasury notes, based on the delivery prices established by the Clearing House, and adjusted for accrued interest (Rule 21101.B.).

21105.B. Day of Notification

In the case of deliveries to be made prior to the last permissible day of delivery (Rule 21103.), each short Clearing Member making delivery shall submit said invoices to the Clearing House by 2:00 p.m. on the business day preceding the day of delivery. In the case of deliveries to be made on the last permissible day of delivery, the short Clearing Member shall submit such invoices to the Clearing House by 3:00 p.m. on the business day preceding the day of delivery. Upon receipt of such invoices, the Clearing House shall promptly furnish them to the long Clearing Members to whom they are addressed.

21106. BUYER'S BANKING NOTIFICATION TO SELLER

No later than 4:00 p.m. on the business day preceding the day of delivery, the long Clearing Member taking delivery shall provide the short Clearing Member making delivery with a Banking Notification form which shall include:

- (a) date of delivery;
- (b) identification number and name of the long Clearing Member taking delivery;
- (c) notification number of the Clearing House delivery assignment;
- (d) identification number and name of the short Clearing Member making delivery;

Mr. David Stawick
12 January 2009

- (e) quantity of the contract being delivered; and
- (f) the long Clearing Member's bank, account number, and specific Federal Wire instructions for the transfer of U.S. Treasury securities.

21107. PAYMENT

No later than 1:00 p.m. on the day of delivery, the long Clearing Member assigned to take delivery must take delivery and make payment. In the case of banking holidays, said long Clearing Member must take delivery and make payment no later than 9:30 a.m. on the next banking business day.

Payment shall be made in federal funds on a delivery versus payment basis. That is, payment shall not be made until the U.S. Treasury notes to be tendered for delivery (Rule 21105.A.) are delivered. Adjustments for differences between contract prices and delivery prices established by the Clearing House shall be made with the Clearing House in accordance with its rules, policies, and procedures.

21108. WIRE FAILURE

In the event that delivery cannot be accomplished because of a failure of the Federal Reserve wire, or because of a failure of either the long Clearing Member's bank or the short Clearing Member's bank to access the Federal Reserve wire, delivery shall be made before 9:30 a.m. on the next business day on which the Federal Reserve wire, or bank access to it, is operable.

In the event of such failure, the short Clearing Member making delivery shall remit to the long Clearing Member taking delivery such interest on the U.S. Treasury notes being delivered as accrues between the day on which the notes were originally to be delivered and the day on which the notes are actually delivered. Both the long Clearing Member and the short Clearing Member must provide to the Exchange documented evidence that they gave instructions to their respective banks in accordance with Rules 21104. and 21107. and that they complied with all other provisions of Rules 21104. and 21107.

21109. BANKS

For the purposes of these Rules, "qualified bank" (Rule 21104.) shall mean a U.S. commercial bank (either Federal or State chartered) that is a member of the Federal Reserve System and that has capital (capital, surplus, and undivided earnings) in excess of one hundred million dollars (\$100,000,000).

Mr. David Stawick
12 January 2009

Appendix 8 – Amendments to Current Chapter 21

Chapter 21 Short-Term U.S. Treasury Note Futures (2-Year)

21100. SCOPE OF CHAPTER

This chapter is limited in application to [futures] trading of Short-Term U.S. Treasury Note[s] futures. The procedures for trading, clearing, delivery, and settlement, and any other matters not specifically covered herein or in Chapter 7 shall be governed by the rules of the Exchange.

All times referenced in this chapter are Chicago times and are subject to change by the Exchange.

21101. CONTRACT SPECIFICATIONS

~~[The contract grade for delivery on futures contracts made under these rules shall be U.S. Treasury Notes which have an original maturity no greater than five years three months and remaining maturity not less than one year, nine months and not more than two years as defined below. All notes delivered against a contract must be of the same issue. For settlement, or for determining remaining maturity for delivery eligibility, the time to maturity of a given issue is calculated in complete one month increments (i.e., 1 year, 10 months, 17 days is taken to be 1 year, 10 months) from the first day of the delivery month. The price at which a note with this time to maturity and with the same coupon rate as this issue will yield 6%, according to bond tables prepared by the Financial Publishing Co. of Boston, Mass., is multiplied by the settlement price to arrive at the amount at which the short invoices the long.~~

~~Interest accrued on the notes shall be charged to the long by the short in accordance with Department of the Treasury Circular 300, Subpart P.~~

~~New issues of U.S. Treasury Notes which satisfy the standards in this rule shall be added to the deliverable grade as they are issued. If during the auction of a note which will meet the standards of this chapter the Treasury re-opens an existing issue, thus rendering the existing issue indistinguishable from the newly auctioned one, the older issue is deemed to meet the standards of this chapter and would be deliverable. The Exchange shall have the right to exclude any new issue from deliverable status or to further limit outstanding issues from deliverable status.]~~

21101.A. Contract Grade

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:

- (c) an original term to maturity (i.e., term to maturity at issue) of not more than 5 years 3 months;
and
- (d) a remaining term to maturity of not more than 2 years; and
- (d) a remaining term to maturity of not less than 1 year 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 one-month increment (e.g., 1 year 10 months 17 days shall be taken to be 1 year 10 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.

Mr. David Stawick
12 January 2009

If the U.S. Treasury Department auctions and issues a Treasury security that meets these standards, such that said security is a re-opening of an extant Treasury issue that had not previously met these standards, then the extant Treasury issue shall be deemed to be a Treasury note meeting these standards and shall be added to the contract grade as of the issue date of said newly auctioned Treasury security.

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.

21101.B. Physical Delivery

Each individual contract lot that is delivered must be composed of one and only one contract grade Treasury note issue. The amount at which the short Clearing Member making delivery shall invoice the long Clearing Member taking delivery of said notes (Rule 21105.A.) shall be determined as:

$$\text{Invoice Amount} = (\$2000 \times P \times c) + \text{Accrued Interest}$$

where

P is the contract daily settlement price on the day that the short Clearing Member gives the Clearing House notice of intention to deliver (Rule 21104.A.). P shall be expressed in points and fractions of points with par on the basis of 100 points (Rule 21102.C.); and

c is a conversion factor equal to the price at which a note with the same time to maturity as said note, and with the same coupon rate as said note, and with par on the basis of one (1) point, will yield 6% per annum according to conversion factor tables prepared and published by the Exchange.

For each individual contract lot that is delivered, the product expression $(\$2000 \times P \times c)$ shall be rounded to the nearest cent, with half-cents rounded up to the nearest cent.

Example: Assume that P is 100 and 25.5/32nds. Assume that c is 0.9633. The product expression $(\$2000 \times P \times c)$ is found to be \$194,195.259375. The rounded amount that enters into determination of the Invoice Amount is \$194,195.26.

In the determination of the Invoice Amount for each individual contract lot being delivered, Accrued Interest shall be charged to the long Clearing Member taking delivery by the short Clearing Member making delivery, in accordance with 31 CFR Part 306--General Regulations Governing U.S. Securities, Subpart E--Interest. See also Rule 21102.B.

21102. TRADING SPECIFICATIONS

[Trading in Short Term U.S. Treasury Note futures is regularly conducted in four months--March, June, September and December. The number of months open for trading at a given time shall be determined by the Exchange.]

The number of contract expiration months open for trading at a given time shall be determined by the Exchange. Without limiting the foregoing, the Exchange customarily shall list for trading five consecutive expiries in the March-June-September-December quarterly cycle.

21102.A. Trading Schedule

The hours for trading [of Short Term U.S. Treasury Note futures] shall be determined by the Exchange.

Mr. David Stawick
12 January 2009

On the last day of trading in an expiring ~~[future]contract~~ (Rule 21102.F.), the close of the expiring ~~[future]contract~~ shall begin at ~~[12 o'clock]~~12:00 noon and trading shall be permitted thereafter for a period not to exceed one minute.

21102.B. Trading Unit

The unit of trading shall be ~~[United States]~~U.S. Treasury notes having a face value at maturity of two hundred thousand dollars (\$200,000) or multiples thereof.

21102.C. Price Increments

~~[Minimum price fluctuation shall be in multiples of one quarter of one thirty-second point per 100 points (\$15.625 per contract), including spreads. Par shall be on the basis of 100 points.]~~ Par shall be on the basis of 100 points, with each point equal to \$2,000 per contract. The minimum price fluctuation shall be one-quarter of one thirty-second of one point (equal to \$15.625 per contract), including intermonth spreads. Contracts shall not be made on any other price basis.

21102.D. Reserved

21102.E. Position Limits and Position Accountability

In accordance with Rule 559., no person shall own or control positions in excess of 25,000 contracts in ~~[the]an~~ expiring contract during ~~[the last ten trading days of the expiring futures month]~~ the contract's last 10 trading days (Rule 21102.F.). No hedge exemptions will be permitted with respect to this position limit.

Position accountability, as defined in Rule 560., will apply to trading of Short-Term U.S. Treasury Note futures.

21102.F. Termination of Trading

The last day of trading in an expiring ~~[Short-Term Treasury Note futures]~~ contract shall be the last business day of the contract's named month of expiration. Any contracts remaining open after the last day of trading must be either:

- (c) Settled by physical delivery no later than the third business day following the ~~[last day of trading]~~last business day of the contract's named month of expiration (Rule 21103.); or
- (d) Liquidated by means of a bona fide Exchange of Futures for Related Position (Rule 538.) no later than 12:00 noon ~~[Chicago time]~~ on the business day immediately following the last ~~[day of trading in the expiring contract]~~business day of the contract's named month of expiration.

~~[21103. DELIVERIES ON FUTURES CONTRACTS~~

~~Deliveries against Short-Term U.S. Treasury Note futures contracts shall be by book-entry transfer between accounts of Clearing Members at qualified banks (Rule 21109.) in accordance with Department of the Treasury Circular 300, Subpart O: Book-Entry Procedure.~~

~~Delivery must be made no later than the last business day of the month. Notice of intention to deliver shall be given to the Clearing House by 8:00 p.m. on the second business day preceding delivery day. In the event the long Clearing Member does not agree with the terms of the invoice received from the short Clearing Member, the long Clearing Member must notify the short Clearing Member, and the dispute must be settled by 9:30 a.m. on delivery day. The short Clearing Member must have contract grade U.S. Treasury Notes in place at his bank in acceptable (to his bank) delivery form no later than 10:00 a.m. on~~

Mr. David Stawick
12 January 2009

~~delivery day. The short Clearing Member must notify his bank to transfer contract grade U.S. Treasury Notes by book entry to the long Clearing Member's account at the long Clearing Member's bank on a delivery versus payment basis. That is, payment shall not be made until the notes are delivered. On delivery day, the long Clearing Member must make funds available by 7:30 a.m. and notify his bank to accept contract grade U.S. Treasury Notes and to remit federal funds to the short Clearing Member's account at the short Clearing Member's bank in payment for delivery of the notes. Contract grade U.S. Treasury Notes must be transferred and payment must be made before 1:00 p.m. on delivery day. All deliveries must be assigned by the Clearing House. Where a futures commission merchant as a clearing member has an interest both long and short for customers on its own books, it must tender to the Clearing House such notices of intention to deliver as it received from its customers who are short.]~~

21103. DATE OF DELIVERY

Delivery of contract grade U.S. Treasury notes may be made by a short Clearing Member upon any business day of the contract delivery month that the short Clearing Member may select. The contract delivery month shall be defined so as to commence on, and to include, the first business day of the contract's named month of expiration, and to extend to, and to include, the third business day following the last business day of the contract's named month of expiration.

[21104. WIRE FAILURE

~~In the event that delivery cannot be accomplished because of a failure of the Federal Reserve wire or because of a failure of either the long Clearing Member's bank or the short Clearing Member's bank access to the Federal Reserve wire, delivery shall be made before 9:30 a.m. on the next business day on which the Federal Reserve wire or bank access to it is operable. Interest shall accrue to the long paid by the short beginning on the day on which the notes were to be originally delivered.~~

~~In the event of such failure, both the long and short must provide documented evidence that the instructions were given to their respective banks in accordance with Rules 21103 and 21107, and that all other provisions of Rules 21103 and 21107 have been complied with.]~~

21104. DELIVERIES ON EXPIRING FUTURES CONTRACTS

Deliveries against expiring contracts shall be by book-entry transfer between accounts of Clearing Members at qualified banks (Rule 21109.) in accordance with 31 CFR Part 306--General Regulations Governing U.S. Securities, Subpart O--Book-Entry Procedure, and 31 CFR Part 357--Regulations Governing Book-Entry of U.S. Treasury Bonds, Notes and Bills Held in Legacy Treasury Direct®.

Deliveries against an expiring contract can be made no earlier than the first business day of the contract's named month of expiration, and no later than the third business day following the last business day of the contract's named month of expiration (Rule 21103.).

All deliveries must be assigned by the Clearing House.

21104.A. Day of Intention

No later than 6:00 p.m. on the second business day preceding the intended day of delivery, the short Clearing Member must tender to the Clearing House all notices of intention to make delivery such as it has received from its customers who are short.

Where a futures commission merchant, as a Clearing Member, has an interest both long and short for customers on its own books, it must tender all such notices of intention to deliver.

Mr. David Stawick
12 January 2009

To each short Clearing Member who has issued a notice of intention to make delivery, the Clearing House shall assign long Clearing Members who shall be obligated to take delivery. Upon making such assignment, the Clearing House shall promptly furnish to each short Clearing Member making delivery the names of the long Clearing Members assigned to take delivery from such short Clearing Member.

21104.B. Day of Delivery

No later than 7:30 a.m. on the day of delivery, the long Clearing Member taking delivery must make funds available, and must notify its bank to accept contract grade U.S. Treasury notes (Rules 21101.A. and 21105.A.) and to remit federal funds to the account of the short Clearing Member making delivery, at the short Clearing Member's bank.

In the event the long Clearing Member taking delivery does not agree with the terms of the invoice received from the short Clearing Member making delivery (Rule 21105.A.), the long Clearing Member must notify the short Clearing Member, and the dispute must be settled no later than 9:30 a.m. on the day of delivery.

No later than 10:00 a.m. on the day of delivery, the short Clearing Member making delivery must have contract grade U.S. Treasury notes (Rules 21101.A. and 21105.) in place at its bank, in delivery form that is acceptable to its bank, and must notify its bank to transfer said U.S. Treasury notes by book entry, on a delivery versus payment basis (Rule 21107.), to the account of the long Clearing Member taking delivery, at the long Clearing Member's bank.

No later than 1:00 p.m. on the day of delivery, contract grade U.S. Treasury notes must be transferred, and payment must be made.

[21105. DATE OF DELIVERY

~~Delivery of contract grade U.S. Treasury Notes may be made by the short upon any permissible delivery day of the contract delivery month the short may select. The contract delivery month shall be defined so as to extend to, and to include, the third business day following the last day of trading of the contract's named month of expiration. Delivery of contract grade U.S. Treasury Notes must be made no later than the last business day of the contract delivery month so defined.]~~

21105. SELLER'S INVOICE NOTIFICATION TO BUYER

21105.A. Invoice Terms

Each short Clearing Member making delivery shall prepare invoices addressed to each long Clearing Member assigned to take delivery from such short Clearing Member (Rule 21104.A.). Said invoices shall:

- (a) identify the U.S. Treasury notes that the short Clearing Member shall tender to said long Clearing Member; and
- (b) show the amounts which said long Clearing Member must pay to said short Clearing Member in settlement of the actual delivery of said U.S. Treasury notes, based on the delivery prices established by the Clearing House, and adjusted for accrued interest (Rule 21101.B.).

21105.B. Day of Notification

In the case of deliveries to be made prior to the last permissible day of delivery (Rule 21103.), each short Clearing Member making delivery shall submit said invoices to the Clearing House by 2:00 p.m. on the business day preceding the day of delivery. In the case of deliveries to be made on the last permissible day of delivery, the short Clearing Member shall submit such invoices to the Clearing House by 3:00 p.m.

Mr. David Stawick
12 January 2009

on the business day preceding the day of delivery. Upon receipt of such invoices, the Clearing House shall promptly furnish them to the long Clearing Members to whom they are addressed

[21106. SELLER'S INVOICE TO BUYERS

~~Upon determining the buyers obligated to accept deliveries tendered by issuers of delivery notices, the Clearing House shall promptly furnish each issuer the names of the buyers obligated to accept delivery from him and a description of each commodity tendered by him which was assigned by the Clearing House to each such buyer. Thereupon, sellers (issuers of delivery notices) shall prepare invoices addressed to their assigned buyers, describing the documents to be delivered to each such buyer. Such invoices shall show the amount which buyers must pay to sellers in settlement of the actual deliveries, based on the delivery prices established by the Clearing House, and adjusted for applicable interest payments. Such invoices shall be delivered to the Clearing House by 2:00 p.m. on the day of intention except on the last intention day of the month, where such invoices shall be delivered to the Clearing House by 3:00 p.m. Upon receipt of such invoices, the Clearing House shall promptly make them available to buyers to whom they are addressed.]~~

21106. BUYER'S BANKING NOTIFICATION TO SELLER

No later than 4:00 p.m. on the business day preceding the day of delivery, the long Clearing Member taking delivery shall provide the short Clearing Member making delivery with a Banking Notification form which shall include:

- (a) date of delivery;
- (b) identification number and name of the long Clearing Member taking delivery;
- (c) notification number of the Clearing House delivery assignment;
- (d) identification number and name of the short Clearing Member making delivery;
- (e) quantity of the contract being delivered; and
- (f) the long Clearing Member's bank, account number, and specific Federal Wire instructions for the transfer of U.S. Treasury securities.

21107. PAYMENT

~~[Payment shall be made in federal funds. The long obligated to take delivery must take delivery and make payment before 1:00 p.m. on the day of delivery except on banking holidays when delivery must be taken and payment made before 9:30 a.m. on the next banking business day. Adjustments for differences between contract prices and delivery prices established by the Clearing House shall be made with the Clearing House in accordance with its rules, policies and procedures.]~~

No later than 1:00 p.m. on the day of delivery, the long Clearing Member assigned to take delivery must take delivery and make payment. In the case of banking holidays, said long Clearing Member must take delivery and make payment no later than 9:30 a.m. on the next banking business day.

Payment shall be made in federal funds on a delivery versus payment basis. That is, payment shall not be made until the U.S. Treasury notes to be tendered for delivery (Rule 21105.A.) are delivered. Adjustments for differences between contract prices and delivery prices established by the Clearing House shall be made with the Clearing House in accordance with its rules, policies, and procedures.

[21108. BUYER'S BANKING NOTIFICATION

~~The long Clearing Member shall provide the short Clearing Member by 4:00 p.m. on the day of intention, one business day prior to delivery day, with a Banking Notification. The Banking Notification form will include the following information: the identification number and name of the long Clearing Member; the delivery date; the notification number of the delivery assignment; the identification number and name of the short Clearing Member making delivery; the quantity of the contract being delivered; the long Clearing~~

Mr. David Stawick
12 January 2009

~~Member's bank, account number and specific Federal Wire instructions for the transfer of U.S. securities.]~~

21108. WIRE FAILURE

~~In the event that delivery cannot be accomplished because of a failure of the Federal Reserve wire, or because of a failure of either the long Clearing Member's bank or the short Clearing Member's bank to access the Federal Reserve wire, delivery shall be made before 9:30 a.m. on the next business day on which the Federal Reserve wire, or bank access to it, is operable.~~

~~In the event of such failure, the short Clearing Member making delivery shall remit to the long Clearing Member taking delivery such interest on the U.S. Treasury notes being delivered as accrues between the day on which the notes were originally to be delivered and the day on which the notes are actually delivered. Both the long Clearing Member and the short Clearing Member must provide to the Exchange documented evidence that they gave instructions to their respective banks in accordance with Rules 21104. and 21107. and that they complied with all other provisions of Rules 21104. and 21107.~~

21109. BANKS

For purposes of these Rules [~~relating to trading in Short Term U.S. Treasury Note futures~~], [~~the word "Bank" (Rule 21103.)~~]"qualified bank" (Rule 21104.) shall mean a U.S. commercial bank (either Federal or State charter) that is a member of the Federal Reserve System and [~~with~~]that has capital (capital, surplus and undivided earnings) in excess of one hundred million dollars (\$100,000,000).