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OFFICE OF THE SECRETARIAT

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September 21, 2009

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

RE: CBOT Chapter XXB - Long-Term U.S. Treasury Bond Flexible Options, and Chapter 5 – Rule 588.K. ("No Bust Ranges") and Position Limit and Reportable Level Table
CBOT Submission No. 09-179

Dear Mr. Stawick:

Pursuant to Commission Regulation 40.6 and Section 5c(c)(1) of the Commodity Exchange Act, the Board of Trade of the City of Chicago, Inc. ("CBOT" or "Exchange") hereby notifies the Commodity Futures Trading Commission ("Commission") that it is self-certifying rules governing trading in flexible options on Long-Term U.S. Treasury Bond futures, a new contract market.

CBOT intends to list the proposed flexible option contract on the Long-Term Treasury Bond futures contract for trading, after the January 2010 launch of the underlying Long-Term Treasury Bond futures contract, at such time as the Exchange determines that the new futures contract evidences sufficient liquidity to serve as the underlying reference for a companion flexible option contract. The Exchange will list the new flexible option contract for trading in open outcry only. The Exchange will inform the Commission of the launch date for the flexible option contract as soon as the Exchange determines this date.

CBOT designed new Long-Term Bond flexible option contract to complement CBOT's extant Treasury Bond and Note flexible option contracts. The new contract offers both American- and European-style option exercise and will trade in a minimum tick size of one-sixty-fourth of one point ($15.625). Strike prices in Long-Term Bond flexible options may be quoted in points and 32nds on an outright basis or relative to the price of the underlying futures, provided that they are not beyond the range of currently listed strike prices for the companion standard option contract. Trading in Long-Term Bond flexible options may be conducted in any month up through the most distant underlying futures contract listed for trading. The underlying futures contract for Long-Term Bond flexible options shall be the same as the underlying futures contract month of the nearest quarterly cycle standard futures option expiring on or after the expiration of the flexible option.

Flexible options on Long-Term Treasury Bond futures will have position accountability of 25,000 contracts and a reportable level of 1,500 contracts. Flexible options on Long-Term Bond futures will not have price limits.

Attachments 1-3 summarize, respectively, the salient features, contract terms and conditions, position limits and reportable levels, and no bust ranges for flexible options on Long-Term Treasury Bond futures.

CBOT certifies that these changes comply with the Commodity Exchange Act and regulations thereunder. The rule amendments will be made effective immediately.

If you require additional information in support this letter, please contact Daniel Grombacher at (312) 634-1583 or via e-mail at daniel.grombacher@cmegroup.com) or me at (312) 648-5422. Please reference CBOT Submission No. 09-179 in any related correspondence.

Sincerely,

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

attachments

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Attachment 1

Salient Features
Flexible Options on Long-Term U.S. Treasury Bond Futures

Underlying Instrument	One (1) Long-Term U.S. Treasury Bond futures contract of a specified delivery month.
Tick Size	One sixty-fourth of one point ($15.625).
Strike Price Intervals	Points and 32nds of points on an outright futures contract basis or relative to the price of the underlying futures contract. Strike prices can be any strike that is not beyond the range of currently listed strike prices for the standard options.
Contract Months	Trading may be conducted in flexible options in any month up through the most distant underlying futures contract listed for trading. The underlying futures contract for a flexible option shall be the same as the underlying futures contract month of the nearest quarterly cycle standard futures option expiring on or after the expiration of the flexible option.
Last Trading Day	Expiration day.
Exercise	American- or European-style exercise. Notification of the intent to exercise a flexible option must be received by the Clearing House by 17:00, Chicago time. After the close on the last day of trading, all in-the-money flexible options will be automatically exercised unless notice to cancel automatic exercise is given to the Clearing House by 17:00, Chicago time, on that day. Flexible options that meet the criteria of standard options shall follow the exercise procedures as specified in the standard option rules.
Expiration	Flexible option expiration may be specified for any Monday through Friday that is not an Exchange holiday except that expiration may not occur following the last Friday that precedes by at least two business days the last business day of the calendar month preceding the underlying futures contract month. Flexible options expire at 19:00, Chicago time, on the last trading day. Flexible options that meet the criteria of standard options shall follow the expiration procedures as specified in the standard option rules.
Trading Hours	Open Auction: 07:20 - 14:00, Chicago time, Monday – Friday.
Ticker Symbols	To be determined.
Daily Price Limit	None.
Position Accountability	25,000 option contracts for all months and all strike prices combined in each option category (i.e., long call, long put, short call, and short put).
Reportable Level	1,500 option contracts.
Block Minimum	Regular Trading Hours (07:00 – 16:00, Chicago time): 7,500 contracts.
All-or-None Minimum	2,500 contracts on an outright basis. For spread combinations at least one leg must equal or exceed 2,500 contracts.

Attachment 2

CBOT Rulebook Chapter XXB
Flexible Options on Long-Term U.S. Treasury Bond Futures

XXB00. SCOPE OF CHAPTER

This chapter is limited in application to Flexible put and call options on the Long-Term U.S. Treasury Bond futures contract. In addition to the rules of this chapter, transactions in options on Long-Term U.S. Treasury Bond futures shall be subject to the general rules of the Exchange insofar as applicable.

XXB01. OPTIONS CHARACTERISTICS

XXB01.A. Contract Months

Trading may be conducted in flexible options in any month up through the most distant underlying futures contract listed for trading.

The underlying futures contract for a flexible option shall be the same as the underlying futures contract month of the nearest quarterly cycle standard futures option expiring on or after the expiration of the flexible option.

XXB01.B. Trading Unit

The minimum size for requesting a quote and/or trading in a flexible option series is 50 contracts, where each contract represents one of the underlying futures contracts at the Exchange. Parties may request a quote for, and/or trade, less than 50 contracts in order to entirely close out a position in a flexible series.

For a flexible options series, respondents to a request for quote must be willing to trade at least 50 contracts, with the exception that a respondent may trade less than 50 contracts if the respondent is entirely closing out a position in the series.

XXB01.C. Minimum Fluctuations

Option premium shall be quoted in terms of Long-Term U.S. Treasury Bond futures price points (Rule XX102.C.). One point equals $1,000.00. Option premium shall be quoted in increments of one sixty-fourth (1/64) of one point ($15.625 per contract).
However, a position may be initiated or liquidated in Long-Term U.S. Treasury Bond Flexible futures options at a premium ranging from $1.00 to $15.00, in $1.00 increments per option contract.

If options are quoted in volatility terms, the minimum fluctuation shall be .10 percent (i.e., -10.0%, 10.1%, 10.2%, etc.).

XXB01.D. Trading Hours

The hours of trading for flexible options on Long-Term U.S. Treasury Bond futures contracts shall be determined by the Exchange.

On the last day of trading in an expiring option, the expiring option shall cease trading at the time of the close of the open outcry trading session for the underlying Long-Term U.S. Treasury Bond futures contract.

Attachment 2 (continued)

CBOT Rulebook Chapter XXB
Flexible Options on Long-Term U.S. Treasury Bond Futures

XXB01.E. Exercise Prices

Strike prices for flexible options must be specified in points and 32nds of points per Long-Term U.S. Treasury Bond futures contract. However, strike prices may be specified in 1/32nd point increments relative to the underlying futures contract. Strike prices cannot be outside the range of the currently listed strike prices for standard options.

XXB01.F. Expiration Date

Flexible option expiration may be specified for any Monday through Friday that is not an Exchange holiday except that expiration may not occur following the last Friday that precedes by at least two business days the last business day of the calendar month preceding the underlying futures contract month. Flexible options expire at 7:00 p.m. on the last trading day.

However, options which meet the criteria given in the second paragraph of Flexible Option Rule XXB01.G. will follow the expiration and exercise procedures as specified in the standard option rules.

XXB01.G. Nature of Flexible Options on Long-Term U.S. Treasury Bond Futures

Flexible options on Long-Term U.S. Treasury Bond futures shall be permitted in puts and calls which do not have the same underlying futures contract, same strike price, same exercise style, and same last day of trading as standard options.

However, Flexible Options on Long-Term U.S. Treasury Bond futures shall also be permitted in puts and calls which have the same underlying futures contract, same strike price, same exercise style, and same last day of trading as standard options that are not at the time listed for trading in the standard options pit or on the Exchange's electronic trading system. All Flexible Option rules except as specified in Rules XXB01.F., XXB01.I., and XXB02.A. will apply to the options described in this paragraph. Once and if these options are listed for trading as standard options, they will be traded subject to standard options trading requirements. Upon such listing, all existing open positions established under flexible options trading procedures shall be fully fungible with transactions in the respective standard option series for all purposes under these rules.

Trading shall be permitted in any recognized option/option or option/futures spread involving puts, calls or futures.

XXB01.H. Exercise Style

Flexible options may be American or European exercise style.

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Flexible Options on Long-Term U.S. Treasury Bond Futures

XXB01.I. Termination of Trading
The last day of trading in a flexible option shall be the expiration day.

However, options which meet the criteria given in the second paragraph of Flexible Option Rule XXB01.G will follow the expiration and exercise procedures as specified in the standard option rules.

XXB01.J. Contract Modification
Specifications shall be fixed as of the first day of trading of a contract except that all options must conform to government regulations in force at the time of exercise. If the U.S. government, an agency, or duly constituted body thereof issues an order, ruling, directive, or law inconsistent with these rules, such order, ruling, directive, or law shall be construed to become part of the rules and all open and new options contracts shall be subject to such government orders.

XXB02. EXERCISE AND ASSIGNMENT
In addition to the applicable procedures and requirements of Chapter 7, the following shall apply to the exercise and assignment of Flexible Long-Term U.S. Treasury Bond options.

XXB02.A. Exercise of Option
Notification of the intent to exercise a flexible option must be received by the Clearing House by 5:00 p.m. Chicago time, or by such other time designated by the Exchange. No exceptions to the 5:00 p.m. exercise deadline, or such other deadline designated by the Exchange, shall be permitted.

After the close on the last day of trading, all in-the-money flexible options will be automatically exercised unless notice to cancel automatic exercise is given to the Clearing House by 5:00 p.m., or by such other time designated by the Exchange, on that day.

Options which meet the criteria given in the second paragraph of Flexible Option Rule XXB01.G. will follow expiration and exercise procedures as specified in the standard option rules.

XXB02.B. Assignment
Exercise notices accepted by the Clearing House shall be assigned through a process of random selection to clearing members' open short positions in the same series. A clearing member to which an exercise notice is assigned shall be notified thereof as soon as practicable after such notice is assigned by the Clearing House.

The clearing member assigned an exercise notice shall be assigned a short position in the underlying futures contract if a call is exercised or a long position if a put is exercised. The clearing member representing the option buyer shall be assigned a long position in the underlying futures contract if a call is exercised and a short position if a put is exercised.

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All such futures positions shall be assigned at a price equal to the exercise price of the option and shall be marked to market in accordance with Rule 814 on the trading day of acceptance by the Clearing House of the Exercise Notice.

XXB03. ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES
(Refer to Rule 701.).

XXB04. [RESERVED]

XXB05. INITIATING A FLEXIBLE OPTION CONTRACT SERIES
The opening of trading in any flexible option series shall occur through the submission of an RFQ or at such time that a trade takes place in the particular flexible option series.

If so desired, participants can submit additional RFQs for any open series. However, in this situation no priority period (Rule 18B06.) will exist.

XXB06. RFQ TRADING INTERVAL
If the submitter of the first RFQ of the day in a flexible series requests either a bid or an offer, but not both, then he shall have up to a one minute priority period during which he shall have the sole right to either buy or sell as specified in his RFQ. The length of the priority period shall be determined by the Exchange.

If more than one RFQ is the first RFQ of the day in a flexible series, all the RFQs individually ask for either a bid or an offer, but not both, and all the RFQs collectively are for the same side of the market (all bids or all offers) then the submitters shall jointly share priority during the period.

Priority for RFQs is determined by submission to the RFQ official, except that all RFQs submitted before the open shall be treated equally.

XXB07. EXPIRATION OF AN RFQ
Trading in a given flexible option series following an RFQ shall remain open for the remainder of the trading session. Trading in a given flexible option series following a transaction in that series shall remain open through the remainder of the trading session in which the transaction was executed and through each subsequent session in which there is open interest in the flexible option series.

XXB08. REPORTING OF FLEXIBLE OPTIONS TRADES
It shall be the responsibility of the participants in a flexible option trade to promptly report the quantities and prices to the flexible option pit reporter.

Attachment 3

CBOT Rulebook Chapter 5 -- Position Limits, Reportable Levels, and No Bust Ranges for Flexible Options on Long-Term U.S. Treasury Bond Futures

(Additions are underlined. Deletions are struck through.)

CONTRACT NAME	Opts	SCALE-DOWN SPOT MONTH	SPOT MONTH	SINGLE MONTH	ALL MONTHS COMBINED	POSITION ACCOUNTABILITY Futures/Options	REPORTABLE FUTURES LEVEL	REPORTABLE OPTIONS LEVEL
				FINANCIALS				
LONG-TERM U.S. TREASURY BONDS	**Y**	**(SEE #13)**				**10,000 / 25,000**	**1,500**	**1,500**
U.S. Treasury Bonds	Y	(see #13)				10,000 / 25,000	1,500	1,500
U.S. Treasury Notes (2 yr.)	Y	(see #13)				7,500 / 20,000	1,000	1,000
U.S. Treasury Notes (3 yr.)		(see #13)				7,500 / N/A	750	
U.S. Treasury Notes (5 yr.)	Y	(see #13)				7,500 / 20,000	2,000	2,000
U.S. Treasury Notes (6 ½ - 10 yr.)	Y	(see #13)				7,500 / 20,000	2,000	2,000
30 Day Fed Fund	Y					3,000 / N/A	600	600
30-Year Interest Rate Swap	Y					5,000 / 15,000	500	25
10-Year Interest Rate Swap	Y					5,000 / 15,000	500	500
7-Year Interest Rate Swap	Y					5,000 / 15,000	25	25
5-Year Interest Rate Swap	Y					5,000 / 15,000	500	500
Mini-sized Eurodollars			10,000	10,000	10,000		400	

#13 In the last ten trading days of the expiring futures month, the following position limits in the expiring contract will apply: Long-Term U.S. Treasury Bonds – 20,000 contracts; U.S. Treasury Bonds – 25,000 contracts; U.S. Treasury Notes (6½ - 10 Year) – 60,000 contracts; U.S. Treasury Notes (5 Year) – 45,000 contracts; U.S. Treasury Notes (2 Year) – 25,000 contracts. No hedge exemptions will be permitted with respect to these limits.

CBOT Rulebook, Chapter 5, Rule 588.K. No Bust Ranges

Option Contract Bid/Ask	Reasonability	No Bust Range
U.S. Treasuries (2-, 5- and 10 Year Notes, Bond, and **Long-Term Bond**)	4/64ths	20% of premium up to 2/64ths with minimum of 1 tick

[1] Net long or short effective at the close of trading two business days prior to the first trading day of the delivery month.
[2] Futures-equivalent position limit net long or net short in any one month other than the spot month. Net equivalent futures long or short in all months and strike prices combined.
[3] Futures-equivalent position limit net long or net short in all months and strike prices combined. Long futures contracts, long call options, and short put options are considered to be on the long side of the market, while short futures contracts, long put options, and short call options are considered to be on the short side of the market.
[4] As described in Rule 560. Futures levels refer to futures equivalent contracts. Options levels refer to option contracts for all months and all strike prices combined in each option category (long call, long put, short call and short put).