



Christopher Bowen  
Managing Director and Chief Regulatory Counsel  
Legal Department

December 6, 2011

**VIA E-MAIL**

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

**RE: Modifications to the CBOT Market Maker Program for Long-Term U.S. Treasury Bond Futures. CBOT Submission No. 11-477**

Dear Mr. Stawick:

Board of Trade of the City of Chicago, Inc. ("CBOT" or the "Exchange") hereby notifies the Commodity Futures Trading Commission ("Commission") of modifications to an existing Market Making Program for certain Long-Term U.S. Treasury Bond futures contracts that are traded on Globex® ("Program"). The modifications to the proposed Program will become effective on January 1, 2012.

Exhibit 1 sets forth the terms of this Program. The modifications appear below, with additions underscored and deletions overstruck.

CBOT business staff responsible for the Program and the CBOT legal department collectively reviewed the designated contract market core principles ("Core Principles") as set forth in the Commodities Exchange Act ("CEA"). During the review, CBOT staff identified the following Core Principles as potentially being impacted; Prevention of Market Disruption, Execution of Transactions, Protection of Market Participants, Compliance with Rules and Recordkeeping.

The Program and proposed modifications will not impact the Exchange's ability to perform its trade practice and market surveillance obligations under the CEA and the Exchange's market regulation staff will continue to monitor all market participants that trade the Program's products to prevent manipulative trading and market abuse. Additionally, the Exchange has implemented systems to track Program participants' obligations to ensure proper distribution of earned incentives. The incentives in the Program do not impact the Exchange's order execution. Participants in the Program will be selected by Exchange staff using criteria as further stated in Exhibit 1. Chapter 4 of the CBOT rules includes prohibitions against fraudulent, non-competitive, unfair or abusive practices. All participants must execute a contractual agreement with the Exchange in which each participant will expressly agree to comply with and be subject to, applicable regulations and CBOT rules. The Program is subject to the Exchange's record retention policies which comply with the CEA.

CBOT certifies that the Program and the modifications to the Program comply with the Commodity Exchange Act and the regulations thereunder. There were no substantive opposing views to this Program or the proposed modifications.

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

If you require any additional information regarding this submission, please contact Robert Lev at 312-930-3019 or via e-mail at [robert.lev@cmegroup.com](mailto:robert.lev@cmegroup.com), or contact me at 212-299-2200. Please reference our CBOT Submission No. **11-477** in any related correspondence.

Sincerely,

/s/ Christopher Bowen  
Managing Director, Chief Regulatory Counsel

Attachments

# EXHIBIT 1

## Market Maker Program for CBOT Long-Term U.S. Treasury Bond Futures

### Program Purpose.

The purpose of the Program and the Program modifications is to incent market makers to enhance liquidity in the products listed below. The purpose for the modification below is to attract additional market makers into the Program. A more liquid contract benefits all participants in the market.

### Product Scope

CBOT Long-Term U.S. Treasury Bond futures traded on Globex® (“Products”).

### Eligible Participants

~~Any Individual Member, Equity Member, Trading Member, or Electronic Corporate Member of the Exchange, or any participant in the Exchange's International Incentive Program.~~ Program is available to both member and non-member customers. Up to ~~seven (7)~~ ten (10) participants shall be admitted to the Program. Prospective participants are required to submit a Bid Sheet to the Exchange which is used to determine eligibility. Exchange staff will use a variety of factors in determining whether or not a prospective market maker is selected to participate in the Program, including past performance in Long-Term U.S. Treasury Bond futures and the ability to commit to and maintain at least the required quoting obligations. Notwithstanding the forgoing, the Exchange may, from time to time, add to or subtract from the factors listed above as it deems necessary.

### Program Term

Start date is January 10, 2010. End date is ~~December 31, 2014~~ December 31, 2012.

### Hours

7:00 a.m. – 4:00 p.m. Chicago Time.

### Obligations

#### Quoting Requirements:

Program participants must quote on the Globex® electronic trading platform:

- i) On an outright basis, the nearby delivery months in the March-quarterly expiration cycle in both Long-Term U.S. Treasury Bond futures ~~and conventional U.S. Treasury Bond futures~~, at contracted bid-offered price spreads and in contracted bid-offered depth.
- ii) During quarterly roll periods, the calendar spreads between the nearby and the first deferred delivery months in the March-quarterly expiration cycle in both Long-Term U.S. Treasury Bond futures ~~and conventional U.S. Treasury Bond futures~~, at contracted bid-offered price spreads and in contracted bid-offered depth.

**Program Incentives:**

Fee waivers

~~Fee waivers payable to any Program participant shall comprise exchange fees, clearing fees, ex-pit surcharges, and exchange fees for non-trades (e.g., making or taking delivery) arising from said Program participant's transactions in Long-Term U.S. Treasury Bond futures.~~

~~Fee waivers shall remain in effect for the duration of the program and shall not be subject to renegotiation.~~

Waiver of CBOT electronic transaction fee and clearing fee for all Product contracts traded in the designated market making account(s) for duration of agreement.

Fee credits

In order to qualify for the monthly fee credit, each participant must be at least 3% of the total Long-Term U.S. Treasury Bond futures volume.

Upon satisfying all Program obligations, as determined by the Exchange, each Program participant shall be eligible for a monthly fee credit based on the number of Long-Term U.S. Treasury Bond futures that such Program participant has traded.

For any given calendar month, each registered market making account shall receive a fee credit equal to a multiple of the number of Long-Term U.S. Treasury Bond futures contract sides traded in that account during such month. Such fee credit shall be on the basis of \$0.11 per contract. For any given calendar month, the multiplier that shall apply in the determination of that month's fee credit amount shall be set with reference to the aggregate number of Long-Term U.S. Treasury Bond futures contracts traded during the same calendar month:

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<b>Average daily trading volume in Long-Term U.S. Treasury Bond futures</b>	<b>Multiplier per Long-Term U.S. Treasury Bond futures contract side traded in a registered market maker account</b>
<b>0 to <del>25,000</del> <u>75,000</u></b>	<b>4 <del>2</del></b>
<b><del>25,001</del> <u>75,001 to 50,000</u> <u>100,000</u></b>	<b>3</b>
<b>Over <del>50,000</del> <u>100,001</u></b>	<b><del>2</del> 4</b>

Renegotiation of incentives

~~The Exchange may renegotiate the foregoing schedule of fee credits if, during the first (January-March) quarter of 2011, the aggregate number of contract sides traded in Program participants' accounts exceeds 66.7 percent of the aggregate number of all contract sides traded, where "trading volume" and "aggregate number of sides traded" are defined solely in respect of Long-Term U.S. Treasury Bond futures contracts. Such renegotiation shall occur at the Exchange's discretion, but not prior to the second (April-June) quarter of 2011.~~

**Restrictions**

A Program participant shall not be eligible to include his or her Long-Term U.S. Treasury Bond futures trading volume in the determination of non-member average daily trading volume for the purpose of his or her participation in the "CBOT Volume Discount – U.S. Treasury" program.

**Monitoring and Termination of Status**

The Exchange shall retain the right to revoke Program participant status if it concludes from review that a Program participant no longer meets the eligibility requirements or fails to meet the obligations of the Program.