

August 16, 2006

Ms. Eileen A. Donovan
Acting Secretary
Commodity Futures Trading Commission
Three Lafayette Center
1155 21st Street, N.W.
Washington, D.C. 20581

Reference File # 2714.01
Rule Certification

Dear Ms. Donovan:

Pursuant to Commission Regulation 40.6(a), the Chicago Board of Trade (CBOT[®]) hereby submits the following:

- **Amendments to Regulations B2707.01, B2707.02, B2807.01, B2807.02, B3507.01, B3507.02, B3607.01 and B3607.02 per the attached texts (additions underlined; deletions struck through).**

The referenced amendments will change the exercise deadline for CBOT Flexible U.S. Treasury Options from 6:00 p.m. to 5:00 p.m. (Central Time).

The current (6:00 p.m.) deadline coincides with the opening time for trading in CBOT Treasury contracts. In this situation, short position holders in Flexible Treasury Options may not be aware of option assignments against their positions before the underlying futures are opened. Such option assignments potentially expose short position holders to additional and unnecessary market risk. The referenced amendments will address this issue by establishing the relevant exercise deadline one hour earlier.

The CBOT intends to implement these amendments no sooner than September 1, 2006.

There were no opposing views concerning these amendments.

The CBOT certifies that these amendments comply with the Commodity Exchange Act and the rules thereunder.

Sincerely,

Paul J. Draths
Vice President and Secretary

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(Additions are underlined; deletions are ~~struck through~~.)

Long Term Treasury Note Flexible Options

B2707.01 **Exercise of Flexible Options** — Notification of the intent to exercise a flexible option must be received by the Clearing Services Provider by 5:00 p.m. ~~6:00 p.m.~~ Chicago time, or by such other time designated by the Exchange. No exceptions to the 5:00 p.m. ~~6:00 p.m.~~ exercise deadline, or such other deadline designated by the Exchange, shall be permitted.

However, options which meet the criteria given in the second paragraph of Flexible Option Regulation 2702.03 will follow expiration and exercise procedures as specified in the standard option regulations. (XX/XX/XX)

B2707.02 **Automatic Exercise** — 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 Services Provider by 5:00 p.m. ~~6:00 p.m.~~, or by such other time designated by the Exchange, on that day.

However, options which meet the criteria given in the second paragraph of Flexible Option Regulation 2702.03 will follow expiration and exercise procedures as specified in the standard option regulations. (XX/XX/XX)

Treasury Bond Flexible Options

B2807.01 **Exercise of Flexible Options** — Notification of the intent to exercise a flexible option must be received by the Clearing Services Provider by 5:00 p.m. ~~6:00 p.m.~~ Chicago time, or by such other time designated by the Exchange. No exceptions to the 5:00 p.m. ~~6:00 p.m.~~ exercise deadline, or such other deadline designated by the Exchange, shall be permitted.

However, options which meet the criteria given in the second paragraph of Flexible Option Regulation 2802.03 will follow expiration and exercise procedures as specified in the standard option regulations. (XX/XX/XX)

B2807.02 **Automatic Exercise** — 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 Services Provider by 5:00 p.m. ~~6:00 p.m.~~, or by such other time designated by the Exchange, on that day.

However, options which meet the criteria given in the second paragraph of Flexible Option Regulation 2802.03 will follow expiration and exercise procedures as specified in the standard option regulations. (XX/XX/XX)

Medium Term Treasury Note Flexible Options

B3507.01 **Exercise of Flexible Options** — Notification of the intent to exercise a flexible option must be received by the Clearing Services Provider by 5:00 p.m. ~~6:00 p.m.~~ Chicago time, or by such other time designated by the Exchange. No exceptions to the 5:00 p.m. ~~6:00 p.m.~~ exercise deadline, or such other deadline designated by the Exchange, shall be permitted.

However, options which meet the criteria given in the second paragraph of Flexible Option Regulation 3502.03 will follow expiration and exercise procedures as specified in the standard option regulations. (XX/XX/XX)

B3507.02 **Automatic Exercise** — 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 Service Provider by 5:00 p.m. ~~6:00 p.m.~~, or by such other time designated by the Exchange, on that day.

However, options which meet the criteria given in the second paragraph of Flexible Option Regulation 3502.03 will follow expiration and exercise procedures as specified in the standard option regulations. (XX/XX/XX)

Short Term Treasury Note Flexible Options

B3607.01 **Exercise of Flexible Options** — Notification of the intent to exercise a flexible option must be received by the Clearing Services Provider by 5:00 p.m. ~~6:00 p.m.~~, Chicago time, or by such other time designated by the Exchange. No exceptions to the 5:00 p.m. ~~6:00 p.m.~~, exercise deadline, or such other deadline designated by the Exchange, shall be permitted.

However, options which meet the criteria given in the second paragraph of Flexible Option Regulation 3602.03 will follow expiration and exercise procedures as specified in the standard option regulations. (XX/XX/XX)

B3607.02 **Automatic Exercise** — 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 Services Provider by 5:00 p.m. ~~6:00 p.m.~~, or by such other time designated by the Exchange, on that day.

However, options which meet the criteria given in the second paragraph of Flexible Option Regulation 3602.03 will follow expiration and exercise procedures as specified in the standard option regulations. (XX/XX/XX)