Christopher Bowen
Managing Director and Chief Regulatory Counsel
Legal Department

February 7, 2014

VIA E-MAIL

Ms. Melissa Jurgens
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, DC 20581

RE: CFTC Regulation 40.6(a) Certification. Revisions to Treasury Futures Daily and Final Settlement Procedures Documents.
CBOT Submission No. 14-046

Dear Ms. Jurgens:

The Board of Trade of the City of Chicago, Inc. ("CBOT" or "Exchange") is notifying the Commodity Futures Trading Commission ("CFTC" or "Commission") that it is self-certifying revisions to the CBOT Treasury futures daily and final settlement price documents available on the CME Group website.

The revisions correct inaccurate references to legacy procedures that do not comport with the procedures currently being employed by CBOT to determine daily and final settlement prices in Treasury futures products and provide updated contact phone numbers.

The revisions to the daily settlement procedures document are set forth in Exhibit A and the revisions to the final settlement procedures document are set forth in Exhibit B, each with additions underscored and deletions ~~overstruck~~. The revisions will become effective on February 25, 2014.

The Market Regulation Department and the Legal Department collectively reviewed the designated contract market core principles ("Core Principles") as set forth in the Commodity Exchange Act ("CEA" or "Act"). During the review, we have identified that the revisions to the settlement procedures documents may have some bearing on the following Core Principles:

> Compliance with Rules: The procedures for the establishment of daily settlement prices for contracts traded on a designated contract market constitute a term and condition as that term is defined in CFTC Regulation 40.1(j). CBOT is not adopting any changes to the manner in which daily settlement prices are being determined as a result of this Submission, however the Submission does eliminate outdated references to legacy daily settlement procedures and replaces them with references to the current procedures.
>
> Availability of General Information: The changes being made to the daily and final settlement procedures documents will ensure that the marketplace has accurate information concerning the manner in which those settlement prices are determined. The revised documents will be publicly posted on the CME Group website as of the effective date of February 25, 2014.

CBOT certifies that the revisions to the daily and final settlement procedures for CBOT Treasury futures comply with the CEA and regulations thereunder. There were no opposing views to the revisions.

The Exchange certifies that this submission has been concurrently posted on the CME Group website at http://www.cmegroup.com/market-regulation/rule-filings.html.

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If you have any questions regarding this submission, please contact Robert Sniegowski, Market Regulation, at 312-341-5991 or via e-mail at Robert.Sniegowski@cmegroup.com. Alternatively, you may contact me at 212-299-2200 or via e-mail at Christopher.Bowen@cmegroup.com. Please reference CBOT Submission No. 14-046 in any related correspondence.

Sincerely,

/s/Christopher Bowen
Managing Director and Chief Regulatory Counsel

Attachments: Exhibit A – Revisions to Treasury Futures Daily Settlement Procedures Document
Exhibit B – Revisions to Treasury Futures Final Settlement Procedures Document

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EXHIBIT A

Treasury Futures Daily Settlement Procedure

Normal daily settlement procedure

Daily settlement of 2-Year U.S. Treasury Note futures (ZT), 3-Year U.S. Treasury Note futures (Z3N), 5-Year U.S. Treasury Note futures (ZF), 10-Year U.S. Treasury Note futures (ZN), U.S. Treasury Bond futures (ZB), and Ultra T-Bond futures (UB) is determined by CME Group staff based on trading activity on CME Globex.

Lead month

The lead month is the anchor leg for settlements and is the contract expected to be the most active.

Tier 1: If the lead month contract trades on Globex between 13:59:30 and 14:00:00 Central Time (CT), then the lead month settles to the volume-weighted average price (VWAP) of the trade(s) during this period.

Tier 2: If no trades in the lead month occur on Globex between 13:59:30 and 14:00:00 CT, then the ~~last~~most recent trade (or prior settle in the absence of a last trade price) is used.

The lead month settles to the last trade/prior settle assuming that it does not violate the low bid or the high ask in the closing range. If the low bid in the closing range is higher than the last trade/prior settlement price, then the lead month settles to that bid. If the high ask in the closing range is lower than the last trade/prior settle, then the lead month settles to that ask.

Second month

When the lead month is the expiry month, then the second month is defined as the calendar month immediately following the lead month. When the lead month is not the expiry month, then the second month is defined as the first expiring non-lead month.

Tier 1: If the lead month-second month spread trades on Globex between 13:59:30 and 14:00:00 CT, then the spread VWAP is calculated and rounded to the spread's nearest tradable tick. The spread differential is then applied to the lead month settlement price to derive the second month settlement, which is rounded to the outright's nearest tradable tick.

Tier 2: If a ~~spread~~ VWAP is not available due to an absence of trades, then the ~~last~~most recent spread trade is applied to the lead month settlement price to derive the second month settlement, which is rounded to the outright's nearest tradable tick.

~~If there is no last trade available, then the prior-day spread relationship is used, assuming that it does not result in a settlement that violates the low bid or the high ask in either the outright market for the second month or the lead month-second month calendar spread market during the closing range.~~

If there are no trades in the lead month-second month calendar spread, then the prior-day lead month-second month spread relationship is used to derive the second month settlement.

In either of the above scenarios, if the derived spread differential in the lead month-second month spread is below the low bid in the closing range in that spread, then the spread settles to that bid.

If the calculated spread differential in the lead month-second month spread is higher than the high ask in the closing range in that spread, then the spread settles to that ask. Additionally, if the derived second month settlement violates the low bid or the high ask in the outright market for the second month during the closing range, then, the settlement will be adjusted to the nearest low bid or the high ask accordingly.

Back months

To derive settlements for all remaining months, the lead month net change is applied to the back month contracts' prior-day settlements, provided that this value does not violate the low bid or high ask between 13:59:30 and 14:00:00 CT for either the respective outrights or the consecutive-month calendar spreads. If you have any questions, please call the CME Global Command Center at ~~312.456.2391~~800.438.8616, in Europe at 44.~~207.623.4708~~800.898.013, or in Asia at 65~~-6223-1357~~.6532.5010.

Note: In the event the aforementioned calculations described in this document~~advisory~~ cannot be made or if staff, in its sole discretion, determines that anomalous activity yields results that are not representative of the fair value of the contract, ~~the~~ staff may determine an alternative settlement price.

EXHIBIT B

Treasury Futures Final Settlement Procedure

Final settlement price of expiring 2-Year U.S. Treasury Note futures (ZT), 3-Year U.S. Treasury Note futures (Z3N), 5-Year U.S. Treasury Note futures (ZF), 10-Year U.S. Treasury Note futures (ZN), U.S. Treasury Bond futures (ZB), and Ultra T-Bond futures (UB) is determined by CME Group staff based on market activity on CME Globex.

Final settlement procedure

Tier 1: VWAP calculation

On the expiring contract's last day of trading, it settles to a volume-weighted average price (VWAP) of trades on Globex between 12:00:00 and 12:01:00 p.m. Central Time (CT). This value is derived by adding the weighted VWAP of outright trades in the expiring contract to the weighted VWAP of trades in the companion reduced-tick spreads.

Final settlement VWAP calculation

p_x = VWAP of the expiring contract
p_s = VWAP of the reduced-tick spread and the trade price of the deferred contract nearest to the time of the trade in the reduced-tick spread (but not later than 12:01:00 CT)
w_x = cumulative traded volume in the expiring contract
w_s = cumulative traded volume in the reduced-tick spread
$w = w_x + w_s$

$$\left(\frac{w_x}{w}\right) * p_x + \left(\frac{w_s}{w}\right) * p_s$$

The calculated final settlement price is rounded to the nearest tradable tick. If this calculated value is the midpoint between two ticks, it is rounded to the tick closer to the last trade price in the expiring contract. The final settlement price may penetrate unfilled bids or ~~offers~~asks and, under certain circumstances, may settle outside of the closing range for outright trades in the expiring contract.

Tier 2: Outright bid/~~offer~~ask

~~In the~~If a VWAP is not available due to an absence of ~~trade in both the expiring contract and the companion reduced-tick~~ trades, then the most recent spread ~~on Globex between 12:00:00 and 12:01:00 CT, the final~~trade is applied to the lead month settlement price ~~is~~ to derive the second month settlement, which is rounded to the outright's nearest tradable tick.

If there are no trades in the ~~best~~lead month-second month calendar spread, then the prior-day lead month-second month spread relationship is used to derive the second month settlement.

In either of the above scenarios, if the derived spread differential in the lead month-second month spread is below the low bid in the closing range in that spread, then the spread settles to that bid. If the calculated spread differential in the lead month-second month spread is higher than the high ask in the closing range in that spread, then the spread settles to that ask. Additionally, if the derived second month settlement violates the low bid or ~~best offer~~the high ask in the outright ~~expiring contract at 12:00:50 CT, whichever is closer to the last trade price~~market for the second month during the closing range, then, the settlement will be adjusted to the nearest low bid or the high ask accordingly.

~~**Tier 3: Implied bid/offer**~~

~~If there is no bid/offer pair in the expiring contract at that time, then the final settlement is the best bid or best offer implied by the reduced-tic spread bid/offer at 12:00:50 CT, whichever is closer to the last trade price in the outright expiring contract. For any bid or offer to be considered, it must remain active through contract expiration at 12:01:00 CT.~~

~~**Tier 4: Recent market activity**~~

~~In the absence A, B, and C (below), the settlement price will be based on the most recent of A, B or C occurring prior to 12:00:50 CT.~~

~~A. a trade between 12:00:00 and 12:01:00 CT,~~

~~B. a bid/offer pair in the expiring contract at 12:00:50 CT, and~~

~~C. a bid/offer pair in the reduced-tic spread at 12:00:50 CT.~~

If you have any questions, please call the CME Global Command Center at ~~312.456.2391~~800.438.8616, in Europe at 44.~~207.623.4708~~800.898.013, or in Asia at 65~~-6223-1357~~.6532.5010.

Note: Notwithstanding the foregoing, if the aforementioned calculations cannot be made or are otherwise determined, in the CME Group staff's sole discretion, not to be representative of the fair value of the contract, CME Group staff will determine the final settlement price using any data they deem relevant.